Contents

About us 4
We are the Pick n Pay Group
Our business, our value
How we operate

About this report 5
Making the shift to integrated reporting
Understanding and engaging our stakeholders
Meeting standards and best practice
Reading this report
Contact us
Acknowledging our progress

Leading sustainability 8
In conversation with the PnP Executive Steering Committee

Our big picture 10
What is food security?
The business case for focusing on food security

Sustainable business; sustainable value 14
Our business strategy and sustainability
Focusing on our material issues
Managing sustainability

Our performance 18
Enhancing governance and accountability 20
Upholding Codes of Practice
Engaging industry bodies

Providing safe food and expanding sustainable product lines 24
Expanding sustainable product lines
Green Range
Sustainable fisheries
Fairtrade products
Organic Range
Sourcing sustainable packaging

Building a resilient supply base 31
Understanding our supply chain
Managing our supply chain
Enabling sustainable farming practices
Linking enterprise development to our supply chain

Empowering our people 38
Training and skills development
Ensuring the health, safety and wellbeing of our people
Engaging our employees
Promoting employment equity and empowerment

Working for a clean and healthy environment 43
Minimising waste
Packaging initiatives
Optimising logistics
Energy management
Managing chemicals
Climate change
Greening our stores

Supporting communities in their contribution to change 52
The Ackerman Pick n Pay Foundation
The Pick n Pay Enterprise Development Fund and Small Business Incubator
The Ackerman Pick n Pay Fund
Partnering with customers for a sustainable future
Corporate Social Investment

Acronyms 58
Sustainability Report Archive
About us

We are the Pick n Pay Group

A leading African retailer with an expanding footprint in South Africa, Swaziland, Namibia, Zambia, Lesotho, Botswana, Zimbabwe, Mozambique and Mauritius. Our company mission and values underpin the way we do business throughout our operations.

Our Mission:
- We serve
- With our heart we create a great place to be
- With our minds we create an excellent place to shop

Our Values:
- We are passionate about our customers and will fight for their rights
- We care for, and respect each other
- We foster personal growth and opportunity
- We nurture leadership and vision, and reward innovation
- We live by honesty and integrity

Our business, our value

Our vision is to be South Africa’s favourite and most respected retailer. We aim to deliver value across our operations, to our customers, our employees and suppliers, our shareholders and the communities and society in which we operate. This value includes making sure that we are a successful and profitable company. We know that to achieve this goal, we need to make sure that the way we deliver value is sustainable in the short, medium and long term.

How we operate

We are a family-controlled company with ownership in 466 corporate stores and 328 franchise stores. Franchising remains an important part of our business strategy. We believe this is a significant way in which we can contribute to economic empowerment - both directly and indirectly. Franchising encourages new entrants into South Africa’s concentrated retail sector and is a way to ensure that small business remains part of the retail picture. For further information see our website.

About this report

Making the shift to integrated reporting

This year, we published our first Integrated Report in line with the requirements of the King Code and Report on Governance for South Africa (King III). In addition, we present this more detailed Sustainable Living Report that seeks to provide a more comprehensive picture of our sustainability commitments to a broader range of stakeholders.

Although we have reported on “triple bottom line” indicators for the past five years, this more integrated approach enables us to provide a clear account of our achievements and challenges within the context of an increasingly changing world. We believe that this gives you, our stakeholder, the ability to better assess Pick n Pay’s performance. And it gives us a more accurate framework to measure our ability to carry on delivering value to our customers, employees, suppliers and to society.

Understanding and engaging our stakeholders

Stakeholder engagement has provided critical input into our sustainability strategy. We take stakeholders’ interests into account when identifying our material issues and in the management of these issues.

We believe the business case for stakeholder engagement will only strengthen as sustainability challenges, operating conditions and changing consumer preferences become more pronounced over time. It is important for us to maintain relationships of trust with all our stakeholders.

In order to achieve our vision of being the favourite and most respected retailer in South Africa, we commit to continuing our efforts with each of our stakeholder groups.

Engagement with the relevant stakeholders is an expectation across all our departments and is not the preserve of a single director or division.
Meeting standards and best practice

We strive to meet international standards to ensure our reporting is consistent and comparable. We submit our Communications on Progress to the United Nations Global Compact (UNGC), annually. In this process, we are tasked to uphold the Ten Principles of responsible business.

We also report in line with Global Reporting Initiative (GRI) requirements. We have assessed our sustainability reporting to a level B in accordance with GRI guidelines. See our website for the GRI table.

Reading this report

This report provides further detail on our sustainability performance covered in the Pick n Pay Integrated Annual Report for 2011. Please refer to this report for further detail on our operational and financial performance.

<table>
<thead>
<tr>
<th>Stakeholders addressed</th>
<th>Integrated Report</th>
<th>Sustainable Living Report</th>
<th>Sustainability website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial stakeholders</td>
<td>Printed and available on our website</td>
<td>Broad spectrum of stakeholders, including employees, suppliers, media, government agencies</td>
<td>Link from Pick n Pay Homepage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Format</th>
<th>Frequency</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printed and available on our website</td>
<td>Annual</td>
<td>High level strategy, with clear links to value drivers, Overview of performance</td>
</tr>
<tr>
<td>Available on our website</td>
<td>Every second year</td>
<td>Detailed report on sustainability initiatives</td>
</tr>
<tr>
<td>Link from Pick n Pay Homepage</td>
<td>Updated continually</td>
<td>Latest developments, Engagement, GRI table</td>
</tr>
</tbody>
</table>

Contact us

We see this report as a living document. That means we are continually updating and finding better ways to communicate our sustainability achievements, challenges or progress. If you have anything to add, question or comment, please let us know.

Any comments can be emailed to Debra Muller, our Company Secretary, at demuller@pnp.co.za
Alternatively, contact our sustainability department at:
101 Rosmead Avenue, Kenilworth, Cape Town
+ 27 21 658 1000
our online response box @ http://www.picknpay.co.za/picknpay/content/en/contact-us
sustainableliving@pnp.co.za

Acknowledging our progress

Although sustainability is an ongoing journey for us, we believe it is important to acknowledge the hard work of our people and celebrate the milestones on our way. In the past year Pick n Pay’s sustainability achievements have been recognised by the Sunday Times, Mail & Guardian, TGI South Africa, and more. Visit our website for more detail.
Leading sustainability

In conversation with the PnP Executive Steering Committee:

**Why is food security such a strong focus for the PnP sustainability initiative?**
“Food security means every South African and every person on the planet has enough food to lead a healthy, active life. The opposite, food insecurity, is driven by factors like climate change, competing needs for agricultural land and volatile food prices. Food insecurity impacts negatively on individual livelihoods, retail supply chains and social stability. It impacts our customers, our supply chain and the society in which we operate. This means there is a strong business imperative for us to work for food security. But for Pick n Pay, it is also about working together, playing our part to build a viable future for Southern Africa.

History has shown us that we take food for granted at our own peril. As a first step, we need to recognise the sheer complexity of the relationships between hunger, disease, poverty, corruption and conflict. We can no longer discuss food insecurity as if it could be reduced to a simple isolated problem; we can no longer think of solutions for food security solely in terms of technologies to increase the yield of a few cereal grains. We see knowledge sharing, cooperation and partnership as the beginning. Where we end will depend on how governments, companies and private citizens work together. We are certainly ready to be part of the solution.”

