SUSTAINABLE LIVING REPORT 2017

CELEBRATING PARTNERSHIPS IN SUSTAINABLE DEVELOPMENT
It is my pleasure to introduce the Pick n Pay Group’s fifth Sustainable Living Report. Given South Africa’s current economic environment, it is heartening to see that our sustainability efforts are not slowing. Indeed, they have found traction across the group and are progressing steadily.

Fifty years ago, Raymond Ackerman bought three small stores in Cape Town. He had a dream of building a new kind of retail business, one that placed the customer at the heart of the business relationship. His passion led to partnerships with South African customers and society in pursuit of a retail business that responded uncompromisingly to peoples’ needs. But his vision was more than this. It encompassed, at its heart, an enduring commitment to doing good. This remains a core philosophy of the company.

In many important ways, Pick n Pay’s sustainability efforts are an ongoing expression of this legacy. Our sustainability strategy responds to a range of societal needs that interface with business risks and opportunities. The need for reliable access to a sufficient quantity of affordable and nutritious food is a core consumer and social need. It is equally an opportunity to drive the delivery of a more efficient and competitive business.

Food security is a complex issue which can be impacted by politics, economics and climate change. Whether in buying locally, supporting small suppliers, sourcing sustainable products, helping consumers make healthy food choices, working towards carbon reduction or creating food gardens, our sustainability efforts ultimately aim towards a more food secure society and a more effective business.

This report also presents our response to the United Nations Sustainable Development Goals (SDGs), which define where 193 member states want to be in 2030. These goals feel particularly important as a point of universal focus given the rise of divisive politics and intolerance in many parts of the world. It is gratifying to see that our efforts accord well with key SDG objectives.

In keeping with Pick n Pay’s 50-year legacy, this year’s report has partnership as an important theme. The scale of challenges we face as a country makes multi-stakeholder collaboration imperative. I am encouraged by the scope and diversity of Pick n Pay’s many hundreds of partners and we are grateful for the deep learning that has enriched our company culture as these partnerships have come to fruition over the years.

Sector partnership is equally important to achieve sustainability goals, and in this, I am fortunate to chair the Consumer Goods Council of South Africa and co-chair the international Consumer Goods Forum. Through these important industry bodies, we are working hard on addressing societal challenges in areas such as public health, product safety, climate change, responsible advertising, crime prevention, reducing waste and consumer protection.

This is an important year for Pick n Pay. Over five decades, we have found one thing to be true: that a company’s philosophy and commitments can find the most enduring success with the help of its people, its customers and its partners. It is they who expect more from us and who keep us focused on the future and what can be achieved if we work together as one.

I am very pleased at the progress we are making and by our determination to do more. My sincere thanks go to the internal teams and volunteers, to our hard-working and co-operative network of partners, and to the many beneficiaries, for their efforts over the years.

Gareth Ackerman
Chairman – Pick n Pay Stores Ltd
PARTNERING TO MEET THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Our sustainability strategy is inextricably linked to our business strategy. This infographic illustrates how sustainability is embedded in our business strategy, and how this aligns with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business. Partnership is essential in achieving the SDGs and we continue to work in close partnership with many of our key stakeholders in the implementation of this strategy.
At Pick n Pay, we are committed to supporting local, small-scale, black- and women-empowered businesses, and to working with all our suppliers to ensure that we provide our customers with great quality food that is produced in a responsible and ethical way. Supporting the conversion of spaza shops to convenience stores provides impetus to township economies and builds a new generation of business leaders. Building a resilient supplier network enables us to help existing suppliers address social and environmental risks, deepen relationships within our supplier network, and comply with empowerment requirements. By helping suppliers meet responsible and ethical standards, we are able to offer customers greater choice, provide an opportunity for active customer engagement and reduce supply chain and reputational risks.

<table>
<thead>
<tr>
<th>KEY PERFORMANCE INDICATOR/COMMITMENT</th>
<th>WHAT WE ACHIEVED IN FY2017</th>
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<tbody>
<tr>
<td><strong>INCREASE LOCAL SOURCING</strong></td>
<td>• A total of 96% of our fresh produce is procured from South African suppliers (2016: 94%)</td>
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<td>• Procured products worth R67.7 billion from South African suppliers</td>
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<td>• We added 140 new suppliers during the year, including eight suppliers from our supplier development and business incubator initiatives</td>
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<td><strong>DEVELOP ENTREPRENEURS</strong></td>
<td>• Through our BoostYourBiz competition, we identified, trained and integrated 24 new small suppliers (50% women-owned enterprises) into our supply chain</td>
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<td>• Through our enterprise development scheme, we provided training to 100 start-up entrepreneurs</td>
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<td>• Five spaza stores converted: 45 jobs created; average increase in sales turnover 100%, margin 18%, net operating profit 3%</td>
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<td>• Enterprise Supplier Development Academy: 66 vendors supplying to all categories (20 women-owned; 18 black-owned; 13 black women-owned); 600 new jobs created.</td>
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<td><strong>PROMOTE SUPPLIER DIVERSITY</strong></td>
<td>• Expenditure on BBBEE business of R35.2 billion (2016: R35 billion)</td>
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<td>• Spend on black-owned businesses R9.2 billion (2016: R2.2 billion)</td>
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<td>• Spend on black women-owned businesses R10.7 billion (2016: R965 million)</td>
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<td><strong>SOW CRATE-FRIENDLY PORK</strong></td>
<td>• Since November 2016, all PnP branded fresh pork products come from sow crate-friendly farms. Since January 2017, all PnP branded processed pork products are also from sow crate-friendly farms.</td>
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<td><strong>PROMOTE ENVIRONMENTAL AND ETHICAL STANDARDS IN OUR SUPPLY CHAIN</strong></td>
<td>• 67% of Pick n Pay fresh produce suppliers are GLOBAL Good Agricultural Practice certified</td>
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<td><strong>SOURCE SUSTAINABLE SEAFOOD</strong></td>
<td>• 83% of all of our seafood products by sales meet our seafood sustainability targets, based on species assessed by WWF South African Sustainable Seafood Initiative (WWF-SASSI)</td>
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EMPOWERING INDEPENDENT SMALL RETAILERS
SPAZA TO CONVENIENCE STORE CONVERSIONS
Pick n Pay is pioneering an ambitious partnership initiative to help small independent township grocers to regenerate their stores and turn them into thriving neighbourhood convenience stores.

A successful pilot project with five stores in 2016 has been the result of entrepreneurial passion and an effective public/private sector partnership on a small but powerful scale between Pick n Pay and the Gauteng Department of Economic Development (GDEoE), with hybrid funding provided by the Old Mutual Foundation and the Masisizane Fund. Further details are available in the feature on spaza to store conversions on pages 10 and 11.

The project underscores our commitment to give impetus to township economies by assisting SMMEs and building new business leaders.

LOCAL AND DIVERSE SUPPLIERS
INCREASING LOCAL SOURCING
We have a substantial impact on the South African economy through our direct supply chain, expending more than R67.7 billion in direct procurement in FY2017. Our supply chain sustains more than 400 000 jobs across the country.

We procure 96% of our fresh produce from South African suppliers, and actively increase our positive impact by developing and sourcing from an increasing number of local emerging farmers and manufacturers. Through collaboration with our local suppliers, including exploring innovative ways of supporting local businesses while retaining our high standards of quality and value for money, we are able to give our customers what they want: global best quality but at a local price.

PROMOTING SUPPLIER DIVERSITY

We want to create new jobs, teach new skills and share our knowledge and experience with more small business owners.

- Suzanne Ackerman-Berman, Pick n Pay Director: Transformation

We promote transformation throughout our supplier base through preferential procurement and by assisting suppliers to achieve compliance with high standards. Our preferential procurement strategy directly targets black- and women-owned small businesses (and youth and persons with disabilities) and we continue to make progress across our key performance indicators. This year, we spent R35.2 billion on BBBEE suppliers, of which R818 million was on black-owned SMMEs, R9.2 billion on more-than-51% black-owned suppliers, and R10.7 billion on more-than-30% black women-owned suppliers.

