Introduction from Gareth Ackerman Chairman

I am delighted to introduce this update to our full Sustainability Report, which is published every two years. In this update, we highlight our commitment to sustainability and the five areas of our sustainability strategy: environmental responsibility; employee opportunity and diversity; promoting healthy living; supporting local and ethical suppliers and doing good in the local community. As a result of our economic challenge, we launched our ‘War on Waste’ campaign in July 2015. As part of this programme, we have committed to solving 20 new jobs by the end of 2016 – on average 500 jobs per year. Over the 2016 financial year 4,500 new jobs have been created, and in the past three years 11,000 new jobs have been created in the business.

The scale of our sustainability strategy is shown by the following areas:

1. **Climate Change:** We have a significant and lasting impact on more than 400,000 jobs across the country.
2. **Employee Opportunity and Diversity:** Over the past year, Pick n Pay spent more than R40 billion on local suppliers and sourced more than 60% (460,000) of our fresh food products from local suppliers. This was achieved by the integration of international focus on facilitating small business development in the retail sector. Our supply chain sustains 94% of fresh food products from local suppliers. This was the result of intensified focus on our reporting structures and governance efforts.
3. **Promoting Healthy Living:** We made a good start this year, with good progress made. In tackling food waste, 1,737 tonnes of food were donated to food banks. This was over 40% more than the 2015 baseline and 21% more than the previous year, and reduced our food waste to landfill by 20% – all by 2020. We made a good start this year, with good progress made. In tackling food waste, 1,737 tonnes of food were donated to food banks. This was over 40% more than the 2015 baseline and 21% more than the previous year, and reduced our food waste to landfill by 20% – all by 2020.
4. **Supporting Local and Ethical Suppliers:** We support local charities through donations and volunteering. Our sustainable living strategy builds on decades of support through our scale. Some of our most significant impacts are supported by more specific work, enabling us to make a significant difference in the lives of individuals and groups:
5. **Doing Good in the Local Community:**

5. **Doing Good in the Local Community:**

Pick n Pay’s Sustainability Strategy

The scale that “doing good in a good business” has in turn enabled Pick n Pay to push the boundaries, operations will require greater supply chain efficiency, supported by our efforts to reduce waste and improve our carbon footprint.

We support local charities through donations and volunteering, and to reduce our food waste to landfill by 20% – all by 2020. We made a good start this year, with good progress made. In tackling food waste, 1,737 tonnes of food were donated to food banks. This was over 40% more than the 2015 baseline and 21% more than the previous year, and reduced our food waste to landfill by 20% – all by 2020.

Our sustainable living strategy is a core element of the sustainability strategy

We make a significant and lasting difference through our scale. Some of our most significant impacts are supported by more specific work, enabling us to make a significant difference in the lives of individuals and groups:

1. **Promoting Healthy Living:**
2. **Supporting Local and Ethical Suppliers:**
3. **Being Environmentally Responsible:**
4. **Employee Opportunity & Diversity:**
5. **Doing Good in the Local Community:**

Ours is becoming embedded in our thinking and actions. Pick n Pay has played an important role in the economic and social development of southern Africa. We are proud to continue to build and grow this legacy, and will continue to lead on responsible social action and embedding sustainability within our business.

Gareth Ackerman

Pick n Pay steering wheel image is aimed at making the retailer for everyone

Our five focus areas

Promoting healthy living

Supporting local and ethical suppliers

Being environmentally responsible

Employee opportunity and diversity

Doing good in the local community

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Why it's important
Healthy food choices are important for good health and wellbeing. Chronic conditions such as cardiovascular disease, diabetes, cancer and obesity, are all major public health and development challenges in South Africa. Some of these conditions are reaching epidemic proportions; a study of the largest food retailers, we recognise our role in providing access to affordable healthy food, and information that will help customers to make informed decisions about what they eat and how they live.

What we do
• Introduce our customers to healthy and sustainable food choices and sustainable products, and information with which to make informed decisions.
• Introduce promotional marketing that reinforce the availability and promotion of healthy and sustainable products.
• Provide access to affordable healthy food, and information that will help customers to make informed decisions about what they eat and how they live.