*Gareth Ackerman, Chairman*

**How do you see sustainability contributing to your operations?**
“Although sustainability has been on our agenda for the past decade, it is only now that I am able to say with confidence that this way of thinking has taken hold within our Company. Tough trading conditions require us to focus, to become more efficient and more effective at delivering value. Every initiative must support our ability to deliver to our customers. As a result, our present sustainability efforts are tightly focused on our core business and the resilience of our operations.

While some of the benefits are not easy to quantify, sustainability has clearly shown returns. In the short term, we have achieved significant savings from energy efficiency and ongoing growth in sales of our organic and green ranges. By investing in small farmers and emerging entrepreneurs, we are securing a more diverse local supplier base; at the same time, we are helping to grow communities and customers for our brand.

Looking ahead, I would see our efforts with suppliers intensifying. Water, soil fertility and climate variability are placing increased pressure on our farmers: finding solutions to these challenges while maintaining the affordability of food is key to our sustainability vision.”

*Nick Badminton, CEO*

**Can PnP really make a difference?**
“Every action we take can be magnified by growing the awareness of our stakeholders. We use the line "inspired by you" to acknowledge how much we learn from our customers. In the same way, we believe that our reach and scale can play a pivotal role in inspiring all South Africans to engage actively with the challenge of securing a safe and viable future for all.

On our own, we can make a contribution. But PnP’s strength really comes from our networks. Put together the energy of more than 35,000 employees, thousands of suppliers and millions of customers, and you have a powerful driver for change. This is a role I see companies stepping into more and more, and I think it is an important one, particularly for food retailers. Food is part of all of our lives; it also links us directly to the natural processes that sustain life.”

*Bronwen Rohland, Marketing & Sustainability Director*

“Agriculture plays a significant role in empowering communities in terms of food security and providing sustainable employment in rural and urban areas. It also enables people in the informal economy to feed their families through subsistence production. As a food retailer, we have significant leverage in this area and we have focused our enterprise development here. The most challenging area for emerging farmers has been access to the market. It is our goal to develop new small suppliers that are not only supported by Pick n Pay, but are able to supply the retail industry at large.”

*Suzanne Ackerman-Berman, Transformation Director*
Our place in the food system

As a major food retailer, we operate in the context of the food system.

This includes our food - from the field to the table to disposal (or compost) - and all the people, systems and inputs that are involved in this continuous cycle.

We are connected to many different stakeholders in the food system. We all depend on a clean and healthy environment to ensure access to food for all.
What is food security?

There is growing concern regarding the global food system. This concern is particularly serious in Africa, including South Africa.

We face food insecurity if we cannot guarantee access to sufficient, safe and nutritious food for all citizens of the world. This will affect many aspects of society, but particularly the poor.

To ensure food security, we need to look at how all the actors in the food system - retailers, consumers, suppliers, communities, interested organisations and regulators - impact food access and natural systems, production, food safety and nutrition, and how we have an impact on other actors in the system.

The business case for focusing on food security

There is a clear case for Pick n Pay focusing on food security.

FOOD SECURITY IMPACTS ON:

- Our procurement strategy and the security of our supply chain
- The nutritional value and safety of the produce we sell
- The need to interact, collaborate with and support people in our value chain
- Our responsibilities for the health of natural systems that support our supply chain
- Our socio-economic context and the customers and communities who support us

As a food retailer, we require a secure and predictable supply of safe and nutritious food to deliver to our stores and our customers. Pick n Pay plays a pivotal role in ensuring the success of primary producers in South Africa.

To achieve this, we must be able to adapt to changing supply conditions, shifting demand and volatile markets to remain competitive and continue delivering value into the future. This is why food security has been identified as an important strategic element in our business strategy.

“In the opening weeks of 2011, cries of “bread and freedom” were heard again - this time across the Mediterranean in the Arab world. In Tunisia, Egypt and Jordan, the lethal combination of joblessness, poverty and sharply rising prices for basic foodstuffs set off a chain of protests that has reverberated around the world.”

Gareth Ackerman, Chairman of Pick n Pay Stores Limited, addressing the International Chapter of the Young Presidents’ Organisation at the World Economic Forum in Cape Town in May 2011.
Sustainable business; sustainable value

Our business strategy and sustainability

Like any business, our sustainability depends on our access to capital. This does not only include financial capital. Business depends on people, social institutions, natural resources and buildings and infrastructure.

We use Forum for the Future’s Five Capitals Model to illustrate the business case for sustainability.

To do business, we need:

- Financial and manufactured capital - infrastructure, technology and manufactured goods - and that depends on >>
- Human and social capital - healthy, functional individuals and fair and efficient social institutions - that depends on >>
- Natural capital - systems, sinks and processes that support our production process and support us and all life on the planet.

Forum for the Future Five Capitals Model: http://www.forumforthefuture.org/project/five-capitalsoverview

To tell the whole story about how Pick n Pay creates value, we need to account for how we use and build each of these five capital stocks.

We believe that the growing pressures on each of the five capital stocks at a global and local level are serious. Our sustainability strategy is aimed at strengthening our business so that we continue to deliver value through volatile times.

We are committed to growing this value for a wide range of stakeholders. We drive this through our own internal programmes and through the partnerships and engagements detailed in this report.

Focusing on our material issues

As a major food retailer, growing concern around national food security is of critical importance to our business.

Our material issues are framed by six focus areas, each of which contributes to addressing the critical challenge of food security and which have the potential to impact on our ability to do business and create value into the future, over the short, medium and long term. These focus areas were identified on the basis of extensive engagements with numerous stakeholders, partners, external consultants and discussions with key managers across our organisation.

The table on the next page indicates how each of these focus areas creates value for a range of stakeholders, as well as enhancing our business strategy.
Within each of these areas are a number of material issues that have a direct impact on our ability to do business. For us, sustainability is not about extending business as usual. Rather, it is about finding opportunities for leverage within our supply chain and through our brand.

Sustainability initiatives at Pick n Pay not only cover risk and impact management; they also drive innovation, process and product redesign, optimising value creation at every stage of the value chain. This idea of generating virtuous circles to drive performance was central to Pick n Pay founder Raymond Ackerman’s approach to the business of retail.

**Managing sustainability**

Our executive team is ultimately accountable for the sustainability of our business. Our Executive Sustainability SteerCom has continued their dialogue on sustainability challenges and opportunities. This group includes our Chairman, Chief Executive Officer, Director of Marketing and Sustainability and Transformation Director. Our Sustainability Manager is responsible for managing and co-ordinating the integration of sustainability efforts across the business.

To progress on our journey, we need to ensure that the Pick n Pay sustainability narrative reflects our business operations and is shared by our managers. To this end, we have established an operational-level Sustainability SteerCom to bring key managers together to discuss and debate the risks, opportunities and key material issues driving our sustainability efforts. This enables the interrogation of sustainability-related initiatives from different perspectives, and integration of our governance structures, technical division, supply chain management, employee management, environmental management and our Ackerman Pick n Pay Foundation’s projects.

