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Pick n Pay INTEGRATED ANNUAL REPORT 2023

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WELCOME TO OUR 2023 INTEGRATED ANNUAL REPORT

The Pick n Pay Group is a retail business in the fast-moving consumer goods industry. We operate through multiple store formats, including supermarkets, clothing and liquor stores and an online platform. The Group trades under three main banners – Pick n Pay, Pick n Pay QualiSave and Boxer. Our honorary life president and consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa, in 1967. Today, the Group has 2 204 stores across South Africa, Botswana, eSwatini, Lesotho, Namibia, Nigeria, Zambia and Zimbabwe.

Our purpose statement

We **serve**

With **our hearts** we **create a great place to be**

With **our minds** we create an **excellent place to shop**

We have strong brand loyalty and operate in markets with significant opportunity for growth.

Read more from page 12.

Our Ekuseni strategy is ambitious and targets growth in market share, sales, profitability and long-term shareholder returns.

Read more from page 54.

Our store estate is well positioned to serve the needs of customers across all socio-economic backgrounds.

Read more from page 16.

We are pleased to present our 2023 Integrated Annual Report for the 52 weeks ended 26 February 2023 (FY23).

"South Africa has boundless potential. We must all act decisively to shape our destiny and build a better country. We are a South African company. The vast majority of our assets and people are here. We need to focus on the future with hope."

Read more in our Chair's report from page 8.

"The contribution of the Group to the economy in terms of jobs, taxes and social responsibility has been immeasurable. The Group has been at the forefront of providing food to communities at the most affordable prices, a philosophy and commitment that has endured to this day."

Read more in our lead independent director's report from page 80.

"Our Ekuseni strategy remains the right one for our business, for our people, and for our customers. Despite all the external distraction, it is a plan resolutely focused on meeting the needs of our customers."

Read more in our CEO's report from page 52.

"The underlying results achieved in year one of the multi-year Ekuseni strategy are encouraging, despite the macro-economic environment challenges. Our growth engines continue to deliver highly competitive performances and extensive progress was made within our core Pick n Pay supermarket business."

Read more in our CFO's report from page 68.

This report's contents

A MINDFUL APPROACH TO EXTERNAL REPORTING

1

THE PICK N PAY WAY OF REPORTING

The Integrated Annual Report is our primary report to stakeholders. It is principally aimed at providers of financial capital, being our shareholders and debt providers. However, it considers the information needs of all our stakeholders.

Pick n Pay and Boxer are much loved brands, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Our strong and unique family values have guided the business for 56 years, providing a solid foundation for growth, innovation, service excellence and generosity.

Our integrated reporting approach aims to reflect this journey and tell a meaningful story about how we define, create and maintain value for stakeholders in the short, medium and long term.

Integrated thinking guides our decision-making and underpins our approach to corporate citizenship and responsible resource allocation.

Integrated thinking requires a comprehensive understanding of the Group's strategy, resources, stakeholders, systems and controls to achieve integrated decision-making that balances short-term performance needs with a longer-term approach to value creation and preservation.

Environmental, social and governance (ESG) considerations are embedded in our decision-making processes

The key principles of ESG have been embedded in our values since the 1970s and we have long held the belief that doing good is good business.

We are increasingly integrating our material financial and ESG information to ensure better decision-making, underpinned by strong systems of governance and control and a responsive strategy.

Read more from page 62.

Our business model is central to our integrated thinking approach

We use six broad capitals to create sustainable stakeholder value.

Our business model ensures we utilise our capital inputs across our retail operations in the most effective and efficient manner to optimise our capital outputs and outcomes for all, while effectively managing the trade-offs between our capitals.

- **Financial**
- **Manufactured**
- **Intellectual**
- **Human**
- **Social and relationship**
- **Natural**

Read more from page 24.

The Board is accountable for the Group's performance

The Board guides and oversees the business in the context of material and emerging risks and opportunities, to ensure that our business strategy remains relevant and responsive. Board oversight includes considering ESG to support sustainable stakeholder value creation.

The Executive Committee implements the strategy and manages the Group's day-to-day operations to ensure we create sustainable value for stakeholders.

The Sustainability Steering Committee frequently reviews performance indicators, allowing a more systematic and multi-faceted response to ESG matters that intersect across our value chain.

Our ultimate ambition is to create sustainable value for our stakeholders. Our ability to create value is impacted by our operating context.

We monitor factors affecting our external environment, including how these factors impact our business, strategy execution and value creation. These factors include economic, political and market forces, emerging trends and environmental and societal matters.

Read more from page 31.

We ensure meaningful and balanced interactions between our different stakeholder groups within the various retail market, regulatory, social and environmental contexts in which we operate. This enables us to understand their concerns, needs and expectations and ensures we are positioned to respond.

Read more from page 42.

We apply materiality to guide decision-making and to focus our Board and management discussions on the core issues the Group manages and the opportunities that may arise from our operating environment.

An enterprise-wide risk management approach ensures that all areas of the business are aligned with the Group's risk management philosophy and strategy.

Read more from page 35.

We produce a suite of publications tailored to meet our stakeholders' specific information requirements. Our reports comply with the reporting frameworks detailed in the table below.

Integrated Annual Report (IAR)

A review of the Group's strategy, material matters, risks and opportunities and our operational and financial performance for the financial year. The report includes relevant extracts of the FY23 Annual Financial Statements, disclosure on environmental and social sustainability, our governance structures and remuneration report.

Annual Financial Statements (AFS)

The audited Group and Company AFS for Pick n Pay Stores Limited for FY23. The report includes our Audit, Risk and Compliance Committee and directors' report.

Corporate Governance Report (CGR)

A review of the Group's commitment to good corporate governance in implementing its strategy and governance framework. The report also includes our notice of the AGM and the Board committee reports.

Summarised results and Annual General Meeting notice (AGM)

A high-level review of our operational and financial performance, including the summarised audited Group AFS, remuneration report, relevant shareholder information, notice of the 2023 AGM to be held on 19 July 2023, and the proxy voting form.

ESG Performance Summary and Databook (ESG)

This report details our ESG performance against indicators aligned with investor and analyst expectations and provides a high-level overview of our impact on the environment, society and economy.

Our reports comply with the following reporting standards and frameworks:

	IAR	AFS	CGR	AGM	ESG
The International Integrated Reporting Framework[1]	✓				
The Companies Act, No 71 of 2008, as amended (Companies Act)	✓	✓	✓	✓	
The JSE Listings Requirements	✓	✓	✓	✓	
The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[2]	✓	✓	✓	✓	✓
International Financial Reporting Standards (IFRS)	✓	✓		✓	
Global Reporting Initiative's (GRI) Standards					✓

[1] *Our compliance to this framework is summarised on page 136.*

[2] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Our IAR and ESG reports are further informed by relevant and credible international reporting frameworks that include the SASB Standards, the Task Force on Climate-related Financial Disclosures' (TCFD) reporting requirements and the JSE's Sustainability and Climate Change Disclosure Guidance. We are on a journey to align our reporting with these frameworks. Read more from page 62.

The FY23 audited AFS were prepared in terms of IFRS.

All our reports are available online on the Group's investor relations website at www.picknpayinvestor.co.za. Printed copies are available on request from our Company Secretary, Penelope Gerber, at CompanySecretary@pnp.co.za.

Feedback

We continue to engage with all stakeholders to ensure that we improve our external integrated reporting year-on-year. For more information about this report or to provide feedback, please email our Company Secretary, Penelope Gerber, at CompanySecretary@pnp.co.za.

Forward-looking information contained in this report

This report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

THIS REPORT'S SCOPE AND BOUNDARY

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited, its subsidiaries and its associate (the Group) for the 52 weeks ended 26 February 2023. It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting.

Our integrated reporting boundary is influenced by:

- Our broader macro-economic environment across eight African countries (page 31)
- The material risks and opportunities that impact the performance and sustainability of the Group (page 35)
- The legitimate needs and interests of our key stakeholders (page 42)
- Our governance practices (page 80)

Our report includes detail on social and environmental opportunities and risks that impact our financial performance as well as those matters that could materially impact our stakeholders or influence our ability to create and preserve value sustainably over the longer term.

We are on a journey to increase the depth and transparency of our ESG reporting, aligned with leading international reporting frameworks and standards. For more information on our key measures, refer to page 62.

Our financial reporting boundary aligns with the boundary of our AFS, summarised results and AGM notice and includes:

Pick n Pay

957 company-owned stores

747 franchise stores

Read more from page 18.

Boxer

428 company-owned stores

Read more from page 22.

ENSURING AN ACCURATE AND BALANCED REPORT

Detailed consideration of all the various elements of our value creation story ensures a cohesive and efficient approach to reporting that communicates the full range of factors that affect our ability to sustain value over time. This enables us to report effectively to our stakeholders.

The Board supports the concept of materiality and applies it to determine the scope and content of the IAR.

As a result, our integrated reporting is based on matters that can have a material impact on the sustainable performance of the Group over the short, medium and longer term. It ensures that the Group's reports enable stakeholders to make informed assessments of its performance and its longer-term prospects.

For more insight into our materiality determination process and material matters, refer to pages 35 to 41.

The IAR is drafted from detailed internal management and Board reports, interviews with senior management personnel, and engagements with key stakeholders.

The report is reviewed by the Executive Committee. Board committees that review the report include the Audit, Risk and Compliance Committee, the Remuneration Committee and the Social, Ethics and Transformation Committee.

The Board performs a final review of the IAR and approves it for release to stakeholders.

Assurance on report content

Integrated Annual Report
Reviewed by the directors and management, but not externally assured.

Financial information
Summarised financial information is extracted from the AFS, audited by Ernst & Young Inc. (EY), who expressed an unmodified audit opinion thereon.

Selected non-financial performance metrics
Accredited service providers and agencies verified selected non-financial performance metrics contained in the report, including our carbon footprint and our BBBEE rating.

All other non-financial performance information
Management has verified the processes for measuring all other non-financial information.

Board approval of the 2023 report

The Board reviewed and approved this IAR for release to our stakeholders on 15 June 2023.

The Board is of the opinion that this IAR provides stakeholders with an accurate and balanced view of the Group's performance, its strategy and its prospects over the short, medium and long term. It further addresses the Group's material risks and opportunities.

