WE ARE PLEASED TO PROVIDE OUR 2018 CORPORATE GOVERNANCE REPORT TO OUR STAKEHOLDERS

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OUR GOVERNANCE

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CHAPTER 1
OUR APPROACH TO CORPORATE GOVERNANCE

The Pick n Pay Group (the Group) operates in the moving consumer goods industry in South Africa and Africa. The Group’s aim is to provide our customers with a tailored range of quality food, grocery and general merchandise products in our retail supermarkets at great prices.

For over 50 years, Pick n Pay has ensured that its policy of “doing good is good business” is at the centre of the supermarket chain. The Board is committed to leading ethically and effectively, upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable value creation.

Pick n Pay believes that the Group’s adoption of best practice in corporate governance contributes to value creation in the long term. Acting as a responsible corporate citizen engenders the support of our stakeholders and helps the Group maintain its reputation for good corporate governance. The Group’s governance and compliance framework is built on the principles of accountability, transparency, ethical management and fairness. To ensure that the Group’s ethical culture is effectively maintained, governance structures are regularly reviewed to align with best practice and to reflect regulatory changes.

The Group has a controlling shareholder, Ackerman Investment Holdings Proprietary Limited. The Chairman, Gareth Ackerman, one non-executive, David Robins, and two executive directors, Suzanne Ackerman-Berman and Jonathan Ackerman, all members of the Ackerman family, are not independent by virtue of their indirect shareholdings in the company. For this reason, the Board annually elects an independent non-executive director to act as Lead Independent Director (LID). The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest.

The Board addressed the following key issues during the year:

• The Group’s policies on information and technology, tax and remuneration were reviewed and updated where appropriate.
• The Board and committee charters were refined in line with the principles of King IV™.
• Decisive steps were taken to improve operating efficiencies, including:
  – The adoption of the voluntary severance programme (VSP) was vigorously debated, including the potential social consequences of reducing the labour force by around 10%. It was concluded that the VSP would improve efficiency and productivity of staff by removing roles and functions that were no longer required due to improved ways of working, while the reduced labour costs would enable the Group to further expand and create new jobs.
  – Modernisation of the loyalty programme was debated at length. It was concluded that the new-look scheme continued to offer relevance and value to customers. The Board agreed that the cost savings achieved by the modernisation should be reinvested in lower prices for customers.
  – The buying-for-less programme initiated during the financial period was actively monitored by the Board, with a focus on whether it had achieved its aim of achieving a closer relationship with suppliers to improve efficiencies and lower costs across the centralised supply chain.
• To promote diversity, a race diversity policy was adopted by the Board.
• The social and legal consequences of the outbreak of listeriosis in South Africa continue to be monitored by the Board.

The Board was satisfied that it fulfilled its responsibilities in accordance with its Corporate Governance Charter, King IV™, the JSE Listings Requirements, the Companies Act, No. 71 of 2008 as amended (the Companies Act) and applicable statutory and regulatory requirements for the financial period ended February 2018.

Hugh Herman
Lead Independent Director
22 June 2018
THE BOARD

The Board of directors, as elected by shareholders, take overall responsibility for the performance and sustainable value creation of the Group. Sustainable value creation is measured across the triple context of the Group’s economic, social and environmental performance, taking into account the six capitals, being the financial, manufactured, intellectual, human, social & relationship and natural capitals. The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that strategy, risk, performance and sustainability are inseparable elements of value creation. The Board ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its short, medium and long-term prospects.

BOARD COMPOSITION

The Board consisted of thirteen directors during the 2018 financial period. Six of the eight non-executive directors were independent, and five were executive directors. As the Chairman was not independent, Hugh Herman was appointed as Lead Independent Director.

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgement in directing the Group’s value creation processes to ensure that they are sustainable for all stakeholders. All directors receive regular briefings on changes in risks, laws and the business environment.

CONTROLLING SHAREHOLDER REPRESENTATION ON THE BOARD

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robbins were nominated as representatives of the controlling shareholder, and were elected by shareholders to the Board. Between them, they have over 80 years’ experience in the Group. Their wealth of retail knowledge, as well as their strategic overview, assists the Group in making decisions for the benefit of all stakeholders in the Group.

BOARD FUNCTION

Directors are encouraged to promote rigorous debate with the aim of promoting direction, governance and effective control of the Group. Decisions are usually made by consensus. All Board members are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

The Board supports the materiality approach, which emphasises integrated reporting based on issues, risks and opportunities that can have a material impact on the sustainable performance of the business over the short, medium and long term. The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Details of the material issues and related risks are set out in the 2018 integrated annual report.

The Board appoints the Chief Executive Officer (CEO) to run the Group on its behalf. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the Board, ensuring that the day-to-day business affairs of the Group are appropriately managed. The corporate governance charter sets out the formal role description of the executives. Included in the written mandate are limits of authority, which set out those matters where the CEO has final authority and which matters where the CEO requests formal approval from the Board. Similarly, within his mandate, the CEO has set limits of authority for his executors, to allow the effective exercise of authority and responsibilities.

DIRECTOR APPOINTMENT AND ROTATION

A third of non-executive directors are required to resign at each annual general meeting. This enables shareholders to hold directors to account and to appoint directors to the Board whom shareholders believe will add value to the business. In filling vacant positions, and in accordance with the requirements of the Company’s race and gender diversity policies that at least 25% of the Board should comprise women, and that at least 25% of the Board should comprise South African citizens who are African, Coloured or Indian, the Board proactively seeks and appoints qualified individuals who reflect a diverse range of skills, professions and backgrounds that represent the gender, race and ethnic diversity of the communities we serve.

The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The Board’s gender and racial diversity targets have been met.

EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Blakar Jakovt (Chief Finance Officer or CFO) and Richard van Rensburg (Chief Information Officer or CIO), who are executive directors of the Company.

EVALUATION OF PERFORMANCE

The Board annually conducts an evaluation of its contribution as a whole to the Group, as well as the individual performance of each of its directors. Completed questionnaires are submitted to the Chairman, who conducts interviews with each member of the Board. The performance of the Chairman is assessed by the LID. Discussions centre on how the performance and effectiveness of the Board can be improved. Individual feedback is given to each director, and the Chairman gives general feedback to the Board.

ANNUAL ASSESSMENT OF INDEPENDENCE

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

At the end of each term, whether one year or three years, the director and the Chairman jointly evaluate each director’s independence. The Company Secretary distributes a questionnaire annually, aimed at gauging the independence of each non-executive director. Consideration is given to factors such as:

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

The questionnaire is completed by each non-executive director and submitted to the Chairman for consideration. Following discussion between Chairman and director, the Chairman makes recommendations to the Board as to independence. The Board interrogates the recommendations before a final decision is made regarding the independence of each non-executive director.

By mutual consent the director may be considered for re-election. If so agreed, that director will be nominated for re-election by shareholders at the Company’s annual general meeting.

All directors submit a declaration of their directorships and commercial interests to the Company Secretary. These declarations, which are regularly updated, are distributed quarterly to the Board and noted at Board meetings. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director’s capacity to act in an independent manner.

The Board has established a balance between the experience of long-serving directors and the fresh insights from new directors. All our directors, whatever their length of service, are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

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

BOARD COMMITTEES

The Board is supported by the audit, risk and compliance committee and social and ethics committee, both formed in accordance with the Companies Act. The audit committee incorporates oversight of risk and compliance. In addition, the Board has established corporate finance, corporate governance, nominations and remuneration committees. The Board’s delegation of authority to committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The Board committees report to the Board on their activities. The corporate governance charter is reviewed annually to ensure that the committee mandates remain current and effective. The charter was reviewed to ensure that the requirements of King IV™ were met. The charter is available on the website, at www.picknpayinvestor.co.za. Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. The chair of the committees reports to the Board on the assessment. All committees, after review, were satisfied that they carried out their responsibilities during the period.
COMPANY SECRETARY
The Board is aware of the King IV™ principle of having an arm’s-length relationship with the Company Secretary, and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the Boards of the various companies in the Group.

The Company Secretary assists the Board in fulfilling its functions and is empowered by the Board to perform her duties. In managing the Board process, the Company Secretary, directly or indirectly:

• Assists with the induction of new directors
• Assists with director orientation, ongoing development and education
• Ensures that the Group complies with all relevant and applicable legislation
• Monitors the legal and regulatory environment, and communicates new legislation and any amendments to existing legislation relevant to the Group and the Board
• Provides the Board with a central source of guidance and assistance
• Acts as secretary for all Board committees

Directors have unlimited access to the Company Secretary’s advice and services, with means of communication including personal interface, electronic communication platforms and Board and committee meetings. Based on the outcome of the Company Secretary’s annual formal assessment by the Board, the Board confirms that the Company Secretary has the qualifications, competence and expertise necessary for the role.

RISK GOVERNANCE
Risk governance and management are integral elements of the Group’s governance framework. The Group aims to ensure business-specific risks are adequately and timely identified and mitigated, whether they are operational, strategic or emerging risks, or risks posed by the external environment. The Board confirms that the Group’s risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach aims to ensure that all areas of the business are aligned with the Group’s risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. For detail on the material risks and issues facing the Group, and how that informs the Group’s strategy, please refer to the 2016 integrated annual report.

INFORMATION AND TECHNOLOGY (IT) GOVERNANCE
The Board takes responsibility for the governance of information and technology (IT), and reviews and approves related policies to set direction on the use of technology and information by the Group.

The Group has established, at executive level, a privacy committee to manage the Group’s response to the Protection of Personal Information Act, and an information, risk and privacy office to manage the ongoing information security and privacy programmes, working together with management and business unit risk officers.

The Board exercises ongoing oversight of IT management practices via the audit, risk and compliance committee. The committee considers the efficiency of and developments in IT controls, policies and processes, as well as risk and resource optimisation. Prioritised IT systems and processes form part of the internal and external audit programme. The Board ensures that IT is used in an ethical and responsible way, and in compliance with relevant laws and regulation.

OPERATIONAL GOVERNANCE
There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

• Capital committee to manage capital expenditure
• Property committee to manage real estate development
• Treasury committee to manage debt structures and cash flow

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

The Board recognises that risk management is an integral part of the Group strategy, and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group’s combined assurance model is interrogated by the risk, audit and compliance committee and is tailored biannually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the Group has been monitored, and ensures that processes and compliance controls are in place to manage compliance risks.