PREFERENTIAL PROCUREMENT

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EMBRACING LOCAL SUSTAINABLE AGRICULTURE

Food security, environmental and social challenges are essential to grow our economy, drive employment and empower individuals. We recognise that many small suppliers have challenges in accessing funding, growing scale and achieving a viable business. Through our Enterprise and Supplier Development (ESD) Division, we maintain a leading role in mentoring, encouraging and enabling small-scale entrepreneurs to become sustainable suppliers to the retail industry. This pool of diversity and entrepreneurship provides a pipeline of new and enterprising products for our shelves, and a lever to drive our product innovation. Further details are available in the feature on developing small suppliers on pages 12 and 13. Preferential trading terms are provided to enterprises with levels of turnover up to R8 million.

EMBRACING LOCAL SUSTAINABLE AGRICULTURE

Responsibility and Ethical Sourcing

To ensure the sustainability of our resource base, we recognise the importance of promoting resilience throughout our value chain, and supporting our suppliers to meet effective standards. Our sourcing policy provides clear guidance on employment practices and social and environmental standards we expect to be upheld in the process of supplying Pick n Pay branded products. Ensuring strict product quality control also builds trust with our customers. We support ethical initiatives, including offering consumers sustainable alternatives, supporting producers who proactively manage animal welfare and environmental issues, and advancing sustainable seafood sourcing.

SUPPORTING ETHICAL INITIATIVES

To offer consumers sustainable alternatives, we provide a range of organic, free range and Fairtrade certified products. Our eco-friendly PnP Green range of cleaning products is certified as being vegan, cruelty-free and not tested on animals. We have achieved our commitments to improve the welfare of pigs in our supply chain. Following extensive work with our pork suppliers, since November 2016, all fresh pork sold under the PnP brand comes from farms where expectant sows stay in a gestation crate for a maximum of eight weeks, and are then moved into group housing which allows them to move about in pens and socialise with other mother pigs. To protect the piglets the sow is then placed into a farrowing crate one week prior to birth until the piglets are weaned. Since January 2017, all PnP branded processed pork products are also from ‘low crate-friendly’ farms.

Pick n Pay supports Fairtrade with a commitment to give preferential access to locally produced, fairly traded products and is the largest stockist of Fairtrade certified products nationally. All Fairtrade produce is farmed in environmentally ethical ways.

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DE-RISKING THE SUPPLY CHAIN

ETHICAL AND ENVIRONMENTAL STANDARDS

We encourage the growing levels of awareness across our stakeholder groups of the need to ensure that environmental, social and governance (ESG) standards are upheld in the supply chain.

We promote ethical standards across our supplier base through initiatives like SASSI and GLOBALG.A.P. and local initiatives like SFP certification, an internationally recognised set of farm standards linked to Good Agricultural Practice.

Our Technical Division auditing process ensures that animal welfare standards are met. Suppliers comply with labour legislation and organic suppliers are correctly certified. Pick n Pay’s environmental standards focus on minimised and safe use of agrochemicals, proper and safe management of waste, and maintenance of soil fertility and water resources.

All farms are audited by independent third-party veterinarians and our abattoirs, processing facilities, distribution facilities and Pick n Pay stores that take part in the PnP sow crate-friendly programme are audited by SAMIC (South African Meat Industry Company). Follow-up audits are undertaken where required, to ensure compliance. Pick n Pay technologists follow up on the traceability audits when visiting facilities. Any facility or farm that fails the audit is suspended and corrective action must follow together with a re-audit before supply can commence again.

Greater transparency is important in ensuring that ethical and environmental standards are upheld. Traceability of our food is controlled through our food safety audits. We have also traced ingredients with high environmental and social impacts such as palm oil and soy, to facilitate sustainable sourcing.

Sustainable sourcing and traceability is a focus area being addressed by the International Consumer Goods Forum (ICGF). Co-chaired by Pick n Pay’s Chairman, Gareth Ackerman, the forum brings together consumer goods, manufacturers and retailers from around the world to address some of the most important opportunities and risks facing our industry globally and to help drive positive change.

During FY2017, we purchased and sold some fresh produce that was not to our usual standards in terms of size and shape, in order to continue our support to farmers struggling amid the drought.

FOOD QUALITY AND SAFETY MANAGEMENT

To meet our commitment to food quality and safety, Pick n Pay has implemented a policy whereby all food suppliers are audited by a third party company.

An audit includes the evaluation and risk assessment of various criteria against the Pick n Pay supplier food safety requirements, industry standards and regulations. FSA/Intertek audits are undertaken on all National and Private Label suppliers supplying products to Pick n Pay.

In FY2017 we had 542 suppliers of PnP branded products. Our team of 46 food technologists conducted 973 visits to these suppliers and 618 food and safety audits were conducted by third party auditors.

Pick n Pay has worked closely with the Consumer Goods Council of South Africa (CGCSA) on the development of a new auditing system based on the Global Food Safety Initiative Standards (BFSI). The initiative aims to help small and/or less developed businesses to develop effective food safety management systems that meet retailers’ requirements. It is also expected to help standardise the assessment environment within the food retail sector in South Africa, benefitting suppliers, for instance by requiring fewer food safety audits. Pick n Pay has embraced this initiative as part of our capacity building initiatives to diversify our supplier base.

SOURCING SUSTAINABLE SEAFOOD

We are the longstanding core funder and sustainable seafood partner of the World Wide Fund for Nature (WWF) SA. Since 2010 we have invested R15 million in the WWF Sustainable Fisheries Programme (SFP). This funding support has enabled the Responsible Fisheries Alliance to train over 1 500 local fishers and the WWF Southern African Sustainable Seafood Initiative (SASSI) to assess the sustainability of the top 150 seafood species on the South African market.

We continue to make progress towards our target of all our seafood products being sustainably sourced. Currently, 76% of our seafood products by species and 83% of our products by sales either meet credible sustainability standards or come from fisheries that are actively improving their environmental sustainability performance. For the products that are not yet in compliance, we have developed strategies that involve constructive engagement with suppliers and fishermen to foster responsible environmental governance and sustainable fishing practices. Information on these strategies and the species in our procurement stream is provided on our sustainable seafood website: picknpay.co.za/sustainable-seafood.

Our longstanding partnership was born out of Pick n Pay’s commitment to promoting an ecosystem approach to fisheries and recognition that momentum was needed to mobilise the broader retail sector in addressing the challenge of ensuring sustainable seafood for South African consumers.

Chris Kasteen, Manager: Seafood Market Transformation, Marine Programme, Environmental Programmes Unit, WWF-SA, wwf.org.za

“...”
CASE STUDY

In recent years the trading environment has become more difficult, with an economy under pressure and new entrants competing for the local market. Pick n Pay has partnered with Gauteng Department of Economic Development (GDED) to help small independent township grocers to regenerate their stores and turn them into thriving neighbourhood convenience stores.

The new partnership model is designed to address priority areas for independent traders. Based on Pick n Pay’s successful franchise model, the benefits to traders from the partnership with Pick n Pay include:

- access to Pick n Pay’s extensive product range and very competitive purchase pricing
- efficient systems for ordering and managing stock
- an increasingly centralised, regular and timely distribution network
- retail services, including data, airtime and ticketing
- participation in the Smart Shopper loyalty scheme
- tailored business mentoring and advice from Pick n Pay franchisees

The neighbourhood convenience format is one of the fastest growing grocery retail formats worldwide, and a spaza shop is essentially such a format. By bringing together our supply chain, buying and systems capability in partnership with a spaza owner’s intimate knowledge of the needs of customers in the neighbourhood, we are able to bring something special to customers – state of the art grocery retailing in an extremely convenient neighbourhood location. Importantly, we are helping neighbour customers access the goods they need close to home, which reduces the need to travel for their shop.

The first store opened in February 2016 and a further four were opened between October and December. The stores have collectively created 45 new jobs. On average, sales turnover has increased by 100%, margin 18%, net operating profit 3%. Each revitalised store has received a great response from its surrounding community.

Successful township businesses help the broader community by creating jobs and encouraging the development of a wide range of skills, including technology and customer service, as well as retail skills in butchery, bakery and other areas.