The directors consider the report to be presented in accordance with the International Integrated Reporting Framework. This report provides a fair representation of the financial position of the Group as at 26 February 2023, and its performance for the financial year.

Gareth Ackerman
Chair

Pieter Boone
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

Jonathan Ackerman[1]
Non-executive director

Suzanne Ackerman
Non-executive director

David Robins
Non-executive director

Jeff van Rooyen[2]
Lead independent non-executive director (LID)

Haroon Bhorat
Independent non-executive director

Mariam Cassim
Independent non-executive director

James Formby[3]
Independent non-executive director

David Friedland
Independent non-executive director

Aboubakar Jakoet
Independent non-executive director

Audrey Mothupi
Independent non-executive director

Annamarie van der Merwe
Independent non-executive director

[1] *Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.*
[2] *Jeff van Rooyen will retire from the Board at the 2023 AGM on 19 July 2023. James Formby will take over as LID on that date.*
[3] *James Formby was appointed to the Board on 10 October 2022.*

A RETAIL BUSINESS IN THE FAST-MOVING CONSUMER GOODS INDUSTRY

2

IN CONVERSATION WITH OUR CHAIR

Gareth Ackerman
Chair

Gareth Ackerman reflects on the highlights and challenges of the past year and addresses some of the questions posed by shareholders and analysts in recent stakeholder engagements.

It has been an extraordinary time of changes and challenges and I am so encouraged by what the Pick n Pay and Boxer teams have achieved in these circumstances. We have made excellent progress on our Ekuseni strategy, notwithstanding the difficult economic environment, taking important steps to modernise Pick n Pay, as well as to accelerate the growth of Boxer, our Clothing division, Omnichannel, and value-added services.

Load-shedding has placed the economy under enormous pressure. South Africa is not growing at the required rate to increase employment or living standards for all South Africans. The energy crisis is particularly challenging for food retailers, because we rely on electricity in part to keep food chilled and safe. Burning diesel generators adds massively to our costs, but also impacts negatively on the environment.

At the same time, we are putting the Group through a strategic transition. Whenever I visit a store it fills me with hope – not just for our Group but for South Africa as a whole. At all levels of society, people want a better life for themselves and their families. Boxer and QualiSave are demonstrating how a retailer focused on giving exceptional value and service can help people stretch their purchasing power, bring greater happiness, and grow sales and jobs in the process.

Is it fair to conclude that the Group's main challenges have been macro-driven?

Load-shedding is the single biggest issue we currently face and is a major impediment to overall macro-economic growth. With official unemployment sitting at 32.7%, and much higher among young people, the IMF has just forecast our growth at 0.1% this year. That isn't even standing still. It's going backwards.

In these circumstances, we need government to be progressive, proactive, and decisive. Unfortunately, we are not seeing this at present. We see policy uncertainty and lack of decisive action. Whatever the detailed facts, recent global engagements indicate to us that the government has inappropriate priorities and risks negative international responses.

As a society, we need to be positive. Our country has boundless potential. We must all act decisively to shape our destiny. We need to work together to build a better country.

It is never just about government. Individuals, the private sector and civil society must also step up to make a difference. We fully support initiatives to work with government to resolve key issues and are committed to support where we can.

Pick n Pay is undergoing major strategic change at a time when costs for generating power are at their highest and the consumer is under severe pressure. How are you navigating these changes in this environment?

Our Ekuseni strategy is the right plan for these times. We need to modernise our business from a customer perspective, invest in growth, and become more efficient. Despite all the headwinds, we are doing these things, and are committed to making further progress over the next year and beyond.

The Ekuseni strategy has required elevated levels of capital investment – are you concerned about sustained investment into South Africa?

We are a South African company. We have always been proud of South Africa, and the positive role we have played in economic and social development over the past 50 years and more. We remain fully convinced of the country's potential.

Investment is critical if we are to fulfil that potential. The Group's investment of R4 billion into the business over the past year shows our commitment to investing in South Africa and building for the future.

Of course, the heavy direct costs of load-shedding, coupled with the difficult external headwinds, require us to keep capital investment under review. But our current intention is to spend between R3.5 to R4.5 billion in capital expenditure next year, which is a strong indicator of our confidence in the country.

Returns will be actively managed through targeted investment into proven growth engines – Boxer, Clothing, and Online – alongside investment to modernise the Pick n Pay store estate and invest in a strong plan for energy resilience.

The higher capital investment has rapidly increased the Group's level of debt and related interest costs – is this not a real risk in a low economic growth environment?

We understand the very real need to invest for long-term sustainable growth. Our debt levels are being closely managed by the Board, supported by the Treasury Committee that meets on a quarterly basis.

We have introduced internal covenants to ensure gearing is managed responsibly and that we grow the business at acceptable levels of risk. We have carefully managed our liquidity by changing the profile of our debt from short-term to long-term. This long-term debt is linked to our ESG goals.

The consensus seems to be that load-shedding will not improve in the short term and may in fact worsen as we head into winter. What is the Group's readiness for even higher levels of load-shedding?

Our first priority is always to serve our customers. They know they can rely on us in a crisis, and that we will do whatever we can to ensure we do not let them down.

Our management team has produced a robust energy resilience plan, focused both on energy generation and energy saving. We are working with our suppliers to make sure we maintain the availability of essential food and grocery items should load-shedding increase to Stage 8 and beyond.

What keeps you up at night?

Apart from the strategic implementation of Ekuseni, which I am very positive about, the cost of us generating power, food inflation and food waste are high on my list.

Food inflation is being driven by global factors, and by load-shedding. It has taken enormous effort for us to absorb much of the cost inflation, particularly on basic commodities, by saving costs in our business.

Our track record in keeping internal inflation below the consumer price index (CPI) is strong, and we will do everything we can to shield our customers as best we can from these inflationary pressures.

On food waste, an estimated 45% of South Africa's total available food supply is being lost annually. Over the past four years, we have reduced food waste in Pick n Pay by nearly 30% (against our 2019 baseline), as we work steadily towards our target of 50% by 2030. We have also donated more than 880 tonnes of edible surplus food to FoodForward SA this year, valued at more than R39 million. We are working with government to change some of the regulations, which would allow more edible surplus food to go to those who really need it. I'm really proud of this achievement.

ESG is becoming even more critical to listed companies. What progress have you made over the past year?

Our ESG commitments fall across four main areas of focus: partnering to shift the food system, reducing our environmental impact, supporting communities, and investing in our people. A full account of our performance is provided within our ESG Report, but perhaps I can highlight a few achievements:

Given water conservation is of critical importance, we aim to reduce our water intensity by 20% by 2025 off our 2018 baseline for company-owned stores, and we have achieved a 12% reduction to date. We have provided 42 million meals to vulnerable South Africans in partnership with Feed the Nation and have supported more than 2.4 million learners at 3 280 schools through our School Club. We have created 2 900 net new jobs and have more than doubled our offering of e-learning courses, with 92 353 lessons completed by our employees, a notable achievement.

In short, we have made solid progress against most of our targets with both commitment and hard work. However, load-shedding is having a significant impact on our carbon footprint and on food spoilage.

Why has the Board decided to moderate the dividend policy?

The increase in the dividend cover reinforces the support from both the Board and the controlling shareholder for the Ekuseni strategy and the investment required to deliver sustainable long-term growth.

The upper limit of the dividend cover range is in line with that of our retail peers. The range allows the Group to align its dividend distribution with the capital needs of the Company and make considered and responsible choices between distributing reserves or investing for growth.

The Group has been criticised in the past for a lack of independence on the Board, but there have been some important recent changes – is there more to come?

I have full confidence in the Board. While some directors have extended tenure, they continue to add significant value in terms of skill, experience and the willingness to engage in serious and robust debate.

James Formby joined the Board this year after his retirement as CEO of RMB. We will benefit from his immense business acumen and financial experience, and his fresh perspective which has already been apparent in Board discussions over the past six months. James will take over as lead independent director (LID) from Jeff van Rooyen in July 2023, when Jeff retires from the Board at the AGM.

I must extend our very special thanks to Jeff, who retires after 16 years on the Board and three years as LID. Jeff has made an enormous contribution and we have benefited from his wise and principled counsel over the years.

Jonathan Ackerman retired from the Board as an executive director and will serve as a non-executive going forward. Jon has had a distinguished career with the Group spanning over 30 years and has been a torchbearer for the Group's unique values.

My thanks also to Debbie Muller who retired in July 2022 as Company Secretary. Debbie was a critical part of our team for many years and we wish her all the best for her future. She has been replaced by Penny Gerber, a chartered accountant with 20 years of experience in our finance and investor relations team.

We continue to build on the strength and experience of our Board and to reinforce succession plans, with up to two new appointments planned over the next 12 months.

My thanks again to Pieter, the Pick n Pay and Boxer teams, and to the Board, for their performance through what has been an extremely trying period.

Gareth Ackerman
Choir

14 June 2023

THE ESSENCE OF OUR GROUP

The Group operates 2 204 stores across multiple formats in eight countries across Africa. With our rich 56-year history, we benefit from strong brand loyalty and broad socio-economic appeal within the regions we serve.

The Group is a retail business in the fast-moving consumer goods industry. We operate through multiple store formats under three main trading banners – Pick n Pay, Pick n Pay QualiSave and Boxer.

We procure quality products at the best available prices, and our increasingly lean and efficient operating model is supported by a strong and talented team. This enables us to provide our customers with a tailored range of high-quality food, grocery, clothing, liquor and general merchandise products at competitive prices.

We believe doing good is good business. Our resolute focus on cost savings and operational efficiency has underpinned sustained investment into our customer offer, driving sustainable value growth for all stakeholders.