GOVERNANCE STRUCTURE
The diagram below is a summary of the governance structure of the Group.

1. Pick n Pay Stores Limited Board
Thirteen directors

2. Audit, risk and compliance committee
Four directors

3. Remuneration committee
Four directors

4. Nominations committee
Three directors

5. Corporate finance committee
Independent non-executive directors

6. Corporate governance committee
Two directors

7. Social and ethics committee
Three directors

8. Group executive committee
Three executive directors

PICK N PAY STORES LIMITED BOARD.
Refer to the Board of directors on pages 10 and 11.

ROLE

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

2. Remuneration committee
Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfill its functions.

3. Nominations committee
Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.
OUR BOARD OF DIRECTORS

Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

CHAIRMAN
GARETH ACKERMAN (60) BSc, CMS and AMP (Oxon) Chairman
- Appointed 1990
- Years of service: 34
- Chairman of the corporate governance committee and the nominations committee

EXECUTIVE DIRECTORS
RICHARD BRASHER (54) BSc (Hons) Chief Executive Officer
- Appointed 2013
- Years of service: 5

BAKAR JAKOET (62) CA(SA) Chief Finance Officer
- Appointed 2011
- Years of service: 32

RICHARD VAN RENSBURG (57) CA(SA) Chief Information Officer
- Appointed 2009
- Years of service: 9

SUZANNE ACKERMAN-BERGMAN (53) BA, Fellow, Aspen Business Institute, First Movers Executive director
- Appointed 2010
- Years of service: 23
- Chairman of the social and ethics committee

JONATHAN ACKERMAN (51) BA Marketing
- Appointed 2010
- Years of service: 25

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- Appointed 2011
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- Appointed 2010
- Years of service: 25

HONORARY LIFE PRESIDENTS
RAYMOND ACKERMAN Years of service: 35

WENDY ACKERMAN Years of service: 35

MEMBER OF THE:

Corporate Governance Committee
Remuneration Committee
Audit, risk and compliance committee
Social and ethics committee
Nominations committee
Audit, risk and compliance committee
Corporate governance committee
Remuneration committee
Nominations committee
Corporate Governance Committee
Remuneration Committee
Audit, risk and compliance committee
Social and ethics committee
Nominations committee

NON-EXECUTIVE DIRECTOR

HUGH HERMAN (77) BA (Hons) Chairman
- Appointed 1990
- 26 years of service
- Lead independent director (LID)
- Chairman of the remuneration committee
- Lead independent director (LID)
- Chairman of the remuneration committee

DAVID ROBINS (64) BBusSci
- Appointed 2002

AUDREY MOTHUPI (47) BBusSci
- Appointed 2013
- Other listed company directorship: Life Healthcare Group

JEFF VAN ROOYEN (68) CA(SA)
- Appointed 2007
- Chairman of the audit, risk and compliance committee
- Other listed company directorships: MTN Group Limited, Exxaro Resources Limited

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Lorato Phalatse (56) – Appointed 2010
Bidvest Group

Other listed company directorships:
Bidsviet Group
Jeff van Rooyen (68) – Appointed 2007
CA(SA)

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

Other listed company directorships:
MTN Group Limited, Exxaro Resources Limited.

COMPANY SECRETARY
Debra Muller (56) – Appointed 2010
Bill LLL

Years of service: 12
Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant, taking a permanent position as in-house legal advisor in 2006, working with litigation, contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra continues to head up the legal department. In 2016 Debra was appointed to the board of directors of the Consumer Goods and Services Ombud (RF) NPC, where she serves as a member of the CGSO audit and risk committee. Debra also serves as a director of St Luke’s Hospice property company.

Chairman of the corporate governance committee and the nominations committee
An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Company before being appointed to the Board in 1990. He served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. Gareth became a non-executive director in 1999, and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. Among his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa, and is previous co-chair of the International Consumer Goods Forum. He is also a Trustee of the Massazane Fund and a member of the international board of the Young Presidents’ Organisation (YPO). He chairs the Ackerman Family interests.

EXECUTIVE DIRECTORS
Richard Brasheer (66) – Appointed 2013
BSc (Wits)

Chief Executive Officer (CEO)
Richard joined Pick n Pay as CEO in 2013 and has led the plan to restore the business to sustainable long-term growth. He has an outstanding track record spanning 30 years in international retail, having joined Tesco in 1986 and having served as a director on the Tesco main board from 2004 to 2012.

Aboubakar (Bakar) Jakoet (62) – Appointed 2011
CA(SA)

Chief Finance Officer (CFO)
Years of service: 32
Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed Divisional Director in 1993 and served on the retail board as Chief Finance Controller since its inception in 1996. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council and deputy chairman of the UCT finance committee. He is a director of the Sports Science Institute of South Africa, and chairs their audit committee.

Richard van Rensburg (57) – Appointed 2009
CA(SA)

Chief Information Officer (CIO)
Years of service: 9
Richard has extensive experience in retail and information technology with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. Appointed as an executive director in 2011, Richard is the CIO, taking responsibility for the IT, financial services and e-commerce portfolios of the Group.

Suzanne Ackerman-Berman (56) – Appointed 2010
BA, Fellow: Aspen Business Institute; First Movers

Executive Directors
Our governance
CHAPTER 1

Ca(SA)

MTN Group Limited,

Suzanne is active in many areas of philanthropy across different sectors of society, and in particular she is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Foundation, and heads the Pick n Pay Small Business Incubator.

Jonathan Ackerman (51) – Appointed 2010
Bill Marketing

Years of service: 25
Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the well-being of Pick n Pay’s customers is the primary motivating factor for any strategic decision taken in the Company in his current role as Customer Director on the Group Executive. He was appointed to the Board as a representative of the controlling shareholder in March 2010.

NON-EXECUTIVE DIRECTOR
David Robins (64) – Appointed 2002
BScBusiness

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

INDEPENDENT NON-EXECUTIVE DIRECTORS
David Friedland (64) – Appointed 2013
CA(SA)

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

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

Hugh Herman (77) – Appointed 1976
Bill LLL, LLD (HOD)

Lea Independent Director (LID)
Remuneration committee Chairman
Hugh was a partner at attorneys firm, Stannenborg Hoffman & Gaborik, before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains chairman of various subsidiary companies in the Investec Group.

Alex Mathole (45) – Appointed 2010, re-appointed 2016
BlLLEU

Admitted as an accountant in 1997, Alex is currently the regulatory risk management executive at FirstRand, taking responsibility for prudential regulatory compliance, market conduct, ethics and business conduct.

Alex started her career practising in commercial, corporate law and litigation for two years, before joining Gray Security (subsequently merged with Securicor) in 1999 where she worked in the employment law field for five years. In 2006, Alex joined Siemens where she achieved the position of general counsel for Siemens in Africa and subsequently executive director for sustainability and corporate affairs until 2012. From 2012 until 2016, Alex was corporate and regulatory affairs executive at Tiger Brands Limited.

Audrey Mothupi (47) – Appointed 2013
Bill (Hong)

Audrey is the CEO of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey’s experience spans across various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the chief executive of Strategic Services at the Liberty Group of companies.

Audrey is an independent non-executive director on Life Healthcare Group and Brainworks Capital. She sits as chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia. Audrey is a member of the Numeric Board of South Africa, an organisation that focuses on helping young South Africans excel in maths and training world-class maths teachers.

Other listed company directorships: Life Healthcare Group

Lorato Phalatse (56) – Appointed 2010
Bill (Hong), MA

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperm in the retail banking sector, she was seconded to the Women’s Development unit. One of the founders, and the first CEO of Nokala Investments Proprietary Limited, she sat on the boards of companies such as TsaboFedics, Kycoera and Afipsa. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato is chairman of the Bidvest Group and is on the board of the Massazane Fund.

Other listed company directorships: Bidvest Group

Jeff van Rooyen (68) – Appointed 2007
CA(SA)

Chairman of the audit, risk and compliance committee
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DIRECTORS’ RESPONSIBILITIES

The directors acknowledge responsibility for the preparation of the Group annual financial statements, which, in their opinion, fairly present the results and cash flows for the period ended February 2018 and the state of affairs of Pick n Pay Stores Limited and its subsidiaries at the end of the 2018 financial period. The external auditors are responsible for reporting on the fair presentation of those financial statements.

The Company and its subsidiaries have maintained satisfactory accounting records and an effective system of internal controls to ensure the integrity of the underlying information. Appropriate accounting policies, supported by sound and prudent managerial judgements and estimates, have been consistently applied.

The audit, risk and compliance committee reviews the financial information presented and ensures that there has been adherence to International Financial Reporting Standards and the Companies Act of South Africa. Internal and external auditors of companies in the Group have unrestricted access to the committee.

GROUP FINANCIAL RESULTS

The financial results of the Group are set out in the annual financial statements available on our website at www.picknpayinvestor.co.za.

DIRECTORATE AND SECRETARY

The composition of the current Board of directors of the Company is set out on pages 10 and 11. There were no appointments or resignations to the Board during the period.

At least one-third of the non-executive directors are required to retire every year. Independent non-executive directors who have served on the Board for more than nine years are required to serve a one-year term rather than a three-year term. If eligible and available, the names of those directors retiring by rotation are submitted for re-election by shareholders at the ensuing annual general meeting. If any new director has been appointed during the period, the initial appointment must be ratified by shareholders at the first annual general meeting following appointment.

At the annual general meeting to be held on 30 July 2018, Hugh Herman, Audrey Mothupi, David Robins and Jeff van Rooyen retire by rotation. Having been on the Board for more than nine years, Hugh Herman and Jeff van Rooyen are eligible for a one-year term of office. While David Robins has been on the Board for more than nine years, he is not an independent non-executive director and so is eligible for a three-year term of office. Audrey Mothupi is eligible for a three-year term of office. Being eligible, they all offer themselves for re-election.