What we've achieved in 2016
• Offer healthy and sustainable food choices

Promoting healthy living
Offer healthy and sustainable food choices

Offer healthy and sustainable food choices because the issue of peak health and nutrition is widespread and of high national importance, and sustainable products are expected.

To reduce the incidence and impact of chronic conditions such as cardiovascular disease, obesity, cancer and diabetes, we have introduced a number of activities and initiatives that empower our customers.

In South Africa, some of these conditions are reaching epidemic proportions. As one of the largest food retailers, we recognise our role in providing access to affordable healthy food, and information that will help customers to make informed decisions about what they eat and how they live.

Community health:
One pink bumper sticker and a free cancer screening programme is all it takes to promote physical fitness and overall wellness. Pick n Pay supports PinkDrive, a non-profit company that organises 5km fun walks to raise funds for Pink in Pay Women’s Wellness.

Educational materials:
Customer education is a key to changing behaviour, and a core component of our health strategy. We engage with the national Department of Health on proactive commitments to health and nutritional advice in local communities, offering free cancer screening and health advice in local communities, including vaccines, dermatology, ear irrigation and wound irrigation and a wide range of medical services clinics.

Pick n Pay employs 36 food technologists to ensure that our products comply with all the relevant legislation in terms of quality, content standards and labelling

Encourage active lifestyles
We encourage our customers to lead more active lifestyles by stimulating active walking and cycling. Pick n Pay helps the WHO by promoting cycling and active walking. Our wellness challenge is a fun way to raise funds for Pink in Pay Women’s Wellness, as well as to promote physical fitness and a healthy lifestyle.

Empower people through reliable and accessible information
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SUPPORTING LOCAL AND ETHICAL SUPPLIERS

Our supply chain sustainability work focuses on two commitments: to support local, small-scale, black- and women-empowered businesses; and to promote sustainable practices throughout our supplier network.

Why it’s important
Local and diverse suppliers
Local business development is the initial tenet, particularly of black- and women-owned enterprises, in order to grow our economy, drive employment, and empower individuals. Diversity helps bring a wider variety of products to meet customer needs and choice and protects innovation. A locally focused supply chain leads to: improved terms for producers; protecting local security, environmental, and social challenges; we measure our contribution to these objectives by tracking relevant key performance indicators year-on-year (see page 38).

The long-term viability of our operations depends on the sustainability of our revenue stream. We are committed to ensuring the integrity and sustainability of our supply chain, and supporting our suppliers to meet our highest standards. Achieving this product quality control also deals with our customers.

What we do

- We recognise that today’s small supplier has challenges in scaling the business, growing scale and achieving a viable business – particularly if they are new to the industry. We have taken a bespoke, one-on-one mentoring process to help achieve this.
- We support programmes that encourage resilience throughout our supplier network.
- We support resilience in our supply base.
- We encourage initiatives that promote improvements to animal welfare.
- We are partnering with producers who proactively improve their practices to ensure sustainable and transparent sourcing.
- We are supporting producers who proactively improve their practices to ensure sustainable and transparent sourcing.

What we aim for

- 100% of our fresh produce is sourced from a partner of WWF-SA.
- At least 50% of our seafood products are sourced sustainably.
- 100% of our maize and 80% of our rice is sourced sustainably.
- 80% of our poultry products are sourced from poultry farms that operate certified by the South African Poultry Association (SAPA).
- 100% of our fresh pork sold under the PnP brand is sustainable and traceable (see table on left and page 8). We will continue our drive to cover all processed pork products.
- We will continue to focus on the welfare of pigs in South Africa. From 31 December 2016, all fresh pork sold under the PnP brand must come from farms using an alternative to the gestation period – allowing them to socialise and move much more freely. By 31 December 2017, this commitment will be extended to cover all processed pork products.
- We are strengthening our own small business pool to focus on the latest trends and ensure we are offering a sustainable range.
- We are partnering closely with our suppliers to ensure they meet.

Sustainable and ethical

Pick n Pay operates a policy of giving preference to local suppliers whenever possible.