Our enduring values

We are passionate about our customers and will **fight for their rights**

We live by **honesty** and **integrity**

We foster **personal growth** and **opportunity**

We take **individual responsibility**

We **care for** and **respect** each other

We **support** and **participate** in our **communities**

We **nurture leadership** and **vision**, and **reward innovation**

We are all **accountable**

Our purpose statement

We **serve**

With **our hearts** we **create a great place to be**

With **our minds** we create an **excellent place to shop**

Our salient features

Economic

Stable balance sheet

Well-managed liquidity and gearing

FY23:

R106.6 billion turnover

175 new stores

R800 million cost savings

R4.0 billion capital investment

Environmental

First retailer in Africa to make **sustainable seafood commitments**

Founding member of the **Consumer Goods Council Voluntary Food Waste Agreement**

First South African retailer to sign up to the **10x20x30 Food Waste Initiative**

Net zero carbon footprint 2050 target

Social

90 000 people across our company-owned and franchise operations

400 000 jobs sustained through the reach of our value chain

Alleviating hunger through **Feed the Nation**

Supporting **3 280 schools** through our Pick n Pay School Club

Governance

Member of the international **Consumer Goods Forum** and the **Consumer Goods Council of South Africa**

Listed on the **FTSE/JSE Responsible Investment Index**

Secondary listing on A2X to **promote development** of the investor market in South Africa

WHAT SETS US APART

Customers are at the heart of our business. Consumer sovereignty informs everything we do, from how we source and buy our products and the product range we offer, to how we design and run our stores to give customers great value and service. Putting the customer first means we always work hard to understand their diverse and changing needs and how we can serve them better.

Strong brand loyalty

Pick n Pay is one of South Africa's most iconic and inclusive brands. We have moved hand in hand with the changing needs and aspirations of our customers for 56 years. Under the Group's Ekuseni strategy, the Pick n Pay brand is even closer to customers – with Pick n Pay and QualiSave providing product ranges, promotions and customer engagement specifically tailored to meet the needs of customers served.

Boxer has a rich 46-year history and is Africa's fastest growing discount supermarket chain, with strong market share gains over several years. Boxer wins customers by providing unbeatable value on the products that are most important to customers in the lower- to middle-income South African communities. Also, by having a modern store estate, a tight and targeted product range, and a strong fresh meat and produce offer.

TM Supermarkets is one of the most loved and trusted supermarket brands in Zimbabwe. Trading alongside Pick n Pay, it has demonstrated exceptional resilience and momentum in a challenging hyperinflationary environment.

Proud n Pleased

In April 2023, Pick n Pay was recognised as the strongest brand in South Africa by Brand Finance, a respected authority on brand valuation. Pick n Pay achieved a Brand Strength Index (BSI) score of 94/100 and was just one of seven South African brands to earn the distinguished AAA+ rating. This is strong recognition of the hard work and commitment of all our people, including our incredible franchise partners, to have a positive impact on South African communities, and demonstrates the strategic steps taken this year to bring Pick n Pay and Pick n Pay QualiSave even closer to the customers we serve.

The Star newspaper Reader's Choice results were released in May 2023, with Star readers able to vote for their favourite businesses and service providers across a number of industries. Pick n Pay was voted the Best Everyday Grocery Store and Best Online Liquor Store (asap!) for the past year.

Strong plan

We are a future-fit Group with a strong plan and determination to:

- Grow market share through the roll-out of proven formats
- Cement Boxer as the African discount champion
- Strengthen our engagement and relationship with Pick n Pay customers
- Embrace technology and strategic partnerships to drive growth
- Improve our margins and key performance metrics
- Grow shareholder returns over the longer term

Read more about our Ekuseni strategy from page 54.

- Strong brand loyalty across Pick n Pay, QualiSave and Boxer
- Smart Shopper is one of the most used loyalty programmes in South Africa, delivering unrivalled customer insights
- Ekuseni is redefining and strengthening our relationship with our customers

- Significant depth and breadth in our store estate with a solid pipeline
- Mature, effective and growing central supply chain
- Key partnerships with logistics and functional outsource partners
- Optimised functional outsourcing in supply chain – delivering greater skill, efficiency and stability
- Close engagement with and support of our franchise community

- Stable, secure and innovative IT infrastructure
- Compelling online offer, driven by our asap! on-demand platform and our grocery offer on Mr D
- Strategic focus on digital innovation, including automation, advanced analytics and artificial intelligence

Operating in a growing market

South Africa is a diverse and dynamic country, with a sophisticated and rapidly evolving customer. The retail market is highly competitive and constantly adapting to changing customer trends.

We are confident that the local formal food and grocery market is on a growth trajectory, notwithstanding the current challenges from load-shedding, and that the Group has a significant opportunity for growth, specifically in the less affluent part of the market.

Excellent store network and a highly committed and entrepreneurial franchise community

The Group has a broad and dense store estate – with 2 204 stores catering to all demographics and customer segments. The combination of our brands and formats is formidable, providing proximity to many customers and growing communities.

In addition to our company-owned stores, our community of Pick n Pay franchisees is a true strength for the Group – highly skilled, committed, and community-centred.

The Group has proven growth engines

The Group has built successful growth engines alongside its core Pick n Pay food and grocery offer, which have all delivered strong growth for the Group over recent years. These include Boxer, Clothing and Online – and a strong digital platform from which to accelerate growth and innovation.

The Group is ably supported by outstanding information technology infrastructure – including an end-to-end SAP system that enables automated and centralised processing, and the forecast and replenishment of inventory.

Our point-of-sale technology enables an advanced suite of value-added services, including money transfers and banking transactions, and supports our Smart Shopper loyalty programme, including the redemption of personalised discount vouchers directly through the programme's digital app.

The Group's information technology platform is modern, robust, integrated and highly scalable, providing the Group with valuable customer insights and a strong platform from which to grow its omnichannel proposition.

Practising sound governance

The Board provides effective and ethical leadership. It is committed to a governance framework that is built on the principles of honesty, integrity and accountability, and is always anchored by the belief that doing good is good business.

- After 56 years of ethical action and positive contributions to society, our stakeholders have the confidence that we will always do what is right
- The Board has increased its oversight of the Group's careful debt and liquidity management at a time of increased capital investment
- The Group has developed a robust energy resilience plan to mitigate the impact of accelerated levels of load-shedding

Committed to doing good

Our sustainability efforts – and increasingly, our strategic decisions – are guided by an ESG framework focused on:

- Partnering to shift the food system
- Reducing our environmental impact
- Supporting communities
- Investing in our people

Each element of our ESG framework links directly to our business model. This ensures our commitment, disclosure and transparency on firm ESG targets are sustainable, deliver measurable stakeholder value and support the United Nations Sustainable Development Goals (SDGs).

Reducing food waste improves our productivity and assists in the fight against hunger.

Building an inclusive supply chain supports hundreds of local emerging entrepreneurs and ensures the ecosystem that supports us is more resilient.

Reducing our carbon footprint and consumption of natural resources decreases our environmental impact, saves costs and provides access to finance increasingly tied to sustainability provisions.

We make it easier for our customers to control their health by **promoting healthier food choices**.

Through **more diverse management teams** we access critical business intelligence and networks informed by diverse experiences and backgrounds.

- Established systems, policies and processes to reduce energy and water consumption, guided by measurable targets
- Established relationships with strategic partners such as FoodForward SA and the 10x20x30 Food Waste Initiative to further reduce food waste
- Ongoing commitment to promote and support positive climate action within our spheres of influence
- Expanding our renewable solar energy programme at our stores (owned and leased) and distribution centres
- An enterprise development programme, mentoring 198 small suppliers
- A corporate social investment (CSI) programme that targets the alleviation of hunger and poverty and the social upliftment of our communities
- Remuneration policies develop and retain talent in line with our transformation objectives

DELVING INTO OUR INVESTMENT PROPOSITION

In assessing the Group's investment case, potential shareholders will consider the Group's current value alongside its potential to unlock future value through sustainable growth opportunities and efficiency gains.

The Group believes that it has a compelling investment case, which combines:

- The future potential of our core Pick n Pay Supermarkets division in South Africa, which generated sales of R71.4 billion in FY23. The Group is confident that there is substantial value to be unlocked in this portion of the business, demonstrated by the Ekuseni initiatives to drive like-for-like sales growth and profit margin expansion.
- The significant earnings potential of the expansion of our key Boxer, Clothing and Online growth engines.

Focusing on each element in more detail:

Boxer's high return on investment and superior long-term growth potential

Boxer represents 31% of the Group's turnover. Boxer's ROIC[1] exceeded 20% in FY23, well ahead of the returns of its listed food retail peers, where ROIC measures tend to range from 9% to 13%. Boxer generated R31.4 billion of sales in South Africa in FY23, with market-leading growth of 20.2%. Furthermore, at just 279 supermarkets (428 stores including its liquor and Build formats) Boxer is significantly under-penetrated against its peers and its long-term potential.

The Ekuseni strategy aims to double Boxer's sales and store footprint between FY22 and FY26, which will still not realise Boxer's full opportunity. To achieve the goal of doubling sales, the Group doubled Boxer's FY23 capital allocation this year to R1.3 billion and opened 60 new stores. Boxer plans to open 75 new stores in FY24, which will equate to an 18% year-on-year expansion of the estate. Boxer's compelling customer value proposition (CVP), discounter format, and low-cost operating model provide it with sustainable competitive advantage within its market segment.

The graph below compares the number of Boxer supermarkets with that of the value-focused supermarket formats of its closest competitor in South Africa (excluding liquor in both instances).

Market-leading growth of Pick n Pay Clothing

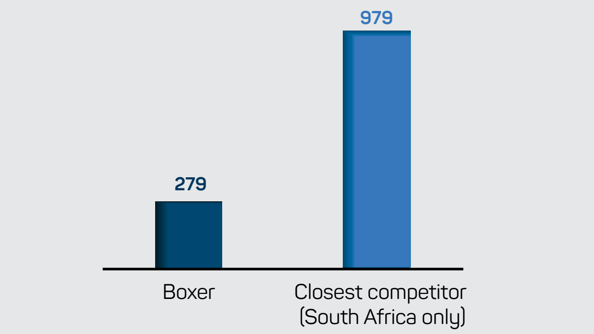
Pick n Pay Clothing grew FY23 sales from its stand-alone stores by 15.3% (5.6% like-for-like), and has gained market share for four consecutive years. We expect sales growth and market share gains to continue as we execute on our new store opening pipeline, with 60 new stores planned for FY24 (FY23: 59). The trading success of the new stores and the relative small size of our estate against our peers (Pick n Pay Clothing has 333 stores versus a number of value-fashion formats trading with well in excess of 500 stores) give us confidence in the sustained growth potential of this format.