Following the success of the pilot, we plan to roll out 20 more stores during 2017, extending to Cape Town and Pretoria, with at least 10 more in the Greater Johannesburg area. In the longer term, hundreds more independent spaza owners could end up working with Pick n Pay as formal retail traders in the future.

We’re delighted to have partnered with Pick n Pay, the GDED and Masisizane Fund on this project. The community will also benefit indirectly from its relationship with Pick n Pay, and the broader group of funders through their various support initiatives, and through financial, non-financial, and business development support.

Dianne Richards, The Old Mutual Foundation’s monitoring and evaluation manager. dogreatthings.co.za/foundation

The private sector has a significant role to play in sharing and transferring economic ownership and skills, and these stores are the result of a transformative partnership that we have established with Pick n Pay, a strategic partner who has agreed to take the risk together with government in tackling the incorporation of marginalised sectors into the mainstream.

- Leah Manenzhe, Acting CEO of Gauteng Enterprise Propeller, the funding agency for the Department of Economic Development in Gauteng. www.gep.co.za

This opportunity means a lot to my family. We felt we had hit a glass ceiling and the partnership with Pick n Pay was the perfect vehicle to help us break through. Pick n Pay is helping us deliver a value added service to our community and I know the community are just as excited as we are.

- Nkululeko Mbhele, co-owner of Emabheleni Market store

The work that has gone into crafting the partnership between the Gauteng Department of Economic Development and Pick n Pay is beginning to show results. We are very pleased with this development as the provincial government.

- Lebogang Maile, Gauteng MEC for Economic Development, Environment, Agriculture and Rural Development. diedev.gpg.gov.za

**Spaza to Store Conversions**

**Mandisa’s Market** in Soweto, run by Mandisa Mzizi, created through the refurbishment of a former fast-food outlet.

Mandisa Mzizi

**Ola’s Market** in Bophelong near Vanderbijlpark, run by retail entrepreneur Thami Manzi.

Ola’s Market CEO, Mr Thami Manzi and General Manager, Mrs Portia Manzi

**Monageng Market**, in Diepkloof, Soweto, owned by Solly Legae and his family, trading since 1972.

Suzanne Arkerman-Berman, Director: Transformation, and Solly Legae, at the launch of Monageng Market

**The Emabheleni Market** store in Soweto, run by Wonder Mbhele and her son Nkululeko Mbhele, trading since the 1930s.

Nkululeko Mbhele and Wonder Mbhele

**Spaza Stores Converted to Neighbourhood Convenience Stores**
DEVELOPING SMALL SUPPLIERS

SUPPORTING A NEW GENERATION OF ENTREPRENEURS, HELPING THEM TO BE SUSTAINABLE SUPPLIERS THROUGH PROVIDING THEM WITH ACCESS TO MARKET

Pick n Pay’s Enterprise and Supplier Development (ESD) Division has three specific aims:

• Increase local procurement by accelerating small suppliers into the supply chain
• Improve and develop a great quality range of local products at competitive prices
• Provide small producers with a national platform by increasing access to national and regional markets.

Our vision is to develop diverse and ethical suppliers.

SUPPORT
Empower and build entrepreneurs and small suppliers by providing them with mentorship and business development support

SCALE
Develop strategies and programmes with the aim to increase productivity and delivery of SMEs within the Pick n Pay supply chain

SUSTAIN
Promote and facilitate all aspects of small supplier development within Pick n Pay

Develop and source local products to benefit our customers and grow the local economy

The ESD team works closely with other divisions within the business, such as the merchandising and supply chain teams, to provide technical advice, workshops and guidance to the small business owners throughout the process.

The PnP Small Suppliers Toolkit is a step-by-step guide designed to empower small suppliers with information on how to develop business within the retail environment. It includes guidance on how to develop a product or service in order to become a successful and sustainable supplier to Pick n Pay. The toolkit is available in English, Afrikaans, Xhosa and Zulu. picknpay.co.za/supplier-toolkits

ATTRACTION AND DEVELOPING ASPIRANT SUPPLIERS

By giving start-ups access to training, funding and opportunities to become part of our national supplier network, Pick n Pay is helping to develop a new generation of entrepreneurs.

In 2016 we held our BoostYourBiz competition, an entrepreneurship programme aimed at empowering and developing aspirant entrepreneurs and suppliers. The competition was open to all entrepreneurs and South African-owned small businesses to pitch their idea, product or service to Pick n Pay, with the aim of becoming a listed supplier and receiving business support.

More than 540 aspirant entrepreneurs and potential suppliers entered the competition, from a range of categories, including health and beauty, grocery, clothing, general merchandise, E-services and transport. The top fifty entrants were selected to participate in a six-week intensive training programme, during which they received expert advice on financial planning, strategy, mentorship and other important aspects of supplying Pick n Pay and the retail sector in general. The participants took part in workshops and training sessions in their regions, and experienced first-hand how a national retailer operates. The finalists presented their business pitch to a panel of judges who selected the final top 24 businesses. More than half of the winners were women, with most of the products coming from the edible groceries category.

Pick n Pay partnered with, among others, Absa bank and the entrepreneurship Seed Academy to provide the winners with a business package that includes mentorship, advice on strategy, product development, brand enhancement, marketing, and finance to boost their business. The start-ups will be able to use Pick n Pay’s centralised distribution centres to distribute their product or offer their services nationally. By leveraging our distribution network, we are providing a national footprint for their goods which allows them to expand their offering considerably, and achieve a much greater geographic spread than they would have if they had to distribute their products themselves.

A second BoostYourBiz campaign is planned for 2018.

SUCCESS STORIES

Chem-Fresh Products

Edward Moshole, founder of Chem-Fresh Products, was working as a cleaner when he identified a need for gentle detergents made from quality ingredients. From this he started all the manufacturing himself, using a handmade mixer set up in his backyard, while selling his detergents door to door.

Pondoland maize CC

This small Transkei-based milling operation has been supplying maize meal and animal feed exclusively to Boxer and PnP stores since April 2014. Managing Director Phil Makabane saw a business opportunity when he realised no one in the area was producing amampondo (maize meal), even though it is a popular staple food. “We began by selling our meal in rural areas, then teamed up with Boxer, which also serves the same region,” he explains. Pick n Pay has provided a two-year implementation programme, which has shown Phil where his business can be improved.

Four of our BoostYourBiz winners: Dikabili Nkome from Tin-Pac Promotional Packaging, Hlengwe Hipho from Ukwanda Farm, Gary Hopkins from Wasabi Marketing, and Lara Marx from Boma Brands CC T/A Rush Bars

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Promoting Healthy Living

Good nutrition is an important part of leading a healthy lifestyle. Combined with physical activity, a nutritious and balanced diet can reduce the risk of chronic conditions such as cardiovascular disease, obesity and diabetes and promote overall health.

We help our customers lead healthy and sustainable lives by providing them with access to safe, healthy and sustainable products, and information with which to make informed choices about what they eat and how they live. We run promotions that make healthier foods more affordable and provide various channels to communicate health- and nutrition-related information. We provide opportunities to get active, raise awareness of the importance of a healthy diet and exercise in maintaining good health and wellbeing, and offer wellness screening tests at our pharmacies.

### Key Performance Indicator/Commitment

<table>
<thead>
<tr>
<th>WHAT WE ACHIEVED IN FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reduce Levels of Salt and Sugar Content in PnP Brand Products</strong></td>
</tr>
<tr>
<td>• Reduced the sodium (salt) content in 96 private label products to legislated levels for 2016</td>
</tr>
<tr>
<td>• Started reducing levels of sugar in carbonated beverage products</td>
</tr>
<tr>
<td><strong>Increase Range of Products to Meet Customer Health Requirements</strong></td>
</tr>
<tr>
<td>• Launched PnP Live Well and PnP Free From brands, which offer products with specific nutrition or health attributes</td>
</tr>
<tr>
<td><strong>Provide More Health-Related Information to Our Customers</strong></td>
</tr>
<tr>
<td>• 911 private label products have health-related (including Guideline Daily Amount) labelling with another 532 planned for FY2018</td>
</tr>
<tr>
<td><strong>Deliver Safe, High-Quality Products</strong></td>
</tr>
<tr>
<td>• Conducted 618 health and safety audits on Pick n Pay-branded product suppliers</td>
</tr>
<tr>
<td>• A total of 973 supplier visits by PnP Food Technologists</td>
</tr>
<tr>
<td>• Routine tests conducted on 6,179 products</td>
</tr>
<tr>
<td>• Conducted 6,413 store food safety audits (Corporate and Franchise stores)</td>
</tr>
</tbody>
</table>

Our national Pink Walks encourages physical activity and supports Breast Cancer Awareness.
OFFERING CUSTOMERS HEALTHY AND SUSTAINABLE FOOD CHOICES

Our customers can trust that they can always choose wholesome, nutritious and high-quality food when they shop with us.