GOING CONCERN

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the following factors were considered:

- Strong positive cash flow from trading
- No recurring operating losses at divisional and Group level
- Well-controlled working capital and good quality inventory
- Approved short- and long-term financing, with sufficient additional borrowing capacity if required
- Key executive management in place
- No material changes that may impact on the Group in any of its customer, product or geographic markets
- Budgets to end February 2019 reflect a continuation of the above positive factors

COMPANY SECRETARY CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended (Companies Act), I, Debra Muller, in my capacity as Company Secretary of Pick n Pay Stores Limited (the Company), confirm that, to the best of my knowledge and belief, in respect of the financial period under review, the Company has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

On behalf of the Board,

Debra Muller
Company Secretary
22 June 2018
AUDIT, RISK AND COMPLIANCE COMMITTEE

COMMITTEE CHAIRMAN’S REPORT

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

INTRODUCTION

The Group operates in the fast-moving consumer foods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group’s risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

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

The committee does not and cannot replace the Board’s overall responsibility to review and approve the Group’s financial statements.

COMPOSITION AND ACTIVITIES

A standing statutory committee, it is chaired by an independent non-executive director and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting. Fees paid to committee members are disclosed on page 37.

The committee meets formally twice a year with the Chairman, the CEO, the CFO, the head of the internal audit function and the external auditors in attendance. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. Formal minutes are kept and are made available to all members of the committee, and are available on request to all members of the Board. The committee chairman meets with executives, and the internal and external auditors, whenever necessary. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

The internal and external auditors have unrestricted access to the committee and its members throughout the year.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS HELD DURING THE 2018 FINANCIAL PERIOD

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>Qualifications and experience</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeff van Rooyen</td>
<td>A chartered accountant with extensive experience in both the private and public sectors, JRF is Chairman of the committee</td>
<td>2/2</td>
</tr>
<tr>
<td>Hugh Herman</td>
<td>An attorney and well-respected businessman, Hugh is honorary life president of the Investec Group</td>
<td>2/2</td>
</tr>
<tr>
<td>David Friedland</td>
<td>A chartered accountant, who enjoyed a long career as audit engagement partner and lead partner with Arthur Andersen and KPMG, David is well placed to assist the committee with his auditing experience</td>
<td>2/2</td>
</tr>
<tr>
<td>Audrey Mothupi</td>
<td>An Honours graduate with wide business experience in strategy, marketing and banking, Audrey is the CEO of the SystemicLogic Group</td>
<td>2/2</td>
</tr>
</tbody>
</table>

For full details of the members’ qualifications and experience refer to their CVs on pages 12 and 13.

RESPONSIBILITIES AND ACTIVITIES PERFORMED

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

- Seek any information that it requires from any employee or director
- Demand unrestricted access to records and information

- Liaise directly with the external auditors and Group internal audit services
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES

- Providing independent oversight and assessment of the effectiveness of the Group’s assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function
- Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group
- Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group
- Ensuring that the necessary internal controls and checks and balances are in place
- Establishing that management are enforcing use of the controls
- Overseas any tender process adopted to establish whether new external auditors should be appointed
- Acting as a liaison between the external auditors and the Board
- Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the Listings Requirements of the JSE and the King IV Code™ on Corporate Governance (King IV Code™)
- Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls
- Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported
- Considered the expertise, experience and resources of the Group’s finance function
- Reviewed the Group’s integrated reporting function and progress, considering factors and risks that could impact on the integrity of the integrated annual report
- Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board

Activities performed

- Reviewed and recommended to the Board the annual financial statements, interim results, preliminary results announcement, summarised financial statements and integrated annual report

INTERNAL AUDIT

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

RESPONSIBILITIES

- Reviews and approves the internal audit charter and audit plans
- Evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate
- Reviews the Group’s system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls
- Reviews significant issues raised by the internal audit process
- Reviews policies and procedures for preventing and detecting fraud

Activities performed

- Reviewed the internal audit coverage plan
- Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function
- Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position
- Ensured continued progress in integration with the combined assurance model
- Reviewed the effectiveness of internal financial controls
- Met separately with the internal auditors to confirm that they received the full co-operation of management
EXTERNAL AUDIT

Following a tender process, Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to three years. The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. After consideration, the committee concluded that a new tender process was not required in the 2019 financial year. The designated audit partner will be rotated in the event that EY is auditing the Group in the 2020 financial year.

The committee confirmed its satisfaction with the performance and level of service rendered by EY, for the 2018 financial period.

RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Activities performed</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act as a liaison between the external auditors and the Board</td>
<td>• Evaluate the performance, and reviewed the reports, of the external auditors</td>
</tr>
<tr>
<td>Nominate the external auditor for appointment by shareholders</td>
<td>and ensured that the reporting was reliable, transparent and a fair representation</td>
</tr>
<tr>
<td>Determine annually the scope of audit and non-audit services that the external auditors may provide to the Group</td>
<td>for the use by stakeholders.</td>
</tr>
<tr>
<td>Approve the remuneration of the external auditors and assess their performance</td>
<td>Received and appropriately dealt with any complaints relating to the accounting</td>
</tr>
<tr>
<td>Assess annually the independence of the external auditors</td>
<td>practices of the Group, the content or auditing of its financial statements, the</td>
</tr>
<tr>
<td>Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor</td>
<td>internal financial controls of the Group or any related matter.</td>
</tr>
</tbody>
</table>

RISK MANAGEMENT

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

RESPONSIBILITIES

<table>
<thead>
<tr>
<th>Activities performed</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group</td>
<td>• Ensures that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas</td>
</tr>
<tr>
<td>• Together with the external auditors and management reviewed the findings of the financial review committees to the material operating divisions in the Group</td>
<td>• Assisting management to identify risk areas, and evaluates management in the handling of identified risks</td>
</tr>
<tr>
<td>• Ensured that the Group’s assets are secure• Ensures that the accounting system and controls are adequate and function effectively</td>
<td>• Ensures that the Group’s assets are secure</td>
</tr>
<tr>
<td>• Reviewed operational risks, in particular how they were managed</td>
<td>• Ensures that the effectiveness of the internal control measures are continually evaluated</td>
</tr>
<tr>
<td>• Met with management to review their progress on identifying and addressing material risk areas within the business</td>
<td>• Ensures that systems exist that adequately provide for the Group’s conformance with all laws, regulations and codes</td>
</tr>
<tr>
<td>• Chairman met regularly with key management to keep abreast of emerging issues which, during the 2018 financial period, included:</td>
<td>• Met with management to review their progress on identifying and addressing material risk areas within the business</td>
</tr>
<tr>
<td>– Water crisis in the Western Cape, South Africa</td>
<td>– Water crisis in the Western Cape, South Africa</td>
</tr>
<tr>
<td>– Listeriosis outbreak in South Africa</td>
<td>– Listeriosis outbreak in South Africa</td>
</tr>
<tr>
<td>– Recent corporate governance failures in South Africa and their implications for risk management and director responsibilities in oversight of management</td>
<td>– Recent corporate governance failures in South Africa and their implications for risk management and director responsibilities in oversight of management</td>
</tr>
</tbody>
</table>

POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group’s external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the year, EY received R0.8 million (2017: R0.4 million) equating to 8.8% (2017: 4.2%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third-party confirmation and assurance. All non-audit services undertaken during the 2018 financial period were approved in accordance with this policy.

EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICE AND FINANCE FUNCTION

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

LEGAL REQUIREMENTS

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2018 financial period.
EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

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

ARRANGEMENTS IN PLACE FOR COMBINED ASSURANCE AND THE COMMITTEE’S VIEW ON ITS EFFECTIVENESS

The committee ensured that the combined assurance model addressed all significant risks facing the Group and monitored the relationship between external and internal assurance providers and the Group. The committee concluded that the arrangements in place for combined assurance were effective. This conclusion was reinforced by the Group receiving an award from the Institute of Risk Management of South Africa in the category Wholesale & Retail Industry in “recognition of outstanding contribution towards risk management”.

ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 25 February 2018, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2018 financial year and the results of the operations and cash flows for the year then ended.

The committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board.

In compliance with the requirements of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™), an integrated annual report has been compiled for 2018.

APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2018 financial period and that its report to shareholders was approved by the Board.

Jeff van Rooyen
Chairman: audit, risk and compliance committee
18 April 2018

The corporate governance committee operates in accordance with the corporate governance charter. The committee is chaired by me, with membership comprising a non-executive director and the Company Secretary. Other directors, executives and external advisors attend meetings by invitation. The committee convenes on an ad hoc basis. Informal meetings were held as required.

The focus during this period was on implementing King IV™’s recommendations and ensuring that the Group complies with the code of corporate practices and conduct. International standards of corporate governance were considered alongside local practices to ensure that the Group adopted best practice.

Jeff van Rooyen
Chairman: audit, risk and compliance committee
18 April 2018

During the period, the committee reviewed:

- Company policies and the corporate governance charter in light of King IV™
- Remuneration committee charter
- Share trust charter
- Treasury charter
- Companies Act section 45 requirements
- The survey used to establish independence of non-executive directors
- The survey used to establish competence of Company Secretary
- The binding rule published by the South African Revenue Services clarifying the tax treatment with regard to non-executive directors

Gareth Ackerman
Chairman of the corporate governance committee
22 June 2018
Corporate Governance Report 2018

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

The committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability.

The authority to appoint directors remains with the Board. Candidates identified by the committee are interviewed by all the non-executive directors before the potential appointment is referred to the Board for a decision. Appointees are nominated at the next annual general meeting for election by shareholders.

Informal ad hoc meetings are held as required. During the period, the following aspects were considered:

- Ensured succession planning for the Board, the CEO and senior executive position, so that the Group’s long-term strategy can be well executed
- Evaluated those non-executive directors who had served for more than nine years as regards independence and recommended that they continue on the Board for continuity and experience for a further term of one year

COMMITTEE CHAIRMAN’S REPORT

The corporate finance committee operates in accordance with the corporate governance charter, which is reviewed annually. The authority to accept or reject investment opportunities remains with the Board.

The committee convenes on an ad hoc basis. No meetings were called during the financial period.

Jeff van Rooyen
Chairman: Corporate finance committee
22 June 2018

The committee assists the Board in assessing material investment opportunities for the Group.

