We are pleased to provide our

2020 Corporate Governance Report
to our stakeholders

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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 53 years. The Board provides effective and ethical leadership and is committed to a governance framework that is built on the principles of honesty, integrity and accountability.

Ethical value system
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 3 of the 2020 Integrated Annual Report (IAR).

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 bottom line of economic, social and environmental sustainability. The Board is happy to confirm that Hugh’s valued experience and contribution in the role of lead independent director and his ability to contribute 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.

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 18 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 circumstances. 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 practices 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.

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 clawback 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. Read more from page 22.
- 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. Read more from page 6.
- 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 the 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. Read more from page 15.

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Effective control
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.

Effectiveness review
The Board annually conducts an evaluation of its contribution to the Group as a whole, as well as the individual performance of each director. All members of the Board have complied with their responsibilities as set out in the Board’s charter. The Board is satisfied that on the basis of this evaluation 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 addressed by King IV, namely:

- Good performance
- Legitimacy
- Purpose
- Accountability

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 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.

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, Leriona Oliver, following the retirement of Bakar Jacobs;
  - 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 Abdullah Jacobs as non-executive director with effect from 8 September 2019, and Mariam Cassim and Haroon Bhart as independent non-executive directors with effect from 18 May 2020. In addition, Andrew Botes was invited to 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.

The Board ultimately endorses and accepts responsibility for achieving the values that underpin good governance, as advocated by the King IV Report on Corporate Governance® for South Africa, 2016 (King IV). These include integrity, competence, fairness, responsibility, transparency and accountability.
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 through the development and retention of top talent and through incentivisation in line with the Group’s strategic objectives.

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.picknpayinvest.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 22 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.

Members and attendance

J van Rooyen (Chair) 2/2
D Friedland 2/2
H Herman 2/2
A MOTHUPU 2/2

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.

Members and attendance

H Herman (Chair) 2/2
G Ackerman 2/2
A Jakoet 2/2
A MOTHUPU 2/2
J van Rooyen 2/2

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 strong and balanced Board to oversee and drive 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.

Members and attendance

G Ackerman (Chair) 2/2
A MOTHUPU 2/2

Social and ethics committee

The committee, supported by key management personnel, is tasked with ensuring that the Group’s enduring values are set out on page 3 of the 2020 IAR and underpin the Group’s long-term strategy, and are applied daily in all areas of the business, and that our sustainability strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business (refer to page 52 and page 53 of the 2020 IAR for more information).

Members and attendance

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

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. No formal meetings were held this year. Read from page 45 of the 2020 IAR for more detail on the Group’s strategic focus.

Members and attendance

J van Rooyen (Chair) 2/2
D Friedland 2/2
H Herman 2/2
A MOTHUPU 2/2

Corporate governance committee

For 53 years, the Group has ensured that its policy of doing good and 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.

Members and attendance

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

Employee share incentive trust

The Group’s employee share incentive schemes remain a key part of the Group’s remuneration philosophy, aiming to align the interests of employees with shareholders and to ensure that employees share in the stakeholder value that they help to create.

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

Members and attendance

G Ackerman (Chair) 2/2
D Robins 2/2
A Jakoet 2/2
J van Rooyen 2/2

Executive committee

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.

Members and attendance

R Brasher 1/3
L Ober 1/3
R van Rensburg 1/3

Our governance

 Together with the Board, all committees are satisfied that they have carried out their responsibilities during the period.
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 retail, commercial, financial, accounting, legal and regulatory knowledge to the Board, and add value through wisdom, and practical business acumen.

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

- Including Annamaree van der Merwe, to be appointed in August 2020.

Non-executive directors (including our Chairman)

- The executive committee (refer to page 7 for further information) performs the Chief Operating Decision Maker (CODM) role within the Group. The CODM comprises Richard Brasher (CEO), Lauraé Olivier (Chief Financial Officer) and Richard van Rensburg (Chief Investment Officer). They are tasked with the day-to-day executive management of the Group. Suzanne Ackerman-Berman and Jonathan Ackerman perform valuable ancillary executive roles alongside the executive committee, focused on corporate social investment, transformation and customer relations.

- The Board is pleased to announce that:
  - Aboubakar Jakoté joined the Board as a non-executive director with effect from 6 September 2019;
  - Mariam Cassim and Haroon Bhorat joined the Board as independent non-executive directors with effect from 18 May 2020; and
  - Annamaree van der Merwe will join the Board on 4 August 2020, at which time Alex Mathole will step off the Board.

- The Group’s controlling shareholder, Ackerman Investment Holdings Proprietary Limited (AIH), advised the Company that it had transferred its shareholding into AIH’s wholly-owned subsidiary, Newsflow 1321 Proprietary Limited, to ring-fence it from other portfolio investments. The Company and shareholders were advised of this transaction on 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’ 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 annually elects an independent non-executive director 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 stakeholder 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.

- 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.

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 who represent the gender, race 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 financial year, instead of the standard three-year term of office.

- >15 years: 3
- 10 – 15 years: 1
- 5 – 10 years: 2
- <5 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 a regular 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.

Corporate Governance Report 2020
Independence of non-executive directors

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 Chairman and 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 shareholders at the Company’s annual general meeting.

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

The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that the strength of a group, 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. Directors engage in rigorous and informed debate within a climate of promoting direction, governance and effective leadership of the Group. Decisions are made by consensus. All Board members are conscious of their obligation to act with integrity and as representatives of all our 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 Group 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

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.

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What the Board focused on during the year

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

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COVID-19 impact

Limited as to what could be sold during levels 5 and 4 of the lockdown, the Group ensured that products would be sold at the best possible price, and limited quantities of scarce commodities, so that all customers had an opportunity to buy essential products.

Re-aligning committee membership

Committee membership was re-assessed to ensure that non-executive directors were best placed to make a contribution to the various Board committees.

Consumer and competitive environment

The Board monitored the effects of the COVID-19 pandemic in responding to changing customer needs, with a focus on finding growth in a tough economic climate. The Board monitored the management teams’ efforts to improve the cost effectiveness and efficiency of the business. The Board continued to monitor the impact of the increasing difficult economic environment in South Africa on consumer confidence and consumer spending.

Performance of our Rest of Africa segment

The Board focused on Group operations outside South Africa to ensure tight management during tough economic times. Our Zambian team committed to and delivered strong cost discipline and working capital management to mitigate the impact of the low-growth environment. Developments in Zimbabwe were closely monitored in light of economic uncertainty and currency devaluation in the region leading to inflationary pressure. TM Supermarkets delivered a strong trade performance notwithstanding the difficult economic backdrop. Our financial reporting aimed to provide stakeholders with clear information on the performance of the business and the impact of currency devaluation on the Group’s results.

COVID-19 impact

As with South Africa, the lockdown had a serious and ongoing impact on other countries in Africa in which the Group operates. The situation is being closely monitored and every effort is being made to ensure that expenses are well controlled and that availability is maintained at the best possible price.

Effectiveness of our procurement and distribution channel

The Board assesses the effectiveness and efficiency of the Group’s centralised supply chain on a regular basis. Stability of labour relations across the supply chain remains a key risk, and is closely monitored by the Board.

COVID-19 impact

Every effort is being made to ensure that customers, staff and service providers remain safe during the pandemic. Screens, masks and strict sanitising and social distancing protocols ensure that the Group remains as safe as possible for all who serve and shop.

Goverance and risk management

Topic

Discussions, decisions and actions undertaken by the Board during the year to protect and create value for our stakeholders

Monitoring statutory developments

We monitored statutory developments, following the amended Competition Act, No 89 of 1998 in conjunction with the release of the final report of the Market Inquiring into the Grocery Retail Sector. The amendments to the Competition Act are incorporated into our commercial practices. The ongoing impact of the government’s intention to use the amended Competition Act as an instrument of policy in addressing the skewed ownership profile of the economy will continue to be an area of focus.

COVID-19 impact

Following the declaration of the State of Disaster on 15 March 2020 a plethora of regulations have been promulgated to govern every aspect of the lockdown in its varying levels, sometimes accompanied by draconian implementation at local authority level. The Group has worked tirelessly to ensure that it remains able to perform its function as an essential products provider to South African consumers during this time of uncertainty.

Listeriosis

We continue to monitor the social and legal consequences of the 2018 listeriosis outbreak in South Africa.

Effectiveness of our information systems and technology

The Board reviewed and updated the Group’s technology and information policy framework to ensure that our information security policy and privacy policy is current and reflects all relevant risks in our operating environment. The Board is cognisant of the increased risk of cyberattacks. The Board has endorsed ongoing investment in the development and maintenance of our IT infrastructure and security systems to guard against attack, protect the confidentiality of information and ensure the resiliency and adequacy of recovery procedures.

COVID-19 impact

In a remarkably short space of time, our IS systems enabled office workers to work from home, ensuring that employees remained connected while systems remained secure.
People, culture and diversity

Voluntary severance programme

The Board acknowledged the progress made over the past few years in improving the business for all stakeholders. However, with the limited growth of the economy, South Africa was experiencing particularly tough trading conditions. No improvements were anticipated in the short to medium term with operating costs rising faster than inflation, leading to pressure on consumer spend. Given the Group’s strategy to help customers as much as possible in tough times, achieving the best value for customers remained in priority. To achieve this, costs were required to be kept as low as possible.

Management reviewed how operating costs could be reduced, including employment costs, which is the single biggest expense in the Group. Being acutely mindful of the impact of job losses on the economy, the Board’s policy remains to reduce other costs before reducing the number of employees. Measures were adopted across Group to reduce all operating costs. The Board wished to avoid forced retrenchments of all possible and so opened a programme to invite any employees in Pick n Pay to apply for a voluntary severance package (VSP). The VSP provided an opportunity for employees to choose to leave the business on a voluntary basis, in a planned and structured manner, with a generous package. The Company reserved the right to accept or decline applications for the VSP in line with operational requirements and the need to retain vital skills.

The Group’s goal remains to build a better and more sustainable business, with more opportunities for all employees. The Board considered the VSP as a tough but necessary step to create better value for customers, all stakeholders and the future prospects of long-term growth for those who work in Pick n Pay.

Diversity

The Board monitored the work being done by the Group to achieve a diverse workforce at all levels. Extensive analysis was done to establish a workforce profile and relative pay, with the goal of ensuring that all employees receive fair pay for work done and that the Group remains anti-discriminatory in its recruitment and remuneration. Comprehensive statistical analysis remains ongoing. The results are encouraging, with evidence that pay rates are not skewed by gender or race. The Board will continue to focus on the adequacy of the measures in place to retain and upskill employment equity employees, particularly in senior executive roles, including the removal of any potential barriers to entry.

Financial reporting

Topic

Discussions, decisions and actions undertaken by the Board during the year to protect and create value for our stakeholders.

Adoption of IFRS 16 Leases

IFRS 16 Leases was adopted, aligning the accounting of leased assets with that of owned assets. This resulted in the Group to report its predominantly leasehold estate as if it was freehold. IFRS 16 introduced lease assets and liabilities on to the statement of financial position, and replaced net rent paid with implied depreciation and interest charges. The Group adopted IFRS 16 on a full retrospective basis. Related current period information was fully comparable with prior year restated numbers to assist the market in comparing the results on a like-for-like basis.