The operational-level Sustainability SteerCom is also involved in group-wide sustainability target setting. We are still undertaking baseline studies in relation to food security risks; once these baselines have been completed, we will have a more comprehensive understanding of the context within which compelling targets may be set. This risk analysis process will be completed by June 2012. We have also heightened our communication drive across all internal channels.

### Focus area

<table>
<thead>
<tr>
<th>Focus area</th>
<th>How this creates value for society</th>
<th>How this links to our business strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing safe food and expanding sustainable product lines</td>
<td>Promotes health (human capital) and the good functioning of natural systems (natural capital)</td>
<td>Addresses increasing demand for ethical and green products, sustains viability of supply and drives innovative thinking and action</td>
</tr>
<tr>
<td>Building a resilient supply base</td>
<td>Provides market access for producers and a support system for small-scale suppliers (social and financial capital)</td>
<td>Supports existing supply chain initiatives, consolidating our relationship with suppliers</td>
</tr>
<tr>
<td>Empowering our people</td>
<td>Provides personal and career development, and an opportunity to contribute positively to social change (human capital)</td>
<td>Enables employees to act as brand ambassadors for social responsibility</td>
</tr>
<tr>
<td>Supporting communities in their contribution to change</td>
<td>Builds social capital by encouraging action towards a sustainable society</td>
<td>Builds the brand by putting social responsibility into action</td>
</tr>
<tr>
<td>Working for a clean and healthy environment</td>
<td>Promotes eco-system function and restoration (natural capital)</td>
<td>Manages environmental risks and achieves cost reductions in the short, medium and/or longer term</td>
</tr>
<tr>
<td>Enhancing governance and accountability</td>
<td>Develops trust and accountability between stakeholders (social capital)</td>
<td>Ensures compliance with existing and emerging codes of good governance</td>
</tr>
</tbody>
</table>
Our performance

Last year, we committed to clarifying performance indicators for key commitment areas. So far, we have:

- Re-structured our KPI system to reflect our most material sustainability issues; and
- Established specific targets in some areas and continue to track baselines to inform target-setting in other areas.

Our performance on these KPIs is reported on the next page. We will work on refining and developing this list as we go.

### Key Performance Indicator

<table>
<thead>
<tr>
<th>Relevant Financial and Operational Indicators</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>R59.1 billion</td>
<td>R49.1 billion</td>
</tr>
<tr>
<td>Number of corporate stores/outlets</td>
<td>466</td>
<td>591</td>
</tr>
<tr>
<td>Number of franchises</td>
<td>328</td>
<td>328</td>
</tr>
<tr>
<td>Employee salaries, wages and other benefits</td>
<td>4 319.8</td>
<td>4 123.6</td>
</tr>
<tr>
<td>Tax - amount and percentage of turnover</td>
<td>R447.8 million (6.8%)</td>
<td>R531.9 million (7.9%)</td>
</tr>
</tbody>
</table>

### Enhancing governance and accountability

<table>
<thead>
<tr>
<th>JSE SRI Listing</th>
<th>Listed</th>
<th>Listed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Disclosure Project</td>
<td>Listed (Included on Carbon Disclosure Leadership Index)</td>
<td>Listed</td>
</tr>
</tbody>
</table>

### Providing safe food and expanding sustainable product lines

| Pick n Pay Green Range sales | +266% | -- |
| SASSI green : orange fish sales (ratio) | 96:4 | -- |
| Pick n Pay corporate branded products sourced locally | 88% | -- |

### Building a resilient supply base

| PnP-brand suppliers audited on health/safety and environmental issues | 94% | -- |
| Small farmers in our small business incubator | 54 | -- |
| Average annual growth rate for businesses in our small business incubator | 72% | -- |

### Empowering our people

| Employee turnover | 15.46% | 9.11% |
| Health and Safety Audit Scores | 89% | -- |
| Safety Incident Rate | 766 | -- |

### Employment equity

| Top management (target 40%) | 39% | 39% |
| Senior management (target 65%) | 58% | 59% |
| Professionally qualified middle management (target 70%) | 84% | 84% |
| Semi-skilled junior management (target 80%) | 94% | 93% |
| Semi-skilled and discretionary decision-making (target 100%) | 100% | 98% |
| Total investment in training including bursaries | R71.8m | R55.2m |
| Workdays lost to industrial action | 23 person-days | 57 person-days |

### Working for a clean and healthy environment

| Carbon footprint (Scope 1 and 2) | 602 782 tonnes | 642 351 tonnes |
| Waste volumes recycled: Distribution centres | 161 tonnes | -- |
| Waste volumes recycled: Inland stores | 3 105 tonnes | -- |
| Waste volumes recycled: Coastal stores | 3 179 tonnes | 2 689 tonnes |
| Total energy use for stores, distribution centres and offices | 557million kWh | 569million kWh |
| Energy use per m² for stores, distribution centres and offices | 518 kWh | 573 kWh |

### Supporting communities in their contribution to change

| CSI spend and % of post-tax profit | R54.4 million (6.9%) | R61.0million (5.1%) |

Footnote: -- new KPI for 2011; data not available.

For more comprehensive financial performance data, refer to the Pick n Pay Integrated Annual Report 2011.
Enhancing governance and accountability

At Pick n Pay, we believe that we are accountable, not only to the national policies and regulations with which we comply, but also to the many communities in which we operate, and to society at large. We are committed to social responsibility in all our business decisions. Our ability to uphold this commitment depends on robust governance systems and accountability at every stage of the journey.

Enhancing our governance systems and levels of accountability enables us to develop and maintain trust with our stakeholders. It forms the basis for all interaction on addressing sustainability related challenges. It also prioritises risk management, enabling us to ensure compliance with existing and future codes of good governance, including the King Code of Corporate Practices and Conduct (King III).

For us, governance and responsibility extends far beyond compliance. Our leaders have participated in public debates on issues such as food security and access to information. Our chairman, Gareth Ackerman, has called for fellow business leaders to express their support for society’s right for access to information. As a modern food retailer, we have learned that our customers demand the maximum amount of disclosure about the safety, origin and contents of our products. Transparency is good for business and good for society. Pick n Pay will continue to be an active and responsible corporate citizen.

Gary Lea, Financial Director

“Pick n Pay has, since its inception in 1967, spread its influence across South Africa by aiming to set an example of social and economic excellence firmly embedded in a framework of ethical corporate governance.”

R447.8 million
Amount contributed in taxes in 2010

Last year, we committed to develop a more robust system to track and communicate performance. To do this, we have implemented several measures. These include rolling out SAP business software to optimise our operations and resources throughout Pick n Pay.

We have also directed our efforts into our first integrated report - the Pick n Pay Integrated Report 2011. Our more detailed Sustainable Living Report is accessible online, along with further communications on our progress.

We have enhanced our website to reflect our commitments and encourage employee, supplier and customer action on sustainability.
Upholding Codes of Practice

Our Board of Directors is accountable for Pick n Pay upholding the highest standards of corporate governance and ethical business management. This commitment and all measures to support it are implemented and monitored by our senior management. We ensure accountability by complying with all legal requirements as well as standards for international best practice:

- Our Pick n Pay Code of Conduct
- The King Code of Corporate Practices and Conduct (King III)
- All relevant labour related and competition related legislation as well as the new Consumer Protection Act no. 68 of 2008, available on our internal shared drive
- International standards of accountability such as Global Compact, the Carbon Disclosure Project and the Global Reporting Initiative
- Listing on the JSE Limited (JSE) SRI Index

As we expand our footprint in Africa, we believe that the application of standards of conduct is all the more important for ensuring consistently high standards of practice in diverse environments.