Pick n Pay Supermarkets value unlock

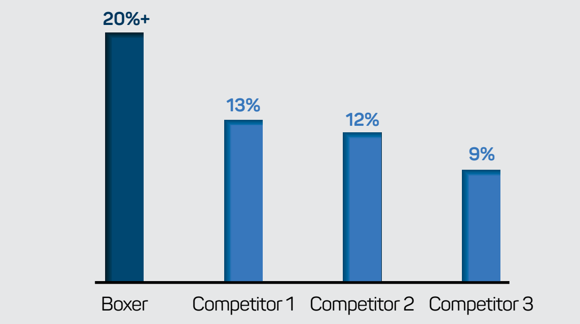
The Group's 2.7% trading profit margin lags both international and local peers, with margins in some cases of 6% or above. The Group's low trading margin is largely accounted for by under-performing Pick n Pay company-owned supermarkets, which operate on a higher cost base than its competitors. Benchmarking against Boxer and our franchise partners affirms the efficiency improvement potential. The Group sees a clear opportunity to substantially lift the trading margin of the core Pick n Pay supermarkets business through:

- **Addressing the cost structure, both at support office and store levels.** Pick n Pay is determined to close the efficiency gap through a range of Project Future initiatives launched in FY23 and early FY24, including the roll-out of multi-skilling, the launch of the VSP[2] and junior store management restructuring in March 2024, and the consolidation of the Johannesburg and Cape Town support offices. Managing to limit FY23 Group like-for-like employee cost growth to just 2.9% (well below 4.5% like-for-like sales growth) illustrates that our efficiency initiatives are gaining traction. Other meaningful cost savings will be delivered through a more efficient supply chain (with the new Eastport distribution centre providing significant opportunity for economies of scale), reducing waste, better purchasing and management of goods not for resale, and tighter inventory and working capital management.
- **Rejuvenating like-for-like sales growth.** The launch of Pick n Pay QualiSave, the rapid growth of our on-demand online initiatives (Pick n Pay asap! and Mr D), and the accelerated CVP[3] programme, all had a marked positive impact on FY23 sales. The Group expects the impact to become visible on the overall top line as the refurbishments further penetrate the store base, and as trading disruption from the upgrades subsides.

Boxer's supermarket estate is less than one-third of its closest competitor, indicating significant growth runway



Boxer's ROIC is well ahead of listed food retail peers



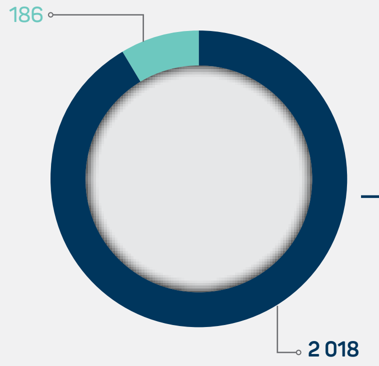
[1] *Return on invested capital (including IFRS 16 leases).*
[2] *Voluntary severance programme.*
[3] *Customer value proposition.*

COMPELLING BRANDS AND AN EXCELLENT STORE NETWORK

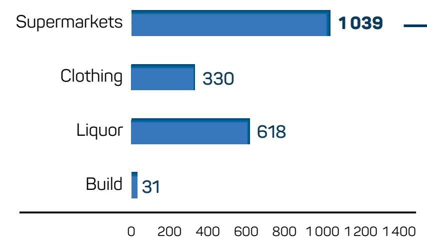
The Group, through our Pick n Pay, Pick n Pay QualiSave, Boxer and TM brands, is well positioned to serve the needs of customers across all socio-economic backgrounds.

Key facts

Geographic split of our
2 204 stores



Total South African stores **2 018**



611 Pick n Pay

155 Pick n Pay QualiSave

273 Boxer

The breakdown of our
503 clothing sites

21 Hypermarkets

149 Supermarkets

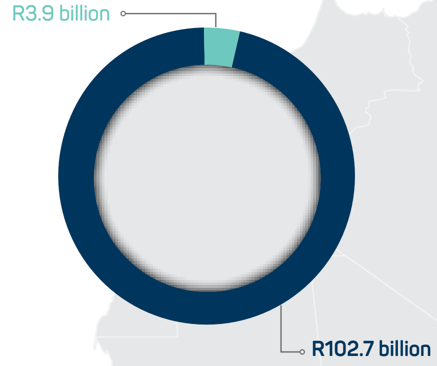
333 Stand-alone clothing stores

Pick n Pay asap! on-demand offer serviced from over **400 stores nationwide**

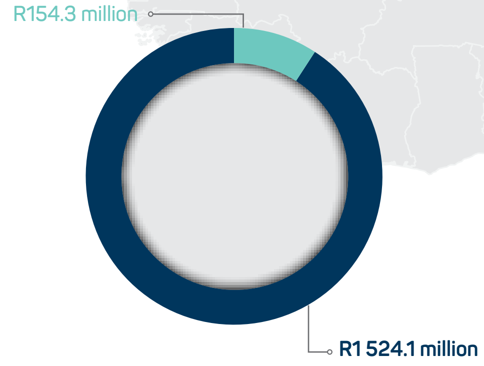
The Group follows a flexible investment and business model, seeking to find the most effective and appropriate operating model for a particular region; for example, operating company-owned stores, working alongside effective franchisees, or investing in businesses with established partners, while providing management support.

Changing customer demographics creates opportunity to extend the Group's reach and grow sales without impacting existing stores. Our expansion programme focuses on growing the business by opening stores that reflect the changing habits and needs of customers, and which will bring new customers and communities into the Pick n Pay, QualiSave, Boxer and TM family. This includes smaller stores focused on customer demand for convenience, and a growing online platform. Greater operating flexibility, efficiency and cost effectiveness allow the Group to operate successfully in a broad range of locations.

Group turnover – R106.6 billion

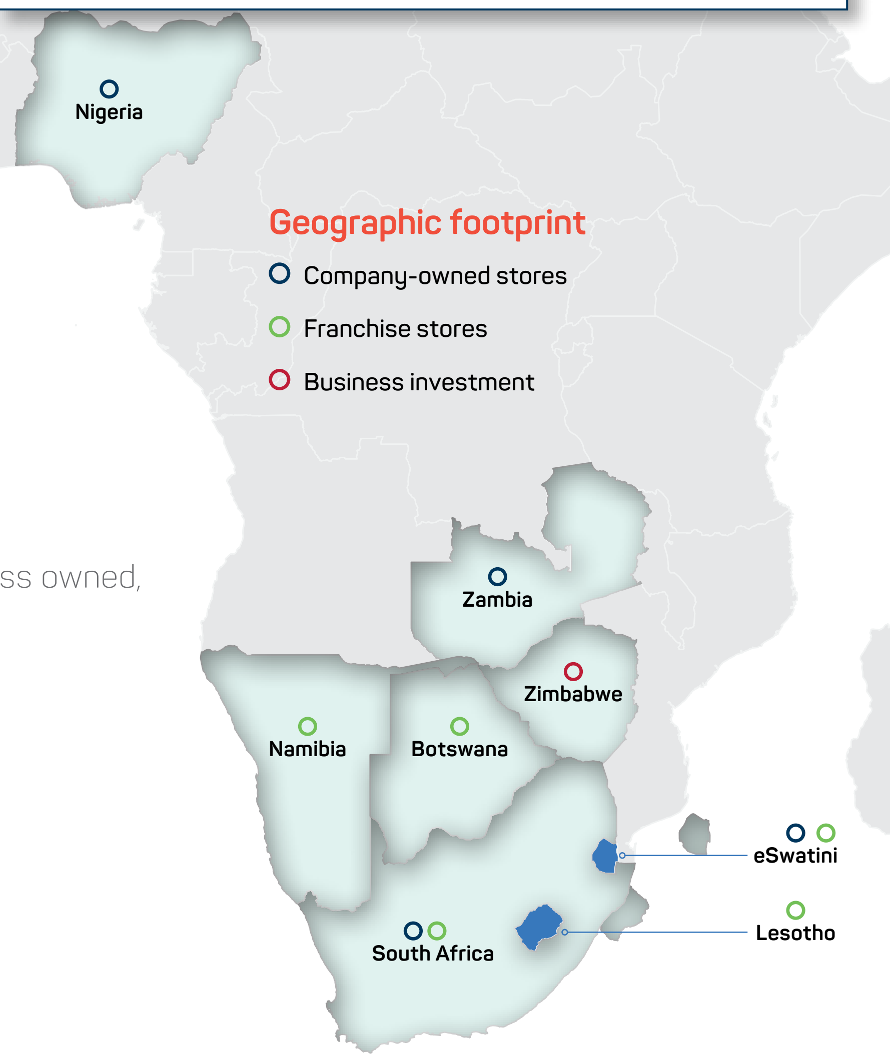


Group pro forma profit before tax – R1 678.4 million

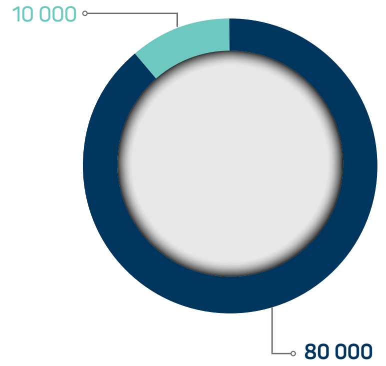


	Pick n Pay Owned	Pick n Pay Franchise	Boxer Owned	TM Associate	Total
Country:					
South Africa	932	667	419	–	2 018
Namibia	–	35	–	–	35
eSwatini	–	22	9	–	31
Zambia	23	–	–	–	23
Botswana	–	19	–	–	19
Lesotho	–	4	–	–	4
Zimbabwe	–	–	–	72	72
Nigeria	2	–	–	–	2
	957	747	428	72	2 204
Formats:					
Supermarkets*	349	484	279	60	1 172
Clothing	311	22	–	–	333
Liquor	297	241	118	12	668
Build	–	–	31	–	31

** Including hypermarkets and smaller Express and Market store formats.*



Geographic split of our
90 000 employees across owned, franchised and partner operations



For the comprehensive analysis of our store footprint, refer to the appendix on page 135.

Pick n Pay

Pick n Pay is a multi-format and multi-channel retailer, operating on an owned and franchise basis. Pick n Pay operates a flexible and diverse portfolio of stores and online platforms, providing a broad food, grocery, liquor, clothing and value-added services offer.