We are continuously improving the range of products we offer and actively develop food and drink products that help consumers meet diet and health requirements as part of an overall balanced intake. Pick n Pay has a robust policy under which all our private label food suppliers are audited, including independent third party monitoring, to ensure that we deliver an excellent range of safe, quality products and that our suppliers ensure the welfare of animals and responsible environmental practices.

The shift from a decentralised to a centralised distribution system in the last few years has enabled us to deliver products more efficiently and frequently, meaning fresher products on shelves and greater availability of stock.

PNP LIVE WELL AND FREE FROM BRANDS

To help address the nutrition and health requirements of our customers, Pick n Pay private label has launched two brands within its portfolio: PnP Live Well and PnP Free From. These products offer specific nutrition or health attributes and are easily identifiable by the customer.

The PnP Live Well products offer holistic or superior nutrition or health benefits and have been developed based on criteria prescribed by Pick n Pay’s in-house dietitian. The bright, fresh branding on these products provide a quick and simple indicator to the customer that this product is a healthier choice. The range of products will be progressively expanded.

PnP Free From is a range of products developed to meet the needs of customers with a food allergy or intolerance to a particular ingredient, seeking a ‘free-from’ alternative.

The brand highlights product solutions that are free from wheat, gluten, lactose or dairy, for example, gluten-free breakfast cereals.

PROVIDING RELIABLE AND ACCESSIBLE INFORMATION

In promoting healthy food choices, we recognise the importance of empowering customers to make informed buying decisions by providing reliable and accessible information on our products.

This is ensured through our product labelling policy. In our private label range, we have extended the roll out of the Pick n Pay Guideline Daily Amount (GDA) front-of-pack labelling scheme to 911 products to assist customers in making better-informed food choices.

Pick n Pay employs 46 food technologists to ensure that our products comply with all the relevant legislation in terms of quality, content standards and labelling. We ensure ongoing compliance to South Africa’s labelling regulations, which govern the content and method of communication on packaging and in advertising communications, ensuring that information is accurate and not misleading.

Customers and staff can address any queries relating to nutrition and food-related issues with Pick n Pay’s registered dietician through the company’s toll-free Health Hotline (0800 11 22 88). Approximately 28 queries were received each month in FY2017. This year we conducted several extensive training sessions to empower our staff with a better knowledge of the nutrition landscape in South Africa.

To extend health education to our customers, we distribute a range of nutrition leaflets in Pick n Pay pharmacies, provide educational materials in schools, and have a library of nutrition and health-related articles on our website’s Nutrition and Wellness page: pnp.co.za/healthcorner.

SALT AND SUGAR REDUCTION

In 2013, the government set levels of reduced salt content in certain products to be achieved by 2016, and by 2019, with the aim of decreasing the incidence of hypertension, or high blood pressure among South Africans.

We have reduced salt content to legislated levels in 153 private label products and will continue to reduce salt in a range of our products to meet the required levels by 2019. In 2016, the government proposed a sugar tax, the details of which had not been finalised by the end of our financial year. We have meanwhile embarked on reducing sugar levels in carbonated soft drinks. The challenge is to reduce salt and sugar content in products without compromising their safety, taste and quality.

PARTNERING TO PROMOTE HEALTHY LIVING

PARTNERING WITH THE DEPARTMENT OF HEALTH AND THE CGCSA

We continue to engage with the national Department of Health and the CGCSA on collective industry measures aimed at reducing and managing health and obesity risks for all South Africans.

A Code to ensure responsible marketing communications for foods and beverages to children has been in force since 2009. In June 2016, the CGP published a Marketing Communications to Children Guide for its members.

Pick n Pay is one of 23 companies that have signed the South African Marketing to Children Pledge, publicly committing to market communications to children of 12 years and under only to promote healthy dietary choices and healthy lifestyles. We also continue to engage with government on proactive commitments to reformulate certain categories of foods to improve their nutrition credentials. Submissions by the industry regarding the definition of ‘better-for-you’ food and non-alcoholic beverage options, stipulating targets for reformulation are currently under review by the Department of Health.

THE VITALITY PICK N PAY HEALTHY FOOD PROGRAMME

While fresh produce like fruits, vegetables and fish are sometimes more expensive than processed meals and snacks, this is often not the case. To improve access to cost effective healthier products, our Smart Shopper loyalty programme seeks to encourage customers to make healthier choices and through our partnership in the Vitality Pick n Pay Healthy Food™ programme, Vitality members receive a discount on our healthy products.

We continue to promote our pharmacy division’s products and services. We have 29 Pick n Pay pharmacies nationwide, offering over-the-counter medication, vitamins and supplements, sports nutrition supplements, medical services clinics as well as a dispensary.

Our pharmacies with clinics offer wellness screenings and a wide range of medical tests and a range of services, including vaccinations, baby wellness and milestones, wound care and dietary advice and family planning (free in the Western Cape for government patients).

To promote efficiency and convenience, this year we launched our Pharmacy Plus mobile application for making orders, sending scripts and communicating on collection or delivery. Customers with a Smart Shopper Card are rewarded with 875 worth of Smart Shopper points on their card after each tenth transaction at one of our pharmacies.

Our pharmacy staff members’ community-outreach activities include providing free glucose and blood-pressure tests at the PinkDrive truck at Pick n Pay Women’s Walks, and free in-store health screenings throughout the year.

OBSERVATIONS

Obesity and diabetes are critical health issues in South Africa. What is required is a concerted effort by government in partnership with the private sector to promote healthy eating and proper nutrition.

~ Gareth Ackerman, chairman of Pick n Pay and co-chair of The Consumer Goods Forum

OFFERING IN-STORE HEALTHCARE SERVICES

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BEING ENVIRONMENTALLY RESPONSIBLE

As a leading retailer, we are committed to reducing our impact on the environment and encouraging our suppliers and others to do so as well. Reducing our environmental footprint helps us manage environmental risk and achieve cost reductions.

Producers are increasingly being impacted by water supply limitations, increasing energy costs and severe climatic events. We recognise the need to collaborate in mitigating risks that threaten food systems in the long term.

We have identified our key environmental impacts and our efforts are guided by a climate change and food security strategy. Our approach focuses on improving energy efficiency and reducing our carbon footprint, reducing the amount of waste we produce, reusing/recycling as much waste as possible, and being water-wise. Many partnerships in this area have taught us that environmental issues cannot be seen in isolation from their social context. We are putting this insight into practice with an ambitious composting pilot project that seeks to address waste, water, food shortage and skills needs in a single, cyclical system.