We are committed to working against corruption in all its forms, including extortion and bribery. Our commitment to combating corruption is embodied in our Code of Conduct, which includes opposing collusion amongst suppliers, and rejecting collusion between retailers. We also have made excellent progress with regards to integrated reporting in line with the requirements of King III and this has consolidated our efforts to further integrate sustainability thinking into our core business practice, as is evident from our many implemented initiatives during the past year.

Engaging industry bodies

Pick n Pay is a member of the Consumer Goods Council of South Africa (CGCSA). We also subscribe to the Food Safety Initiative and Food Law. We have made presentations to our General Managers, Buyers and Technologists on relevant issues and we are currently developing a Code of conduct for the Industry Ombud together with CGCSA members.

We also participate in the National Business Initiative (NBI) and the Consumer Goods Forum, which all facilitate active engagement with a number of stakeholders, including business and government. We engage extensively with relevant government departments on policies and policy issues pertaining to our business. Engagement is extremely important in the face of current and new sustainability challenges. Several partnerships with various organisations are discussed in relevant sections of this report.

Pick n Pay supports The Flower Valley Conservation Trust, which has worked for over 10 years to promote conservation, community empowerment and sustainable fynbos harvesting in the world-renowned Cape Floral Kingdom.
Providing safe food and expanding sustainable product lines

Providing safe food is at the core of our business. We deliver value by selling safe, nutritious and convenient products to our customers at an affordable price. To sustain this into the future, it is vital that we link our focus on food to issues of food security, the sustainability of our supply chain and innovative responses to shifting consumer demand and the availability of sustainably-sourced raw materials.

We are determined to provide our customers with the very best in safe, quality and wholesome food. To ensure we keep our promise, we have a special division consisting of Food Scientists, Food Technologists, Packaging Technologists, Dieticians, Legal and Regulatory Affairs, Home Economists and consultants. Our Technical Division ensures we develop products that are not only good for our consumers, but also for nature - without which agricultural production could not exist. Animal welfare is also a key issue and is covered by our Technical Division standards.

We are committed to both the highest health and safety standards and to expanding our sustainable product lines, encompassing food and other products.

For more information on how we guarantee Pick n Pay’s hygiene and food safety standard, visit our website.

For information on our initiatives to engage our customers, communities and employees on health matters, visit our website.

Progress and challenges:

- New three-year partnership with WWF on Sustainable Fisheries
- Increased commitment to Fairtrade goods
- Sourcing and promoting local products, particularly in PnP brand
- Significant packaging reductions through pilot programmes and designing data management systems to track these achievements
- Support for food security, recognising differing opinions on solutions
- Challenge: sourcing sustainable packaging at competitive price and achieving price parity on sustainable and ethical products
- Challenge: the balance between providing customer choice and promoting sustainable consumption

Expanding sustainable product lines

We have several initiatives in relation to sustainable product lines. Some of our major initiatives are: the Pick n Pay Green Range, sourcing products from environmentally sustainable farming practices, sourcing products from socially and economically sustainable small farming operations such as Fairtrade-certified products, and our Sustainable Fisheries programme. Our partnerships are critical to developing these products.

“As one of the country’s largest retailers, we cannot ignore the fact that seafood is inextricably linked to food security and that it provides the primary source of food or income for 2.6-billion people globally. It is no secret that consumers drive trends and as the country’s greenest retailer, we believe it is our duty to assist them in making informed purchasing decisions.”

- Nick Badminton, Pick n Pay CEO

As a SASSI participant we are committed to:
- Offering our customers Green-listed options.
- Supplying our customers with information about all of our seafood products.
- Improving the sustainability of our seafood range.

Ask us about our green-listed options. www.wwf.org.za/sassi

24

25
**Sustainable fisheries**

Pick n Pay has also become the first retailer in Africa, to commit to transforming its entire fresh, frozen and canned seafood operations by the end of 2015, in a bid to address the growing concern about the exploitation of global seafood resources.

Fish stocks are under tremendous pressure, globally. Pick n Pay has taken a proactive approach to this problem. We have signed a three-year partnership agreement with WWF’s Sustainable Fisheries Programme to support the conservation organisation’s Fisheries programme. The aim is to restore over-exploited fish stocks to sustainably managed levels. The programme also aims to maintain or improve the state of other stocks by applying an Ecosystem Approach to Fisheries (EAF) to fisheries and reducing the impacts of destructive fishing practices.

Pick n Pay will contribute R6.1 million over the course of the project.

We also appreciate the efforts of our customers to support this programme through their purchases and their feedback, constructive criticism and comments on our efforts to date.

All our fish suppliers also have to have a SAFSIS (South African Food Safety Inspection Service) audit before we can list them as a Pick n Pay supplier. See Building a resilient supply base on page 31 for more details on our audits.

We have SASSI/ WWF Consumer Seafood Pocket guide cards and Posters available in all stores. See our website for further information on how we inform our customers on sustainable fish choices.

**Andre Nel: Sustainability manager**

“Pick n Pay is the first retailer in Africa, to commit to changing our fresh, frozen and canned seafood operations to ensure that by the end of 2015, Pick n Pay will only stock sustainable sourced seafood.”

- Certified by the Marine Stewardship Council (MSC) for wild-caught products;
- Certified by the Aquaculture Stewardship Council (ASC) for farmed products, or equivalent standards;
- Categorized as “green” in terms of the World Wild Fund for Nature’s (WWF) Southern African Sustainable Seafood Initiative (SASSI). Fish species on SASSI’s “green” list, are considered the most sustainable choices (from the healthiest and most well managed populations). These species can handle current fishing pressure, or are farmed in a manner that does not harm the environment; or
- From fisheries or farms which are engaged in credible, time-bound improvement projects.
Green Range

Since introducing the first PnP Green Range in 1995, we have helped to drive the demand that has led to an expanded range of green products. These products are manufactured according to Canadian Enviro-Performance standards. The range is the first to be endorsed by the government’s Indalo Yethu initiative, which aims to promote green and eco-friendly practices. Visit www.indaloyethu.co.za for more information.

Our PnP green household products contain no harmful chemicals. The products contain no volatile organic compounds, sodium lauryl sulphate, ammonia or chlorine. The contents are non-toxic to humans, animals, plants, septic tanks and aquatic life and once used will biodegrade within 14 days. All items are non-corrosive and the packaging is recyclable. The products are not tested on animals.

We continue to target our efforts at ensuring that these and other packaging initiatives add the most value for Pick n Pay, and are implemented in a cost effective manner that benefits our customers and Pick n Pay.

Our new Green Range products

The PnP Green Plastic Bag Range is now made from 100% recycled material and contains a minimum 70% post-consumer waste that is collected off dumps and from recycling initiatives. The range now also includes the PnP Green Super Concentrates. The newly launched range of super concentrates has all the wonderfully green benefits that the regular range has, with the added bonus of being concentrated.