Local and diverse
Increasing local sourcing
By developing strong, long-term and sustainable partnerships with local suppliers, Pick n Pay leverages the technical expertise and scale of the retail business while improving livelihoods and creating sustainable jobs.

We already store and sell a selection of local and sustainably sourced products, and the business has made significant progress across our key performance indicators (see page 76).

We measure our contribution to these objectives by tracking relevant key performance indicators year-on-year (see page 38).

Supporting small businesses
Through our enterprise development programmes, we aim to deliver growth opportunities to the small and medium-sized enterprise (SME) sector, particularly of black- and women-empowered businesses, and to promote sustainable and transparent sourcing.

Promoting supplier diversity
We prioritise relationships that cover all of our sustainability targets, based only on species assessed by WWF South Africa. From 31 December 2016, all fresh pork sold under the PnP brand must come from farms using an alternative to the gestation period – allowing them to socialise and move much more freely. By 31 December 2017, this commitment will be extended to cover all processed pork products.

We are partnering closely with our suppliers to ensure they meet.
Facilitating small business development in the retail sector, and particularly the empowerment of black- and women-owned businesses, is essential to grow our economy, drive employment and empower individuals.

BEING ENVIRONMENTALLY RESPONSIBLE

Why it’s important

The advent of COP21 at the end of 2015 signalled the increasing recognition of climate change as a significant risk. That economic development has to be compatible with an environment that is not destroyed. Reducing our environmental footprint helps us to manage this risk and achieve our ambitions. The long-term sustainability impacts on our business and society are important to us and we believe increasingly so in the climate change debate. We aim to be part of the solution, to balance our environmental footprint; to focus also benefits the environment and broader society, leverages strong partnerships, encourages energy and water efficiency, and reduces waste generation and carbon emissions. This has had on the environment. Reducing our impact on the environment. Reducing our impact on the environment

What we do

• We are a leading retailer, we see ourselves as part of the solution and encouraging our suppliers and others to do so as well.
• We have identified key environmental impacts and we aim to act to mitigate climate change and food security strategy.
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Reduce water and divert waste away from landfill
Our fra...
**Employee Opportunity and Diversity**

**Why it’s important**
Credible jobs, building skills and accessing opportunities for our employees is essential to the wellbeing of the nation and to reducing poverty and inequality. By growing our workforce and improving our employees’ skills and employability, we believe we can make a valuable contribution to our economy and social cohesion.

**What we do**
- We provide good jobs, effective training and development, considerable pay and benefits.
- We seek to ensure that the composition of our employee base at all levels accurately reflects social conditions.

**What we aim for**
- Promote diversity, transformation and equality.
- Promote the empowerment of all employees.
- Promote individual and group development.
- Promote equity practices.

**What we achieved in FY 2016**
- Promote diversity, transformation and equality
  - NN16% of our employees are female
  - NN16% of our employees are black
  - NN16% of our employees are people from disadvantaged race groups
  - NN6% of our employees are people with disabilities

**Promote diversity, transformation and equality**

**Develop and retain skills**
In an effort to attract and retain the best talent, we have developed policies and practices supported by employment equity policies. Our strategy, of promoting from within and prioritising external candidates from designated groups, has enabled us to make significant progress against our BBBEE targets.

**Develop and retain skills**
- Inclusion and respect are valuable contributions to our economy and our company’s human capital.
- We have a strong commitment to training and development, including leadership training and professional development.
- We have a comprehensive and effective performance management system designed to ensure that employees are managed fairly and effectively.

**Promote wellbeing and wellness**
Promotion healthcare and wellness is an integral part of our company’s values and philosophy. We are committed to ensuring that employees have access to health care services and that they are able to maintain a healthy and active lifestyle.

**Listening to and engaging with our employees**
- We have a strong commitment to listening to and engaging with our employees. We have established a number of channels through which employees can provide feedback and share their thoughts and ideas.