IFRS 15 Revenue from Contracts with Customers

Revenue earned on the sale of airtime and data included revenue earned on a principal and agency basis. Revenue earned on a principal basis is recognised as turnover, with related purchases recognised as cost 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 airtime and data providers this year, the Group now acts on an agency basis in accordance with IFRS 15: and data. After a strategic change in our arrangements with airtime and data providers this year, the Group now acts on an agency basis in accordance with IFRS 15:

IAS 29 Financial Reporting in Hyperinflationary Economies

During FY20, Zimbabwe was classified as a hyperinflationary economy. The equity accounted earnings of the Group’s investment in its associate operating in Zimbabwe was therefore accounted for under IAS 29 Financial Reporting in Hyperinflationary Economies. The Group’s share of associate’s income, recognised within profit before tax and headline earnings, included a hyperinflationary accounting net monetary gain. The impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group’s comparable year-on-year performance. As a result, the Group presented its earnings for FY20 on a comparable basis excluding the Group’s share of associates net monetary gain. Refer to the Appendices contained in the 2020 audited Group annual financial statements for further information.

Compliance checklists

CIPC introduced a requirement that each company filing an annual return completes a checklist against which CIPC will monitor and regulate compliance with the Companies Act.
Executive directors (continued)

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 and tax. She was appointed to the position of CFO and to the Board in September 2019.

Non-executive directors

BBusSc
• Appointed 2002
• Years of service to the Group: 26
• Years of service on the Board: 16

Suzanne Ackerman-Berman (57)

Executive Director
BA, Fellow, Aspen 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)

Executive Director
BA Marketing
• Appointed 2010
• Years of service to the Group: 27
• Years of service on the Board: 10

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.

Independent non-executive directors

David joined the Group 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 but remains on the Board as a non-executive director and as a representative of the controlling shareholder.

David was the audit engagement partner and lead/relationship partner at Arthur Andersen and KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector.

Hugh was a partner at law firm Sonnenberg Hofmeyr Gribbek 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 2011. Hugh was appointed honorary life president of the Investec Group and remains chairman of Ninety One Africa (previously Investec Asset Management).

Admitted as an attorney in 1997, Alex has extensive experience in governance, legal and regulatory risk management. She is currently the regulatory and conduct risk management executive at FirstRand, taking responsibility inter alia for regulatory compliance with financial sector laws and requirements, market conduct, business conduct, ethics and promoting an appropriate risk culture.

Owing to the pressures of her executive career, Alex is resigning with effect from 4 August 2020.

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, Audrey served as the head of inclusive banking at Standard Bank Group and before that the chief executive of Strategic Services at the Liberty Group of companies. Audrey has completed the executive programme, Artificial Intelligence (Implications for Business Strategy at MIT Sloan School for Management). Audrey serves on the board of Braveworks Capital, Roodez School and Orange Balers South Africa.

Our Board of directors (continued)
Independent non-executive directors (continued)

Haroon Bhorat (51)
- PhD in Economics
- Appointed May 2020
- Other listed company directorships: Sygma 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 Brookesings 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 also served on the Presidential Economic Advisory Council establishing President Ramaphosa to generate ideas for economic growth, job creation and addressing poverty.

Raymond Ackerman (70)
- BCom (SA), Hon BCompt, CASIA
- Appointed 2007
- Years of service on the Board: 13
- Lead independent director [LID]
- Chairman of the audit, risk and compliance committee and corporate finance committee
- Other listed company directorships: Bookmans 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 IFRS Foundation, chairman of the Public Accountants and Auditors Board (now CASIA) 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.

Mariam Cassim (38)
- CASIA, HBA
- 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 Debt Restructuring, Mergers and Acquisitions, Debt Restructuring, Commercial Evaluation and new, 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 business as well as society.

Before her current appointment, Mariam was Executive Head Commercial, at the Telkoms Group and prior to that, she held four positions at Thebe Investment Corporation: first as Senior Corporate Finance Advisor, then as Executive Manager in the Chairman’s Office, then Group Executive: Synergy and finally Chief of Thebe Connect. After serving articles at KPMG Inc., Mariam worked at Edcon Holdings and Sarsen Capital Markets.

Jeff van Rooyen (70)
- BCom (SA), Hon BCompt, CASIA
- Appointed 2007
- Years of service on the Board: 13
- Lead independent director [LID]
- Chairman of the audit, risk and compliance committee and corporate finance committee
- Other listed company directorships: Bookmans Resources Limited (independent non-executive Chairman)

Wendy Ackerman (58)
- BA LLB
- Appointed 2010
- Years of service to the Group: 14

Debra Muller (58)
- Company Secretary

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant, taking a part-time position as in-house legal advisor in 2004, working with litigious, 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 [RF] NPC, where she also serves as a member of the COSO audit and risk committee. In addition, Debra serves as a director of St Luke’s Hospice property company.

Our Board of directors (continued)

Honorary life presidents

Raymond Ackerman
- Years of service: 53

Wendy Ackerman
- Years of service: 53

Our Governance: 01

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

Our Governance: 01

Refer to page 8 for insight into the Board’s overall sector experience.
BOARD REPORT

Board function

The Board supports the concept of materiality, which emphasises integrated reporting based on issues, risks and opportunities that could materially impact the performance of the business over the short, medium and long term. The Board appoints the Executive committee, consisting of the CEO, CFO and CISO, to run the Group on its behalf.

The CEO is responsible for:
• Leading the implementation and execution of approved strategy, policy and operational planning
• Serving as the chief link between management and the Board
• Ensuring that the day-to-day business affairs of the Group are effectively managed

The Group’s corporate governance charter sets out our executives’ formal role descriptions. Included in the written mandate are limits of authority, which set out those matters where the CEO has final authority and those requiring formal Board approval. Similarly, the CEO has set limits of authority for his executives to enable the effective exercise of authority and responsibilities.

Evaluation of performance

The Board conducts an annual evaluation of its contribution to the Group as well as the individual performance of each director.

Completed questionnaires are submitted to the Chairman, who conducts interviews with each member of the Board. The performance of the Chairman is assessed by the LID. Discussions centre on how the performance and effectiveness of the Board can be improved. Individual feedback is given to each director, and the Chairman gives general feedback to the Board.

Directors declare their directorships and commercial interests to the Company Secretary. These declarations are regularly updated, distributed quarterly to the Board and noted at Board meetings. Transparency of commercial interests ensures that directors are free from any business or other relationship that may interfere materially with their capacity to act independently.

The Board is satisfied that the internal evaluation process improves its performance and effectiveness.

The Board is satisfied that the independent non-executive directors have met the criteria for independence as established by King IV, the Companies Act and the JSE Listings Requirements.

Company Secretary

The Company Secretary assists the Board to fulfil its functions and is empowered by the Board to perform her duties. To manage the Board process, the Company Secretary, directly or indirectly:
• Assists with the induction of new directors
• Assists with director orientation, ongoing development and education
• Ensures that the Group complies with all relevant and applicable legislation
• Monitors the legal and regulatory environment and communicates to the Group and the Board on relevant new legislation or amendments to existing legislation
• Provides the Board with a central source of guidance and assistance
• Acts as secretary for all Board committees

Directors have unlimited access to the Company Secretary’s advice and services. Available channels of communication include personal interaction, electronic communication and Board and committee meetings.

Should the Company Secretary require assistance, she has access to external professional corporate governance resources. The Board believes that these governance services are effective.

Based on the outcome of the Board’s annual formal assessment of the Company Secretary, the Board confirms that the Company Secretary has the qualifications, competence and expertise necessary for the role.

Risk governance

Risk governance and management are integral elements of the Group’s governance framework. The Group ensures that business-specific risks are adequately and timely identified and mitigated, whether they are operational strategic or emerging risks, or risks posed by the external environment. The responsibility of designing, implementing and monitoring the risk management plan is delegated to management.

The Group’s combined assurance model is interrogated by the audit, risk and compliance committee. It is tabled biannually to ensure that the Board is comfortable with the level and type of assurance obtained by the Group.

Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved annually. The plan provides independent assurance that the Group is monitoring relevant material legislation and ensures that processes and compliance controls are in place to manage compliance risks.

An enterprise-wide risk management approach ensures that all areas of the business are aligned with the Group’s risk management philosophy and strategy. The overall risk profile of the Group has not changed materially in the period under review.

The Board confirms that the Group’s risk management, mitigation and monitoring processes were effective and limited the impact of risks on the business during the period.

For detail on the material risks and issues facing the Group, please read from page 32 of the 2020 IAR.

Operational governance

There are well-entrenched governance structures within the Group to ensure that proper assurance is given to strategic and operational matters. Those include:
• Capital committee to manage capital expenditure
• Property committee to manage real-estate development
• Treasury committee to manage debt structures and cash flow

The CEO is mandated to ensure that the Group’s day-to-day business affairs are effectively managed by the executive management and that the necessary systems and controls are in place for effective risk management.

Information and technology (IT) governance

The Board is responsible for governing IT and reviews and approves related policies to set the direction for the Group’s use of IT. IT management is delegated to the CEO, who ensures that IT is used efficiently and responsibly, and in compliance with the relevant laws and regulations.

A privacy committee manages the Group’s response to the Protection of Personal Information Act. An information, risk and privacy office manages the Group’s ongoing information security and privacy programmes alongside management and business unit risk officers.

The Board exercises ongoing oversight of IT management practices via the audit, risk and compliance committee. The committee considers the efficiency of and developments in IT controls, policies and processes, as well as risk and resource optimisation. Prioritised IT systems and processes form part of the internal and external audit programme. The Board ensures that IT is used efficiently and responsibly, and in compliance with the relevant laws and regulations.
NATURE OF BUSINESS

The Group comprises subsidiaries and an associate that retail food, clothing, general merchandise, pharmaceuticals and liquor throughout Africa, both on an owned and franchise basis. The Group also acquires and develops strategic retail and distribution sites.

Significant subsidiaries held directly are presented in note 28 of the Group annual financial statements.

OVERVIEW OF FINANCIAL RESULTS AND ACTIVITIES

Refer to the review of operations from on pages 18 to 27 of the annual financial statements for an overview of financial results and activities of the Group.

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. The Group added a 53rd week of trading to the prior financial period, and accordingly the results for the prior financial period are for a 53 week period ended 3 March 2019, compared to 52 weeks in the current financial period under review. Refer to pages 30 to 107 of the annual financial statements.

In order to provide useful and transparent comparative information, we have made our results available on a 52-week basis. In addition, we have further presented our results on a comparable basis by adjusting for the non-comparable effects of IAS 29 Financial Reporting in Hyperinflationary Economies and a strategic change in our arrangements with airtime and data providers. Refer to the Appendices on pages 110 to 115 of the annual financial statements.

GOING CONCERN

The Pick n Pay Group is operating in the unprecedented circumstances created by the global Coronavirus (COVID-19) pandemic, with South Africa operating under a National State of Disaster and the Lockdown. Countries in the rest of Africa, in which the Group operates, have implemented similar measures in an attempt to slow down the spread of the virus.

The Board of directors (the Board) has performed a formal review of the Company and its subsidiaries’ ability to continue trading as going concerns in the foreseeable future. As part of this review, the Board has given careful consideration to the current COVID-19 outbreak and its impact on the Group. Due to the uncertainty of this outbreak, the Board has considered a range of scenario forecasts to understand the potential outcomes on the Group. In line with standard governance practice, the Board has made an assessment of the Group’s solvency and liquidity and is satisfied of the Group’s ability to continue as a going concern for the foreseeable future and that the presentation of the annual financial statements on a going concern basis is appropriate. In accordance with the requirements of the Companies Act, the Group ensures that it complies with the liquidity and solvency requirements for any dividend payment and provision of financial assistance.