Fairtrade products

We have committed to stock more Fairtrade-certified goods as they become available for local sale. South Africa is one of the largest producers of Fairtrade-certified products globally, from fruits and vegetables, wine and coffee to rooibos tea, herbs, spices, and nuts. Most of this produce has historically been directed to Europe and the United States of America as Fairtrade goods receive strong support from retailers and consumers in these markets.

Pick n Pay recognises the potential of Fairtrade to benefit small farmers, workers and local communities. We see the value in this certification for our customers, for our supply chain and for our communities. For more information on the label, visit www.fairtrade.org.za Also go to page 53 to find out more about products from small suppliers developed in partnerships with our Ackerman Pick n Pay Foundation.

Organic range

We are committed to encouraging farming practices that contribute to the health of the environment that supports our food production and enables us to bring nutritional products to all our customers. One of the projects in this area is our PnP Organic Range. We want to give our customers the choice to buy organic while still keeping prices affordable. Everything in our PnP Organic range is 100% independently certified organic.

No South African legislation on organic products currently exists, so we ensure our organic products are up to the standards outlined by the European Union, the USA or Japan. We have met a few challenges in securing a supply of high quality organic produce. This has led to fewer organic products being available in our stores over the past year.
Sourcing sustainable packaging

We have implemented several pilot programmes to reduce our packaging, switch to better material options and encourage recycling. A number of these have met with success and the reductions have been integrated across several product lines. Packaging is important to ensure safe and effective delivery of quality products to consumers; however it also has a lifecycle that impacts the environment during production, use and disposal, when most of this material ends up in landfill.

**Our packaging goals and achievements:**

- Lightweight boxes and the use of cardboard made from 80% recycled material, are now used to package a range of Pick n Pay corporate branded products.
- Since Aug 2011 all PnP brand product packaging contains a logo showing customers how and whether material can be recycled.
- 50 tonnes of packaging board saved from January 2010 to February 2011
- New range of PnP wines packaged in ultra-light 350g glass bottle

50 tonnes
Packaging board saved through packaging reductions on PnP branded products

300
Fresh produce lines packaged using 30% recycled content rPET

88%
Percentage of PnP corporate branded products sourced locally

Building a resilient supply base

As changing climatic conditions and shifting consumer demands are felt in the retail sector, the competitive playing field is changing. Our suppliers need to be resilient enough to withstand these changes while adapting to changing consumer and business needs.

Building supply chain resilience requires us to develop a clear understanding of our supply chain risks and opportunities. It also requires us to engage with multiple challenges: integrating quality, safety and ethical performance, with risk-aware farming practices and development of small-scale and rural producers. In our existing supplier networks and enterprise development programmes, our approach continues to be based on long-term partnership and learning. Balancing the needs of small-scale and emerging entrepreneurs with sustainability performance pressures remains a challenge.

**Progress and challenges:**

- Completed supply chain mapping programme at Longmeadow Distribution Centre
- 54 small farmers in PnP’s small business incubator
- Enhanced supplier audit programme.
- 94% of PnP corporate branded suppliers audited on health/safety and environmental issues
- Challenge: expand our climate change strategy to include suppliers most at risk

Peter Arnold, Merchandise Director

“Pick n Pay’s focus on building a resilient supply base supports our existing supply chain initiatives. It helps to consolidate existing engagements and foster new partnerships.”
Understanding our supply chain

In order to understand our supplier base, we need to look at the South African agricultural sector. See box below. Our focus is on evaluating present risks and vulnerabilities and future possible solutions throughout our supply chain. Several areas link to ongoing research around food security and to working with small-scale farmers.

Visit our website for detail on how we have started to map our supply chain from our Longmeadow Distribution Centre.

Managing our supply chain

We are working to encourage more active commitment to sustainability across our supply base. We already track a range of key performance indicators including supplier visits by technologists, the scope of nutritional and micro tests, customer complaints, and supplier visits and audit scores. The performance of our supply chain can directly impact our consumers. That is why we take supplier compliance so seriously. At the same time, we are committed to working with our suppliers to assist them to achieve the standards we require for our customer commitments. Failure to meet standards results in suppliers being delisted from our supply base. A total of 11 suppliers were removed over the past year.

We actively communicate with our suppliers to secure the best quality and affordable prices for our customers. This includes two significant engagements each year. We also hold supplier development workshops, which 216 suppliers attended during 2010, and supplier symposiums on food safety.

To meet our commitment to food quality and safety, we have implemented a policy whereby all Pick n Pay brand food suppliers are audited. This allows for an unbiased inspection and monitoring of all aspects of a supplier’s practice.

94%

Percentage of PnP-branded suppliers audited on health and safety issues
Women of Balemi Ba Lekoa farm

The company’s Enterprise Development Foundation ensures that small-scale entrepreneurs and emerging farmers remain as long-term suppliers to the retail industry.

For more information and videos about some of our producers, visit our website.

Enabling sustainable farming practices

Sustainable farming practices are aimed at long-term improvement and stabilisation of the soil; optimum and sustainable yields; promotion of human health; practices resulting in an ecological balance; and conservation of natural resources. Pick n Pay’s key sustainable farming initiatives include subscribing to GLOBAL G.A.P principles, working through organic supplier challenges, and engaging with our suppliers as a platform for further sustainability communication, education and compliance.

Some of our suppliers implement their own sustainability programmes. We have begun to formally engage farmers in our supply chain to assess the sustainability of their practices. The outcomes of this process will be used to build a robust framework for managing sustainable farming practices.
Linking enterprise development to our supply chain

We have three clear imperatives for fostering and supporting enterprise development:

- To build and diversify our supply base and so contribute to its resilience
- To meet our BBBEE regulatory requirements and our internal targets
- To build capacity and resilience in our communities to contribute to the national developmental agenda.

Enterprise development and small-scale farmer development are managed by the Ackerman Pick n Pay Foundation through the Pick n Pay Enterprise Development Fund and the Small Business Incubator. The Foundation links into various parts of our business including the supply chain and our technical division.

We currently have more than 50 emerging small farmers across the country supplying us with fresh produce. Through our support, farmers are encouraged to employ sustainable farming and waste reduction practices.

In 2010 we officially launched the Small Business Incubator to address the historical legacy of institutionalised socio-economic inequality in South Africa.

It is our goal that these new suppliers are not only supported by Pick n Pay, but are able to supply the retail industry at large. Further detail on our Ackerman Pick n Pay Foundation and our small-scale suppliers can be found in Supporting communities in their contribution to change on page 52. Visit our website for our current enterprise development projects.

54
Number of farmers in our Small Business Incubator

72%
Average growth rate of companies in our Small Business Incubator
Empowering our people

When it comes to empowering our people, our greatest strength is our value system that has been entrenched for more than 40 years, since the company was established in 1967. We value our employees, recognising that it is our people who make the business a success. Focusing on our employees, ensuring their wellbeing, professional development and smart engagement on company objectives, ensures that we have the right resources to take us forward into the future.