**Our BBBEE progression element**

<table>
<thead>
<tr>
<th>Element</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially responsible</td>
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<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Environmental</td>
<td>5.3</td>
<td>6.2</td>
<td>5.4</td>
</tr>
<tr>
<td>Governance</td>
<td>10.7</td>
<td>11.1</td>
<td>11.2</td>
</tr>
<tr>
<td>Management control</td>
<td>5.1</td>
<td>5.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Employment equity</td>
<td>10.3</td>
<td>11.1</td>
<td>11.2</td>
</tr>
<tr>
<td>Skills development</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Professional placement</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
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<tr>
<td>Semi-economic development</td>
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<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Full-time permanent</td>
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<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total points</td>
<td>48.4</td>
<td>66.5</td>
<td>66.1</td>
</tr>
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</table>

**Our regional teams**
- Our regional teams have a corporate social responsibility (CSR) budget with which to participate in community donations and fundraising activities. This CSR budget is allocated to support projects that align with the company’s values and with community and societal development.

**Our main channels of engagement**
Our main channels of engagement include surveys, interviews and focus groups to ensure that employees are engaged and that their voices are heard. We have also established a number of committees and forums to ensure that employees are involved in decision-making processes.

**We offer**
- We offer a comprehensive and effective performance management system designed to ensure that employees are managed fairly and effectively.
Asakhe Nonzwakazi (in blue) with members of her Township Social Enterprise Co-op.

**P Sustainability Report Update 2016**

**Why it’s important**

We have always been in the heart of many communities and have played a constructive role whenever we have a presence. We take very seriously, relating to local charities, volunteering, donating goods or services, and helping local people during crises or emergencies. Being part of the community helps to build and maintain trust and loyalty in our brand. Moreover, it contributes to social cohesion and promotes the social and economic transformation of the country.

**What we do**

- For us, social responsibility has always encompassed a broad range of activities from changing the perceptions of the community to undertaking social initiatives to uplift communities and individuals.
- We seek to ensure that at least 5% of our total profits are invested in social and community activities.
- We seek to achieve balance between supporting local initiatives and larger wider-impact initiatives that benefit both our core stakeholders.
- Our principal partnerships are with non-governmental organisations and non-profit providers, government departments, and community focused local initiatives.

**Make philanthropy work**

In all our investments, we aim to achieve a fair balance between social good and business results. We choose to support initiatives that are effectively local as well as scalable and reliable, by ensuring our investment is geared towards engaging with local businesses, our customers, and our team. Through our social-buoyant partnerships, our customers can ensure their communities and individuals are able to convert Smart Shopper loyalty points into a broader range of social outcomes.

**The Ackermans Pick n Pay Foundation (the Foundation) was founded in 1997 as a fund for philanthropic purposes.**

**Support educational projects**

- In 2013 the Ackermans Pick n Pay Foundation has supported community projects as part of its commitment to ensuring food security and creating jobs. The Foundation partners with food donor to Africa and other organisations across the country to supply and aid food gardens as well as converting them into training gardens. These projects benefit local communities and further the cause of support projects.
- Between 2013 and 2015 the number of community food gardens established more than doubled from 2 500 in 2013 to 6 500 in 2015, all of which were started.

**Build community food gardens**

Since 2013 the Ackermans Pick n Pay Foundation has supported community gardens as part of its commitment to ensuring food security and creating jobs. The Foundation partners with food donor to Africa and other organisations across the country to supply and aid food gardens as well as converting them into training gardens. These projects benefit local communities and further the cause of support projects.

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WAR ON WASTE

In July 2015, Pick n Pay announced a broad campaign to combat waste in all its forms. We took a forward leap of faith, marked each year in South Africa, a country in which millions of people are hungry. This new journey started in sympathy with no wasted supply and frequency and it is a circular change. You must hurl yourself at a 25% cut in food lost in South Africa unaudited.

At the report has set out, Pick n Pay has a good track record in these areas. We are determined to do more and therefore have set out three targets:

1. Between 2015 and 2020 we will cut our energy per square metre by a further 20%, adding up to a 50% reduction since 2008
2. The business – to get behind our ambition and to wage a war on waste in Pick n Pay. We are busy galvanising everyone in our business to find new ways to make productive use of food waste. As our business becomes more efficient and effective we will reduce the amount of food lost to landfill.
3. By 2020, and set a goal of zero food waste to landfill.

We will create 200 new jobs in South Africa every working day adding up to 5,000 new jobs per year.