<table>
<thead>
<tr>
<th>KEY PERFORMANCE INDICATOR/ COMMITMENT</th>
<th>WHAT WE ACHIEVED IN FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECREASE CARBON FOOTPRINT</td>
<td>- 3.5% CO₂e emissions per square metre reduction (since 2013 baseline) against a targeted 4.7% for FY2017</td>
</tr>
<tr>
<td>REDUCE ENERGY INTENSITY</td>
<td>- 34.1% (since 2008 baseline), generating cumulative savings of more than R1.3 billion and 261.5 million kWh of electricity</td>
</tr>
<tr>
<td>CLIMATE-FRIENDLY REFRIGERATION SYSTEMS</td>
<td>- All newly constructed and refurbished stores are being fitted with more natural, CO₂ based, refrigeration systems; achieved to date in more than 60 stores</td>
</tr>
<tr>
<td>REDUCE LEVELS OF FOOD WASTE</td>
<td>- Diverted 2 083 tonnes of surplus food from landfill through FoodForward donation</td>
</tr>
<tr>
<td></td>
<td>- Started composting our food waste (4 tonnes a day) we anticipate that this process will generate up to 3 tonnes of high quality compost per day</td>
</tr>
<tr>
<td>REDUCE AMOUNT OF WASTE SENT TO LANDFILL</td>
<td>- Recycled 48.4% of store waste (2016: 46%), amounting to 19,219 tonnes (2016: 18,353 tonnes)</td>
</tr>
<tr>
<td>PROMOTE SALES OF REUSABLE BAGS</td>
<td>- Sold more than 1.35 million reusable bags (2016: 1.15 million)</td>
</tr>
<tr>
<td></td>
<td>- This year we introduced a range of colourful, PET fabric bags made from recycled plastic bottles, produced by Township Group</td>
</tr>
<tr>
<td>IMPROVE WATER INTENSITY</td>
<td>- Water usage increased over the past financial year to an estimated 1,332 megalitres (FY2016: 1,249 megalitres)</td>
</tr>
</tbody>
</table>

Pick n Pay supports the Phahama Recycling Project, which provides tricycles, protective clothing and skills development to waste pickers in Gauteng.
EXPLORING CIRCULAR SYSTEMS FOR ORGANIC WASTE

The need to address the challenge of organic waste produced in our stores has led to a multi-sector partnership and pilot project aimed at demonstrating how circular systems and organic principles can be harnessed to address a range of social and environmental challenges.

This project aims to address organic waste, food security, water scarcity and skills shortages in Philippi, Cape Town. The model involves a worm farm being built into an Urban Agriculture Academy to create a farming system that could potentially have widespread application across South Africa’s food- and water-insure areas. In addition to composting and 100% water recycling, the project introduces a replicable skills development model that will enable resource-constrained communities to build small farming projects to grow food crops. Further details are available in the feature on War on Waste on pages 23 and 24.

WE ARE PROGRESSING TOWARDS SUSTAINABILITY

IMPROVING ENERGY EFFICIENCY AND REDUCING CARBON EMISSIONS

We have a three-tiered strategy for improving our energy efficiency and reducing our carbon emissions:

- BEHAVIOURAL CHANGE, LIGHTING RETROSETS, TECHNOLOGICAL IMPROVEMENTS Our 1,504 stores account for more than 90% of the total electricity we use. Our strategy revolves around improving efficiency in the key areas of refrigeration, lighting and air-conditioning. We monitor energy usage at each store, whether it’s switching off unnecessary lights, making sure fridges are closed correctly or adhering to the cold chain process. Our energy efficiency initiatives have resulted in a 34.1% reduction in electricity use per square metre since 2008. This reduction has generated cumulative savings of more than R1.3 billion and 261.5 million kWh of electricity.

- IMPLEMENTATION OF CO2-BASED REFRIGERATION SYSTEMS We are installing hybrid refrigeration systems that use carbon dioxide (CO2) alongside gases with lower potential emissions than hydrofluorocarbons at all newly constructed and refurbished stores where the systems have reached end-of-life. CO2, as a refrigerant has a near negligible impact on the environment. To date, more than 60 of our stores have been fitted with these systems and all of our distribution centres use ammonia as a natural alternative coolant. We have improved our measuring and monitoring of leakages and have set a target of reducing CO2e emissions from refrigerant gas leakages by 3% in FY2018.

- RENEWABLE ENERGY SOLUTIONS Solar PV installations at two of our distribution centres and one major store, contribute a small percentage of renewable energy to our overall operations. As part of our increasing commitments to renewable energy, in FY2018 we will be building a major (approximately 2 MWp) solar system at our Longmeadow distribution centre.

COMMITTING TO A LOW CARBON FUTURE

The Paris Climate Agreement has added momentum to the increasing international drive to mitigate the significant impact that economic development has had on the environment.

We recognise that real progress toward more sustainable emission levels will require unprecedented collaboration and collective innovation. Pick n Pay is one of seven South African companies participating in the Science Based Targets initiative, a joint effort of CDP, WRI, WWF and UN Global Compact, that works with companies to set science-based emissions targets that are in line with what scientists say is necessary to keep global warming below the threshold of 2 degrees Celsius. Setting a science-based carbon reduction target is consistent with our passion for a cleaner and more sustainable future. We are also making ambitious commitments to reduce indirect emissions throughout our value chains. More than 230 companies across 33 countries, representing some of the largest businesses globally in a wide range of sectors, have signed up to the initiative. sciencebasedtargets.org

Pick n Pay received an ‘A’ rating for leadership in the CDP climate change programme, recognising us as the initiative’s top performing retailer globally together with Tesco.

- Andre Nel, Head of Sustainability Department

OUR CARBON FOOTPRINT

<table>
<thead>
<tr>
<th>Scope</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile and stationary fuels</td>
<td>8 338</td>
<td>9 726</td>
<td>8 862</td>
</tr>
<tr>
<td>Refrigerant gases</td>
<td>68 036</td>
<td>75 866</td>
<td>90 566</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>537 161</td>
<td>571 122</td>
<td>573 096</td>
</tr>
<tr>
<td><strong>Scope 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upstream and downstream distribution</td>
<td>34 476</td>
<td>34 476</td>
<td>32 441</td>
</tr>
<tr>
<td>Business travel</td>
<td>4 945</td>
<td>5 778</td>
<td>4 502</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>660 456</td>
<td>697 019</td>
<td>709 470</td>
</tr>
<tr>
<td><strong>Total carbon emissions</strong></td>
<td></td>
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</tbody>
</table>

This year we established a new facility for perishables at our Philippi distribution centre in Cape Town. We are currently upgrading the output of the solar PV installations on our main distribution centres.

Pick n Pay energy intensity versus baseline since March 2009 (Intensity reduction %)

Pick n Pay Sustainable Living Report 2017
**REDDUCING PACKAGING IMPACTS**

Our efforts to reduce the amount of packaging that comes with products focus on our own brand products. It can be challenging to reduce packaging without compromising the safety and quality of products, and to source affordable recyclable packaging that will not transfer the cost to our customer.

Our strategy is to include as much recycled material as possible, without affecting the integrity of the packaging, and to specify recyclable material where possible. As we launch new products or redo labelling artwork we provide clear on-pack information to customers on the recyclability of packaging, including using internationally recognised recycle logos. There are websites that explain what the numbers mean, where recycling takes place and what products are made from the recycled material.

Pick n Pay branded products in packaging that is recyclable and contains a high percentage of recycled material include: our juices, carbonated soft drinks, oil and other products in PET bottles and jars, punnets used for fresh products, bottles for household cleaning range, and sleeves on convenience meals.

The PnP Green range consists of cleaning products that are biodegradable and are manufactured using 95% Post-Consumer Recycled Materials (PCRM). Each tonne of PCRM used in the PnP Green range bottles results in a reduction of 1.5 metric tonnes of carbon dioxide (CO2) emitted as polymers derived from virgin fossil fuels are not being used.

We provide a range of reusable bags to assist customers in using fewer plastic bags. The Township Group, a female-owned cooperative operating in the Western Cape that employs more than 70 women, has supplied Pick n Pay since 2009 with more than 600 000 reusable bags made from non-genetically modified cotton. This year, we sold almost 84 000 of their bags (a 47% increase on last year), and more than 1.29 million Pick n Pay Green bags, which are made with environmentally friendly fabric. Our plastic bags contain at least 30% recycled material.

This year we introduced a range of colourful, PET fabric bags made from recycled plastic bottles, produced by Township Group. township.co.za

**REDDUCING WASTE GENERATION AND DIVERTING WASTE FROM LANDFILLS**

Pick n Pay’s ‘War on Waste’ is a set of stretch goals that will deliver significant shifts by 2020 (refer to pages 24 and 25). We continue to explore and develop partnership initiatives to make productive use of food waste and reduce the amount of food waste we produce.

In FY2017 we reduced the amount of waste we sent to landfill by reusing or recycling 48.4% (19 219 tonnes) of Pick n Pay-owned store waste. Store waste is managed on a daily basis and reduce-to-clear sales help to limit wastage.