Progress and challenges:

- BEE and EE continuing to be driven through our Diversity Management Programme
- Trainee Manager Development Programme redesigned to develop holistic leaders
- New Performance Management System introduced in 2010
- R 71.8m invested in training and bursaries.
- Commitment to raising store awareness of sustainability in Southern Africa

Our Mission

We serve
With our hearts we create a great place to be.
With our minds we create an excellent place to shop.

Training and skills development

Skills development and retention are key priorities at Pick n Pay because of their direct impact on talent management and transformation. We provide extensive training for our employees; in 2010 this included an updated Retail Management Programme, Adult and Business literacy and new customer courtesy courses.

Our focus is on growing our business by developing people in their area of responsibility and in line with Pick n Pay’s strategic objectives. To do this we have 140 essential learning processes and 270 development opportunities/programmes across the company, including local and global opportunities. These initiatives cover key areas such as Strong Leadership and Effective Management, Fresh range, quality and service, Lean retailing, improving efficiencies and cost structures and effective delivery through knowledgeable, competent, enthusiastic people, providing excellent customer service.

For more detail about our people development programmes, visit our website.

R71.8 million

Investment in training in 2010/11, including bursaries
Ensuring the health, safety and wellbeing of our people

We uphold all relevant legislation pertaining to our employees, encompassing minimum wages, maternity leave agreements and upholding rights to collective bargaining. 77% of our workforce is covered by collective bargaining. It was a challenging year with nationwide industrial action, but we successfully negotiated a three-year wage agreement with SACCAWU. This will allow a period of stability and the opportunity to consolidate our relationship with the labour union.

Additional benefits include share schemes, medical aid and pension contributions. We also have mechanisms to assist families of employees who pass away while in service. Further benefits include financial support for employees’ children who are in their third year of tertiary education. Our maternity benefits include leave of up to 11 months.

Although recognised as a low risk environment, we undertake health and safety audits and maintain the required structures for health and safety management.

Our Values

We are passionate about our customers and will fight for their rights.
We care for, and respect each other.
We foster personal growth and opportunity.
We nurture leadership and the vision, and reward innovation.
We live by honesty and integrity.
We support and participate in our communities.
We take individual responsibility.
We are all accountable.

Engaging our employees

Employees are engaged on a range of issues from sustainability to labour issues and personal wellness. We have several employee recognition programmes in place for outstanding service. There are also awards to recognise our employees who make a significant contribution to their communities. We have four main employee engagement platforms. These are Pick n Patter magazine, Fresh Connexion video communication, Junxion - our employee website and Memeza in-store radio. Each platform uses a different medium and focus.

During February 2011, we conducted our first Pick n Pay Staff Satisfaction and Engagement Survey. The purpose of the survey was to develop key insights in order to improve employee satisfaction, engagement, productivity and customer satisfaction. We had 9,067 responses from employees across different regions, levels, ages, genders, cultures and lengths of service. The results will provide useful insights when compared to future trends and benchmarks. We received very positive feedback on many issues and we have identified internal communications and performance management as areas for future focused effort.

Promoting employment equity and empowerment

Pick n Pay is a Level 8 Black Economic Empowerment contributor. We have a dedicated Transformation Director, Suzanne Ackerman Berman.

Our empowerment initiatives are supported by our business model that includes franchising. Our Franchise Academy is focused on upskilling SMME owners.

Download our latest BEE certificate.

Average health and safety audit scores across our store network

89%
Working for a clean and healthy environment

As a retailer, we are aware of how over-consumption will limit the achievement of a sustainable society - one in which our social and economic systems operate within the limits of natural systems. As our growing population consumes more, we place increasing pressure on natural resources, systems and sinks - the ability of the environment to provide us with raw materials and cope with our waste.

As retailers, we contribute to the trend of increasing consumption; at the same time, we recognise that many of our customers are part of an emerging economy that consumes far less per capita than those within the economies of the western world. We continue to debate these issues in our forums, and stay on top of thought leadership in these areas.

Although we do not have an answer to the issue of over-consumption, we know our environmental efforts are helping to shift trends in the right direction. We focus presently on minimising waste and increasing resource efficiency including all Pick n Pay building, logistics and in-store operations.

Progress and challenges:
- 6% reduction in greenhouse gas (GHG) emissions (Scope 1 and 2)
- Reduced total GHG emissions (Scope 1, 2 and 3) by 4.9%
- Over 6,000 tonnes of waste recycled with recycling facilities now in all corporate stores
- New ‘green’ Longmeadow Distribution Centre grocery extension and Pick n Pay on Nicol store (page 50)
- Shift to less harmful refrigerant gases

39%
Employment equity in top management

58%
Employment equity in senior management

84%
Employment equity in professionally-qualified middle management

94%
Employment equity in semi-skilled junior management
Minimising waste

Our aim is to minimise the amount of waste sent to landfill. To achieve this, each store is monitored on a weekly basis, with the aim of ensuring a reduction in the total amount of waste generated through our operations. We work with waste management service providers to increase the proportion of waste that is recycled rather than directed to landfills. The roll-out of our waste recycling programme was completed in 2011. Comparative data to show our progress will be available in 2012.

Packaging initiatives

We drive several packaging initiatives through our Technical Division. We are including recycled materials in many different packages and by August 2011 all packaging material used in Pick n Pay house brand products will be containing a relevant recycling substrate logo.

We have partnered with the non-profit organisation PETCO to pilot the increase of recycled plastic in PET packaging and we are working with manufacturers to ensure our product packaging is labelled with the relevant recycling logos.

We source as much packaging material as possible from renewable sources and continue to find ways to reduce the packaging volume and weight of all our PnP house brand products.

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Optimising logistics

We drive resource and process efficiency through supply chain optimisation efforts. Our newly operational "green" Longmeadow Distribution Centre has helped us to optimise our logistics network by tightening data management and centralising distribution. Key challenges we are addressing include:

- Inefficient transport crate design leading to more required miles travelled
- More crates due to poor stock utilisation
- Inefficient cardboard packaging
- High energy consumption at wash plants

In moving to a centralised distribution system, we have reduced our environmental footprint and our GHG emissions through:

- Lower volume of plastic products in the supply chain
- Reduced truck miles
- Reduced packaging
- Reduced energy consumption at wash plants
730 tonnes
Amount of greenhouse gas emissions saved through centralised distribution system initiatives

Energy management
We measure energy consumption in stores and report to store managers on a daily basis. This process allows us to gather concrete data so that we can accurately track our performance and improvement. This means making more informed decisions, taking the right action to save energy, and eliminating areas of waste.

20%
Our Energy Reduction from our baseline by 2012

There are several business reasons:
- Reports show year-on-year comparisons for total consumption as well as improvement. We achieve cost-saving from cutting emissions (energy & waste reduction, improved logistics).
- We are better equipped to manage risks associated with climate change. This includes managing increasing energy costs and preparing for possible regulation around energy consumption or related GHG emissions.
- This information can be used to drive innovation that makes us more efficient.

45,822
Number of electronic ballasts replacing our 58W fluorescent fittings

20%
Savings achieved in average monthly lighting costs through ballast replacements

We have engaged our employees on the importance of energy efficiency and plan to expand this engagement over the next year. We are proud of our employees’ hard work in achieving a reduction in energy consumption from 569 million kWh to 557 million kWh. We have also improved our energy intensity - energy used per m² for corporate stores - from 550kWh to 518kWh.