SHAREHOLDER DISTRIBUTION

In light of the current economic upheaval from the COVID-19 pandemic, the Board has 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. But 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 Headline Earnings per Share on a 52-week basis. Refer to the Appendices on pages 110 to 115 of the annual financial statements for further information on the Group’s Comparable Headline Earnings per Share. Further communication in this regard will follow at the time of the Group’s financial year 2021 results publication.

SHARE CAPITAL

At period end, 8 485 240 shares (2019: 9 576 550 shares) of Pick n Pay Stores Limited were held within the Group. These shares are held to settle obligations of share options granted under the Group’s employee share scheme.

In addition, 7 630 000 shares (2019: 8 494 000) of Pick n Pay Stores Limited are held within the Group in order to settle obligations under the Group’s forfeitable share plan. Participants to the forfeitable share plan have non-forfeitable rights to the dividends on these shares.

During the period under review, the Company’s controlling shareholder (Ackerman Investment Holdings Proprietary Limited) transferred its Pick n Pay Stores Limited shareholding to its wholly-owned subsidiary, Newshelf 1321 Proprietary Limited. Refer to the analysis of ordinary shareholders on page S4.

BORROWINGS

The Group’s overall level of debt (including overnight borrowings) decreased by R140.0 million to R2 985.0 million, reflecting a positive impact of financial calendar cut-off. Refer to the Review of Operations on pages 18 to 27 of the annual financial statements for further information on the Group’s net funding position.

LEGAL PROCEEDINGS

The Company and its subsidiaries are not involved, and have not in the 2020 financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

SPECIAL RESOLUTIONS

On 30 July 2019, the Company’s shareholders approved the following special resolutions as tabled in the notice to the annual general meeting:

Directors’ fees for the 2020 and 2021 annual financial periods

Shareholders approved the directors’ fees.

Provision of financial assistance to related or inter-related companies and others

Shareholders resolved in terms of the provisions of section 45 of the Companies Act, that the Company may from time to time provide direct or indirect financial assistance to any director, prescribed officer, related company, inter-related company or member of a related or inter-related company on such terms and conditions as determined by the Board.

General approval to repurchase Company shares

Shareholders resolved that the Company or any of its subsidiaries may acquire issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may determine from time to time.

Acquisition of such shares is subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the Listings Requirements of the JSE, provided further that acquisitions of shares in the Company by the Company and its subsidiaries may not, in the aggregate, exceed in any one financial year 5% of the Company’s issued share capital of the class of repurchased shares.

DIRECTORS AND SECRETARY

Refer to note 4 of the Group annual financial statements for a list of directors of the Company for the 2020 financial year.

The directors listed below retire by rotation and they offer themselves for re-election at the next Annual General Meeting (AGM) on 4 August 2020:

Gareth Ackerman (non-executive)
Hugh Horan (non-executive)
Jeff van Rooyen (non-executive)

The directors listed below offer themselves for election at the next AGM on 4 August 2020:

Lorina Olivier (executive), effective 6 September 2019
Aboubakar Jakoet (non-executive), effective 6 September 2019
Subsequent to the 2020 financial year, the following directors were appointed to the Board and offer themselves for election at the next AGM on 4 August 2020:

Maram Cassim (non-executive), effective 18 May 2020
Haroon Bhoro (non-executive), effective 18 May 2020

The Company Secretary is Debra Muller.

DIRECTORS’ INTEREST IN SHARES

Refer to note 4 of the Group annual financial statements and note 8 of the Company annual financial statements for details of the directors’ interest in shares.

AUDIT, RISK AND COMPLIANCE COMMITTEE

We draw your attention to the audit, risk and compliance committee report on pages 22 to 26 where we set out the responsibilities of the committee and how it has discharged these responsibilities during the period.

Gareth Ackerman
Chairman
19 June 2020

Richard Brasher
Chief Executive Officer
The Board of directors (the Board) is responsible for Group-wide risk management by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group.

The Board retains the overall responsibility to review and approve the annual financial statements for the Group and the Company.

Novel coronavirus pandemic (COVID-19) and its impact on the activities of the committee

The COVID-19 pandemic and extended lockdown measures continue to have a significant impact on the economies in which the Group operates in. In response to this, and as informed by the committee, the Group has expanded its group risk strategy and framework regarding crisis management to specifically address the COVID-19 pandemic. Internal controls impacted by the pandemic continue to be assessed, monitored and amended where relevant, including controls which address the following risks:

- Health, safety and human resources
- Liquidity and going concern
- Governance and regulatory
- Group strategy and economic implications
- Operational and technological
- Financial reporting
- Communication

In addition, business continuity and disaster recovery plans continue to be assessed and, where necessary, amended.

The Board concluded that the impact of the COVID-19 pandemic was a non-adjusting subsequent event, as the first case in South Africa was confirmed after the 2020 financial year-end. The COVID-19 pandemic therefore did not affect the economic assumptions and estimates made in March 2020 for financial measurement purposes. Refer to note 31 of the audited Group annual financial statements for further information. The guidance and amendments to regulations published by the JSE, IFRS and SAICA regarding the Group’s reporting obligations continue to be closely monitored.

The practical implications of the COVID-19 lockdown resulted in logistical delays in the financial statements close process and the audit process of the 2020 financial result. Following consultation with the JSE and EY, the committee consented to management’s request that the Group’s result be released with a review opinion, as opposed to an audit opinion, to ensure that the Group’s results were released timeously to shareholders. The reviewed results were released on 12 May 2020, followed with the approval of the audited financial result on 19 June 2020.

The committee will continue to oversee management’s efforts to ensure the on-going integrity of the Group’s risk and control environment in these unprecedented times of the COVID-19 pandemic.

Composition and activities of the committee

A standing statutory committee, it is chaired by an independent non-executive director and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting. Fees paid to committee members are disclosed in the annual Corporate Governance Report available on the Group’s website at www.picknpayinvestor.co.za.

The committee meets formally twice a year with the Chairman, the Chief Executive Officer, the Chief Financial Officer, the head of the internal audit function and the external auditors in attendance. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. In addition, the committee chairman meets with executives, and the internal and external auditors whenever necessary. The internal and external auditors have unfettered access to the committee and its members throughout the year. Formal minutes of meetings are made available to all members of the committee and are available on request to all members of the Board. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

Committee members and attendance at meetings held during the 2020 financial period

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Responsibilities and activities performed

The committee is authorised by the Board to investigate any activity within its terms of reference. The committee has the right to:

- Seek any information that it requires from any employee or director
- Demand unrestricted access to records and information
- Liaise directly with the Group internal audit services and the external auditors
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

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

To provide useful and transparent comparative information, a 52-week result for the prior year has been presented for comparison against the current year 52-week result. The prior period 52-week financial information constitutes pro forma information as per the JSE Listings Requirements. Refer to the Appendices for further information.

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To provide useful and transparent comparative information, a 52-week result for the prior year has been presented for comparison against the current year 52-week result. The prior period 52-week financial information constitutes pro forma information as per the JSE Listings Requirements. Refer to the Appendices for further information.
### Integrated and financial reporting and finance function

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<tr>
<td>Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including internal audit, external assurance service providers and the finance function</td>
<td>Reviewed and recommended to the Board for approval the annual financial statements, interim results, preliminary results announcement and Integrated Annual Report; Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the JSE Listings Requirements and the King IV Code of Conduct; Reviewed and approved the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls; Ensured that the Group has established appropriate financial reporting procedures and that those procedures are operating, including considering the Group structure, to ensure that the committee has access to all the financial information of each company in the Group, to allow effective preparation of the report on the financial position of the Group; Continued focus on ensuring that the Group's financial systems, processes and controls are operating effectively and are responsive to changes in the environment and industry; Reviewed the sustainability disclosure in the Integrated Annual Report and ensured that it was consistent with financial information reported; Considered the expertise, experience and resources of the Group's finance function; Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the Integrated Annual Report; Reviewed and confirmed that the listed company has an independent sponsor at all times during the financial period; Ensured that the appointment of the external auditor was included as a resolution for shareholders to vote on in the Notice of the 2020 annual general meeting; Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board, including any potential impact of the COVID-19 pandemic; Reviewed and considered representations by management on the conclusion of the COVID-19 pandemic was a non-adjusting subsequent event; Ensured that prior period pro forma financial information, prepared in accordance with IFRS and the JSE Listings Requirements, was provided to stakeholders on an equivalent 52-week basis, to assist stakeholders with their assessment of the Group’s comparable performance; Reviewed and considered the adoption of new accounting standards that impacted on financial reporting, including the adoption of IFRS 16 Leases, and; Monitored the political and economic situation in Zimbabwe and the accounting treatment of the Group’s investment in its associates, TM Supermarkets (Pvt) Ltd in a hyperinflationary environment, including the application of IAS 29 Financial Reporting in Hyperinflationary Economies.</td>
</tr>
</tbody>
</table>

### Internal audit

The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology, to identify material business risks, which are then confirmed and addressed by the relevant individual division managers.

<table>
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<td>Reviewing and approving the internal audit charter and audit plans</td>
<td>Reviewed the internal audit coverage plan; Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function; Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position; Ensured continued progress in integration with the combined assurance model; Reviewed the effectiveness of internal financial controls; and Met separately with the internal auditors to confirm that they received the full co-operation of management.</td>
</tr>
<tr>
<td>Evaluating the independence, effectiveness and performance of the internal audit function and compliance with its mandate</td>
<td>Reviewing the Group’s system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls; Reviewing significant issues raised by the internal audit process; Reviewing policies and procedures for preventing and detecting fraud.</td>
</tr>
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</table>

### External audit

Following a tender process, Ernst & Young Inc (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to five years. The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. The Independent Regulatory Board for Auditors (IRBA) rule on mandatory audit firm rotation was taken into consideration. In terms of the rule, the external auditor firm would be rotated in the financial period ending 2026. The committee concluded that a new tender process was not required in the 2021 financial period.

In terms of section 92 of the Companies Act, as 71 of 2008 as amended (the Act), the designated auditor of a company is required to be rotated after serving as a company’s auditor for five consecutive financial years. The 2020 financial year marks the end of the five-year tenure of Malcolm Rapson as designated audit partner. Tna Rookledge will be appointed as the new designated audit partner for the 2021 financial period. Both audit partners have been assessed to have the necessary competence, ability and independence required for this position.

The committee confirmed its satisfaction with the performance and level of service rendered by EY during the 2020 financial period.
Audit, risk and compliance committee report (continued)

Risk management

The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit, risk and compliance committee meetings by invitation. The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. Currently, the combined assurance plan serves as the Group’s top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

Responsibilities

- Ensuring that the Group has adequate processes in place to identify, monitor and manage all significant financial and business risks areas
- Assisting management to identify risk areas, and evaluating management in the handling of identified risks
- Ensuring that the Group’s assets are secure
- Ensuring that the Group’s information systems are adequate, secure and function effectively
- Ensuring that the accounting system and controls are adequate and function effectively
- Ensuring that the effectiveness of the internal control measures is continually evaluated
- Ensuring that systems exist that adequately provide for the Group’s conformance with all laws, regulations and codes

Activities performed and areas of focus

- Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group.
- Together with internal auditors, external auditors and management, reviewed the findings of the financial review committees of the material operating divisions in the Group.
- Ensured that management’s processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks.
- Reviewed operational risks, in particular how they were managed.
- Met with management to review their progress on identifying and addressing material risk areas within the business.
- The Chairman met regularly with key management to keep abreast of emerging issues which, during the 2020 financial period, included:
  - The adoption of new accounting standards, including IFRS 16 Leases
  - Continued monitoring of possible corporate governance failures and their implications on risk management and director responsibilities in oversight of management
  - The unfolding political and economic events in Zimbabwe and in other countries in Africa in which the Group is operating or considering operating
  - Reviewed both global and local governance failures, to ensure that the Group’s risk management remained robust and relevant.