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Jeff van Rooyen
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22 June 2018

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COMMITTEE CHAIRMAN’S REPORT

Gareth Ackerman
Chairman: Nominations committee
22 June 2018
THE YEAR IN REVIEW

The 2018 financial year was once again characterised by a tough economic climate and constrained consumer spending, with real GDP growth in South Africa of just 0.0% over the 2017 calendar year. The Group responded to the tough consumer environment through decisive action. Over the past year, the Group took a number of strategic steps, as set out in the CEO’s review in the integrated annual report, to reduce its operating costs and improve its underlying efficiency in ways which have generated additional headroom to invest in its customer offer at a critical time for the South African consumer. These steps, which included a voluntary severance programme (VSP), have accelerated the delivery of the Group’s strategic long-term plan. However, they inevitably resulted in some disruption, which had a short-term adverse impact on the performance of the Group. The VSP in particular also resulted in once-off costs which impacted on this year’s profitability and on the ability of the Board and senior executives to deliver against their strategic objectives and related targets.

Against this background, the remuneration committee has had to exercise careful judgment over the past year to ensure that the application of the Group’s remuneration policy reflects the progress on its strategic long-term objectives, while noting the short-term targets that were not met.

It has recognised that incentives tied to specific targets cannot be paid where these targets have not been met. But the committee has also, where appropriate, exercised some discretion and limited flexibility where the non-achievement of short-term targets resulted from decisions that have significantly strengthened the business to deliver on its longer-term strategy.

2018 FINANCIAL RESULT AND ANNUAL BONUS

The VSP added compensation cost and disruption in the short term; however, together with the modernisation of the Group’s loyalty programmes and a collaborative buy better programme with suppliers, the team was able to invest substantially in price and promotion in the final quarter of the year in order to drive sales growth. Strong momentum was achieved in the last three months of the year, but it was not enough to meet the key financial performance targets set by the remuneration committee.

The Group delivered growth in profit before tax and exceptional items (PBTAE), the Group’s primary short-term performance target, of 3.8% in 2018, short of the committee’s threshold target of 10%. In addition, certain other key performance indicators also fell short of expectation, including annual turnover growth, inventory holdings and net interest paid. Accordingly, the Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus and the remuneration committee has not awarded a short-term bonus to its senior executive team this year.

However, the remuneration committee acknowledged the important strategic steps taken over the year to drive sustainable performance. In recognition of the solid progress delivered against the long-term plan and the substantively improved customer offer, the remuneration committee agreed to the payment of an ex gratia appreciation award to executive directors and key members of senior management that have delivered this progress.

REVIEW OF CEO’S LONG-TERM BINARY SCHEME

The committee decided, at a special meeting convened in September 2017, to extend the terms of Richard Brasher’s binary share award. The share award was due to vest in November 2017, subject to the attainment of a share price eligibility hurdle of R68.03. Richard Brasher had, with the support of the Board, successfully implemented the strategic action detailed above in order to reset the long-term earnings trajectory of the Group. The prevailing political and economic climate had resulted in negative sentiment in the local equities market, and the committee acknowledged that the substantial once-off costs related to the VSP could negatively impact the share price in the short term. The committee agreed that Richard should not be disadvantaged for strategic action taken for the long-term benefit of the Group.

The remuneration committee remains committed to equitable remuneration of its executive directors, which adequately reflects performance delivered. As such it was agreed to extend the term of his binary scheme by a further 12 months, to November 2018.

AMENDMENTS TO THE GROUP’S FORFEITABLE SHARE PLAN

The Group has delivered consistent progress against its primary long-term performance target of sustainable growth in headline earnings per share (HEPS), with compound annual growth in HEPS over the last five years of 20%. The Group’s debut issue of forfeitable shares vested successfully in August 2017. It is right that the team share in the value that they have helped to create for shareholders, and we were gratified to deliver 6.3 million shares to 130 participants.

The vesting of FSP 1 highlighted the difficulty of issuing shares to executives on the eve of a statutory closed period. To allow any governance concerns, our executive directors and Company Secretary were precluded from taking up their FSP 1 shares on vesting, and were required to wait until after the publication of the Group’s interim results in October 2017. The remuneration committee subsequently decided to bring forward the vesting dates of all previous FSP awards, from August of the vesting year to June of that same year, to strengthen governance during future vesting periods. The attainment of performance conditions will always be known at the time of the publication of the financial result in April, and it is only the discretionary service condition that has been reduced by less than two months. This amendment ensures that any future delivery and take-up of forfeitable shares will not take place in the days before the Group enters a closed period, facilitating a more streamlined and effective administration of the vesting process.

OTHER KEY CONSIDERATIONS

In addition to the key decisions detailed above, further key considerations for the remuneration committee during the year included:

• setting the remuneration packages of key senior executives in line with market-related benefits
• the fourth allocation of shares under the Group’s forfeitable share plan
• agreeing the overall salary increase for all salaried staff
• ongoing talent management and succession planning

The Group’s remuneration committee is mandated by the Board to ensure that the Group’s remuneration policy fairly and responsibly promotes the achievement of the Group’s strategic objectives, including positive value outcomes over the short, medium and long term.

The Group’s remuneration policy balances the needs of its employees with those of its shareholders and supports the Group’s strategy by incentivising the behaviour that will deliver on its strategic plan, against clear and measurable performance targets across its seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate in attracting, motivating and retaining the Group’s winning team.
SHAREHOLDER ENGAGEMENT

Our remuneration policy seeks to build the most skilled and talented retail business in South Africa, to drive sustainable value creation for all stakeholders. Our remuneration policy, including all reward principles, is consistent with last year and is outlined in section 2 of this report. The application of our remuneration policy in 2018 is detailed in section 3 of this report.

The remuneration committee is confident that the Group’s remuneration policy achieved its stated objectives in support of the Group’s long-term strategy during the year. Senior management and staff have been remunerated fairly, commensurate with market best-practice, current achievements have been recognised and future performance incentivised in line with the objectives of the Group’s long-term strategy and the interests of shareholders.

In line with the requirements of King IV™, the Group will present section 2 and section 3 of this report separately to its shareholders for non-binding votes at its AGM on 30 July 2018. The proposed directors’ fees for the 2019 and 2020 financial period will also be submitted to shareholders for approval at the AGM. Please refer to page 53 for further information.

The Group values open and constructive engagement with its shareholders, and encourages its shareholders to engage with management on material remuneration issues in order to enable informed decisions when voting on the Group’s remuneration policy and the application thereof.

In addition to this commitment, and in accordance with King IV™, in the event that either the remuneration policy or implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

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

The remuneration policy and directors’ fees for the 2018 financial period were approved by shareholders at the AGM held on 31 July 2017 as follows:

<table>
<thead>
<tr>
<th>Advisory vote</th>
<th>For</th>
<th>Against</th>
<th>Abstain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration report for the 2017 annual financial period</td>
<td>91.32%</td>
<td>8.68%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Special resolution number 1</td>
<td>Directors’ fees for the 2018 and 2019 annual financial periods</td>
<td>86.58%</td>
<td>13.42%</td>
</tr>
</tbody>
</table>

The Pick n Pay human resources division (HR) was recognised as the Best HR team of the Year at the 2017 national Future of HR awards. We congratulate the team on this prestigious award, which recognises the transformation of the HR function in business in South Africa. Our HR team is working tirelessly to become a stronger and more effective support structure for all divisions across the Group, and we give them our unwavering support on this journey, as we all become better and simpler for customers and staff.

Looking Ahead

The Group is determined to become the employer of choice within the retail industry, creating more opportunity for competitive benefits, skills training and development, recognition and career advancement. The Group has created over 13,700 new and sustainable jobs over the past three years, notwithstanding the impact of the VSP, through its store opening programme and the ongoing development of its centralised supply chain. We aim to create another 15,000 new jobs over the next three years.

We have much more hope for a prosperous South Africa than we had a year ago, and with renewed energy and momentum in our own business, we look forward to 2019 with confidence of a stronger performance from a lean and more effective team.

The remuneration committee will continue to focus on talent management, retention and succession planning. It will formulate appropriate and effective long-term incentives linked to the key performance indicators that will ensure delivery of the Group’s strategic objectives, while balancing the needs of shareholders with those of employees.

Hugh Herman
Chairman: Remuneration committee
22 June 2018

Section 2: Overview of Remuneration Policy

Alignment with Strategic Objectives

The Group’s remuneration philosophy is to build and reward a high-performance team that successfully delivers the Group’s strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The Group’s remuneration policy supports this philosophy through balanced reward, which recognises both the delivery of short-term performance goals, while incentivising sustainable earnings growth over the long term, aligning the interests of our team with those of our shareholders.

- Performance-driven reward
  Staff are rewarded for the delivery of value creation in line with the objectives of the Group’s strategy.
- Meritocracy
  Staff are recognised and advanced based on merit.
- Effective and lean organisation
  We attract, retain and develop the most talented staff in the retail industry.
- Diversity
  We offer equal opportunities to people from all walks of life and our team reflects the communities we serve.

The Group’s remuneration policy reflects the following principles:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile.
- An independent expert assists with remuneration benchmarking to ensure that remuneration decisions made are objective and fair.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

Framework and Performance Measures

The Group rewards employees for their individual contribution to the Group’s strategic, operating and financial performance.

The Group’s remuneration policy is aligned with the strategic objectives of the Group, as set out in Stage 2 of its strategy. Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders. The Group’s primary performance target for the achievement of short-term incentives by its management teams is growth in profit before tax and exceptional items (PBTAE). The primary target has a 100% weighting in annual bonus determinations. No short-term incentives are paid if the Group’s primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable at the discretion of the remuneration committee, subject to a review of the level of delivery of certain secondary performance targets, as detailed on the following page.
ALIGNING REMUNERATION WITH STRATEGY

STAGE 1: Stabilise the business
- Grow sales in line with or ahead of the market
- High levels of operating efficiency
- Sustainable margin improvement

STAGE 2: Change the trajectory
- Growth in profit before tax and exceptional items (PBTAE)
- Annual individual performance review
- Turnover growth
- Improved cost ratios
- Reduced net finance costs
- Stronger profit margins
- Reduced stock-on-hand days
- BBBEEE performance
- Resource efficiency

STAGE 3: Sustainable long-term growth
- HEPS
- ROCE
- Share price

The remuneration committee assists the Board in meeting its responsibility for determining and administering an appropriate and effective remuneration policy, which is balanced in the best short-term and long-term interests of the Group, its shareholders and its employees, and is aligned to the Group’s strategic objectives. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2018 financial period.

REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES

The remuneration committee has reviewed the Group’s remuneration policy to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry. The committee is satisfied that the Group’s remuneration policy, supported by strong underlying governance principles, ensures that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group’s long-term plan, which are reflected in the performance targets set by the remuneration committee.

Although external advice is obtained from time to time as required, no external advisors attended the remuneration committee meetings during the period under review.

2018 OBJECTIVES AND ACTIVITIES
- Reviewed the Group’s remuneration policy to ensure alignment with the strategic objectives of value creation over the short and longer term, and in line with best practice in the market
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives
- Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees
- Proposed fees for non-executive directors, for shareholder approval
- Reviewed and approved the service conditions and related vesting dates for forfeitable share plan awards
- Determined the overall salary increase for salaried staff across the Group
- Reviewed the principles and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner
- Considered talent management and succession planning
**Medical aid**
Medical aid provisions are in place for all full-time, part-time, variable-time employees. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

**Short-term variable incentives**
The short-term incentive bonus is discretionary and is linked to the achievement of targets led by the primary short-term variable-time employees. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

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The Group operates two share incentive schemes for the benefit of its employees:

1. Share option scheme
2. Forfeitable share plan (FSP)

**Funding of share plans and dilutions**

Shareholders have authorised the Board to utilise up to 63,892,444 shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group’s share schemes. Both the Group’s share schemes fall within this limit, which means the aggregate number of shares that can be issued under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2018 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

**Share option scheme**

The Group operates an employee share option scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

### Share option scheme

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#### Forfeitable share plan (FSP)

The FSP recognises those key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and, through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

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

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

The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

- **Performance conditions**
  - Performance hurdle 1: R84.96 (15% growth)
  - Performance hurdle 2: R128.91 (25% growth)

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

**Status share options – service conditions attached**

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:

- 30% after three years of service
- 30% after five years of service
- 40% after seven years of service

**Middle-management employees** may be eligible for performance “top-up” share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

**Binary share options – service and performance conditions attached**

Binary share options are granted to employees in senior management positions. These three to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PKR share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

**Binary share options issued to executive director**

In November 2012, 1,000,000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24 and were due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee reviewed the original terms and conditions of those binary options. The committee was concerned that the cost and disruption of the voluntary service programme (VSP) may have had a negative short-term impact on the share price in an increasingly volatile local equities market. As the action taken had been supported by the Board and was deemed essential in repositioning the Group for long-term sustainable growth, the remuneration committee decided to extend the vesting period of the binary shares for an additional year.

If the 20-day VWAP up to 14 November 2018 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should the 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

#### Performance Share Options

- **Eligibility hurdle**: R68.03
- **Compounded annual growth rate**: 10%
- **Discounted exercise price**: R42.24

#### Status Share Options

- **Eligibility hurdle**: R84.96
- **Compounded annual growth rate**: 15%
- **Discounted exercise price**: R21.12

**Binary share options**

- **Eligibility hurdle**: R128.91
- **Compounded annual growth rate**: 25%
- **Discounted exercise price**: R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

**Status share options**

- **Eligibility hurdle**: R68.03
- **Compounded annual growth rate**: 15%
- **Discounted exercise price**: R21.12

**Performance share options**

- **Eligibility hurdle**: R128.91
- **Compounded annual growth rate**: 25%
- **Discounted exercise price**: R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

**Forfeitable share plan (FSP)**

The FSP recognises those key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and, through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

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

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

The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group’s return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that the Group has generated a real return for shareholders before rewarding its management team.
**FSP awards**

The Group reclassified certain elements of supplier income received and advertising costs incurred during the year, which impacted its inventory valuation and necessitated an immaterial adjustment to prior year earnings. The HEPS performance conditions attached to all previous FSP awards, as presented below, have been adjusted accordingly.

**FSP 1**

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There were forfeitures in terms of the rules of the scheme and, at the time of vesting, 6.4 million shares were held on behalf of 131 participants.

**FSP 1 performance conditions:**

<table>
<thead>
<tr>
<th>2014 baseline HEPS Cents</th>
<th>Three-year CAGR %</th>
<th>2017 HEPS Cents</th>
<th>Portion of shares which vest %</th>
<th>Number of shares which vest 000's</th>
<th>Net realisable value* Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>141.18</td>
<td>&lt; 10</td>
<td>187.91</td>
<td>All forfeited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>141.18</td>
<td>10</td>
<td>187.91</td>
<td>30</td>
<td>1 909.5</td>
<td></td>
</tr>
<tr>
<td>141.18</td>
<td>12</td>
<td>198.35</td>
<td>65</td>
<td>4 137.2</td>
<td></td>
</tr>
<tr>
<td>141.18</td>
<td>15</td>
<td>214.72</td>
<td>100</td>
<td>6 365.0</td>
<td></td>
</tr>
</tbody>
</table>

The Group delivered HEPS of 258.65 cents per share in 2017. The stretch HEPS growth target was therefore met.

**FSP 1 vested** in August 2017 after the completion of the three-year service requirement, with the delivery of 6.4 million shares to 131 participants.

**FSP 2**

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.1 million shares are currently held by a CSDP on behalf of 98 participants.

**FSP 2 performance conditions:**

<table>
<thead>
<tr>
<th>2015 baseline HEPS Cents</th>
<th>Three-year CAGR %</th>
<th>2018 HEPS Cents</th>
<th>Portion of shares which vest %</th>
<th>Number of shares which vest 000's</th>
<th>Net realisable value* Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>173.34</td>
<td>&lt; 10</td>
<td>230.72</td>
<td>All forfeited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>173.34</td>
<td>10</td>
<td>230.72</td>
<td>30</td>
<td>324.3</td>
<td>24.1</td>
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<tr>
<td>173.34</td>
<td>11</td>
<td>237.07</td>
<td>65</td>
<td>702.6</td>
<td>52.2</td>
</tr>
<tr>
<td>173.34</td>
<td>12</td>
<td>243.53</td>
<td>100</td>
<td>1 081.0</td>
<td>80.3</td>
</tr>
</tbody>
</table>

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

The Group delivered HEPS of 276.98 cents in 2018, exceeding the stretch HEPS target of 243.53 cents per share. FSP 2 will fully vest on 25 June 2018.

**FSP 3**

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open-market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 107 participants.

**FSP 3 performance conditions:**

<table>
<thead>
<tr>
<th>2016 baseline HEPS Cents</th>
<th>Three-year CAGR %</th>
<th>2019 HEPS Cents</th>
<th>Portion of shares which vest %</th>
<th>Number of shares which vest 000's</th>
<th>Net realisable value* Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>215.22</td>
<td>&lt; 10</td>
<td>286.46</td>
<td>All forfeited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>215.22</td>
<td>10</td>
<td>286.46</td>
<td>30</td>
<td>499.5</td>
<td>37.1</td>
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<tr>
<td>215.22</td>
<td>12</td>
<td>302.37</td>
<td>65</td>
<td>1 082.3</td>
<td>80.4</td>
</tr>
<tr>
<td>215.22</td>
<td>14</td>
<td>318.86</td>
<td>100</td>
<td>1 665.0</td>
<td>123.7</td>
</tr>
</tbody>
</table>

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

**FSP 4**

The fourth FSP share issue took place in June 2017 and was funded partly through open-market purchases. A total of 4.1 million shares are held by a CSDP on behalf of 127 participants.

**FSP 4 performance conditions:**

<table>
<thead>
<tr>
<th>2017 baseline HEPS Cents</th>
<th>Three-year CAGR %</th>
<th>2020 HEPS Cents</th>
<th>Portion of shares which vest %</th>
<th>Number of shares which vest 000's</th>
<th>Net realisable value* Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>258.65</td>
<td>&lt; 10</td>
<td>344.29</td>
<td>All forfeited</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>258.65</td>
<td>10</td>
<td>344.29</td>
<td>30</td>
<td>1 232.3</td>
<td>91.5</td>
</tr>
<tr>
<td>258.65</td>
<td>11</td>
<td>333.76</td>
<td>65</td>
<td>2 665.9</td>
<td>198.3</td>
</tr>
<tr>
<td>258.65</td>
<td>12</td>
<td>363.41</td>
<td>100</td>
<td>4 107.5</td>
<td>305.1</td>
</tr>
</tbody>
</table>

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

**SERVICE CONTRACTS**

Executive directors and senior management are employed in terms of the Group’s standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management personnel is required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group’s strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

The retirement age of the Group is 60 years, which applies to all employees. The Group’s Chief finance officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

**REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS**

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Please refer to page 37 for more detail on the proposed fees for 2019. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Non-executive director remuneration is not linked to the performance of the Group or the Group’s share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.
SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY

WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2018 financial period were as follows:

Executive director remuneration benchmarking, including a review of all benefits provided.

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group’s strategic objectives and best practice in the market. The balance between guaranteed remuneration and short and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

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

The increase in total normalised fixed base salary and benefits paid to executive directors is 5.0%, excluding once-off variations in the base, against an average for the Group of 5.0%, excluding employees governed by a labour union agreement (NMU). The average annual increase for NMU employees was between 7% and 10%. Annual increases were determined in April 2017 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees.

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group’s strategic objectives that must be achieved before a short-term incentive bonus will be payable. These targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met, before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal appraisal process.

The Group delivered PBTAE of R1 789.1 million, a 3.8% increase on the prior period. This fell below the remuneration committee’s threshold target of 10.0%, and, as a result, no short-term bonus was awarded to its senior management team. However, discretionary awards were made to executive directors and certain members of senior management in recognition of their execution of the difficult decisions taken during the year to drive sustainable performance. Bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2019 financial period, including overarching primary short-term PBTAE growth targets of:

Reviewing the Group’s long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors.

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

As detailed in the remuneration committee Chairman’s review, the term of the binary share option awarded to CEO, Richard Brasher, was extended by a further 12 months to ensure that Richard was not unfairly disadvantaged by this potential short-term impact on the share price of strategic action taken in service of the long-term plan during the year. Please refer to page 25 for further information.