Pick n Pay has a longstanding relationship with FoodForward SA (formally FoodBank SA), to whom we donated 2 083 tonnes of surplus food waste this year, for redistribution to hundreds of NPOs that feed thousands of hungry people across the country daily. Any food that has passed its sell-by date, but not its expiry date, is donated to FoodForward SA.

During the year we embarked on an ambitious partnership composting initiative to process food waste into organic compost (see page 24 and 25). We have also started sending a significant proportion of our Cape Town waste to an anaerobic digestion plant in Athlone, Cape Town, which generates biogas from organic waste.

Since 2010, Pick n Pay has sold 2.3 million litres of used cooking oil from our stores to Biogreen Diesel, which has been converted into 1.8 million litres of biodiesel. This has reduced carbon emissions by 4 500 tonnes.

We provide collection points for consumers wishing to recycle light bulbs, batteries, plastic bags and ink cartridges, and we continue to introduce enterprising recycling initiatives, many of which create opportunities for employment.

We measure the amount of recycling we do – including the recycling of plastic to produce bags and school chairs, and collecting and recycling hangers - and have significantly increased levels in all areas this year.

Our support of the Phaphana Project in Gauteng, provides tricycles, clothing and training to waste pickers. During the past year, we recycled more than 5 000 tonnes of waste in our reverse logistics project. The project involves Pick n Pay trucks transporting recyclable materials from stores back to our distribution centres to be recycled.

**BEING WATER WISE**

South Africa is a water-scarce country and the steady decline in the availability and quality of water is heightening water security as a social and business risk. Over-abstraction also poses significant environmental risks, undermining the integrity of our watersheds. The prolonged drought over the last three years has had a severe impact on farmers and communities throughout South Africa. The Ackerman Pick n Pay Foundation has supported a pilot Water Resilience programme in partnership with 52 Communities (reviewed on page 32).

As a responsible retailer we have an obligation to reduce our water footprint, as well as raise awareness among our customers and suppliers regarding the importance of using water responsibly. In FY2017 we consumed an estimated 1 332 megalitres of water at stores (FY2016: 1 249 megalitres). We participate annually in the CDP’s water disclosure project.

Fifteen Jojo water tanks (each holding 5 000 litres) with drip irrigation were rolled out to 22 small farmers in KwaZulu-Natal as part of the Foundation’s Water Resilience programme. Picture taken at Siyathuthuka
WAR ON WASTE

We are well on track for our 20/20/20 plan to achieve 20% energy reduction, 20% less food waste and 20 new jobs created every working day by 2020.

WAR ON WASTE COMMITMENTS

In 2015, Pick n Pay launched its War on Waste commitments. The waste reduction programme set the following targets to be achieved by 2020:

1. Between 2015 and 2020 we will reduce our energy use per square metre by a further 20%, adding up to a 50% reduction since we began on this journey in 2008.
2. Tackling climate change, and advancing climate-friendly refrigeration, we aim to reduce our CO₂ emissions by 25% per square metre by 2020.
3. Create 20 new jobs in SA every working day (around 5 000 new jobs per year) as we expand our ability to serve customers across the country.
4. Reduce the amount of food waste we send to landfill by 20% by 2020.
5. Deepen our partnership with FoodForwardSA, find new ways to make productive use of food waste and reduce the amount of food waste we produce.

During 2017 we diverted 10% of our food waste from landfill. Through our partnership initiatives, we aim to increase this level to 20% by 2020.

— Roan Snyman, Pick n Pay Group Sustainability Manager

The ambitious composting project has taken five years to develop and is based on three hectares in Philippi, Cape Town. Waste to Food has concluded a shareholding agreement for the Millisa ED Trust, that involved a R9 million investment in the business, of which the Pick n Pay Ackerman Foundation provided R2 million. Food waste from Pick n Pay is converted through in-vessel composting as well as vermicomposting. High quality organic compost products will be ready for Pick n Pay to sell in the second half of 2017. A quarter of a hectare of greenhouses has been established on-site for seedling and vegetable production, as well as composting. High quality vermicompost – and nutrients that can be used to produce organic leachate which is rich in energy and nutrients that can be used to produce high quality vermicompost – and ultimately, wholesome fresh food. Pick n Pay has started delivering waste to Food to Food, which makes use of innovative technologies to convert organic waste into high quality organic products.

Food waste is rich in energy and nutrients that can be used to produce high quality vermicompost – and ultimately, wholesome fresh food. Pick n Pay has started delivering waste to Food to Food, which makes use of innovative technologies to convert organic waste into high quality organic products.

The PEDI Urban Agriculture Academy has been designed to be an integrated part of the process. In this circular system, organic leachate produced by the worms drains into a sump that takes it to tanks filled with borehole water, which in turn are used to flush-irrigate the PEDI growing beds. The beds drain back through the system to moisten the worm hammocks, which produce more leachate to feed the crops in the beds, in a virtuous cycle which entails full recycling of the water.

The service offered by Waste to Food not only reduces potential negative environmental impacts associated with food waste, it also supports food security, sustainable agriculture and enterprise development. As a result, our objectives align well with Pick n Pay’s.

— Roger Jaques, Managing Director: Waste to Food waste-to-food.co.za

REDUCING LEVELS OF FOOD WASTE GENERATED

1. Improved product layout in stores
2. ‘Reduce to clear’ sales in stores
3. Increased focus on maintenance of Cold Chain
4. Pick n Pay is FoodForward SA’s largest retail partner in SA
5. In FY2017 we donated more than 2 000 tonnes of food for redistribution to people and communities in need
6. More than 20 000 meals are created every day from our surplus food donations
7. Charities are able collect from their closest store to redistribute food in their local community

Partnering to distribute food to people in need

Pick n Pay is FoodForward SA’s largest retail partner in SA

In FY2017 we donated more than 2 000 tonnes of food for redistribution to people and communities in need

More than 20 000 meals are created every day from our surplus food donations

Charities are able collect from their closest store to redistribute food in their local community

Converting waste into a valuable resource

Food waste is received from Pick n Pay stores

In-vessel composting process converts food waste into compost

Vermicompost and organic leachates used to grow fresh produce

Worm hammocks curuse compost into vermicompost

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CONVERTING WASTE INTO A VALUABLE RESOURCE

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In South Africa, creating jobs, building skills and accelerating opportunity and empowerment are essential to the well-being of the nation and to reducing poverty and inequality.

Pick n Pay attaches a high priority to each of these areas, to ensure that our business makes a valuable contribution to our economy and social cohesion. We continue to meet our ambitious job creation targets and strive to be an employer of choice. This means providing good jobs, effective training and development initiatives, competitive pay, good working conditions and an opportunity to progress. We seek to ensure that the composition of our employee base at all levels accurately reflects wider society. We use our skills base and diversity as an advantage in building an engaged, innovative and successful business.

<table>
<thead>
<tr>
<th>KEY PERFORMANCE INDICATOR/COMMITMENT</th>
<th>WHAT WE ACHIEVED IN FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREATE 20 NEW JOBS IN SOUTH AFRICA EVERY WORKING WEEKDAY</td>
<td>• Created 4,490 new jobs across the Pick n Pay Group, or 18 jobs per working day</td>
</tr>
<tr>
<td>PROMOTE DIVERSITY, TRANSFORMATION AND EQUITY</td>
<td>• BBBEE status decreased from a Level 4 contributor in FY2016 to a Level 8 contributor, as a result of revised calculations in terms of the new BBBEE Codes</td>
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<tr>
<td></td>
<td>• A slight decline in representation of designated groups at middle, senior and top management</td>
</tr>
<tr>
<td></td>
<td>• 2,659 internal promotions, recognising skill and development (6.7% of workforce)</td>
</tr>
<tr>
<td>DEVELOP AND RETAIN SKILLS</td>
<td>• R71.8 million spent on employee skills training and bursaries, 94% of this spend was on HDSAs</td>
</tr>
<tr>
<td></td>
<td>• 298 learners in learnerships, internships and apprenticeship programmes</td>
</tr>
<tr>
<td></td>
<td>• 17 graduates in our Graduate programme</td>
</tr>
<tr>
<td></td>
<td>• More than 800 training interventions, reaching almost 30,000 of our staff</td>
</tr>
</tbody>
</table>
In FY2017 we fell just short, with 4,490 jobs created or 18 each working day (2016: 5,441 jobs created or 21.8 each working day). We also help to create thousands of indirect jobs across the country each year, through our increasing levels of local procurement, through our enterprise development initiatives, including, for example, partnership initiatives associated with our waste reduction initiatives, as well as through our community based development work.