We will reach 20 million tonnes of food wasted each year. Ten million tonnes of food is wasted in a country which is suffering from a constrained power supply and frequent power outages, and which is committed to action on climate change.

As this report has set out, Pick n Pay has a good track record in these areas. We are determined to do more and therefore have set out three targets:

1. By 2020, and set a goal of zero food waste to landfill.
2. Pick n Pay teams across the business give effect to the principle of “doing good is good business”.

Identifying material issues

We identify material sustainability issues through our strategic management processes, which consider the interests and concerns of our stakeholders. A range of material issues are clustered under the five focus areas of our sustainability strategy. The focus areas provide the framework for our strategy and reporting process.

Reporting and other governance commitments

We comply with all relevant laws and regulations, including codes of good governance such as the King III Code of Corporate Practices and the JSE Listings Requirements. We also support the Dow Jones Sustainability Index (DJSI) and shared joint project with CDP and ICAS.

Pick n Pay is committed to being an environmentally and socially responsible company, with a focus on sustainability objectives and we are improving our non-financial data indicators for each of our sustainability objectives and we are improving our non-financial data.

Reporting of our sustainability performance

Pick n Pay teams across the business give effect to the principle of “doing good is good business.”

Organising sustainability across the business

Pick n Pay’s goal is to achieve leading scores in the 2015 Dow Jones Sustainability Index – retaining our listing on the index for the twelfth consecutive year – and to maintain our Level 4 BBBEE score on the 2015 Dow Jones Sustainability Index.

Consolidated non-financial data

The Pick n Pay Sustainability Steering Committee, consisting of senior management representing each of our business units, has been responsible for the strategy and implementation of this framework.

Sustainability governance structure
**Key performance indicators**

**People**

- Number of group stores (excluding investment in TM supermarkets) 1,076 1,189 1,093
- Total number of employees 49,300 48,700 52,900
- Permanent employee turnover 15% 19% 16%

**Supply chain**

- Private label products sourced locally 92% 94% 89%
- % of fresh produce suppliers certified against G.a.p. 43% 45% 47%
- *Our carbon footprint data was compiled internally and verified independently by Global Carbon Exchange.*

**Environment**

- *Decrease in CO₂ emissions per square metre (Corporate stores) against FY 2013 baseline*
  - 4% 3.2% -0.6%
- Energy use per square metre for corporate stores (kWh/m²) (2008 baseline)
  - 408 406 427
- Total Scope 1 and 2 CO₂ emissions (Tonnes)
  - 588 509 613
- *Cumulative number of Ackerman Pick n Pay Foundation Community Food Gardens*
  - 113 267 245
- Total CSR expenditure
  - R36M R44M R41.5M

**Community**

- Number of schools in the PnP School Club
  - 2,750 3,025 3,025
- Value of clothing donated to Clothing Bank
  - R1M R1.8M R2.5M
- Value of food donated to FoodBank SA
  - R15M R28M R54M
- Total cSi expenditure
  - R36M R44M R41.5M

**Acronym guide**

- BBBEE: Broad-Based Black Economic Empowerment
- Bn: Billion
- BWI: Biodiversity and Wine Initiative
- CDLI: Carbon Disclosure Leadership Index
- CDP: Carbon Disclosure Project
- CCGSA: Consumer Goods Council of South Africa
- CPLI: Carbon Disclosure Performance Leadership Index
- CSR: Corporate Social Responsibility
- EMD: Exempted Micro Enterprise
- ESI: Environment, Social and Governance
- Fy: Financial Year
- G.A.P.: Good Agriculture Practices
- GMO: Genetically Modified Organism
- GRi: Global Report Initiative
- HPC: Hydro-Patriotism
- JMBU: Jr Management Bargaining Unit
- KP: Key Performance Indicator
- KWh: Kilowatt Hour
- L: Labour
- NMB: National Micro Business
- OW: Occupational Health and Safety
- SF: Sustainable Fisheries Programme
- SME: Small, Medium and Micro Enterprises
- WWF: World Wide Foundation for Nature

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*Our carbon footprint data was compiled internally and verified independently by Global Carbon Exchange.*