Reviewing the Group’s forfeitable share plan (FSP) – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management.

Following the successful vesting of FSP 1, the remuneration committee agreed on a replacement award to ensure that all senior management personnel have competitive and market-related long-term incentives in the business to drive delivery of the long-term strategy and value creation. It provides the Group with added security over the retention and tenure of key executives. The remuneration committee set the financial performance conditions to be attached to FSP 4 and agreed on the 127 participants and the level at which each would participate, with particular focus on allocations to executive directors. For further information, refer to pages 25 and 35 of this report.

Reviewing and recommending non-executive directors’ fees for the 2019 financial period, for final approval by shareholders at the AGM.

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

Reviewing and approving of the Group’s remuneration policy and report.

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 30 July 2018.
## PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS

### Total remuneration of executive directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Name</th>
<th>Fees for Board meetings</th>
<th>Base salary</th>
<th>Retirement and medical contributions</th>
<th>Fringe and other benefits</th>
<th>Total fixed remuneration</th>
<th>Discretionary award*</th>
<th>Total remuneration</th>
<th>Long-term share awards expense*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>Richard Brasher</td>
<td>1.5</td>
<td>9 474.0</td>
<td>857.1</td>
<td>288.5</td>
<td>10 621.1</td>
<td>800.0</td>
<td>11 421.1</td>
<td>23 618.5</td>
</tr>
<tr>
<td></td>
<td>Richard van Rensburg</td>
<td>1.5</td>
<td>4 423.5</td>
<td>383.1</td>
<td>547.6</td>
<td>5 355.7</td>
<td>375.5</td>
<td>5 731.2</td>
<td>5 882.4</td>
</tr>
<tr>
<td></td>
<td>Bakar Jakoet</td>
<td>1.5</td>
<td>4 605.0</td>
<td>34.6</td>
<td>389.0</td>
<td>5 030.1</td>
<td>400.0</td>
<td>5 430.1</td>
<td>5 882.4</td>
</tr>
<tr>
<td></td>
<td>Suzanne Ackerman-Berman</td>
<td>1.5</td>
<td>2 586.1</td>
<td>245.9</td>
<td>311 2.3</td>
<td>224.0</td>
<td>3 336.3</td>
<td>3 446.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jonathan Ackerman</td>
<td>1.5</td>
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<td>1 786.0</td>
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<td>1 911.5</td>
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<td>21 508.7</td>
<td>–</td>
<td>21 508.7</td>
<td>26 076.8</td>
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</table>

* The Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus. However, the remuneration committee acknowledged that certain important strategic steps were taken during the period to drive sustainable performance, but which had a negative impact on short-term profitability. The remuneration committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

# The expense of the long-term share awards is determined in accordance with IFRS 2 Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year’s charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 employee share option scheme and forfeitable share plan are met.

### Total remuneration of non-executive directors

<table>
<thead>
<tr>
<th>Year</th>
<th>Name</th>
<th>Directors’ fees</th>
<th>Lead director</th>
<th>Audit committee</th>
<th>Remuneration committee</th>
<th>Nomination committee</th>
<th>Corporate finance committee</th>
<th>Social and ethics committee</th>
<th>Employee share trust</th>
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<td>2018</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4 187.0</td>
</tr>
<tr>
<td></td>
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<td>–</td>
<td>80.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>600.0</td>
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<tr>
<td></td>
<td>Hugh Herman</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>850.0</td>
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<tr>
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<td>–</td>
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<td>432.5</td>
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<td>–</td>
<td>38.0</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<td>Hugh Herman</td>
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<td>–</td>
<td>–</td>
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<tr>
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<td>Jeff van Rooyen</td>
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<td>630.0</td>
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### CHAPTER 1

**DIRECTORS’ INTEREST IN PICK N PAY STORES LIMITED ORDINARY SHARES**

<table>
<thead>
<tr>
<th>Name</th>
<th>Balance held at 26 February 2017</th>
<th>Additions/ grants</th>
<th>Disposals</th>
<th>Balance held at 25 February 2018</th>
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<tr>
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<td>–</td>
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<tr>
<td>Ackerman Pick n Pay Foundation</td>
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<td>Suzanne Ackerman-Berman</td>
<td>direct: 19 762</td>
<td>–</td>
<td>–</td>
<td>19 762</td>
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<tr>
<td>Jonathan Ackerman</td>
<td>indirect: 101 900</td>
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<td>–</td>
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<tr>
<td>Mazal Trust</td>
<td>indirect: 2 700 967</td>
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<tr>
<td>Bakar Jakoet</td>
<td>direct: 2 850 008</td>
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<tr>
<td>Richard Brasher</td>
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<td>–</td>
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</tr>
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<td>David Robins</td>
<td>direct: 86</td>
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<td>–</td>
<td>–</td>
<td>122 888</td>
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<td>David Friedland</td>
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* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company’s share price over the term of the option.

### SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

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<th>Calendar year granted</th>
<th>Award grant price R</th>
<th>Balance held at 26 February 2017</th>
<th>Granted/ (exercised)</th>
<th>Exercise price R</th>
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<tr>
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<td>2012</td>
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<td>–</td>
<td>1 000 000</td>
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<td>140 000</td>
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* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company’s share price over the term of the option.

* The disposing of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

* There have been no changes in the directors’ interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company’s share price over the term of the option.

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* There have been no changes in the directors’ interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.
DIRECTORS’ INTEREST IN PICK N PAY STORES LIMITED B SHARES

<table>
<thead>
<tr>
<th>Name</th>
<th>How held*</th>
<th>Balance held at 26 February 2017</th>
<th>Additions/ (disposals)</th>
<th>Balance held at 25 February 2018</th>
<th>Beneficial/ non-beneficial interest</th>
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<tbody>
<tr>
<td>Gareth Ackerman</td>
<td>direct</td>
<td>522</td>
<td></td>
<td>522</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>3,227,861</td>
<td></td>
<td>3,227,861</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>39,140</td>
<td></td>
<td>39,140</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Ackerman Investment Holdings Proprietary Limited**</td>
<td>indirect</td>
<td>246,936,847</td>
<td></td>
<td>246,936,847</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Mistral Trust***</td>
<td>indirect</td>
<td>5,349,559</td>
<td></td>
<td>5,349,559</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>Suzanne Ackerman-Berman</td>
<td>direct</td>
<td>233,767</td>
<td></td>
<td>233,767</td>
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</tr>
<tr>
<td></td>
<td>indirect</td>
<td>926,084</td>
<td></td>
<td>926,084</td>
<td>Beneficial</td>
</tr>
<tr>
<td>Jonathan Ackerman</td>
<td>direct</td>
<td>243,307</td>
<td></td>
<td>243,307</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>1,135,009</td>
<td></td>
<td>1,135,009</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>21,862</td>
<td></td>
<td>21,862</td>
<td>Non-beneficial</td>
</tr>
<tr>
<td>David Robins</td>
<td>direct</td>
<td>1,931</td>
<td></td>
<td>1,931</td>
<td>Beneficial</td>
</tr>
<tr>
<td></td>
<td>indirect</td>
<td>184,742</td>
<td>(5,624)</td>
<td>179,118</td>
<td>Non-beneficial</td>
</tr>
</tbody>
</table>

* Direct interests represent a holding in the director’s personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.
** The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.
*** The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.
# This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

There have been no changes in the director’s interest in ordinary shares and B shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.

COMMITTEE CHAIRMAN’S REPORT

The committee monitored the Group’s activities in relation to relevant policies, legislation and regulation and best practice in corporate governance.

Amongst other issues, the meetings dealt with key topics such as the Cape Town water crisis, the listeriosis outbreak, the impact of the avian flu epidemic on chicken farmers and products, the proactive management of anti-corruption, the voluntary severance programme and responsible sourcing. A “fur free” policy was adopted during the period.

The committee met three times during the period to review performance in the following areas, as required by the Companies Act:
• Animal practices
• Anti-corruption practices
• Consumer safety
• Employee welfare and relations
• Ethical business practice
• Legislative compliance
• Responsible sourcing
• Social and environmental responsibility
• Transformation

The committee is chaired by me, and members include two independent non-executive directors as well as the Company Secretary, executives responsible for strategy and human resources, senior management and technical experts on areas of mandate. All levels and areas of expertise across the Group are represented on the committee. Additional advisors attend meetings by invitation, depending on agenda items to be discussed.

The committee’s objective is to ensure that high ethical standards are applied in all areas of the business, and to review and approve the policy, strategy and structure for managing the social issues in the Group in accordance with our long-standing principle that “doing good is good business.”

The social and ethics committee operates in accordance with the requirements of the Companies Act and King IV™ and is governed by a charter, which is reviewed and approved annually by the Board. The charter was updated during the period to take into account the principles of King IV™.

Guidelines for the committee include the OECD anti-corruption principles, the Employment Equity Act, as well as elements of the Johannesburg Stock Exchange Socially Responsible Index criteria and Broad-Based Black Economic Empowerment Act.
LEGAL REPORT

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

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

Compliance questionnaires form the dual function of monitoring compliance and educating employees in the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions. Current areas of focus include the Protection of Personal Information Act, the Consumer Protection Act and suggested amendments to the Competition Act, as well as the Company’s Code of Ethics and the implementation of King IV.

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

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

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

LITIGATION MATTERS
The Company and its subsidiaries are not involved, and have not in the 2018 financial period been involved, in any legal or arbitration proceedings which may have or has had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

The Company has been actively monitoring the possibility of a class action in relation to the listeriosis outbreak in South Africa.

COMPETITION COMMISSION
The terms of reference for the Competition Commission’s market inquiry into the grocery retail sector were announced in November 2015. The Market Inquiry was tasked with determining whether there were features of the grocery retail sector that undermined competition, particularly with regard to small, independent and informal businesses that supplied groceries to residents in townships, peri-urban and rural areas. In addition, the impact of long-term exclusive leases on competition in the retail sector was to be examined.

Pick n Pay believes that the existing structure of the South African grocery market is competitive and dynamic, to the benefit of consumers. Further, Pick n Pay believes that the expansion of formal retailers into townships and other areas is good for consumers, and has not inhibited a thriving informal and independent sector. Small, independent stores play an important role alongside major retailers.