Pick n Pay is an inclusive brand, welcoming all customers, from the most to the least affluent in society, through its Pick n Pay and QualiSave banners. The business is focused on bringing its offer to communities in which it is not yet well represented, including through smaller convenience formats that leverage the skill and experience of its franchise partners.

7	957	7	747
Countries*	Company-owned stores	Retail formats	Franchise stores

* Excluding 56 Pick n Pay stores (44 supermarket and 12 liquor) operated by TM in Zimbabwe.

Pick n Pay Supermarkets

Pick n Pay company-owned and franchise supermarkets offer a wide range of food and groceries and a targeted range of clothing, general merchandise and value-added services. Fresh produce and butchery offerings are complemented by in-store bakeries, delis and hot food counters. Customers can buy everything they need, from a daily top-up to a larger weekly or monthly bulk shop.

The Group's Ekuseni long-term strategy is keenly focused on the modernisation of the Pick n Pay store estate, targeting stronger like-for-like sales growth and market share gains through a CVP tailored to meet the individual needs of the customer served.

Through Ekuseni, the Group has successfully differentiated the Pick n Pay supermarket brand into two separate customer-facing banners, through the roll-out of 131 CVP store and range refurbishments.

Pick n Pay

Our Pick n Pay supermarkets serve customers in middle- to higher-income communities, with an expanded range of 18 000 products that delivers on innovation, quality, freshness and convenience – including through experiential meat, produce, and bakery lines.

Our Pick n Pay supermarkets are being modernised to ensure customers get the best quality at great value, and an improved in-store experience.

Pick n Pay QualiSave

The QualiSave banner was launched on 15 August 2023 and 155 stores were converted to QualiSave by February 2023.

Our QualiSave supermarkets serve customers in lower- to middle-income communities, with a tailored range of 8 000 essential food and grocery products that delivers on low prices, great quality and deeper value on the products that matter most. The stores are modern and vibrant and provide a market feel for those looking for great service and reliable value.

QualiSave provides Pick n Pay with a highly competitive value format. Reflecting the income demographic in South Africa, and the increasingly difficult macro-economic conditions, QualiSave sales growth has outpaced Pick n Pay sales growth since launch.

FY23 – Quick facts	Pick n Pay	Pick n Pay QualiSave
Stores in South Africa	611	155
Company-owned stores	209	118
Franchise stores	402	37
CVP upgrades	104	27
Average size – m²	3 200	2 800

Ekuseni: modernising the Pick n Pay footprint

Following the completion of the first CVP upgrade in mid-May, the Group fully upgraded 131 stores by the end of February 2023. The CVP upgrades are the core element of an accelerated roll-out programme for the Pick n Pay and QualiSave banners, bringing the stores in line with the new CVPs. The upgrades entail a re-alignment of store layout to implement the optimised product counts and emphasise each banner's power categories, as well as upgraded energy-efficient fixtures and fittings to provide the banners with fresh new looks. Customer response to the CVP converted stores has been positive, with weekly sales growth from converted stores significantly higher than sales in the remainder of the Pick n Pay estate. The CVP stores have achieved a post-conversion sales uplift of more than 10%, well ahead of the 4.3% Pick n Pay South Africa sales growth.

Pick n Pay Hypermarkets

The Pick n Pay hypermarket is our largest store format. Essentially a "one-stop-shop", hypermarkets provide a strong fresh meat and produce offer, a wide range of food and grocery products, an expanded clothing range and specialist general merchandise categories not always available in our smaller Pick n Pay and QualiSave supermarket formats. Our hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders. Customers are increasingly seeking greater convenience through smaller stores located close to home, work and transport. As such, the Group's growth plans in recent years have focused on smaller format stores, and there are no plans to open additional hypermarkets. The Group remains focused on utilising this format more effectively as a "destination shop", through targeted promotions on essential food and grocery lines, including multi-pack, bulk-buy and combination deals, alongside an increasingly tailored clothing and general merchandise range.

As part of the Ekuseni modernisation plans, the Group relaunched its Brackenfell Hypermarket in February 2023, to accord with the CVP work being undertaken under its Pick n Pay supermarket banner. The hypermarket has been upgraded with modern fixtures and fittings and an improved store layout and its product range has been optimised based on the results of extensive customer research and data analytics. The store boasts a strengthened meat, fresh produce and bakery proposition, and an expanded clothing and general merchandise offer. The uplift in both sales and profitability post the CVP upgrade is encouraging. Large hypermarkets remain unique shopping destinations and offer significantly differentiated experiences based on the location and demographic served. The Ekuseni strategy will consider and develop a plan tailored for each of the remaining 20 hypermarket locations over the medium term.

South Africa	21	13 500 m²
Country	Company-owned stores	Average size

Pick n Pay Liquor

Pick n Pay Liquor stores are situated close to our supermarkets and hypermarkets, but with separate entrances. These stores offer a range of wine, spirits and beer, including innovative local craft products. Pick n Pay Liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

Group liquor sales (combined with Boxer liquor stores reflected overleaf) moderated to 20.4% for FY23, after delivering sales growth of 36.2% in the first six months of the year, as the base effects of Covid-19 liquor trading restrictions normalised in the second half. The Group lost 66 days of liquor trading in FY22, of which 55 were in the first half. The Group continues to work closely with suppliers to restore and normalise sales volumes post the Covid-19 pandemic, particularly through strong promotions and improved on-shelf availability.

6	297	241	200m²	25
Countries*	Company-owned stores	Franchise stores	Average size	New stores

Pick n Pay Clothing

Pick n Pay Clothing provides high-quality, fashionable wardrobe essentials for the whole family at exceptional prices. Womenswear has traditionally underpinned the format's success, however Pick n Pay Clothing is also gaining solid traction in childrenswear and menswear. Pick n Pay Clothing is available in 21 hypermarkets, 149 supermarkets and 333 stand-alone stores.

The Clothing division delivered a solid performance this year, with sales growth in stand-alone stores of 15.3% (5.6% like-for-like). The format's clear customer value proposition and highly efficient operating model has delivered strong market share gains for five consecutive years, and across all market segments served. Local sourcing now represents 45% of total clothing sales – double the volume since the localisation strategy was launched in 2019 – providing the opportunity for exciting collaborations with local designers and entrepreneurs, while reducing order lead times and maintaining high levels of availability.

Pick n Pay Clothing is one of the Group's key growth engines and is a strategic priority under Ekuseni, with growth targeted through a combination of new stand-alone clothing stores, additional space in supermarkets and hypermarkets, and a growing online offer.

2	311	22	450m²	59
Countries	Company-owned stores	Franchise stores	Average size	New stores

* Excluding 12 Pick n Pay branded liquor stores operated by TM Supermarkets in Zimbabwe.

Building an environmentally friendly and socially conscious clothing business

The Pick n Pay Clothing division has been resolutely focused on building an energy-efficient and socially responsible clothing business that is wholly aligned with the Group's principle of doing good is good business, and remains a meaningful contributor to the achievement of the Group's long-term ESG goals.

- **38%** of products are responsibly sourced
- **65** stores with **green star level 4** rating
- Western Cape distribution centre with green star **level 4 rating**
- **R10 million** of clothing donated to clothing bank
- Over **1 000 jobs** created this year
- Over **95%** African, Coloured and Indian (ACI) employee representation, with over 75% female
- Over **5 000** trees planted in Platbos Forest Reserve

Pick n Pay Express

Pick n Pay's partnership with BP, one of the world's leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores at BP service station forecourts in South Africa. Pick n Pay Express offers a targeted convenience range to satisfy an immediate top-up shop or a quick meal solution. The range is limited and mainly focused on daily needs. Sites are in high-traffic-flow areas, including high-density residential areas and public transport intersections. Pick n Pay's Smart Shopper loyalty customers can buy fuel with accumulated Smart Shopper points.

South Africa	300m²	191	14
Country	Average size	Forecourt franchise stores	New stores

Pick n Pay Online

The Group's online on-demand platform was extended by the launch of Pick n Pay's food and grocery offer on the Takealot Group's Mr D app. This offer grew from a limited number of stores in early October 2023 to a nationwide offer by the end of the year. The Pick n Pay on Mr D offer benefits from a synergistic combination of Pick n Pay's extensive store network, stock-management system, fresh product offering, and in-store picking experience, and Mr D's strengths in user-interface design, a 2.5 million active customer base, and a delivery fleet of 15 000 scooters.

Combined with sales from the highly popular Pick n Pay asap! offer, the Group achieved on-demand online sales growth for the year well in excess of 100%. On-demand grocery retail is only one element of the Group's omnichannel grocery proposition, which includes its traditional scheduled delivery service and a Click n Collect service. The Group achieved total online sales growth for the year of 72.0%, across all platforms. The Group is working on improvements to its scheduled delivery service, to provide customers with wider choice and greater flexibility on delivery.

South Africa
Country

Integrated Online Platform:

On-demand deliveries within 1 hour Scheduled deliveries within 24 hours	Click n Collect	Pick n Pay asap!	Pick n Pay / Mr D

The Group's Pick n Pay and Boxer supermarkets provide a compelling range of value-added services, including third-party bill payments, travel and event ticketing, money transfers, insurance products, mobile technology and data and a range of point-of-sale banking and finance solutions which has increased the Group's capability to assist with consumer affordability and financial inclusion. Income from value-added services grew 19.8% this year.

BOXER

Boxer is South Africa's leading limited range discounter. The target markets are middle- to lower-income urban, peri-urban and rural communities of South Africa and eSwatini. All Boxer stores are located close to public transportation hubs and have a welcoming market-style atmosphere. There are no franchise stores under this brand.

Ekuseni recognises the significant potential of the Boxer brand in the South African market and targets 200 new Boxer stores by the close of FY26. Boxer's geographical heartland is KwaZulu-Natal and the Eastern Cape – with strong opportunity for growth across South Africa where it can serve the needs of communities through its focused product range, affordable prices and community-rooted staff.