Managing chemicals
We are reducing our overall chemical use and we are eliminating the use of chemicals that have been shown to be harmful to the environment. We use biodegradable cloths in all our cleaning and have special standards for managing chemicals used in fresh food areas. As of 2011 all contracted cleaners have been encouraged to reduce their use of chemicals. All corporate stores only use suppliers that provide sustainability reports and are aware of and working towards our goals. We have reduced the delivery of bulk chemicals to our stores by specifying concentrated products and reduced chemical usage and efficacy via dosage control mechanisms and training of application.
Climate change

The climate is changing and we all have a role to play in responding to the challenges associated with this change. Acting now has the potential to reduce future impacts.

Responding to the challenges related to climate change is closely linked to our focus on food security (see Our big picture on page 10-11). We are monitoring trends and developments in regulation and government policies.

We have been engaging in research in this area. This has included analysing climate change risks and opportunities, on-going efforts to quantify and reduce our carbon emissions, and integrating all efforts into our business strategy and sustainability framework. We have developed a climate change response strategy and will continue to implement its elements over the next few years.

Our carbon footprint:

Our carbon footprint includes greenhouse gas emissions covered by the Kyoto Protocol.

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<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
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<tbody>
<tr>
<td>Scope 1* &amp; 2**</td>
<td>602 782 tonnes</td>
<td>642 351 tonnes</td>
</tr>
<tr>
<td>Scope 3***</td>
<td>37 tonnes</td>
<td>30 203 tonnes</td>
</tr>
<tr>
<td>Total Emissions</td>
<td>639 916 tonnes</td>
<td>672 553 tonnes</td>
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</table>

We have reduced our overall emissions through several internal projects. This includes company-wide energy efficiency initiatives. Our total energy consumption for stores, distribution centres and offices decreased from 569 million kWh to 557 million kWh.

The results have not only reduced our emissions but helped to optimise our energy management and reduce costs associated with energy consumption. This year, we are reporting on our Scope 3 emissions in addition to our direct emissions. We have also managed to decrease our indirect emissions associated with distribution by optimising our logistics. We have also made a remarkable reduction in air travel. Increased Scope 3 emissions are due to increased diesel consumption.

We have also reduced our use of Freon**** gas used in air conditioning and refrigeration. This has reduced our GHG emissions associated with Freon use from 120 804 tonnes to 72 775 tonnes.

*In calculating our carbon emissions, we have applied emission factors provided by UK Government’s Department of Environment, Food and Rural Affairs (Defra) Guideline to Defra’s GHG Conversion Factors for Company Reporting, Annexes Updated October 2010. Available from: http://archive.defra.gov.uk/environment/business/reporting/conversion-factors.htm

** Grid emissions factor is provided by Eskom and based on the production of electricity from coal in South Africa. It is available at: http://www.eskom.co.za/annreport10/fact_sheets/manage_env.htm

*** Scope 3 emissions exclude our use of paper in till rolls, and our GHG emissions associated with accommodation. Emissions factors for rental cars are based on a detailed breakdown of emissions per vehicle model provided by Europcar. Emissions factors used to calculate GHG emissions associated with paper use were provided by Sappi and based on production of Typek Recycled paper at their Enstra Mill in Springs, South Africa, June 2010.

**** Freon is not covered by the Kyoto Protocol. The GWP value is supplied by IPCC Second Assessment Report, 1995, Working Group 1, The Science of Climate.

To view our submission to the Carbon Disclosure Project (CDP), https://www.cdproject.net/en-US/Results/Pages/overview.aspx
Greening our stores

Pick n Pay on Nicol
Redefining retail in South Africa, our new flagship Pick n Pay on Nicol store introduces a new era in sustainability principles.

Refrigeration and Energy Reduction
An intelligent refrigeration and air conditioning system has been installed in the form of a thermal energy storage system, which creates ice at night when demand and tariffs are low and then uses the ice during the day for the cooling of the air conditioning. This reduced the refrigeration energy demand by 40% and the excess heat created by the refrigeration plant, is used to heat a 1 600 litres water tank for use in the complex. Pick n Pay on Nicol had become the third new store of the Pick n Pay chain where natural gas has been used for the refrigeration plant. The choice to use only natural refrigerants over synthetic gases will have a dramatic impact on reducing greenhouse - emitting gases; therefore greatly reducing the global warming impact of the store.

Infrastructure and Traffic
Traffic lights at the intersection near the store are solar-powered. The greater community of Hulingham also benefits from the new building as Pick n Pay has made significant improvements to the road infrastructure surrounding the store. To support the additional traffic load, Pick n Pay added a fourth lane to the William Nicol Highway, including the bridge crossing over the Jukskei river and a new slip lane for customers leaving the complex to seamlessly join William Nicol.

Vegetation and Carbon Reduction
The choice of vegetation in the landscaping has also played a role in reducing water demand by using indigenous vegetation in the design. A total of 100 new trees have been planted to beautify the complex and provide shade for the parking areas, utilising more than five different local tree varieties. It is estimated that up to 1 1/2 tonnes of carbon dioxide is sequestered as a result of planting one tree, suggesting that Pick n Pay on Nicol’s garden alone achieves a CO₂ reduction of 285 tonnes.

Water
Water conservation is an integrated part of the store design. With over 6 000 m² of roofing covering the complex, rainwater harvesting has been implemented with a total storage capacity of 420 kilolitres. The water is used for irrigating the gardens and to supply water needed to operate the evaporative cooling system of the fridges. Projections on the amount of rainwater harvesting possible through the height of summer, estimate an annual saving of 30% or 7 500 kilolitres, on the usual water demand.

Mindful of its impact on the greater Braamfontein Spruit, Pick n Pay on Nicol has also built two attenuation (or holding) dams where storm water will be cleared from pollution and its release managed over the wet season so as not to overburden the Jukskei system during the flood cycles.

Store Design
Drawing inspiration from the site’s natural setting, the store incorporates the natural landscape, which includes a section of Jukskei River frontage and the adjacent Field and Study Centre. Domination the design as a result, are large picture windows allowing customers to feel connected to the outdoors.

Daylight Harvesting
An integrated energy-efficiency strategy has been adopted in order to balance aesthetics with sustainability. The use of heat-dissipating glass, covered with timber louvers to allow for thermal control, as well as a skylight which diffuses natural light during the day, reduces the demand on the energy grid for up to 80% of the day. In addition a 100-kilowatt solar-powered system which provides electricity to the store, leads to savings on energy requirements of up to 20%.

Construction Methods
During the construction phase, approximately 4 000 tonnes of rock and earth, comprising granite and subsoil had to be removed from the site. Rather than adding to the already overburdened landfills surrounding the city, this was taken to a nearby crusher site where the material will be reconstituted to provide building material and infill for the building industry.
Supporting communities in their contribution to change

Meeting our vision of being South Africa’s favourite and most respected retailer depends on our ability to build trust through community support and engagement. Partnering with communities also helps us to diversify and develop our supply base through enterprise development. This is why working with communities and building social capital is part of how we do business.

One of the biggest challenges facing our communities is unemployment. When jobs in the formal sector are decreasing, the ability to generate an income through small enterprises is of utmost importance. While many areas of our business engage in community projects, the Ackerman Pick n Pay Foundation is at the core of these initiatives.