Policy on non-audit services

All non-audit services provided by the Group’s external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the period under review, EY received R0.4 million (2019: R0.4 million) equating to 3.6% (2019: 4.3%) of the total audit remuneration relating to agreed-upon procedures. All non-audit services undertaken during the 2020 financial period were approved in accordance with this policy.

Expertise and experience of Chief Finance Officer and finance function

The committee, together with the external audit partner, has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Lorena Olivier has the appropriate expertise and experience for the position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group’s requirements.

Legal requirements

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2020 financial period.

Effectiveness of the design and implementation of internal financial controls

The committee has examined the effectiveness of internal financial controls, to assess if there are any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error. Through this process no material matter has come to the attention of the audit, risk and compliance committee or the Board that has caused the directors to believe that the Group’s system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The committee has concluded that the current design of internal financial controls is effective but will continue to be watchful.

The arrangements in place for combined assurance and the committee’s view on its effectiveness

The committee ensured that the combined assurance model addressed all risks facing the Group and monitored the relationship between external and internal assurance providers and the Group. The committee concluded that the arrangements in place for combined assurance were effective.

Annual financial statements and going concern

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 31 March 2020, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2020 financial period and the results of the operations and cash flows for the period then ended.

The committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board, following specific consideration of the impact of the COVID-19 pandemic.

In compliance with the requirements of the King IV Report™, an Integrated Annual Report will be compiled for 2020 in addition to these annual financial statements.

Approval of the audit, risk and compliance committee report

The committee confirmed that it functioned in accordance with its charter for the 2020 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen
Chaired Audit, risk and compliance committee
19 June 2020
The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.

The role of the committee and what the committee focused on during the year

The nominations committee operates in accordance with the requirements of the Companies Act and King IV and is governed by a Board-approved charter, which is reviewed annually by the Board.

Informal ad hoc meetings are held as required. The committee is responsible for the Board-approved charter, which is reviewed annually. The authority to accept or reject investment opportunities remains with the Board.

Following the retirement of CFO Aboubakar (Bakar) Jakoet, and reflecting the strategic and operational importance of the role of CFO, the committee conducted an extensive search involving both internal and external candidates. The committee was ably assisted by all non-executive directors in reaching its conclusion and recommending to the Board that an internal candidate, Lerena Olivier, be appointed. The Board accepted the proposal and Lerena was appointed with effect from 6 September 2019, on which date Bakar retired from his executive role. For more details on Lerena please refer to her CV on page 14.

In addition to those actions, the committee has continued with its responsibilities:

- ensured the succession planning for the Board, the CEO and senior executive positions, so that the Group’s long-term strategy can be well executed
- in light of the King IV criteria for independence, assessed the status of the non-executive directors who claimed to be independent, and concurred with the assessment of independence
- assessed the independence of those non-executive directors who had served for more than nine years and recommended that they continue on the Board, for continuity and legacy experience, for a further term of one year
- recommended to the Board adjustments to committee membership, following the refreshing of the Board, to ensure that directors were best placed to offer their skills and experience in the appropriate Board committees
- reviewed the key performance indicators and objectives of the CEO
- assessed and confirmed the competence and expertise of the Company Secretary
- assessed the balance of the Board and concluded that the Board retained an appropriate balance of skills, knowledge, diversity, independence and experience

Committee membership

The nominations committee identifies a list of candidates to be considered for membership of the Board, and establishes availability, willingness and suitability. The authority to appoint directors remains with the Board. Candidates identified by the committee are interviewed by all non-executive directors and recommended to the Board for appointment.

Gareth Ackerman
Chairman: Nominations committee
1 July 2020

Jeff van Rooyen
Chairman: Corporate finance committee
1 July 2020

Provided not conflicted

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 committee assists the Board in assessing investment opportunities for the Group.
SECTION 1: Committee Chairman’s Report

Our remuneration policies seek to incentivise and reward performance that delivers on the Group’s long-term objectives, measured against clear and relevant financial and operational targets. Decisions on pay and reward for the Board and for senior management must be appropriate in order to attract, motivate and retain a strong and effective team, and to align their interests with those of shareholders.

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 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.

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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, and does not penalise them for circumstances entirely outside of their control. The remuneration committee must exercise careful judgement to ensure that its policies remain relevant in all conditions.

The year in review

Economic conditions deteriorated significantly over the course of FY20, both in South Africa and the other southern African regions in which the Group trades. The difficult domestic trading environment reflected very low levels of economic growth, rising household costs and high levels of unemployment. Operations in the rest of Africa, particularly Zambia and Zimbabwe, were impacted by economic and political instability, currency weakness, drought and erratic power supply.

Against this background, the Group delivered a sound FY20 financial result, with a resilient performance from the South African division. However, the overall result fell short of what the remuneration committee, and indeed the senior executive team, felt the Group was capable of this year.

The remuneration committee recognises that challenges in Zambia and Zimbabwe, including severe and rapid currency devaluation, 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 of the 2020 IAR for further information.

The FY20 result was protected by continued strength and consistency within the core South African business, which lifted its comparable profit before tax by 15.2% this year. As a result, the Group was able to deliver comparable headline earnings of 278.81 cents per share, down 0.6% on last year.

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 set by the remuneration committee 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 ratios, finance costs and inventory management.

Short-term bonuses have been paid to our Boxer team, for an outstanding year leading 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 South 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 being met). 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 Zambia and a material increase in the Group’s tax rate.

The remuneration committee is satisfied with the difficult decisions it took this year. These 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 once-a-century economic recession.

The Group’s long-term strategic objectives are being re-evaluated and re-set by the Board, to reflect the substantively 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 42 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 42 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 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 FSP scheme in the coming 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 FSP participant voting and dividend rights. Voting and dividend rights are currently mandatory under the rules of the FSP, which necessitates upfront funding of the scheme in the form of treasury shares. These rights add cost to the scheme, and allow FSP participants to receive dividends over the course of the scheme, whether or not financial performance conditions are ultimately met for the shares to vest. The remuneration committee seeks greater shareholder alignment, and the flexibility to issue FSP shares without voting and dividend rights (during the vesting period), as appropriate.

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. These 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 reflects 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.

Voluntary severance programme

The Group has achieved significant progress against its long-term plan over the past seven years. However, the need to deliver even better value to customers has never been greater, and this can only be achieved through greater efficiency in the Group’s operations. The Group’s Project Future will address all operational costs, including product and store waste, energy usage, better utilisation of the store estate, greater efficiency in the 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 redundancy programme.

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 coming 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 for his service to the Group and determination. He has committed to stay with the Group for the coming year, and to ensure that our remuneration policy achieves its key objective of value creation over the short, medium and long term. Our remuneration policy incentivises behaviour that delivers on our strategic plan. This is measured against clear individual and Group performance targets. Importantly, pay and reward for the Board and senior management must be appropriate, fair and reasonable to attract, motivate and retain a winning team in a manner that is aligned with the interests of our shareholders. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors.

The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board. Independent expert advice is obtained as required including in respect of the evaluation of our share incentive schemes. No external advisers attended the remuneration committee meetings during the year.

Training

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

More information about the directors on the remuneration committee can be found on page 7.

An overview of the remuneration committee

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

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

The remuneration committee is mandated by the Board to ensure that our remuneration policy achieves its key objective of value creation over the short, medium and long term. Our remuneration policy incentivises behaviour that delivers on our strategic plan. This is measured against clear individual and Group performance targets. Importantly, pay and reward for the Board and senior management must be appropriate, fair and reasonable to attract, motivate and retain a winning team in a manner that is aligned with the interests of our shareholders. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors.

Members and meeting attendance:

<table>
<thead>
<tr>
<th>Attendance</th>
<th>Hugh Herman (Chairman) 2/2</th>
<th>Gareth Ackerman 1/1</th>
<th>Aboubakar Jakoet* 2/2</th>
<th>Audrigo Mthupi 2/2</th>
<th>Jeff van Rooyen 1/1</th>
</tr>
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</table>

* Aboubakar Jakoet was appointed as an non-executive director after the member of the remuneration committee in September 2019.

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More information about the directors on the remuneration committee can be found on page 7.
The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2020 financial period.

To drive sustainable value creation for our stakeholders, our remuneration policies seek to build the most skilled and talented retail business in South Africa.

The application of our remuneration policies in FY20 is detailed in Section 3 of this report. Read more from page 35.

In line with King IV, we will present Section 2 and 3 of this report separately to our shareholders for non-binding votes at the AGM on 30 July 2020. The proposed directors’ fees for the 2021 and 2022 financial periods will be submitted to shareholders at the AGM. No fee increase will be taken in FY21, notwithstanding previous shareholder authorisation received. Please refer to page 43 for further information. In the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

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

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

The remuneration policy and directors’ fees for the 2020 financial period were approved by shareholders at the AGM held on 30 July 2019 as follows:

**Advisory vote 1**
- For: 85%
- Against: 15%

**Advisory vote 2**
- For: 76%
- Against: 24%

**Special resolution 1**
- For: 80%
- Against: 20%

**Remuneration report (continued)**

**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 start 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 policies and practices of comparable companies (locally and internationally) to ensure that it is fair and reasonable, and to avoid the risk of remuneration being out of line with overall employee remuneration.
- 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 managers 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.

**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 analysis 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.
Aligning remuneration with long-term strategic plan

Short- and long-term incentives are aligned 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**

**Stage 2: Change the trajectory**

**Stage 3: Sustainable long-term growth**

**Strategic objectives** (refer pages 45 to 53 of the 2020 IAR)

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

**Short-term incentives**

- **Primary performance target:**
  - Growth in profit before tax and exceptional items (PBTAE)
  - 100% weighting

**Primary PBTAE threshold set met**

- 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.

**Long-term variable incentives**

- **Share options**
  - Range of awards with three, five and seven-year vesting periods
  - Performance condition: Service

- **Forfeitable share plan**
  - Annual performance measurement: HEPS growth, ROCE
  - Performance condition: Service

**Remuneration structure**

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

- **Short-term incentives**
  - **Primary performance target:**
    - Growth in profit before tax and exceptional items (PBTAE)
    - 100% weighting

- **Primary PBTAE threshold set met**

- **Incentive bonus**
  - Monthly and/or annually
  - Performance measurement:
    - Monthly – Key store performance targets
    - Monthly with annual 13th cheque

- **Long-term variable incentives**

- **Share options**

- **Forfeitable share plan**
  - Range of awards with three, five and seven-year vesting periods

**Group performance measures**

- **ENGINES OF GROWTH**
  - SA’s most trusted retailer
  - Africa’s favourite discounter
  - Pick n Pay
  - Boxer
  - Efficiency
  - Innovation
  - Profitable footprint outside South Africa
  - Doing good is good business

**Individual performance measures**

- **MEASURES INCLUDE**
  - Sales, margin, return on investment targets
  - Range targets, reduced stock on hand, improved availability
  - More own brand products
  - Improved customer service, lower complaints

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  - Range targets, reduced stock on hand, improved availability
  - More own brand products
  - Improved customer service, lower complaints
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 employees)1) join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee’s salary towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time and variable-time 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 NMABU2) employees. We contribute 50% of medical aid contributions on behalf of employees.