2	428	3
Countries	Company-owned stores	Formats

Boxer supermarkets

Boxer supermarkets provide customers with a clear CVP across a tight range of around 3 000 essential food and grocery products. The supermarkets provide exceptional value through a simple, low-cost and highly effective operating model. Boxer supermarkets are full-service stores offering a focused range of food and groceries. This includes high-quality fresh meat and produce, alongside essential commodities, health and beauty products, general merchandise and bulk-buy promotions. Butcheries, bakeries and deli sections provide a choice of prepared convenience meals. Boxer supermarkets include a small number of Boxer Punch supermarkets, a smaller-sized supermarket (400m²) located in compact sites with considerable customer foot traffic. Boxer's FY23 sales growth of 20.2% led the market, driven by the Ekuseni acceleration in space roll-out, combined with solid like-for-like sales growth of 7.3%.

South Africa and eSwatini	279	1 900	36
Countries	Company-owned stores	Average m²	New stores

Boxer Liquor

Boxer Liquor stores are situated close to Boxer supermarkets, but with separate entrances. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping. Boxer Liquor has recovered from the trading restrictions imposed during the Covid-19 pandemic, with no trading days lost in FY23 (FY22: 66 lost trading days). Refer to the Pick n Pay Liquor commentary on page 19 for further information on the performance of the Group's liquor category.

South Africa and eSwatini	118	450	21
Countries	Company-owned stores	Average m²	New stores

Boxer Build

Boxer Build stocks a broad range of building and hardware supplies to satisfy DIY and home improvement needs at competitive prices. Boxer Build stores offer savings cards and access to short-term credit facilities. Purchase delivery can be arranged at store level.

South Africa	31	450	3
Countries	Company-owned stores	Average m²	New stores

TM Supermarkets

The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe.

TM Supermarkets, trading under TM and Pick n Pay, is one of the most trusted retailers in Zimbabwe. With its payoff line, "Real Value Always", customers are offered a wide range of groceries and perishables and a limited range of general merchandise. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, with store formats ranging from large supermarkets to convenience and liquor stores. TM continues to deliver a resilient trade performance, delivering volume growth and market share gains in an exceedingly difficult economy and trading environment.

TM was recognised for excellence in retail by the Confederation of Zimbabwe Retailers this year, receiving a number of awards including: National retailer of the year, most innovative retailer, fastest growing retailer and outstanding store design. TM Supermarkets was also recognised by Zimbabwe's CSR network for excellence in community empowerment and positive social impact.

60	44	12
Supermarkets in Zimbabwe	Trading as Pick n Pay	Liquor stores in Zimbabwe, all trading as Pick n Pay

A BUSINESS MODEL THAT MAINTAINS A VIRTUOUS CIRCLE

Our business model describes how we create and preserve long-term sustainable value, and minimise value erosion for our stakeholders, through the effective and balanced use of our capitals. Our business model is underpinned by strong stakeholder relationships and robust corporate and social governance, with our enduring values at its core. It demonstrates our strong brand equity, modern stores and supply chain, careful liquidity and gearing management, and our robust IT infrastructure and online platforms.

The Group navigated severe economic and social challenges over the past three years, including the Covid-19 pandemic, the July 2021 civil unrest, and more recently, severe power outages in South Africa and related disruptions in water supply. The Group's ability to rapidly respond to, and recover from, significant operational disruption is testament to the resilience of its business model, and to the determination and agility of its employees and franchise partners. The Group, through extraordinary teamwork, decisive and responsible action, and an unwavering commitment to the Ekuseni strategy, has protected the stakeholder value under its care.

We rely on six capitals as inputs into our business model:

Financial capital
Our financial resources include equity and debt funding, and earnings generated and retained. We rely on our financial resources to fund growth plans, enhance the quality of our estate and customer offer, invest in new infrastructure, systems and technologies, upskill and develop employees, and advance our long-term strategy.

Manufactured capital
We use physical infrastructure within our operations which includes our store estate, distribution capacity, and information technology platforms. We rely on this capital to procure, transport, store and display our products in a range of store formats, enabling us to serve customers across a diverse socio-economic spectrum.

Intellectual capital
The Group's experience, data, systems, processes and loyalty and online retail platforms enable us to understand our customers and how we can serve them better. Centralisation, including advanced forecast and replenishment systems, supports greater operational efficiency, alongside our outstanding information technology infrastructure. Our range of own brand and confined label products suit every customer's budget. The Group's portfolio of three main supermarket banners - Pick n Pay, QualiSave, and Boxer - allows for effective competition across the diverse South African customer spectrum.

Human capital
Valued colleagues across our brands provide critical skills, talent, ambition and diversity that underpin an effective team. We rely on and invest in our human capital to provide customers with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, with great service in outstanding stores.

Social and relationship capital
Our stakeholder relationships are governed by our values and the enduring principle that doing good is good business. We rely on these relationships to earn the loyalty of our customers, generate more jobs, contribute to the communities we serve and to develop local suppliers and small businesses.

Natural capital
We utilise environmental resources during the production, distribution and sale of consumer products. We are committed to reducing our consumption of natural and scarce resources in our operations and, with thousands of suppliers and millions of customers, we are extremely mindful of our broad reach and impact.

Our business model ensures we effectively and efficiently utilise capital inputs across the operations to optimise our capital outputs and outcomes. Our business model maintains a virtuous circle which balances the needs of stakeholders in a fair and equitable manner, while effectively managing the trade-offs between capitals. The balance and stability provided by the Group's operating model – always guided by the principle that doing good is good business - underpinned the strength of the business through the challenges of the past three years and safeguarded stakeholders' interests.

We provide a competitive customer offer
We provide a leading range of high-quality products and services, tailored specifically to meet the needs of the communities we serve. Our competitively priced offer is available through modern stores conveniently located within customer reach, and through a growing online platform.

Through our business activities, we serve customers across a broad and diverse demographic.

We run cost-effective and efficient operations
The Group has built an increasingly efficient supply chain, lean store operations and support offices, and an effective franchise model. Cost and efficiency savings are invested into lower prices for customers.

Our business model maintains a virtuous circle

- **Governance:** the Board influences the Group's strategic direction and oversees remuneration and incentives linked to the Group's performance and the balanced and effective use of its capitals (from page 78)
- **Material risks and opportunities:** external conditions, trends and internal factors influence business activities and performance, creating an environment that enhances or restricts the Group's ability to create value (from page 35)
- **Strategy and resource allocation:** business activities support and drive resource allocation plans to achieve short, medium and long-term strategy (from page 54)
- **Stakeholders:** participate in our shared value creation through a range of engagements and relationships (from page 42)
- **Performance:** business activities have financial and non-financial implications that can impact the capitals available to the Group

We source and buy products effectively and responsibly
We buy better for customers, underpinned by ethical sourcing and food safety standards that contribute towards securing sustainable future supply.

Our business activities are supported by retail specialists and driven by a high-performance culture
Our customer-focused, talented and diverse retail team execute our long-term growth plans. These plans support employment within the communities we operate in.

We stimulate economic and social upliftment within the communities we serve
Our strategy supports investment in our communities, as captured in our enduring values and purpose statement as set out on page 11.

Our capital outputs
Our capital outputs include the wide range of products and services that we sell to our customers under our Pick n Pay, QualiSave, Boxer and TM banners, including food, groceries, clothing, general merchandise, liquor and other value-added services.

As a result of our retail operations, we produce by-products and waste (including food waste, packaging impacts and carbon emissions). Due to our broad reach, our by-products and waste must be properly managed to mitigate any adverse impact on the availability of natural capital and to safeguard our social licence to operate in the short, medium and long term. Read more in our 2023 ESG Performance Summary and Databook.

Our capital outcomes
Our capital outcomes include a range of internal and external consequences for our stakeholders, which are outlined in more detail on the following pages.

Constraints and challenges, and actions taken to enhance positive outcomes and minimise negative outcomes for stakeholders in FY23

Financial capital

Constraints and challenges:

- Elevated levels of load-shedding resulted in incremental diesel costs of R522 million (R430 million net of electricity savings)
- Inflationary cost pressure driving up operating costs, including in insurance and security (up a combined 86% year-on-year), higher fuel prices impacting transport costs, higher rates and utility costs, with trading expenses up 11.9% year-on-year
- Higher interest rates - with the repo rate up 325 basis points year-on-year - adding to the Group's cost of funding
- A challenging consumer environment in South Africa, with the increasing consumer need for lower prices requiring tight gross profit management
- Weak economic growth across the Group's Rest of Africa segment, with severe currency weakness and hyperinflation in Zimbabwe

Actions taken:

- Achieved R800 million in Project Future cost savings and efficiency gains, offsetting some cost pressure in gross profit margin and trading expenses
- Key achievements include: an optimised transport network and better buying; greater labour productivity in distribution centres and stores, including implementing an in-store multi-skilling labour agreement, with growth in LFL employee costs restricted to 2.9%
- Invested supply chain and other operating efficiencies into lower prices, keeping the Group's undisrupted gross profit margin level at 19.0% and restricting internal selling price inflation to 8.5%
- Ongoing engagement with government to reduce the Road Accident Fund levy on diesel
- Carefully managed net cash and liquidity during the accelerated Ekuseni growth phase, with greater Board supervision and guidance, and strong internal return on investment targets and net debt:EBITDA[1] covenants
- Worked closely with debt funders to reprofile the Group's short-term debt into a more conservative long-term unsecured funding programme, at highly competitive terms and rates (to be in place early FY24)

Value created for stakeholders:

- Group pro forma profit before tax of R1.7 billion, down 15.1% on FY22 due to the cost and disruption of load-shedding
- Paid a total dividend of 185.15 cents per share, down 16.3% year-on-year in line with the decrease in pro forma headline earnings per share (HEPS)

Relevant material issues:

- "Customer value proposition", "Operational disruption and business resilience" and "Foreign investment returns" - refer page 37 and 39

Human capital

Constraints and challenges:

- Mental well-being and physical safety of employees due to the personal impact of load-shedding
- Employee morale and motivation related to the operational disruption of load-shedding, including power and water outages, slower systems connectivity, lower levels of stock availability, and the inconvenience to customers
- Employee morale and motivation in the context of the Ekuseni employee efficiency initiatives, and the uncertainty of job security

Actions taken:

- Implemented multi-skilling in Pick n Pay supermarkets, which allows employees to be trained in multiple skills and be scheduled for more than one role in a single shift. This will lead to greater training, development and career opportunity over time, alongside greater productivity and efficiency
- Close engagement and regular communication on the major employee efficiency programmes: the planned consolidation of the support offices and support functions; the Pick n Pay-wide VSP; and the modernisation of junior store management roles
- Introduced quarterly employee surveys to monitor morale and respond quickly to issues raised, and increased employee engagement through the Workday platform
- Consolidated health and wellness programmes into a single platform that addresses the mental, physical and financial well-being of employees
- Continued to make good progress on transformation:
  - Percentage of senior and middle management deemed 'HDSA' 82%

Value created for our stakeholders:

- R8.3 billion in employee costs
- R102.2 million invested in training and education
- Sustained 90 000 jobs across our company-owned, franchise and partner operations and created 2 900 net new jobs in FY23, mainly in our Boxer, Clothing and Online growth engines
- R3.3 million provided in study bursaries

Relevant material issues:

- "Health and safety" and "Talent, retention and diversity" - refer pages 38 and 39

Manufactured capital

Constraints and challenges:

- Extended periods of load-shedding in South Africa, alongside power outages in Zambia and Zimbabwe, which resulted in severe disruption across the value chain and impacted product availability of certain food and grocery lines and higher levels of waste (product spoilage)
- Higher fuel costs impacting the cost of transportation and the running of generators
- Escalating operations costs to safeguard property, including cost of security and insurance

Actions taken:

- Implementing an energy resilience plan, including: more efficient operating standards (including the roll-out of LED lighting); collaboration with landlords to accelerate solar installations; and ongoing investment in diesel generators and battery power
- Strategic investment in essential food and grocery lines to maintain on-shelf availability
- Converted 22 under-performing Pick n Pay franchise stores to company-owned Pick n Pay and Boxer stores, and three company-owned Pick n Pay stores to Boxer
- Closed 52 under-performing stores, across all formats, to improve estate profitability
- Relaunched 131 Pick n Pay and Pick n Pay QualiSave stores under the new Ekuseni CVP
- Completed the new Pick n Pay Eastport distribution centre, and transitioning from Longmeadow to Eastport during February 2023 to May 2023
- Developing two new Boxer distribution centres in Gauteng and KwaZulu-Natal

Value created for our stakeholders:

- R4.0 billion invested in capital growth plans, in line with guidance provided in FY22
- 175 new stores across all formats: 33 Pick n Pay and QualiSave supermarkets, 30 Boxer supermarkets, 3 Boxer Build, 42 liquor stores, 59 clothing stores and 8 TM stores (trading as Pick n Pay) - evidence that our store opening programme remains strong, despite disruptions

Relevant material issues:

- "Customer value proposition" and "Operational disruption and business resilience" – refer page 37

Social and relationship capital

Constraints and challenges:

- Low economic growth, high inflation and high unemployment impacting the socio-economic welfare of the communities we serve
- Devastating impact of load-shedding across our value chain - including on suppliers, particularly small, medium and micro enterprises (SMMEs), service providers, franchisees and market store partners
- Community protests in response to a lack of local municipal service delivery and load-shedding led to some store closures
- Engagements with political parties and other interested stakeholders on the reasons for the closure of unsuccessful franchise and market stores and the due process followed

Actions taken:

- Continued optimisation of our store estate - growing into areas of under-representation and closing under-performing stores
- Continued to prioritise local sourcing, which represents over 95% of food and groceries and 45% of clothing
- Strengthened price and promotions across Pick n Pay and Boxer to assist hard-pressed customers
- Distributed social grants, including the South African government's social relief of distress grant, which has a significant multiplier impact
- Formed a strategic franchise forum and began engagement on modernising the Group's franchise model to best reflect current economic challenges

Value created for our stakeholders:

- R53.4 billion spend with BBBEE businesses
- Our Enterprise Supplier Development programme supports 198 suppliers
- More than 200 SMMEs make use of our award-winning supply chain finance programme - Pick n Pay Fast Pay
- Feed the Nation remains at the forefront of hunger relief efforts in South Africa – with 42 million meals donated since inception
- 882 tonnes of edible surplus food contributed to FoodForward SA
- Over 2.4 million learners at 3 280 schools supported through Pick n Pay's School Club

Relevant material issues:

- "Customer value proposition" and "Operational disruption and business resilience" - refer page 37

[1] *Earnings before interest, tax, depreciation and amortisation.*

Intellectual capital

Constraints and challenges:
- Refining the optimum Pick n Pay and QualiSave CVP
- Increased concern around cybersecurity, particularly due to higher levels of remote working
- Forecasting and replenishment in the face of supply chain disruption
- Digital connectivity when mobile and other service providers provide unstable services during load-shedding
- Access to and retention of digital expertise as the Group expands its online reach

Actions taken:
- Launched the Pick n Pay QualiSave brand
- Sustained investment in supply chain capability, digital security and digital innovation
- Digital security enhanced through the Group's systems migration to AWS cloud services
- Data analytics increasingly used in internal and external audits
- Supply chain efficiency and better buying through Project Future

Value created for our stakeholders:
- Launched the Pick n Pay food and grocery offer on Mr D app
- Data analytics, including loyalty data, informed range development in the Pick n Pay and QualiSave CVP stores
- Smart Shopper loyalty programme used as a key lever in delivering value to customers through its Smart Prices and other targeted promotions

Relevant material issues:
- "Customer value proposition", "Operational disruption and business resilience", "Digital stability and security" and "Talent, retention and diversity" - refer to pages 37 to 39

Natural capital

Constraints and challenges:
- Ongoing impacts (direct and indirect) of climate change
- Water scarcity, particularly in the Eastern Cape
- The use of diesel generators to mitigate the impact of load-shedding disruptions has resulted in a significant increase in Scope 1 emissions
- Disrupted water supply because of water pumps being inoperable during load-shedding

Actions taken:
- We actively monitored key short-term climate-related targets to ensure momentum against our formal FY22 commitment to be carbon neutral (Scope 1 and 2) by 2050
- Published a climate change and energy change policy detailing our approach and commitment across emission reductions targets, increased renewable energy usage, greater energy efficiency and natural refrigeration
- Improved our packaging database and reporting processes
- New stores and distribution centres are increasingly energy-efficient

Value created for our stakeholders:
- Converted 22 company-owned Pick n Pay stores to natural refrigeration systems, bringing the total to 56. All distribution centres run on natural refrigeration systems.
- Recycled 11 421 tonnes of waste in line with our waste policy
- Reduced average packaging weight for Pick n Pay own brand products by 27.5% against 2019 baseline
- Generated 26 025 tonnes of general waste and recycled 43.9%
- Green certification of our new Eastport distribution centre

Relevant material issues:
- "Operational disruption and business resilience" and "Climate change" - refer pages 37 and 40

Future availability of resources and input

The actions taken during FY23 resulted in a strong and stable balance sheet, and the agility with which to adapt and grow in a difficult economy. Our strategic advantages and strong investment case, as set out on pages 12 to 15, further support the resilience of our business model going forward.

The sustainability of our business relies on the availability of key resources, for example access to adequate financial capital (whether debt or equity financing), resilient manufactured capital in the form of a strong store base and a resilient procurement and distribution channel, and skilled labour across key areas of the business including retail operations, procurement and information technology. The key risks to the future availability of resources and inputs are:

- Further slow-down in the economy
- Even greater levels of load-shedding
- Food security
- Civil discontent
- Cost inflation and pressure on margins
- System security and stability, and access to and retention of skilled resources

We remain confident that our capitals are sufficient to enable us to execute our Ekuseni strategy effectively and responsibly. Our ethical value system and purpose statement will continue to guide our everyday decision-making, supported by a sound risk management framework that considers the social and environmental impact of our actions and operations.

Unpacking the significant capital trade-offs we anticipate making during FY24

We anticipate several trade-offs based on what we would like to achieve in FY24. Management's judgement in prioritising stakeholder needs and capital resources will be significant to ensure our business continues to grow, adapt and innovate, without placing stakeholders at undue risk. Looking to the future, our management team is executing a strong strategic plan to bring the Pick n Pay Group closer to the customer and accelerate the progress delivered in recent years.

1 Reduction and re-prioritisation of energy spend

The Ekuseni strategy has targeted a material increase in the Group's capital investment programme, targeting high returns on investment through the Boxer, Clothing and Online growth engines, alongside sustained improvement in the Pick n Pay store estate.

The Group will curtail its original investment plans for the Pick n Pay CVP roll-out in FY24 because of the more difficult economic environment and will focus on investment in its growth engines. In addition, the Group will re-direct a portion of spend into energy resilience to minimise the disruption to customers and safeguard future earnings from the impact of load-shedding.

Capitals impacted:

Short-term: Manufactured capital; Financial capital; Social and relationship capital

Longer-term: Natural capital; Financial capital

2 Strategic inventory investment

The Group will continue to invest into essential food and grocery lines, in order to maintain on-shelf availability at a time of operational disruption. In addition, the Group will increase its stock holdings ahead of price increases, to keep prices down for customers for as long as possible. These investments need to be managed carefully, in close collaboration with suppliers, to minimise the risk of waste.

Capitals impacted:

Short-term: Financial capital; Social and relationship capital

3 Employee restructuring programmes

The Group will implement three key employee restructuring programmes in FY24:

- A Pick n Pay-wide voluntary severance programme
- Restructuring junior store management roles
- Consolidating support offices and support functions

These programmes will bring uncertainty to those affected, but are aimed at delivering benchmarked targets on employee productivity and operational efficiency, and will allow Pick n Pay to continue to create jobs in areas of growth and innovation.

Capitals impacted:

Short-term: Human capital; Financial capital; Intellectual capital

Longer-term: Human capital; Financial capital

4 Moderation in dividend policy

The Group will moderate its dividend policy in FY24 from a dividend cover ratio of 1.3 times earnings (76% pay-out ratio) to a range of 1.5 times to 1.8 times earnings (67% - 56% pay-out ratio).

The change allows for greater balance sheet flexibility for Ekuseni investment, increased agility in an uncertain macro-economic environment and the ability to increase the pay-out ratio responsibly as financial constraints ease.