CREATING JOBS
As part of our ‘War on Waste’ (see page 24) we set a target to create, across the Pick n Pay Group, 20 new direct jobs each working day, or 5,000 jobs per year, from 2015 to 2020.

PROMOTING DIVERSITY, TRANSFORMATION AND EQUITY
To promote diversity, transformation and equity, we have policies and plans in place to advance our progress, and implement diversity programmes to further integrate and create awareness within our organisation at all levels.

Our five-year EE plan for 2014 to 2019 seeks to achieve steady progress in meeting diversity targets at senior and top management levels. Our strategy is to promote from within and fast-track external candidates from designated groups. To develop a diverse pipeline of talent we implement programmes aimed at attracting more black graduates into the retail sector and offering skills development opportunities (see below).

DEVELOPING AND RETAINING SKILLS
A successful retail business is dependent on a skilled workforce. Good skills ensure effective and efficient management and delivery of our products and services, and better customer service.

Staff who develop their skills are able to advance more quickly through the organisation and are more likely to stay with the company.

We offer over 330 training programmes to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes. We operate a robust career-development framework to help our employees to meet their career goals. A key challenge in skills development is balancing the company’s operational needs with the training requirements of the individual.

Our Graduate Programme is aimed at attracting talented young people into the business and developing them to join our leadership pipeline, while our Corporate Academy seeks to fast-track the development of a pool of managers for our stores. The 12-month Graduate Programme provides recruited graduates from various faculties with exposure and experience in all areas in the business, including on-the-job training supported by formal training courses. Graduates are assessed throughout the programme for suitability and possible placement in various areas of the business.

We currently have 17 graduates on the programme. A total of 65 graduates have completed the PnP graduate programme since its inception in FY2013/14, 28 graduates have been absorbed into permanent positions in the company.

We believe in promoting from within, as well as through our community based development work.

All our buildings are designed within stringent health and safety guidelines and all our employees receive health and safety training as part of their induction. Specific training is provided where required. We comply with the Occupational Health and Safety (OHS) Act. This includes ensuring that health and safety representatives are appointed in each part of the business, and health and safety committees are in place. We employ OHS practitioners who coordinate all health and safety activities in the regions. They provide health advice and referrals to health centres for tests, treatments and check-ups. They also assist regions with health-related tasks such as monitoring health hazards or visiting sick employees. Our long-standing HIV/AIDS programme includes the provision of anti-retrovirals to HIV-positive employees and taking care of orphans of employees.

The Pick n Pay Group provides regular interviews on a radio and FM, discussing nutrition topics relevant to our children, corporate wellness, women’s health, heart health and healthy eating on a budget.

Listening to and engaging with our employees
An engaged and satisfied workforce is key to enabling a high performance culture and having an advantage over our competitors. We engage regularly with our employees, primarily through surveys, monthly publications, and formal and informal staff interaction. Good internal communications help to build knowledge of the company’s plans and activities, and ensure that we better understand our employees’ concerns and expectations. Common issues discussed with our employees include remuneration, training, career development, company performance, and BBBEE and transformation.

Our annual employee engagement survey aims to help us better understand our employees’ views so that we can work with our employees to address issues and improve the work environment. The survey focuses on engagement, enablement and performance; manager effectiveness; and diversity and inclusion. The survey is available to our staff in English and Afrikaans, and is sent to every employee by email. In FY2017, 14,000 employees (26% of the workforce) participated in the survey. We use the survey results to: recognise skilled leaders who engage their employees in a positive way; help improve the quality of leadership in the business; address problems that demotivate employees; compromise customer satisfaction or reduce good performance; improve alignment of teams and individuals with the business strategy, goals and values; and improve our policies to make them more practical and effective.

Our regional teams have a corporate social investment (CSI) budget with which to participate in community donations and fundraising activities. This has enabled staff volunteers to respond to local needs and assist with community support and development.

In FY2017, 70% Pick n Pay Retailers Ltd employees were represented by a trade union or covered by collective agreements. There were no days lost to protected strikes during the review period.

PROMOTING EMPLOYEE HEALTH AND WELLNESS
Promoting health and wellness has a positive influence on our employees’ wellbeing and productivity, at work and beyond.

Mr Raymond Ackerman with the employees who participated in the Adult Basic Education and Training (ABET) programme during 2018.

Mr Raymond Ackerman with the employees who participated in the Adult Basic Education and Training (ABET) programme during 2018.

In FY2017 we fell just short, with 4,490 jobs created or 18 each working day (2016: 5,441 jobs created or 21.8 each working day). We also help to create thousands of indirect jobs across the country each year, through our increasing levels of local procurement, through our enterprise development initiatives, including, for example, partnership initiatives associated with our waste reduction initiatives, as well as through our community based development work.

To promote diversity, transformation and equity, we have policies and plans in place to advance our progress, and implement diversity programmes to further integrate and create awareness within our organisation at all levels.

Mr Raymond Ackerman with the employees who participated in the Adult Basic Education and Training (ABET) programme during 2018.

We have well-established EE forums across the business which include employees, senior managers and trade union members. These provide a formal environment in which to engage and consult on the EE plan and its implementation. In addition, delivery against the five pillars of BBBEE forms part of all senior managers’ performance reviews.

Mr Raymond Ackerman with the employees who participated in the Adult Basic Education and Training (ABET) programme during 2018.

BBBEE SCORECARD

Note: Scorecard compiled internally and verified independently by Empower Logic (Pty) Ltd.

LEADERSHIP

Element
Ownership
Management control
Skills development
Enterprise and supplier development
Socio-economic development
Overall score
Score
8.99
8.30
9.44
24.93
5.00
56.66

The sustainable performance of any business depends on the quality of its people and processes. Pick n Pay is blessed with a highly skilled and motivated workforce.

Pearl Maphoshe, Group Executive: Human Resources.

Pick n Pay Sustainable Living Report 2017 29

ADVANCING EMPLOYEE OPPORTUNITY AND DIVERSITY
To build our talent pipeline, we offer learnership programmes that focus on scarce skills, particularly in the bakery and butchery sectors. Fifty to 100 people are taken on each year to complete first-level qualifications. We seek to attract young talent at local Technical, Vocational and Education and Training (TVET) colleges. About 40 people from these colleges have been placed or contracted with Pick n Pay. This dovetails with our aim to create a pool of skilled workers that can be drawn on to recruit locally in our stores. Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders.

Market research company Ask Africa’s Orange Index for 2016/17 placed Pick n Pay within the top five companies that provide the best customer service in South Africa. The survey gathers views from 15,000 interviews across 33 industries and 228 companies, which are independently audited.

The sustainable performance of any business depends on the quality of its people and processes. Pick n Pay is blessed with a highly skilled and motivated workforce.

Pearl Maphoshe, Group Executive: Human Resources.

Pick n Pay Sustainable Living Report 2017 29
Through our stores, we have a presence in many poor communities nationwide. We seek to play a positive role in each of these communities, through short- and longer-term initiatives, as part of our multi-faceted contribution to the socio-economic transformation of the country.

We seek to ensure that 3% of our after-tax profits are invested in social and community initiatives. This includes supporting smaller local initiatives and larger wider-impact initiatives that can benefit from our scale and leverage. Our principal partnerships are with non-governmental organisations and service providers, government departments, and companies that invest in the community development initiatives.