13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time 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, which is paid on a pro rata basis where the employee has been with the Group for less than a year.

Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit.

Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

Leave

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

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 leadership 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 36.

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 attachment 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 (PnP) 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 PnP.

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>2 x basic monthly salary</td>
</tr>
</tbody>
</table>

Bonuses are capped at the following multiples:

- 40% for 3 years of service
- 30% for 5 years of service
- 30% for 7 years of service

The Group’s share option scheme

<table>
<thead>
<tr>
<th>Share options – service conditions attached</th>
<th>Eligibility</th>
<th>Vesting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status share options – service conditions attached</td>
<td>Status share options are granted to employees who attain grade F. Further options are granted at each promotion to higher levels of management</td>
<td></td>
</tr>
<tr>
<td>Performance share options – service conditions attached</td>
<td>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</td>
<td></td>
</tr>
</tbody>
</table>

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.

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

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>40%</td>
</tr>
<tr>
<td>2nd</td>
<td>30%</td>
</tr>
<tr>
<td>3rd</td>
<td>30%</td>
</tr>
</tbody>
</table>

1) Full-time employees have a fixed contract with the Group and work 45 hours per week.

2) Variable-time employees have a variable contract with the Group, which guarantees 115 hours per month.

NMABU refers to our non-management bargaining unit.
Remuneration report (continued)

The group’s forfeitable share plan (FSP)

The FSP recognises key members of senior management who have a significant role 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 or (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 restructuring 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 43 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 30 to 33 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 R107.0 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 Loraina Oliver 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. Loraina, 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 incentives for the Group’s short-term and long-term performance.

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. Those increases reflect individual performance against key performance indicators; the scope of each role, as well as comparable increases in the general and 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%, allowing for an overall salary increase for salaried staff on an ad hoc basis, taking into account the nature and scope of the services rendered.

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 52-week financial calendar basis, were as follows:

<table>
<thead>
<tr>
<th>Threshold</th>
<th>Target</th>
<th>Stretch</th>
</tr>
</thead>
<tbody>
<tr>
<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, to ensure that 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 comparable PBTAE for the 52-week prior period. The increase in PBTAE fell short of the threshold target set by the remuneration committee. As a result, no short-term incentive bonus has been awarded to executive directors, or to the senior management team of Piek n Pay. Please refer to the chairman’s report on page 31 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 on the Group’s trade and social distancing restrictions, on Group performance.

Long-term incentives – the vesting of forfeitable shares (FSP) 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 schema, and will foreret a substantially lower 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 schema, and will foreret a substantially lower 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 schema, and will foreret a substantially lower 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 schema, and will foreret a substantially lower threshold target for FSP 4 to vest in June 2020.

Please refer to the chairman’s report on page 31 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 disclosures 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 executive 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 5</td>
<td>12</td>
<td>81</td>
<td>10%</td>
<td>12%</td>
<td>12%</td>
<td>June 2022</td>
</tr>
<tr>
<td>2020</td>
<td>FSP 6</td>
<td>2.4</td>
<td>117</td>
<td>10%</td>
<td>12%</td>
<td>14%</td>
<td>June 2021</td>
</tr>
</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 stretching 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 statement on page 32 for further information.

Long-term incentives – CEO

FSP Award

The remuneration committee has awarded 12 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).

Restrain 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 40.

Long-term incentives – share options issued in recognition of promotion and performance

During FY20, 3.2 million Pick n Pay Stores Limited (PKP) options were issued to employees in respect of their progress and performance. A further 200,000 share options were awarded to Lorena 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>Average grant price</th>
<th>Number of options 1,000’s</th>
<th>Net realisable value*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>R44.85</td>
<td>11,416.3</td>
<td>118.6</td>
</tr>
<tr>
<td>2022</td>
<td>R66.20</td>
<td>3,185.5</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>R63.79</td>
<td>2,564.6</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>R70.44</td>
<td>2,242.5</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>R67.55</td>
<td>4,090.0</td>
<td></td>
</tr>
<tr>
<td>2026 and thereafter</td>
<td>23,501.9</td>
<td>118.6</td>
<td></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 lower the country’s growth and investment grade. As a result, approximately 65% or 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 in the 2020 IAR 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 meaningful 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 clawback

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 (Sarsie Gearman 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. Sarsie 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 2021 R</th>
<th>Actual 2020 R</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>4,600 000</td>
<td>4,600 000</td>
</tr>
<tr>
<td>Lead independent–non-executive of the Board</td>
<td>145 000</td>
<td>145 000</td>
</tr>
<tr>
<td>Non-executive director of the Board</td>
<td>435 000</td>
<td>435 000</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>

* The chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee

* The chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee

* 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.

* 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.

* The Chairman of the corporate governance committee is 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.

Corporate Governance Report 2020
## Share awards granted to directors

<table>
<thead>
<tr>
<th>Calendar year granted</th>
<th>Awarded at</th>
<th>Grant price R'000</th>
<th>Exercise price R'000</th>
<th>Balance held at 3 March 2020 R'000</th>
<th>Balance held at 1 March 2021 R'000</th>
<th>Balance held at 1 March 2022 R'000</th>
<th>Grant price (forfeits) R'000</th>
<th>Available for take-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Brasher</td>
<td>Forfeits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>Nil</td>
<td>230 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>2017</td>
<td>Nil</td>
<td>100 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>2018</td>
<td>Nil</td>
<td>140 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>2019</td>
<td>Nil</td>
<td>20 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>80 000</td>
</tr>
<tr>
<td>2020</td>
<td>Nil</td>
<td>140 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>80 000</td>
</tr>
<tr>
<td>Lerena Olivier</td>
<td>Forfeits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>3114</td>
<td>487 464</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>2017</td>
<td>Nil</td>
<td>45 000</td>
<td>69.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–</td>
</tr>
<tr>
<td>2018</td>
<td>Nil</td>
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* 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% of his forfeitable shares were forfeited.

** The remuneration committee has forfeited approximately 30% of the FSP shares awarded to executives in 2017, as the three-year cumulative growth target of 10% set for the Group headline earnings per share was not met. In line with the discretion provided within the scheme rules, the remuneration committee will allow approximately 30% of the dilution to be available for take-up in June 2020 in recognition of the South African division's market leading performance over the past three years.

### Total remuneration of executive directors

<table>
<thead>
<tr>
<th>Base salary R'000</th>
<th>Fringe and other benefits R'000</th>
<th>Total remuneration R'000</th>
<th>Long-term share award charges R'000</th>
</tr>
</thead>
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<tr>
<td>Richard Brasher</td>
<td>10 707.0</td>
<td>968.0</td>
<td>12 715.0</td>
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<tr>
<td>Aboubakar Jakoet*</td>
<td>2 711.3</td>
<td>52.8</td>
<td>3 144.1</td>
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<tr>
<td>Lerena Olivier</td>
<td>1 856.2</td>
<td>182.4</td>
<td>2 038.6</td>
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<tr>
<td>Richard van Rensburg</td>
<td>4 960.0</td>
<td>341.3</td>
<td>5 301.3</td>
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<tr>
<td>Suzanne Ackerman-Berman</td>
<td>2 922.3</td>
<td>276.2</td>
<td>3 207.6</td>
</tr>
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<td>Jonathan Ackerman</td>
<td>1 494.0</td>
<td>271.6</td>
<td>1 765.6</td>
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Total remuneration: 24 710.8 R'000

### Total remuneration of non-executive directors

<table>
<thead>
<tr>
<th>Total fixed remuneration R'000</th>
<th>Bonus and gratuity(%)</th>
<th>Total remuneration R'000</th>
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</thead>
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<tr>
<td>24 174.8</td>
<td>1 878.2</td>
<td>27 053.0</td>
</tr>
<tr>
<td>24 174.8</td>
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<td>27 053.0</td>
</tr>
<tr>
<td>24 174.8</td>
<td>1 878.2</td>
<td>27 053.0</td>
</tr>
</tbody>
</table>

### Payments, accruals and awards to directors

END 

---

* 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.

** Lorato Phalatse resigned in the prior period, as a director of Pick n Pay Stores Limited on 31 August 2018.
## Directors' interest in ordinary shares

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<tbody>
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<td><strong>Suzanne Ackerman-Berman</strong></td>
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<tr>
<td><strong>Jonathan Ackerman</strong></td>
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<td><strong>David Robins</strong></td>
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Directors' interest in B shares

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</table>

Directors have been appointed as non-executive directors of Pick n Pay Stores Limited. As a result of his retirement, 30% of his forfeitable shares were forfeited.

The remuneration committee has forfeited approximately 70% of the FSP shares awarded to executives in 2017, as the three-year cumulative growth target of 10% set for Group headline earnings per share was not met. In line with the discretion provided within the scheme rules, the remuneration committee will allow approximately 30% of the decision to be available for take-up in June 2020 in recognition of the South African division's market leading performance over the past three years.

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.

* 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.**
The committee monitored the Group’s activities in relation to relevant policies, legislation and best practice in corporate governance.
Among other issues, the meetings dealt with key topics such as:
- the plastics and packaging reduction programme;
- updates to the anti-bribery and corruption (ABC) policy and the gifts register;
- the introduction of the malus and clawback policy regarding remuneration;
- addressing diversity targets and barriers to achievement of Employment Equity and disability targets;
- reviewing the Group’s activities relating to supplier agreements;
- promoting cultural diversity awareness in marketing campaigns;
- reviewing disclosure of conflicts of business interests between employees, suppliers and service providers;
- reviewing updates on the Group’s contribution to the development of communities and charitable donations across the Group; and
- risks arising from the use of email and the Internet, particularly in light of the increase in the number of office workers working from home.
The committee confirms that no material issues were identified during the period. In accordance with its charter, the committee effectively discharged its statutory duties and responsibilities over the period.

Focus areas for 2020
Focus areas for 2020 include:
- the impact of the COVID-19 pandemic on all stakeholders of the Company, including employees, suppliers and customers;
- a comprehensive review of the positive impact of charitable donations to communities hard hit by the COVID-19 pandemic;
- continued monitoring of the Group’s talent succession plans and the impact of training programmes to assist in career development and a return on investment in learning and development;
- business continuity planning, and
- plastics and packaging reduction.
LEGAL REPORT

Compliance
The compliance framework rests on the Group’s comprehensive set of policies. Statutory developments are continuously monitored, and the compliance regime is regularly updated to reflect governance best practice and the evolving regulatory environment. All employees and companies in the Group are obliged to comply with these policies.

In order to monitor compliance with statutes and regulations that have a bearing on the retail industry, questionnaires based on relevant statutes are distributed bi-annually to departments.

Compliance questionnaires perform the dual function of monitoring compliance and educating employees on the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions. Current areas of focus include the Competition Act and suggested amendments to the Companies Act, as well as the communication of the Company’s Code of Ethics and the newly introduced malus and clawback policy. Training sessions continue to be conducted with employees regarding intellectual property rights, as protected by the Trade Marks Act and the Copyright Act.

The Presidency recently announced that the Protection of Personal Information Act (POPI) will come into effect on 1 July 2020, with a compliance enforcement date of 1 July 2021. The Group’s privacy and security committee has been pro-actively ensuring that POPI’s provisions are embedded in our practices. This will be an important focus in the coming year.

The Board adopted a malus and clawback policy to ensure that the Group could claw back performance-based elements of an employee’s remuneration should that employee be involved in a material misstatement of the financial statements.

The compliance questionnaires are audited internally to ensure accurate reporting. Management self-assessment is being implemented.