The Company actively supports small businesses, for example through purchasing and supply chain practices, as well as through the Ackerman Pick n Pay Foundation.

Pick n Pay remains of the belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, which have over many years given developers and retailers the confidence to invest and serve customers better.

The growth of large-scale grocery retail benefits families through access to safe and affordable food.

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

The Company is co-operating with the Market Inquiry, anticipated to be concluded by October 2018.
## ANALYSIS OF ORDINARY SHAREHOLDERS

<table>
<thead>
<tr>
<th>SHAREHOLDER SPREAD</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 000 shares</td>
<td>7 508</td>
<td>61.5</td>
<td>2 132 421</td>
<td>0.4</td>
</tr>
<tr>
<td>1 001 – 10 000 shares</td>
<td>3 398</td>
<td>27.8</td>
<td>11 003 485</td>
<td>2.3</td>
</tr>
<tr>
<td>10 001 – 100 000 shares</td>
<td>942</td>
<td>7.7</td>
<td>29 847 816</td>
<td>6.1</td>
</tr>
<tr>
<td>100 001 – 1 000 000 shares</td>
<td>295</td>
<td>2.5</td>
<td>87 028 808</td>
<td>17.8</td>
</tr>
<tr>
<td>1 000 001 shares and over</td>
<td>59</td>
<td>0.5</td>
<td>358 437 791</td>
<td>73.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 206</strong></td>
<td><strong>100.0</strong></td>
<td><strong>488 450 321</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC/NON-PUBLIC SHAREHOLDERS</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-public shareholders</td>
<td>16</td>
<td>0.1</td>
<td>145 966 336</td>
<td>29.9</td>
</tr>
<tr>
<td>Ackerman Investment Holdings Proprietary Limited</td>
<td>1</td>
<td>–</td>
<td>124 677 238</td>
<td>25.5</td>
</tr>
<tr>
<td>Mistral Trust</td>
<td>1</td>
<td>–</td>
<td>2 720 008</td>
<td>0.6</td>
</tr>
<tr>
<td>Ackerman Pick n Pay Foundation</td>
<td>1</td>
<td>–</td>
<td>101 900</td>
<td>–</td>
</tr>
<tr>
<td>Directors</td>
<td>10</td>
<td>0.1</td>
<td>4 958 745</td>
<td>1.0</td>
</tr>
<tr>
<td>Shares held on behalf of FSP participants</td>
<td>1</td>
<td>–</td>
<td>6 853 500</td>
<td>1.4</td>
</tr>
<tr>
<td>Pick n Pay Retailers Proprietary Limited</td>
<td>1</td>
<td>–</td>
<td>516 769</td>
<td>0.1</td>
</tr>
<tr>
<td>The Pick n Pay Employee Share Purchase Trust</td>
<td>1</td>
<td>–</td>
<td>6 138 176</td>
<td>1.3</td>
</tr>
<tr>
<td>Public shareholders</td>
<td><strong>12 190</strong></td>
<td><strong>99.9</strong></td>
<td><strong>342 483 985</strong></td>
<td><strong>70.1</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12 206</strong></td>
<td><strong>100.0</strong></td>
<td><strong>488 450 321</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

## ANALYSIS OF B SHAREHOLDERS

<table>
<thead>
<tr>
<th>SHAREHOLDER SPREAD</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 000 shares</td>
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<td>3.9</td>
<td>1 100</td>
<td>0.0</td>
</tr>
<tr>
<td>1 001 – 10 000 shares</td>
<td>7</td>
<td>26.9</td>
<td>52 668</td>
<td>0.0</td>
</tr>
<tr>
<td>10 001 – 100 000 shares</td>
<td>8</td>
<td>30.8</td>
<td>223 670</td>
<td>0.1</td>
</tr>
<tr>
<td>100 001 – 1 000 000 shares</td>
<td>5</td>
<td>19.2</td>
<td>1 162 276</td>
<td>0.6</td>
</tr>
<tr>
<td>1 000 001 shares and over</td>
<td>5</td>
<td>19.2</td>
<td>257 822 955</td>
<td>99.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100.0</strong></td>
<td><strong>259 682 850</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PUBLIC/NON-PUBLIC SHAREHOLDERS</th>
<th>Number of shareholders</th>
<th>%</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-public shareholders</td>
<td>6</td>
<td>23.1</td>
<td>258 295 007</td>
<td>99.5</td>
</tr>
<tr>
<td>Ackerman Investment Holdings Proprietary Limited</td>
<td>1</td>
<td>3.9</td>
<td>246 936 847</td>
<td>95.1</td>
</tr>
<tr>
<td>Directors</td>
<td>4</td>
<td>15.3</td>
<td>6 008 601</td>
<td>2.3</td>
</tr>
<tr>
<td>Mistral Trust</td>
<td>1</td>
<td>3.9</td>
<td>3 349 559</td>
<td>2.1</td>
</tr>
<tr>
<td>Public shareholders</td>
<td><strong>20</strong></td>
<td><strong>76.9</strong></td>
<td><strong>1 187 862</strong></td>
<td><strong>0.5</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
<td><strong>100.0</strong></td>
<td><strong>259 682 850</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE</th>
<th>Number of shares</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ackerman Investment Holdings Proprietary Limited</td>
<td>124 677 238</td>
<td>25.5</td>
</tr>
<tr>
<td>Public Investment Corporation Limited</td>
<td>51 277 595</td>
<td>10.5</td>
</tr>
<tr>
<td>Coronation Balanced Plus Fund</td>
<td>16 161 912</td>
<td>3.3</td>
</tr>
<tr>
<td>Alexander Forbes Investments</td>
<td>10 882 955</td>
<td>2.2</td>
</tr>
<tr>
<td>Genesis Emerging Markets Investment Company</td>
<td>8 853 662</td>
<td>1.8</td>
</tr>
<tr>
<td>Allan Gray Balanced Fund</td>
<td>7 046 264</td>
<td>1.4</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Stock Index Fund</td>
<td>6 853 197</td>
<td>1.4</td>
</tr>
<tr>
<td>Shares held on behalf of FSP participants</td>
<td>6 853 500</td>
<td>1.4</td>
</tr>
<tr>
<td>The Pick n Pay Employee Share Purchase Trust</td>
<td>6 138 176</td>
<td>1.3</td>
</tr>
<tr>
<td>Prudential Core Value Fund</td>
<td>5 737 158</td>
<td>1.2</td>
</tr>
<tr>
<td>Old Mutual Symmetry Satellite Equity Fund No 3</td>
<td>5 600 026</td>
<td>1.2</td>
</tr>
</tbody>
</table>

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

### GEOGRAPHIC SPREAD OF SHAREHOLDERS (%)

- **South Africa ordinary shares with B shares stapled**: 26.8%
- **South Africa ordinary shares excluding B shares**: 49.2%
- **United States of America**: 9.0%
- **United Kingdom**: 4.7%
- **Other countries**: 10.3%
The 50th annual general meeting (AGM) of the shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) for the 2018 annual financial period will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, 7708, Cape Town on Monday, 30 July 2018 at 08:30. Registration for the AGM will commence at 08:00.

The minutes of the previous year’s AGM held on 31 July 2017 are available on our Pick n Pay investor relations website at www.picknpayinvestor.co.za.

All mentions of the “Companies Act” in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No. 71 of 2008, as amended.

The Board of directors of the Company has established that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 50th annual general meeting will be 12 July 2018. Shareholders or their proxies are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708. To ensure that registration procedures are completed by 08:30, please register for the annual general meeting from 08:00.

All mentions of the “Companies Act” in this notice of annual general meeting and the ordinary and special resolutions set out below are references to the South African Companies Act, No. 71 of 2008, as amended.

The purpose of the annual general meeting is for the following business to be transacted and for the following special and ordinary resolutions to be proposed:


The full annual financial results, including the audited annual financial statements, the directors’ report and the audit, risk and compliance committee’s report of the Company and its subsidiaries, are published on the Pick n Pay website, www.picknpayinvestor.co.za, or can be requested from the Company Secretary at demuller@pnp.co.za.

2. ORDINARY RESOLUTION NUMBER 1
Appointment of external auditors
“RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company.”

3. ORDINARY RESOLUTION NUMBER 2
Reappointment of directors
Curricula vitae of directors to be elected are presented on page 57.

Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi retire in accordance with the Company’s Memorandum of Incorporation (MOI). Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi, being eligible, offer themselves for re-election as non-executive directors of the Company.

The Board recommends the re-election of Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi.

The Board of directors of the Company has established that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 50th annual general meeting is Friday, 29 June 2018 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 20 July 2018. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 20 July 2018 will be entitled to participate in and vote at the annual general meeting.

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

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.

The Board of directors of the Company has established that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 50th annual general meeting is Friday, 29 June 2018 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 20 July 2018. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 20 July 2018 will be entitled to participate in and vote at the annual general meeting.

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

Ordinary resolutions require the approval of at least 50% (fifty percent) of the voting rights plus 1 (one) vote exercised on the resolution. Special resolutions require the approval of at least 75% (seventy-five percent) of the voting rights exercised on the resolutions.
Shareholders are requested to consider and, if deemed fit, re-elect Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi by way of passing the separate ordinary resolutions set out below:

**ORDINARY RESOLUTION NUMBER 2.1**
Appointment of Hugh Herman as director

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

**ORDINARY RESOLUTION NUMBER 2.2**
Appointment of Jeff van Rooyen as director

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

**ORDINARY RESOLUTION NUMBER 2.3**
Appointment of David Robins as director

"RESOLVED that David Robins be and is hereby elected as a director of the Company."

**ORDINARY RESOLUTION NUMBER 2.4**
Appointment of Audrey Mothupi as director

"RESOLVED that Audrey Mothupi be and is hereby elected as a director of the Company."

4. **ORDINARY RESOLUTION NUMBER 3**
Appointment of audit, risk and compliance committee members for the 2019 annual financial period

Curricula vitae are presented on page 57.

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

"RESOLVED that Jeff van Rooyen be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2019 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2."  