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<tr>
<th>KEY PERFORMANCE INDICATOR/COMMITMENT</th>
<th>WHAT WE ACHIEVED IN FY2017</th>
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<td><strong>MAKE PHILANTHROPY WORK</strong></td>
<td>• A total CSI expenditure of R38.7 million (3.1% of post-tax profit)</td>
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<td>• Over the past four years, the Ackerman Pick n Pay Foundation has invested more than R16 million into the communities we serve, creating 3 856 jobs through 167 projects</td>
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<td><strong>ESTABLISH COMMUNITY AND HOME FOOD GARDENS</strong></td>
<td>• Since 2013, 362 community food gardens have been established, enabling about 4 000 families to feed themselves across 62 municipalities</td>
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<td>• Started more than 100 home food gardens</td>
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<td><strong>SUPPORT EDUCATIONAL PROJECTS</strong></td>
<td>• Continued supporting 3 025 schools in our School Club</td>
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<td>• Every year 5 000 previously disadvantaged children visit national parks through our Kids in Parks programme</td>
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<td>• Launched a pilot project in-store early learning intervention</td>
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<td><strong>DONATE TO ORGANISATIONS THAT WORK AT SCALE</strong></td>
<td>• Donated R96 million worth of edible food to FoodForward SA, creating about 20 000 meals a day for needy people in communities</td>
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<td>• Donated end-of-sale clothing to the value of R4 million to Clothing Bank</td>
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Over the past year, we launched a pilot project called Sifunda Ngokuthetha (‘We learn by talking together’) at one store, turning the store into a learning centre.
MAKING PHILANTHROPY WORK
We aim to uphold the principle of “doing good is good business” in all our investments.

Making a positive contribution by responding effectively to local as well as national needs, helps to build and maintain trust and loyalty in our brand. We empower our stores to engage effectively with their local stakeholders, such as through supporting local charities, volunteering, donating goods or services and helping local people during crises or emergencies. Our stores in disadvantaged areas provide jobs and opportunities where they are most needed.

The Ackerman Pick n Pay Foundation (the Foundation) was founded in 1997 as a fund for philanthropic purposes. The Foundation complements Pick n Pay initiatives by supporting community organisations that have programmes or activities in place that generate income to make the community self-reliant and financially independent.

COMMUNITY FOOD GARDENS
The Ackerman Pick n Pay Foundation has supported community food gardening since 2013 as part of its commitment to ensuring food security and income generation.

The Foundation partners with several organisations across the country to establish rural and urban food gardens, as well as convert a few of them into training gardens. These projects both feed communities and allow for the sale of surplus produce. Levels of sales have increased, despite the impact of the drought on agriculture. In KwaZulu-Natal, over a six-month period, more than 1 000 units of produce were sold. Small farmer forums have been established to ensure a constant supply to stores. To date more than 100 home food gardens have been started.

PROMOTING WATER RESILIENCE
As a pro-active initiative, the Foundation has rolled out a Water Resilience Programme in partnership with Sivayozina Trust, which supports community based, small agricultural projects in rural communities. As part of the programme, 32 initiatives with 782 hectares under irrigation have been implemented that are benefitting more than 3 200 people directly and indirectly. These families now have the skills to grow their own food and to conserve one of the earth’s most precious resources.

SUPPORTING EDUCATIONAL PROJECTS

PICK N PAY SCHOOL CLUB
The Pick n Pay School Club has been operating for 14 years and is one of the most influential and dynamic public-private educational initiatives in South Africa. The Club makes much-needed educational resources available through private sector funding. It reaches 3 025 schools (725 high schools and 2 300 primary schools), comprising more than 5.7 million educators, learners, parents and guardians. The free educational material supplied by the School Club – books, posters, overview brochures, student stickers, certificates, and mirror decals – is specific to learners’ grades, aligned to the curriculum, and written by experts. The material also addresses nutrition, health and sustainability topics. School Club also runs the Pick n Pay Hero Awards, which recognises young heroes who have gone the extra mile in inspiring and motivating other youngsters.

The Foundation partners with several organisations across the country to establish rural and urban food gardens, as well as convert a few of them into training gardens. These projects both feed communities and allow for the sale of surplus produce. To date more than 100 home food gardens have been started.

SANParks, through the Kids in Parks programme, in partnership with the Departments of Environmental Affairs and Basic Education, and Pick n Pay, has over the past 12 years afforded more than 53 800 learners and 2 600 educators the opportunity to share in a fully sponsored, three-day fun-filled wildlife experience in a national park.

LEARNING CENTRES
Early language skills are vital for children’s success. Pick n Pay is working with South Africa partners to deliver an innovative project called Sifunda Ngokuthetha (which translates to ‘we learn by talking together’) aimed at turning an everyday trip to a supermarket into an opportunity for enriched caregiver-child interactions. An initial trial was conducted at our store in the small township of Dunoon near Cape Town, over a 10-day period. The model involves placing eye-catching, colourful signs featuring engaging language and mathematics prompts at several locations within a store, prompting caregivers to start conversations with children that will expand their vocabularies and help them learn. Examples of the playful signage included: “Find a Juice. What is it made of?” “How many tomatoes are in the packet?” “What colour is spinach?” and “What’s for Dinner?” Parents/caregivers who participated in a brief survey at the store responded positively to the initiative, commending it for inciting enjoyable, educational interactions with their children. Pick n Pay will trial the high-impact, low-cost early learning intervention at a further five stores in FY2018.

DONATING TO ORGANISATIONS THAT ADDRESS CHALLENGES AT SCALE

FoodForwardSA continues to drive efficiencies in the foodbanking model through innovation. In FY2017, we reduced our cost per meal by 20% and increased our rescued food tonnage by 30%. These and other successes would not have been possible without valuable partnerships with caring corporations such as Pick n Pay, which has shown an ongoing commitment to the fight against hunger.

Kate Hamilton, Fund Development Manager at FoodForwardSA. foodforwardsa.org

Pick n Pay Clothing donates its excess clothing to the Clothing Bank’s development programme, which trains and supports black women in running small informal clothing retail businesses in their communities. In 2016, we increased the amount of clothing we donated by 55%.

Clothing Bank is testament to what impact can be achieved when industry partners, government and non-profits collaborate for change. Pick n Pay generously donates excess product from its clothing stores and as a result we have been able to support over 712 unemployed South Africans (95% are mothers) to become self-employed business owners earning profits in excess of R30 million in the last 12 months.

Tracy Chambers, CEO and co-founder of The Clothing Bank, theclothingbank.org.za
Pick n Pay teams across the business give effect to the principle of “doing good is good business” through policies and practices. Good governance is an important element of this principle, enabling us to incorporate social and environmental issues into an analysis of risks and opportunities for our business.

**STRATEGY AND MATERIALITY**

We identify material sustainability issues through a structured internal risk management process, which includes consideration of the interests and concerns of our stakeholders. A range of material issues are clustered into five commitment focus areas and reviewed by our Sustainability Steering Committee. The focus areas provide the framework for our sustainable living strategy and inform our reporting scopes.

Our sustainable living strategy is a core element of the community section of the Pick n Pay steering wheel. The five focus areas cut across each segment in support of customers, employees, operations and finance.

**SUSTAINABILITY GOVERNANCE AND MANAGEMENT**

- **Governance**
  - **Corporate Governance Committee**
  - **Executive Sustainability Steering Committee**
  - **Sustainability Team**
  - **Operational Sustainability Steering Committee**
  - **Pick n Pay Stores Limited Board**
  - **Thirteen Directors**

**Governance and Materiality**

**Sustainability Governance and Management**

**Operational Sustainability Steering Committee**

**Corporate Governance Committee**

**Executive Sustainability Steering Committee**

**Pick n Pay Stores Limited Board**

**Thirteen Directors**

**Sustainability Team**

**OVERVIEW OF NON-FINANCIAL DATA**

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**ARRANGEMENT AND OTHER GOVERNANCE COMMITMENTS**

We comply with all relevant codes and regulations, including codes of good governance such as the King Code of Corporate Practices and Conduct IV. We also comply with the requirements of the JSE Socially Responsible Investment Index – retaining our listing on the index for the thirteenth consecutive year – and the United Nations Global Compact.

**REPORTING AND OTHER GOVERNANCE COMMITMENTS**

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<td>87%</td>
<td>72%</td>
<td>94%</td>
</tr>
</tbody>
</table>

**Note:** only our BBBEE scorecard and carbon footprint data have been independently audited or reviewed.

* Revised calculations in terms of the new BBBEE Codes.