No judgements, damages, penalties or material fines for non-compliance with any legislation were recorded or levied against any company in the Group, or against any director, officer or employee during the period under review.

Each year, the executive directors and relevant members of senior management declare that to the best of their knowledge, they and the companies they serve have complied with all relevant statutes and regulations. No incidents of contravention of the policies or the statutes were reported.

Litigation matters
The Company and its subsidiaries are not involved and have not in the 2020 financial period been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

Competition Commission
The Competition Commission completed its 4-year inquiry into the grocery retail sector at the end of 2019. The findings are being assessed.

The Group has been in discussions with the Competition Commission as regards the duration of long-term exclusive lease agreements. The Competition Commission requested that the Group waive its exclusivity rights in shopping centres. The Group remains of the belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, which have over many years given developers and retailers the confidence to invest and serve customers better. Any changes to the regulatory regime should apply to all retailers equally to ensure a level playing field. However, in support of our belief that small independent stores play an important role alongside major retailers, Pick n Pay has announced that it will unilaterally cease enforcing exclusivity rights in shopping malls against small and specialist stores. The Group will continue its active support of small businesses, for example, through our purchasing and supply chain practices as well as through the Ackerman Pick n Pay Foundation.

Pick n Pay believes that the existing structure of the South African grocery retail sector is competitive and dynamic, and to the benefit of consumers. The growth of large-scale grocery retail benefits consumers through access to safe and affordable food. Furthermore, Pick n Pay believes that the expansion of formal retailers into townships and other areas is good for consumers and has not inhibited a thriving informal and independent sector. Small, independent stores play an important role alongside major retailers.

The growth of the formal sector also benefits the economy through providing secure jobs, formal training, compliance with food safety and other standards, as well as increasing resources through taxation of the formal sector.

COVID-19 impact
Following the State President’s declaration of a State of Disaster arising from the novel coronavirus pandemic, COVID-19, the grocery retail sector has been operating in accordance with a constantly changing regulatory environment governing the various stages of the lockdown. Every effort is being made to ensure compliance with the regulatory regime.

Amongst other restrictions, the Government issued regulations prohibiting the charging of excessive or unfair prices and required retailers to ensure an equitable distribution of goods and services and to maintain adequate stock levels. The Government encouraged consumers to bring allegations of price gouging to the attention of the Competition Commission. Various allegations were received by the Group. In all cases, the allegations have proved to be unfounded. The Group continues to follow its policy of ensuring that Pick n Pay would not seek to profit from unjustifiable increases on prices of goods in demand. Allegations appeared to have arisen from customers misunderstanding when promotional pricing reverted to standard pricing, or when price increases had been passed on to suppliers to retailers. The Group continues to work actively with the Competition Commission, responding in detail to allegations, and providing information regarding promotional pricing and price increases.
## ANALYSIS OF ORDINARY SHAREHOLDERS as at 1 March 2020

### Pick n Pay Stores Limited

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<th>SHAREHOLDER SPREAD</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
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<td>2 320 568</td>
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<tr>
<td>10 001 – 100 000 shares</td>
<td>1 087</td>
<td>7.9</td>
<td>34 663 852</td>
<td>7.0</td>
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<tr>
<td>100 001 – 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>373 671 189</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>13 502</strong></td>
<td><strong>100.0</strong></td>
<td><strong>483 450 321</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC/NON-PUBLIC SHAREHOLDERS</th>
<th>Number of shareholders</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>
</tr>
<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>1</td>
<td>-</td>
<td>124 677 237</td>
<td>25.3</td>
</tr>
<tr>
<td>Ackerman Investment Holdings Pty Ltd</td>
<td>1</td>
<td>-</td>
<td>101 900</td>
<td>-</td>
</tr>
<tr>
<td>Ackerman Pick n Pay Foundation</td>
<td>1</td>
<td>-</td>
<td>2 768 000</td>
<td>0.6</td>
</tr>
<tr>
<td>Mistral Trust</td>
<td>10</td>
<td>0.1</td>
<td>4 303 455</td>
<td>0.9</td>
</tr>
<tr>
<td>Directors of Pick n Pay Stores Limited</td>
<td>1</td>
<td>-</td>
<td>7 630 000</td>
<td>1.5</td>
</tr>
<tr>
<td>Pick n Pay Retailers Proprietary Limited</td>
<td>1</td>
<td>-</td>
<td>662 978</td>
<td>0.1</td>
</tr>
<tr>
<td>Pick n Pay Employees Share Purchase Trust</td>
<td>1</td>
<td>-</td>
<td>7 822 262</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Public shareholders</strong></td>
<td><strong>13 489</strong></td>
<td><strong>99.9</strong></td>
<td><strong>345 484 488</strong></td>
<td><strong>70.0</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13 502</strong></td>
<td><strong>100.0</strong></td>
<td><strong>483 450 321</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>124 677 237</td>
<td>25.3</td>
</tr>
<tr>
<td>Government Employees Pension Fund</td>
<td>64 084 196</td>
<td>13.0</td>
</tr>
<tr>
<td>GIC Private Limited</td>
<td>17 403 304</td>
<td>3.5</td>
</tr>
<tr>
<td>Fidelity Series Emerging Markets Opportunities Fund</td>
<td>14 764 156</td>
<td>3.0</td>
</tr>
<tr>
<td>Coronation Balanced plus fund</td>
<td>9 218 044</td>
<td>1.9</td>
</tr>
<tr>
<td>Pick n Pay Employees Share Purchase Trust</td>
<td>7 822 262</td>
<td>1.6</td>
</tr>
<tr>
<td>Alexander Forbes Investments</td>
<td>7 661 577</td>
<td>1.6</td>
</tr>
<tr>
<td>Shares held on behalf of FSP participants</td>
<td>7 630 000</td>
<td>1.5</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index Fund</td>
<td>5 966 933</td>
<td>1.1</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Stock Index Fund</td>
<td>5 573 229</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>246 936 847</strong></td>
<td><strong>51.9</strong></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

### Pick n Pay Stores Limited

<table>
<thead>
<tr>
<th>SHAREHOLDER SPREAD</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>1 – 1 000 shares</td>
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<td>3.9</td>
<td>1 100</td>
<td>-</td>
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<td>1 001 – 10 000 shares</td>
<td>7</td>
<td>26.9</td>
<td>52 968</td>
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<td>10 001 – 100 000 shares</td>
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<td>30.8</td>
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<td>100 001 – 1 000 000 shares</td>
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<td>19.2</td>
<td>1 582 276</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>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100.0</strong></td>
<td><strong>259 682 869</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
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<thead>
<tr>
<th>PUBLIC/NON-PUBLIC SHAREHOLDERS</th>
<th>Number of shareholders</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>259 296 007</td>
<td>99.5</td>
</tr>
<tr>
<td>Newshelf 1321 Proprietary Limited*</td>
<td>1</td>
<td>3.9</td>
<td>246 936 847</td>
<td>95.1</td>
</tr>
<tr>
<td>Directors of Pick n Pay Stores Limited</td>
<td>4</td>
<td>15.3</td>
<td>6 008 601</td>
<td>2.3</td>
</tr>
<tr>
<td>Mistral Trust</td>
<td>1</td>
<td>3.9</td>
<td>5 349 559</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Public shareholders</strong></td>
<td><strong>20</strong></td>
<td><strong>76.9</strong></td>
<td><strong>1 387 862</strong></td>
<td><strong>0.5</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100.0</strong></td>
<td><strong>259 682 869</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
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<thead>
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<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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<td>6.8</td>
</tr>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>100.0</strong></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.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. All B shares are stapled to certain ordinary shares.

### 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: 46.7%
- Great Britain: 12.6%
- Other countries: 6.9%
SHAREHOLDERS’ INFORMATION

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 52nd annual general meeting of shareholders will be held at 08:30 on Tuesday, 4 August 2020. The AGM for the 2020 annual financial period will be held at 08:30 on Tuesday, 4 August 2020.

FY21 Results announcements

Interim to 1 September 2020 October 2020
Final to 28 February 2021 April 2021

Publication of annual financial statements

2020 July 2020
2021 June 2021

Publication of Integrated Annual Report and Corporate Governance Report

2020 July 2020
2021 June 2021

Publication of Sustainability Report (every two years)

2021 June 2021
2023 June 2023

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 52nd annual general meeting (AGM) of shareholders of Pick n Pay Stores Limited (the Company, alternatively “Stores”) will be conducted entirely by electronic communication as permitted by the Companies Act, as amended (the Companies Act) and by the Company’s Memorandum of Incorporation (MOI).

The AGM for the 2020 annual financial period will be held at 08:30 on Tuesday, 4 August 2020.

IMPACT OF COVID-19 PANDEMIC ON THE AGM

As a result of the COVID-19 pandemic and following guidance from authorities regarding the need for social distancing, the AGM will be conducted entirely by electronic communication.

The procedure to be followed by shareholders or their duly appointed proxies (participants) who wish to participate in the AGM is set out in detail on page 82 under the heading ELECTRONIC PARTICIPATION and repeated in the attached form.

The Board of directors of the Company has established that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 52nd AGM is Friday, 3 July 2020 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the AGM is Friday, 24 July 2020. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 24 July 2020 will be entitled to participate in and vote at the AGM.

Each of the ordinary and special resolutions set out below may be proposed and passed, with or without modification or amendment, at the AGM or at any postponement or adjournment of the AGM.

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolution. Special resolutions may only be proposed if at least 10% (ten percent) of the voting rights of the Company have been specially notified to the Board of directors to be elected are presented from page 63.

HUGH HERMAN, JEFF VAN ROOYEN and GARETH ACKERMAN were appointed as a non-executive director of the Company. Being eligible, they offer themselves for re-election as non-executive directors of the Company.

Lerena Olivier was appointed as the Chief Financial Officer on 6 September 2019. Being eligible, she offers herself for election as an executive director of the Company.

Aboubakar Jakoot retired as the Chief Financial Officer on 18 May 2020. Being eligible, she offers herself for election as an executive director of the Company.

ORDINARY RESOLUTION 2.3 Appointment of external auditors

RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company.

The audit, risk and compliance committee has recommended the reappointment of Ernst & Young Inc. as external auditors of the Company.

ORDINARY RESOLUTION 2.2 Appointment of Jeff van Rooyen as director

RESOLVED that Jeff van Rooyen be and is hereby elected as a non-executive director of the Company.

ORDINARY RESOLUTION 2.1 Appointment of Hugh Herman as director

RESOLVED that Hugh Herman be and is hereby elected as a director of the Company.

ORDINARY RESOLUTION 2.4 Appointment of Gareth Ackerman as director

RESOLVED that Gareth Ackerman be and is hereby elected as a director of the Company.

 orculation of the sustainable annual financial statement.
ORDINARY RESOLUTION 2.4
Appointment of Lerana Olivier as director

RESOLVED that Lerana Olivier be and is hereby elected as a director of the Company.

ORDINARY RESOLUTION 2.5
Appointment of Aboubakar Jakoot as director

RESOLVED that Aboubakar Jakoot be and is hereby elected as a director of the Company.

ORDINARY RESOLUTION 2.6
Appointment of Mariam Cassim as director

RESOLVED that Mariam Cassim be and is hereby elected as a director of the Company.

ORDINARY RESOLUTION 2.7
Appointment of Haroon Bhoro as director

RESOLVED that Haroon Bhoro be and is hereby elected as a director of the Company.

ORDINARY RESOLUTION 2.8
Appointment of Annamarie van der Merwe as director

RESOLVED that Annamarie van der Merwe be and is hereby elected as a director of the Company.