**ORDINARY RESOLUTION NUMBER 3.2**
Appointment of Hugh Herman as a member of the audit, risk and compliance committee

"RESOLVED that Hugh Herman be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2019 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.1."  

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

"RESOLVED that Audrey Mothupi be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2019 annual financial period, subject to her re-election as a director of the Company in terms of ordinary resolution 2.4."  

5. **ADVISORY VOTE NUMBER 1**
Endorsement of the remuneration policy

"RESOLVED that, by way of a non-binding advisory vote, the remuneration policy of the Company as outlined in the remuneration report on pages 27 to 35, is endorsed."  

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of the King IV Report on Corporate Governance for South Africa, 2016 King IV, more than 75% of the voting rights exercised on this advisory vote must be cast in favour for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration policy adopted by the Company. In the event that 25% or more of the voting rights exercised are cast against this advisory vote, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

**ADVISORY VOTE NUMBER 2**
Endorsement of the remuneration implementation report

"RESOLVED that, by way of a non-binding advisory vote, the remuneration implementation report of the Company as outlined in the remuneration report on pages 36 to 42, is endorsed."  

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

6. **SPECIAL RESOLUTION NUMBER 1**
Directors’ fees for the 2019 and 2020 annual financial periods

"RESOLVED, AS A SPECIAL RESOLUTION, that the directors’ fees, to be paid to the directors in their capacity as directors only, for the 2019 annual period, and to be increased by CPI for the 2020 annual financial period, be as follows:

- Executive directors: unchanged at R1 500
- Chairman: R4 438 000 (previously R4 187 000)
- Lead non-executive director: R138 000 (previously R130 000)
- Non-executive directors: R413 000 (previously R390 000)
- Chairman of the audit, risk and compliance committee: R340 000 (previously R321 000)
- Chairman of the remuneration committee: R181 000 (previously R171 000)
- Chairman of the corporate finance committee: R150 000 (previously R150 000)
- Member of the audit, risk and compliance committee: R138 000 (previously R130 000)
- Member of the remuneration committee: R90 000 (previously R85 000)
- Member of the nominations committee: R85 000 (previously R80 000)
- Member of the social and ethics committee: R60 000 (previously R65 000)
- Member of the corporate finance committee: R130 000 (previously R125 000)

Where applicable, directors’ fees are exclusive of VAT.*

* The corporate finance committee is an ad hoc committee. In the event that this remuneration report is approved, the non-binding advisory vote will be presented to shareholders for their views on the remuneration policy. In the event that 25% or more of the voting rights exercised are cast against this advisory vote, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

**SPECIAL RESOLUTION NUMBER 2.1**
Provision of financial assistance to related or inter-related companies

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance (“financial assistance” having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations (“related” and “inter-related” having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine.

Notes on the interpretation of special resolution number 2.1

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

Reason for and effect of special resolution number 2.2

This reason for and effect of special resolution number 2.2 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.2, or until superseded by another special resolution, whichever is the shorter period of time.

**SPECIAL RESOLUTION NUMBER 2.2**
Provision of financial assistance to persons

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance (“financial assistance” having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to any one or more related or inter-related companies or corporations (“related” and “inter-related” having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine, within the Company’s existing housing loan policy.”
General approval to repurchase Company shares

- RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company upon such terms and conditions as the directors of the Company may from time to time determine, but subject to the MOI of the Company, the provisions of the Companies Act, and the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that no shares shall be repurchased if, at the time of the repurchase, there have been no material changes to the financial position of the Group; and
- the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

Statement by the Board of directors of the Company

Pursuant to the JSE Listings Requirements the Board of directors of the Company hereby states that:
- the intention of the Company is to utilise the general approval to repurchase shares in the capital of the Company or its holding company if at some future date the capital resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if, at the time of the repurchase, there are no facts that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in terms herein and in the integrated annual report, there have been no material changes in the financial or trading position of the Company.

Major shareholders

The shares are referred to page 48.

Share capital

Shareholders are referred to note 18 of the 2018 audited Group annual financial statements.

Reason for and effect of special resolution number 3

The reason for special resolution number 3 is to grant the Company a general authority in terms of the JSE Listings Requirements for the acquisition by the Company or any of its subsidiaries of shares issued by the Company, which authority shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall only be valid until the Company’s next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter. The passing of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire all the shares issued by the Company, or its holding company.

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations, including the forfeiture plan share plan.
Entitlement to attend and vote at the annual general meeting in person or by proxy

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

- you may attend and vote at the annual general meeting;
- alternatively
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy. For administrative purposes, it is recommended that the proxy form be returned to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited (Computershare), the details of which are set out on the inside back cover, by no later than 08:30 on Thursday, 26 July 2018. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare, before the commencement of the annual general meeting so that your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

Unless revoked before then, a signed proxy form shall remain valid at any adjournment or postponement of the annual general meeting and the proxy so appointed shall be entitled to vote, as indicated on the proxy form, on any resolution (including any resolution which is amended or modified) at such annual general meeting or any adjournment or postponement thereof.

Please note that:

- any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including a company’s representative) must provide reasonably satisfactory identification before they may participate;
- if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE’s electronic settlement system, Strata) held through a CSDP or broker (or their nominees) and are not registered as an “own name dematerialised shareholder”, then you are not a registered shareholder, but your CSDP or broker (or their nominees) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker:

- if you wish to attend the annual general meeting, you must contact your CSDP or broker and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented, you must contact your CSDP or broker (or their nominees), and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker within the time period required by your CSDP or broker.

CSDPs, brokers or their nominees recorded in the Company’s sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strata should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereof. For administrative purposes, it is recommended that the proxy form be returned to the registered office of the Company or to the transfer secretaries, Computershare, the details of which are set out on the inside back cover, by no later than 08:30 on Thursday, 26 July 2018.

By order of the Board
Debra Muller
Company Secretary
22 June 2018

Audrey Motshupi

BA (Hons)
Audrey is the Chief Executive Officer of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey’s experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the chief executive of Strategic Services at the Liberty Group of companies. Audrey is also an independent non-executive director of Life Healthcare Group and Brainworks Capital. She is Chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia. Audrey is a member of the NUMUC of South Africa, an organisation that focuses on helping young South Africans excel in mathematics and training world-class mathematics teachers.

Other listed company directorships: Life Healthcare Group.

Jeff van Rooyen

CA(SA)

Audit, risk and compliance committee chairman

Hugh Herman

BA LLB, LLD (HC)
Lead independent non-executive director and remuneration committee chairman
Other listed company directorships: MTN Group Limited, Exxaro Resources Limited.

Jeff van Rooyen

CA(SA)

Audit, risk and compliance committee chairman
Election of audit, risk and compliance committee members

Jeff van Rooyen

Please see curriculum vitae alongside.

Hugh Herman

Please see curriculum vitae above.

Audrey Motshupi

Please see curriculum vitae above.

David Friedland

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


David Robins

BSc(Soc)
David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman and as an executive director of the Company. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.
FOR COMPLETION BY STORES’ ORDINARY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH “OWN NAME” REGISTRATION ONLY

If you wish to appoint a proxy to act on your behalf at the annual general meeting of the shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 30 July 2018 and any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf.)

All terms defined in the Notice of annual general meeting to which this Form of Proxy is attached shall bear the same meanings herein.

Note: If your Dematerialised Shares in Stores are held through a Central Securities Depository Participant (CSDP) or broker, and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you want to cast your vote at this annual general meeting or you want to attend the annual general meeting in person, please contact your CSDP or broker.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters)

(the registered shareholder)

I/We (block letters)

(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

of (address)

Telephone: Work (   ) Telephone: Home (   ) Cellphone: (   ) being the holder/s of (insert number of shares) ordinary shares in the Company, hereby appoint (see note 1) or failing him/her, or failing him/her, the Chairman of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment or postponement thereof, and to vote for or against the resolutions and/or abstain from voting, in respect of the ordinary shares in Stores registered in my/our name/s in accordance with the instructions set out below.

Please indicate with an “X” the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her discretion in voting. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote (see note 3).

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Number of votes (one vote per ordinary share)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In favour</td>
</tr>
<tr>
<td>Ordinary resolution 1: Appointment of the external auditors</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 2.1: Election of Hugh Herman as director</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 2.2: Election of Jeff van Rooyen as director</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 2.3: Election of David Robins as director</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 2.4: Election of Audrey Mothupi as director</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 3.1: Appointment of Jeff van Rooyen to the audit, risk and compliance committee</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 3.2: Appointment of Hugh Herman to the audit, risk and compliance committee</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 3.3: Appointment of Audrey Mothupi to the audit, risk and compliance committee</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 3.4: Appointment of David Friedland to the audit, risk and compliance committee</td>
<td></td>
</tr>
<tr>
<td>Advisory vote 1: Endorsement of remuneration policy</td>
<td></td>
</tr>
<tr>
<td>Advisory vote 2: Endorsement of remuneration implementation report</td>
<td></td>
</tr>
<tr>
<td>Special resolution number 1: Directors’ fees</td>
<td></td>
</tr>
<tr>
<td>Special resolution number 2.1: Financial assistance to related or inter-related companies</td>
<td></td>
</tr>
<tr>
<td>Special resolution number 2.2: Financial assistance to persons</td>
<td></td>
</tr>
<tr>
<td>Special resolution number 3: General approval to repurchase Company shares</td>
<td></td>
</tr>
<tr>
<td>Ordinary resolution 4: Directors’ authority to implement special and ordinary resolutions</td>
<td></td>
</tr>
</tbody>
</table>

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP.  

Yes [ ] No [X]  

Please note: if an X is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how the votes have been cast.

Signed at on 2018

Signature

[Authority of signatory to be attached if applicable – see note 7]

Assisted by me (where applicable – see note 9) Telephone: (   ) Cellphone: (   )

Please also read the notes overleaf.
NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.

2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain at the Chairman’s discretion.

3. A shareholder’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder’s votes exercisable at the annual general meeting.

4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.

5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosemaad Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Bieermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).

6. For administrative purposes, it is recommended that proxy forms be received and lodged no later than 08:30 on Thursday, 26 July 2018, being 2 (two) days before the annual general meeting to be held at 08:30 on Monday, 30 July 2018.

7. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.

8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.

9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.