Progress and challenges:

- Small Business Incubator success in enterprise growth and job creation.
- Ackerman Pick n Pay Foundation partnership with Technical Division to integrate small businesses into our supply chain.
- R54.4 million contributed to CSI initiatives.

The Ackerman Pick n Pay Foundation

The Ackerman Pick n Pay Foundation was established to create opportunities for emerging farmers and other entrepreneurs to participate in the formal economy. We aim to form mutually beneficial partnerships that empower people to create wealth for themselves and for others through income generation and employment. The Ackerman Pick n Pay Foundation has a three-pronged structure, illustrated below.

The Ackerman Pick n Pay Foundation: We partner with communities to create sustainable enterprises to endeavour to spread wealth throughout the community.

The Pick n Pay Enterprise Development Fund:
To facilitate small-scale farmers and entrepreneurs with financial assistance and access to supply Pick n Pay.

The Ackerman Pick n Pay Fund:
To facilitate community-based organisations with financial assistance with the aim to advance income generation.

The Small Business Incubator:
To facilitate SMEs’ and EMEs’ operation within Pick n Pay through mentorship, guidance and support.

The Foundation is linked to our core business through integration into our supply chain, via corporate stores and agreements with our franchise stores. See Linking enterprise development to our supply chain on page 36.

For the detail on how we have mapped the issues relevant to our business, and therefore those that frame our community engagements, to the United Nations Millennium Development Goals (UN MDGs), visit our website.
The Pick n Pay Enterprise Development Fund and Small Business Incubator

Both the Pick n Pay Enterprise Development Fund and our Small Business Incubator, which form part of the Foundation, were set up to create value in communities through job creation while supporting our business needs.

Agriculture plays a significant role in empowering communities to work for food security in rural and urban areas. It also enables people in the informal economy to feed their families through subsistence production as well as through a wide variety of activities in the processing, distribution and retailing of food products. We have significant leverage in this area and have identified it as a key area for investment and support.

The most challenging area for emerging farmers has been access to the market. This is the key mechanism to ensuring that jobs are sustained over the longer term. We are often approached for assistance by emerging farmers who produce goods that are sold at local fresh food markets, which provide only a very limited sales channel.

Our systematic approach to this challenge maximises the value created for all parties. This includes actively pursuing opportunities to sell produce from the farmers in our corporate and franchise stores. Pick n Pay purchases the short and long-term crops, while perennials are bought by our supply chain manufacturers for processing, providing the farmer with consistent cash flow to support their needs.

Further participation in the economy is facilitated by:

- Providing technical assistance and financing emerging entrepreneurs
- Helping to build networks and markets for entrepreneurs in distressed communities
- Strengthening worker-owned enterprises and co-operative estate development

In this way, our enterprise development combines social upliftment, commercially sound business principles, skills transfer and mentorship.

For more information on our enterprise development initiatives, visit our website.

2,438

Number of people employed by companies in our Small Business Incubator

R1,104,268

Total annual turnover within our Small Business Incubator
The Ackerman Pick n Pay Fund

Managed by the Ackerman Pick n Pay Foundation, this fund supports projects that become self-sustaining over the medium and long term. We have seen many success stories in which small requests have led to investment in a sustainable source of income for a number of families. We seek to build independence, which we believe is the key to upliftment. For detail on the funding guidelines of the Foundation, visit our website.

Partnering with customers for a sustainable future

Consumers are a key part of our sustainability. This is why we appointed Jonathan Ackerman as our Customer Director in 2010. We engage our customers on sustainability matters through our new, fresh website (www.pickpay.co.za) and through the social media channels, Facebook (http://www.facebook.com/Picknpay) and Twitter (http://twitter.com/picknpay). In order to provide customers with the most value, we use surveys and other platforms to make sure we understand their needs and expectations. In 2010, we engaged in extensive customer research in developing and implementing our new loyalty programme “Smart Shopper”.

We plan to continue developing our actions and communication on sustainability to empower our customers to make more sustainable choices. An example of one of our initiatives that achieves this is our services to collect plastic bags, plastic containers and batteries for recycling from the homes and business of our online-shopping customers.

Corporate Social Investment

We also participate in community development through Corporate Social Investment (CSI). We support a number of projects in the form of once-off or ongoing financial or in-kind contributions. Our policy remains to allocate in excess of 5% of after-tax profits to benefit the communities within which we operate. During the past financial year, we contributed R54,4 million (6.9% of post-tax profit) in CSI spending.

We are working on our CSI programme to ensure that it operates with the highest level of efficiency and impact. We aim to achieve a balance between contributions to smaller more locally concentrated initiatives, and larger, wider-impact initiatives that can benefit from our scale and leverage. We continue to liaise with the Pick n Pay Foundation to ensure these initiatives are aligned with our community engagement strategy and support our community development and empowerment activities. In line with our focus on food security, we are working to identify projects that operate in response to this challenge.

In all our investments, we aim to uphold the principle that ‘doing good is doing good business’. We believe the local soccer team, school, orphanage, subsistence farmer or crafter is a part of our business.

For more information on specific CSI initiatives, visit our website.

R54,4m

Our contribution in CSI spending in 2010

6.9%

Percentage of post-tax profit contributed to CSI

See our website for more details http://www.picknpay.co.za/picknpay/content/en/CSI
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>BWI</td>
<td>The Biodiversity and Wine Initiative</td>
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<tr>
<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<tr>
<td>CGCSA</td>
<td>The Consumer Goods Council of South Africa</td>
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<tr>
<td>CILTSA</td>
<td>The Chartered Institute of Logistics and Transport</td>
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<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
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<td>FAN meat programme</td>
<td>Farm Assured Namibian meat programme</td>
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<tr>
<td>FSC</td>
<td>Forest Stewardship Council</td>
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<tr>
<td>GAA</td>
<td>Global Aquaculture Alliance</td>
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<tr>
<td>GMO</td>
<td>Genetically modified organism</td>
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<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
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<tr>
<td>JSE Limited (JSE) SRI Index</td>
<td>The JSE’s Social Responsibility Index</td>
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<td>NBI</td>
<td>National Business Initiative</td>
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<tr>
<td>King III</td>
<td>King Code and Report on Governance for South Africa</td>
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<tr>
<td>KPIs</td>
<td>key performance indicators</td>
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<tr>
<td>PET</td>
<td>Polyethylene terephthalate</td>
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<tr>
<td>RPET</td>
<td>Recycled polyethylene terephthalate</td>
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<td>SAFSIS</td>
<td>South African Food Safety Inspection Service</td>
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<tr>
<td>SAMTRAC®</td>
<td>Safety, Health and Environment Management Training Course</td>
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<td>SANAS</td>
<td>South African National Accreditation System</td>
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<tr>
<td>SOPs</td>
<td>Standard Operating Procedures</td>
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<tr>
<td>UNGC</td>
<td>The United Nations Global Compact</td>
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<tr>
<td>UN MDGs</td>
<td>United Nations Millennium Development Goals</td>
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<td>WHO</td>
<td>The World Health Organization</td>
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</tbody>
</table>

See our [website](#) for details.