4. ORDINARY RESOLUTION NUMBER 3
Appointment of audit, risk and compliance committee members for the 2021 annual financial period

Curriculum vitae are presented on page 64.

ORDINARY RESOLUTION 3.1
Appointment of Jeff van Roogen as a member of the audit, risk and compliance committee

RESOLVED that Jeff van Roogen be and is hereby elected as a member of the audit, risk and compliance committee of the Company, for the 2021 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2.

ORDINARY RESOLUTION 3.2
Appointment of Herman van der Merwe as a member of the audit, risk and compliance committee

RESOLVED that Herman van der Merwe be and is hereby elected as a member of the audit, risk and compliance committee of the Company, for the 2021 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.1.

ORDINARY RESOLUTION 3.3
Appointment of Audrey Mthupi as a member of the audit, risk and compliance committee

RESOLVED that Audrey Mthupi be and is hereby elected as a member of the audit, risk and compliance committee of the Company, for the 2021 annual financial period.

ORDINARY RESOLUTION NUMBER 3.4
Appointment of B ltd as a member of the audit, risk and compliance committee

RESOLVED that B ltd be and is hereby elected as a member of the audit, risk and compliance committee of the Company, for the 2021 annual financial period.

ORDINARY RESOLUTION NUMBER 3.5
Appointment of Mariam Cassim as a member of the audit, risk and compliance committee

RESOLVED that Mariam Cassim be and is hereby elected as a member of the audit, risk and compliance committee of the Company, for the 2021 annual financial period, subject to her election as a director of the Company in terms of ordinary resolution 2.6.

5. ADVISORY VOTE
Remuneration policy and report for the 2020 annual financial period

The directors table the remuneration report for the 2020 annual financial period. The remuneration policy and implementation report is set out in the remuneration report in the integrated annual report, to be found on the website, www.pnp.co.za, from page 96. For your convenience, the remuneration report is repeated in the corporate governance report from page 33.

ADVISORY VOTE NUMBER 1
Endorsement of the remuneration policy

RESOLVED that, by way of a non-binding advisory vote, the remuneration policy of the Company as outlined in the remuneration report in the Integrated Annual Report, is endorsed.

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of King IV, more than 75% of the voting rights exercised on this resolution must be cast in favour for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration policy adopted by the Company. In the event that 25% or more of the voting rights exercised are cast against this resolution, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

ADVISORY VOTE NUMBER 2
Endorsement of the remuneration implementation report

RESOLVED that, by way of a non-binding advisory vote, the remuneration implementation report of the Company, as outlined in the remuneration report in the Integrated Annual Report, is endorsed.

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of King IV, more than 75% of the voting rights exercised on this resolution must be cast in favour for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration implementation report of the Company. In the event that 25% or more of the voting rights exercised are cast against this resolution, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

6. SPECIAL RESOLUTION NUMBER 1
Directors’ fees for the 2021 and 2020 annual financial periods

PLEASE NOTE: Following the impact on the South African economy of the COVID-19 pandemic, proposed fees for the 2021 annual financial period are unchanged from the prior annual financial period, notwithstanding shareholders resolving at the 2019 AGM that fees could be increased by CPI for the 2021 annual financial period.

RESOLVED, as a special resolution, that the directors’ fees, to be paid to the directors in their capacity as directors, for the 2021 annual financial period, and to be increased by CPI for the 2022 annual financial period, be as follows:

- Chairman: R466 000
- Lead non-executive director: R145 000
- Non-executive directors: R435 000
- Chairman of the audit, risk and compliance committee: R375 000
- Chairman of the remuneration committee: R200 000
- Chairman of the corporate finance committee: R200 000
- Member of the audit, risk and compliance committee: R145 000
- Member of the remuneration committee: R194 500
- Member of the nominations committee: R190 000
- Member of the social and ethics committee: R190 000
- Member of the corporate governance committee: R190 000
- Member of the corporate finance committee: R135 000

Where applicable, directors’ fees are exclusive of VAT.

This non-binding advisory vote allows shareholders to express their views on the remuneration policy adopted by the Company. In the event that 25% or more of the voting rights exercised are cast against this resolution, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

7. SPECIAL RESOLUTION NUMBER 2
Provision of financial assistance to related or inter-related companies and others

The Board undertakes that it shall not adopt any resolution to authorise financial assistance as contemplated in special resolutions numbers 2.1 and 2.2 unless the Board of directors of the Company:

- is satisfied that it is immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(ii) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company, as contemplated in section 45(3)(b)(iii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company’s AGM have been satisfied as contemplated in section 45(6) of the Companies Act.

This authority is required in order to grant the Board of directors of the Company the general authority to provide direct and indirect financial assistance to an employee of the Group to provide financial assistance to a person related to an employee of the Company or its subsidiaries, to a related company or others, subject to a maximum rate of 8% (eight percent), and have varying repayment terms. The Company does not intend to amend this policy in the foreseeable future.

This special resolution does not authorise the provision of financial assistance to a person related to an employee of the Company or any of its subsidiaries.

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.1:

This authority is required in order to grant the Board of directors of the Company the general authority to provide inter-group loans and other financial assistance for the purpose of funding the day-to-day operational decisions of the Group.

Reason for and effect of special resolution number 2.1:

The reason for and effect of special resolution number 2.1 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any employee of the Group, or company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.1, or until superseded by another special resolution, whichever period is shorter.

SPECIAL RESOLUTION NUMBER 2.2
Provision of financial assistance to persons

RESOLVED, as a special resolution, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance (“financial assistance”) having the meaning attributed to such term in section 45(1) of the Companies Act that the Board may deem fit to an employee of the Company or any of its subsidiaries, on the terms and conditions and for the amounts that the Board of directors may determine, within the Company’s existing funding loan policy.

NOTES ON THE INTERPRETATION OF SPECIAL RESOLUTION NUMBER 2.2:

This special resolution allows the Company to continue with its existing policy of providing financial assistance to employees. The policy will continue to be limited to housing loans that may be extended to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee’s retirement funding. All loans bear interest at market rates, subject to a maximum rate of 8% (eight percent), and have varying repayment terms. The Company does not intend to amend this policy in the foreseeable future.

This special resolution does not authorise the provision of financial assistance to a person related to an employee of the Company or any of its subsidiaries.

Reason for and effect of special resolution number 2.2:

The reason for and effect of special resolution number 2.2 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to an employee of the Group, or company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.2, or until superseded by another special resolution, whichever period is shorter.
8. SPECIAL RESOLUTION NUMBER 3
Amendment of Forfeitable Share Plan

"RESOLVED, as a special resolution that the Company hereby amends the Rules of the Forfeitable Share Plan (FSP) adopted by shareholders on 12 February 2014 by deleting the word 'including' in the second line of J.3 and replacing it with 'provided that', additionally providing that any dividends or capital gains are awarded at the discretion of RemCom and adding the sentence "The grant of voting rights will be subject to JSE Listings Requirements" that it made earlier.

"J3 Except for the restrictions envisaged in Rule 71, the Participant has all other shareholder rights, including right to vote and dividend rights, and such rights are subject to the provisions of paragraph 36.4 of the FSP. Voting rights and dividend rights cannot be varied by the Remuneration Committee. Participants are entitled to the full voting and dividend rights from the date of granting the shares. The grant of voting rights will be subject to JSE Listings Requirements." 

Reason for and effect of special resolution number 3
The reason for special resolution number 3 is that in terms of the current wording of the rules of the FSP, voting and dividend rights cannot be varied by the Remuneration Committee. Participants are entitled to the full voting and dividend rights from the date of granting the shares. The grant of voting rights will be subject to JSE Listings Requirements.

The proposal special resolution number 3 thus has the effect that the Remuneration Committee is vested with the entitlement of Participants to vote and voting and dividend rights during the vesting period of the awards to reduce the capital intensity or dilutive nature of the FSP on the grant date. While there is no immediate intention to so do it is considered in the interests of the Company and the shareholders that the Remuneration Committee has this discretion for the purposes of limiting the capital cost or dilution arising from the scheme. Should the Remuneration Committee grant voting rights in future awards, voting rights will be subject to JSE Listings Requirements.

The JSE has given its prior approval to the proposed amendment of the Forfeitable Share Plan.

9. SPECIAL RESOLUTION NUMBER 4
General approval to repurchase Company shares

"RESOLVED, as a special resolution that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the M&O of the Company, the provisions of the Companies Act, and the JSE Limited JSE Listings Requirements, as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company’s issued share capital of the class of repurchased shares from the date of the grant of this general approval."

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company, or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

• Any such acquisition of shares shall be effected through the order book operated by the prohibited system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or in any other manner prohibited by the JSE.

• The general approval shall only be valid until the Company’s next AGM, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter.

• An announcement will be made as soon as the Company and/or its subsidiaries have acquired shares in terms of this authority, constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements.

• In determining the price at which shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 100% (one hundred percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries.

• A resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test that since the test was last performed, there have been no material events to change the financial position of the Group; and

• The Company and/or its subsidiaries may not repurchase any shares in respect of the scheme during the prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be repurchased, if any, during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

Pursuant to the JSE Listings Requirements the Board of directors of the Company hereby states that:

• the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements there are other good grounds for doing so. In this regard, the directors will take account of inter alia an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company.

• in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the data on which such repurchase will take place, the directors of the Company will ensure that the repurchases at the time of the repurchase, they are of the opinion that

• the Company and its subsidiaries will after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;

• the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;

• the working capital available to the Company and its subsidiaries, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;

• the repurchase shall only be effected if the Board of directors has, at the time of the repurchase, satisfied the solvency and liquidity test and that, since the test was last performed, there have been no material events to change the financial position of the Company and its subsidiaries.

Directors’ responsibility statement

The directors, whose names appear from page 89 of the IAR, available on our website at www.picknpayinvestor.co.za and from page 13 of the corporate governance report, collectively and individually accept full responsibility for the accuracy of this information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported in terms of Section 10.10.3.3 of the Integrated Annual Report, there have been no material changes in the financial or trading position of the Company.

Major shareholders

Shareholders are referred to pages 54 and 55.

Share capital

Shareholders are referred to pages 54 and 55.

Reason for and effect of special resolution number 3
The reason for special resolution number 3 is to grant the Company a general authority, in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next AGM of the Company or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The company shall have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company.

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations, including the forfeitable share plan.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

10. ORDINARY RESOLUTION NUMBER 4
Directors’ authority to implement special and ordinary resolutions

"RESOLVED that each and every director of the Company be and each of them is hereby authorised and empowered to enter into any such resolution as may be necessary for or incidental to, the implementation and execution of the resolutions passed at this meeting.”

10. TO TRANSLATE SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

GENERAL INSTRUCTIONS AND INFORMATION

In addition to the notice and proxy, this document contains:

• Details of the directors of the Company from page 18;

• The curricula vitae of directors standing for election from page 63.

The Integrated Annual Report, and the Annual Financial Statements, are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuler@ppn.co.za.

There are no material changes to the Group’s financial or trading position, nor has there been any material change in any legal or regulatory proceedings (pending or threatened) that may affect the financial position of the Group between the 2020 financial period and 1 July 2020.

The directors, whose names are given from page 13, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the Integrated Annual Report and this document contain all information required by law and the JSE Listings Requirements.

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Notice of annual general meeting (continued)
Notice of annual general meeting (continued)

All shareholders are encouraged to participate in and vote at the AGM.

ENTITLEMENT TO PARTICIPATE IN AND VOTE AT THE AGM IN PERSON OR BY PROXY

If you have certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an owner-name dematerialised shareholder (a have specifically instructed your Central Securities Depository Participant (CSDP) to hold your shares in your own name in the Company sub-register) then:

• you may participate in and vote at the AGM; alternatively
• you may appoint an individual as a proxy (who need not be a shareholder of the Company) to participate in and vote in your place at the AGM by completing the attached form of proxy. For administrative purposes, it is recommended that the proxy form be returned to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on the inside back cover, by no later than 08:30 on Friday, 31 July 2020. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the transfer secretaries, Computershare, via email at proxy@computershare.co.za or the paper proxy form must be sent by post.

In the absence of a proxy, any shareholder’s entitlement to participate in and vote at the AGM is lost.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the AGM and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is adjourned or postponed) as if such AGM or any adjournment or postponement thereof

Please note that:

• any shareholder of the Company that is a company may authorise a person to act as a proxy at the AGM. Please also note that section 63(2) of the Companies Act requires that persons wishing to participate in the AGM (including a company’s representative) must provide reasonably satisfactory identification before they may participate.
• any shareholder that is a company with dematerialised shares (i.e. if you have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE’s eShare register system (Strata)) held through a CSDP or broker (or their nominee) and are not registered as an “own name dematerialised shareholder”, then you are not a registered shareholder, but your CSDP or broker (or their nominee) would be. You must provide your CSDP or broker with your voting instructions in the manner and time stipulated in your custody agreement. Alternatively, if you wish to participate in the AGM in person you will need to request your CSDP or broker to provide you with the necessary authority in terms of your custody agreement.

CSDPs, brokers or their nominees recorded in the Company’s sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strata should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to participate in and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon. For administrative purposes, it is recommended that the proxy form be returned to the transfer secretaries, Computershare, the details of which are set out below under A). Electronic Participation, by no later than 08:30 on Friday, 31 July 2020.

ELECTRONIC PARTICIPATION

A. Shareholders or their duly appointed proxies who wish to participate in the AGM via electronic communication (participants) must either:

(i) Register online using the online registration portal at www.smartag.co.za; or

(ii) Apply to Computershare, by delivering the duly completed electronic participation form to:

a. First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196; or

b. posting it to Private Bag X9000, Saxonywold, 3213 (at the risk of the participant); or

c. sending it by email to proxy@computershare.co.za, so as to be received by Computershare by no later than 08:30 on Tuesday, 4 August 2020.

The electronic participation form can be found as an insert in this notice of AGM.

Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(3) of the Companies Act. If the request is validated, further details will be provided by email or via the electronic communication facility to participate electronically in the AGM.

B. The Company will inform participants who notified Computershare in accordance with A above by no later than 08:30 on Tuesday, 4 August 2020 by email of the relevant details through which participants may participate electronically.

C. The cost of electronic participation in the AGM is for the expense of the participant and will be billed separately by the participant’s own service provider.

D. The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the Company against any loss, injury, damage, liability or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in or full or partial failure of the electronic services and renounces any claim against the participant via the electronic services to the AGM.

The Company cannot guarantee there will not be a break in electronic communication that is beyond its control.

By order of the Board

Debra Muller
Company Secretary
Cape Town
1 July 2020
Pick n Pay Stores Limited

CURIOSITY VITE VITAE OF DIRECTORS TO BE ELECTED

Curiocity vitae of all directors can be found in the Board of directors section of the Integrated Annual Report, which is published on the Pick n Pay website, www.picknpayinvestor.co.za, or which can be received from the Company Secretary at demarkj@jnp.co.za

Curiocity vitae of directors to be elected to the Board of directors, and to the audit, risk and compliance committee, are to be found below.

Board of directors
Reappointment of directors
Hugh Herman
Attorney, BA LLB (h.c)
Remuneration committee chairman
Hugh was a partner at attorney’s firm Sonnenberg Hoffmann & Galtombe before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1988, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011 Appointed as honorary life president of the Investec Group. Hugh remains Chairman of Neatly One Africa (previously Investec Asset Management).

Jeff van Roogen
BCom, Renis BCompt SA, CA(SA)
Lead Independent director
Audit and risk committee and corporate finance committee chairman
A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings (Pty) Ltd. His involvement in the accounting profession over the years is extensive. Former appointments include being a Trustee of the FFRS Foundation, Chairman of the Public Accountants and Auditors Board (now FRAA) and founding 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 (South Africa) and Chairman of the Federation of South African Medical Sciences of the Universities of Pretoria, member of the Standing Advisory Committee on Company Law and director of the South African Institute of Charted Accountants.
Other listed company directorships: Extrax Resources Limited [Independent Non-Executive Chairman]

Gareth Ackerman
BScCoS, CEMS and AMP (Doko)
Appointed as CEO of Pick n Pay for 15 years until 1999. Gareth headed up various divisions and served as Joint Group Managing Director and he became 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 until 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.

Any shareholder who has received this document, including companies that are co-shareholders, 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 Massmart Foundation and a member of the international board of the Young Presidents’ Organisation (YPO). He chairs the Ackerman Family interests.

Lenora Olivier
CASSA
Lenora joined Pick n Pay 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, Lenora 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.

Aboubakar Jakob
CASSA
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 strategy, tax and finance, the Group is privileged to retain his expertise and experience in his new capacity as a non-executive director.

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

Other listed company directorships: Oceania Group Limited

Mariam Cassim
CASSA
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 new full CEO responsibility. Her flair for innovation, disruption and new business development allows Mariam to break the mould of traditional corporate business solutions, which have a strong purpose element and thereby benefits business as well as society.

Before her current appointment, Mariam was Executive Head Commercial, at the Telkom 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, thereafter as Group Head and finally as CEO. Mariam is a Specialist with the Vodacom Group and is a Director of Vodacom Capital Ventures.

Other listed company directorships: Super Group Limited

Haroon Bhorat
PhD in Economics
Haroon is Professor of Economics in the School of Economics and Director of the University of Cape Town’s Pick n Pay Development Research Centre 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 Labor. 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 President’s Economic Advisory Panel. Haroon sits on the Presidential Economic Advisory Council established by President Ramaphosa to generate ideas for economic growth, job creation and against national challenges.

Other listed company directorships: Signia Asset Management [Independent Non-Executive Chairman]
**FORM OF PROXY**

FOR COMPLETION BY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH “OWN NAME” REGISTRATION ONLY

For use at the annual general meeting (AGM) of shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) to be conducted entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended, and by the Company’s Memorandum of Incorporation at 08:30 on Tuesday, 4 August 2020 and at any adjournment or postponement thereof.

All terms defined in the notice of AGM in which this form of proxy is attached shall bear the same meanings herein.

Note: If your dematerialised shares in Stores are held through a Central Securities Depository Participant (CSDP) or broker, and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you want to participate in the electronic AGM in person, please contact your CSDP or broker.

Note that voting will be performed by way of a poll so each validated participant will be entitled to vote.

Click on each page to view in full.
Summary of shareholder’s rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholder’s meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the AGM;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the AGM;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing or making a later inconsistent appointment of a proxy, and (ii) delivering a copy of the revocation instrument to the proxy and to the transfer secretaries of the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy’s authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company’s Memorandum of Incorporation to be delivered by the Company to you will be delivered by the transfer secretaries of the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the AGM, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid until the end of the AGM or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above. The proxy form shall be valid and shall apply to any adjournment or postponement of the AGM to which it relates, unless the proxy is revoked before the adjourned or postponed meeting.

Notes

1. The person whose name stands first on the proxy form and who is present at the AGM will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all of the shareholder’s votes exercisable at the AGM.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 10 Marshall Street, Johannesburg, 2001 [PO Box 61051, Marshalltown, 2137, South Africa].
6. For administrative purposes, it is recommended that proxy forms be received or lodged by no later than 08:30 on Friday, 31 July 2020, being 2 (two) business days before the AGM to be held at 08:30 on Tuesday, 4 August 2020. Proxy forms must be lodged before the commencement of the AGM.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary, or waived by the Chairman of the AGM if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company’s sub-register voting on instructions from beneficial owners of shares registered in the Company’s sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 10 Marshall Street, Johannesburg, 2001 [PO Box 61051, Marshalltown, 2137, South Africa], together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialed by the participant, but only be validly made if such alteration or correction is accepted by the Chairman of the AGM.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Participation in the AGM via electronic communication

Shareholders or their duly appointed proxies who wish to participate in the AGM via electronic communication (participants) must either:
- (i) Register online using the online registration portal at www.smartag.co.za, or
- (ii) Apply to the Company’s transfer secretaries, Computershare, by delivering this duly completed electronic participation form to:

- a. First Floor, Rosebank Towers, 15 Bannerman Avenue, Rosebank 2196, or
- b. posting it to Private Bag X0050, Sandton 2193 (at the risk of the participant), or
- c. sending it by email to proxy@computershare.co.za,

so as to be received by Computershare no later than 08:30 on Tuesday, 4 August 2020.

Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and if the request is validated, further details on using the electronic communication facility will be provided.

Important notice

The Company shall, by no later than 08:30 on Tuesday, 4 August 2020, notify participants that have delivered valid notices as per this form, by email of the relevant details through which the participants can participate electronically.

APPLICATION FORM

Full name of participant:

K number:

Email address:

Mobile number:

Telephone number:

ID number:

Full name of participant:

Signature:

Date:

Terms and conditions for participation in the AGM via electronic communication

1. The cost of electronic participation in the AGM is for the expense of the participant and will be billed separately by the participant’s own service provider.
2. The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use of possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the Company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM.
3. The application to participate in the AGM electronically will only be deemed successful if this application form has been completed fully and signed by the participant.
4. Pick n Pay Stores Limited cannot guarantee there will not be a break in electronic communication that is beyond the control of the floor of the Company.

Participating shareholder's name:

Signature:

Date:
CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE share code: PK
ISBN. ZAE000005443

Board of directors
Executive
Richard Brasher (CEO)
Lerena Olivier (CFO)
Richard van Rensburg (CISO)
Suzanne Ackerman-Berman
Jonathan Ackerman
Non-executive
Gareth Ackerman (Chairman)
Aboubakar Jakoet
David Robins
Independent non-executive
Haroon Bhurat
Marian Cassim
David Friedland
Hugh Herman
Alex Mathole
Audrey Motluphi
Jeff von Rouxen

Registered office
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel: +27 21 658 1000
Fax: +27 21 1797 0314
Postal address
PO Box 23087
Claremont
Cape Town 7735

Registrar
Computershare Investor Services Proprietary Limited
15 Biemann Avenue
Rosebank 2196
Tel: +27 11 270 5000
Fax: +27 11 688 5248
Postal address
PO Box 61051
Marshalltown 2107

JSE Limited sponsor
Investec Bank Limited
100 Grayston Drive
Sandton 2196

Auditors
Ernst & Young Inc.

Attorneys
Edward Nathan Sonnenbergs

Principal transactional bankers
Absa Limited
First National Bank

Company Secretary
Debra Muller
Email address: demuller@pnp.co.za

Promotion of Access to information Act
informationofficer@pnp.co.za

Investor relations
Penny Gerber
Email address: pennygerber@pnp.co.za

Website
Pick n Pay: www.pnp.co.za
Investor relations: www.picknpayinvestor.co.za

Customer careline
Tel: +27 800 11 22 88
Email address: customercare@pnp.co.za

Online shopping
Tel: +27 860 30 30 30
www.pnp.co.za

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