Capitals impacted:

Short-term: Social and relationship capital; Financial capital

Longer-term: Manufactured capital; Financial capital; Social and relationship capital

MANAGING AND LEVERAGING MARKET DYNAMICS

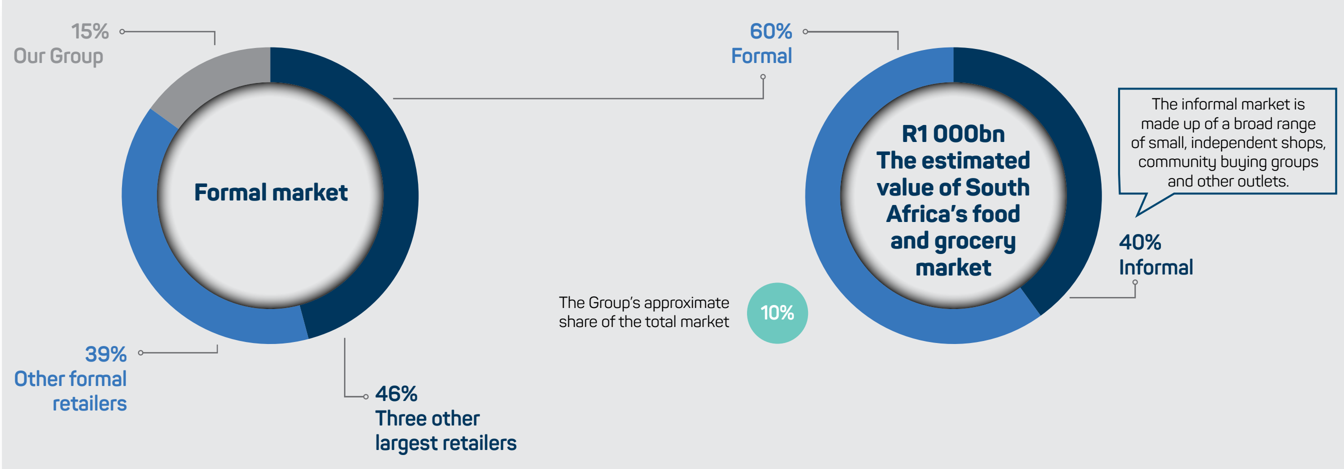
3

UNDERSTANDING OUR OPERATING ENVIRONMENT

An overview of the South African market

South Africa's retail market is diverse, with large differences in income and shopping habits. The food and grocery sector comprises a modern formal sector and a large informal sector. The total market had an estimated value of around R1 000 billion in FY23. Although estimates may vary, at least 60% of the market is considered formal and around 40% informal.

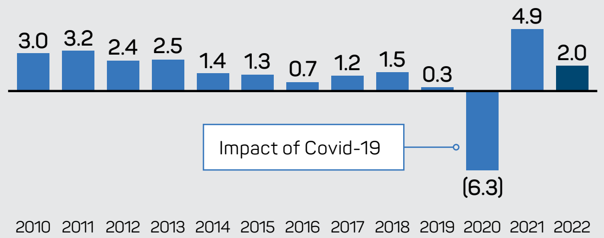
The formal South African food and grocery market is highly competitive. Four large retailers, including our Group, account for approximately 60% of formal sales. With turnover of R103 billion from its South African segment in FY23, our Group has an estimated 15% share of the formal market, and an estimated 10% of the overall market.



South Africa in FY23

It was a year of immense challenges for South African citizens and the economy. As a country, we experienced unprecedented levels of load-shedding from the second half of 2022, which had a profoundly negative impact on the country's economy. This was further exacerbated by the devastating KZN floods, high inflationary costs, interest rate hikes and global supply chain pressures. According to the Bureau for Economic Research (BER), South African real GDP increased by only 2.0% in 2022, following a year in which the economy had benefited from a rapid economic recovery following the easing of Covid-19 restrictions (2021: +4.9%). The three-year compound real GDP annual growth rate (period 2019 to 2022) was 0.1%, illustrating the challenging operating environment faced by our sector and the broader economy.

South African real GDP growth 2010 – 2022 (%)



South African retail sales increased 7.2% in 2022 (2021: +9.7%). 2022 retail sales were predominantly driven by strong sales in essential retail categories of General Dealers and Retailers of Food, Beverages and Tobacco, with a sales growth for 2022 of 9.9%. CPI food inflation increased 10.4% in 2022. Commodity products, in particular cereals and grains, saw the highest increases in externally driven inflation, with the annual increase in bread and cereal products reaching 20.6% in December 2022. Furthermore, transport inflation had a significant impact due to double-digit fuel inflation.

South Africa's unemployment showed a marginal improvement post the Covid-19 lockdown period. However the problem remains acute. Statistics South Africa's Quarterly Labour Force Survey suggests that the annual rate of unemployment improved from Q4 2021 at 35.3% to 32.7% in Q4 2022, an increase of 1.4 million (+2.6%) jobs created for the year.

Consumers remained under severe pressure as purchasing power eroded over the past 12 months due to persistently high inflation and increased cost of living. Real household expenditure increased only 2.6% compared to 5.7% in 2021.

South African retail environment 2022 calendar year

+2.0%	9.9%	10.5%	10.4%	32.7%	2.6%
GDP growth	Annual grocery retail sales growth	Prime interest rate	CPI Food	Unemployment	Real household expenditure growth

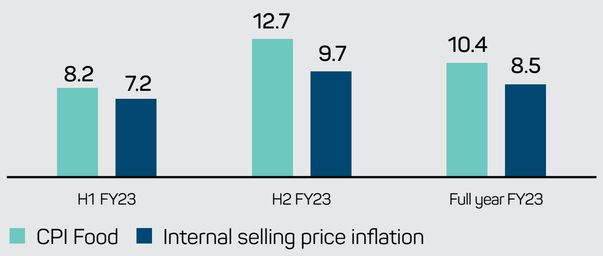
The impact of load-shedding on South Africa and our business

From the second half of 2022, we – alongside the rest of South Africa – experienced a serious escalation in load-shedding. The daily challenge of lengthy electricity outages is still with us and has become the new reality for the foreseeable future. According to the BER's Powering growth: Electricity and South Africa's economic outlook report, the cost of load-shedding to the South African economy in 2022 could have been more than R500 billion (equivalent to around 7-8% of GDP).

All Pick n Pay and Boxer stores have backup power in the form of diesel generators and are operational throughout load-shedding. However, severe load-shedding creates significant challenges. The Group incurred net incremental energy costs of R430 million during FY23. This cost consists of the diesel costs required to run our generators to keep our stores powered during load-shedding, net of the electricity savings we make. However, this does not include the additional impact on lost sales during load-shedding or the additional costs associated with increased waste and spend on repair and maintenance from refrigeration breakdowns.

Internal price inflation (%)

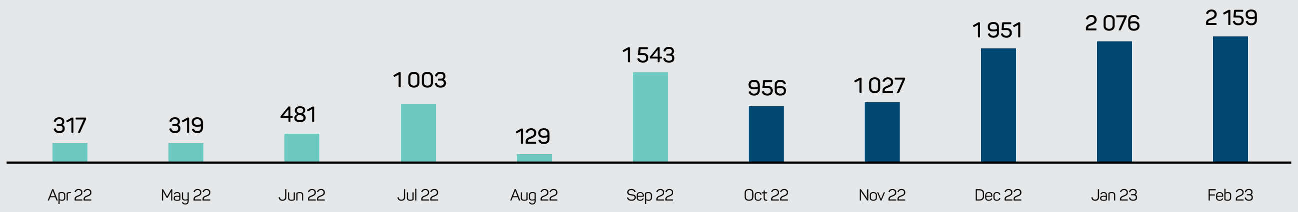
Restricted to 8.5%



The Group's response to load-shedding challenges

The FY24 outlook remains challenging given the uncertainty of the frequency and stages of load-shedding. We anticipate that current levels of Stage 5 and Stage 6 load-shedding will remain for most of the year, with a significant risk that they will rise further, particularly in the winter months. The Group is implementing an accelerated energy resilience plan to mitigate at least R200 million of load-shedding costs in FY24. The plan includes tighter store disciplines to be even more energy-conscious, accelerated investment in low-energy lighting, and more efficient refrigeration. We are also in the process of trialling other forms of energy resilience technology, including battery energy storage systems. The outcomes of these trials will underpin the development of an Energy Store of the Future as a template for future resilience against a potentially long-term or permanent reality of load-shedding in the country.

Average monthly load reduction (Gigawatts)



Source: Investec Securities, Eskom.

South Africa's economic outlook for the 2023 calendar year

GDP is forecast to grow only 0.2% in 2023. This reflects the impact of the increased intensity of load-shedding with little prospect of improving this year.

Alongside the country's unique load-shedding adversity, South Africa is also bearing its share of the impact of ongoing global challenges. The global economy is still under severe pressure from supply chain disruptions arising from the war in Ukraine, hikes in energy and commodity prices, consumer inflation and rising interest rates. All these factors impact negatively on the South African economy.

The South African outlook for 2023 reflects poor economic and slow employment growth, elevated food inflation coupled with interest rate hikes that will collectively place tremendous pressure on consumers.

Set against this reality, South African consumers are highly resilient, and are accustomed to overcoming difficult circumstances. However, they have been under severe economic strain for some years and will therefore have very limited scope to adjust to greater inflationary pressure. They will be looking for food retailers to assist as far as possible by containing price increases, offering attractive deals, and providing opportunities to flex their spend towards lower-cost items.

Our Ekuseni strategy addresses this situation in a number of ways. By delivering greater efficiencies through Project Future, the Group will continue to invest in price to mitigate the impact of rising costs on customers. The Group is prioritising energy cost initiatives that will have no disruption to service delivery and product quality. Our Boxer expansion will provide more opportunities for lower-income customers to secure the best value food and groceries in the market. The launch of our QualiSave brand targeted at our lower- and middle-income customers will also offer customers with the highest financial exposure another cost-effective option together with our Boxer stores.

South Africa's 2023 outlook

0.2%
GDP growth

4% – 5%
Grocery retail sales growth

5.9%
Headline CPI

10.2%
Food CPI

11.5%
Prime lending rate

1.2%
Real household expenditure

>30%
High unemployment

Rest of Africa's economic outlook for the 2023 calendar year

Growth across Sub-Saharan Africa remained sluggish in 2022. The continent was dragged down by uncertainty in the global economy, the under-performance of the continent's largest economies, high inflation, and a sharp deceleration of investment growth. Economic growth in Sub-Saharan Africa is set to slow from 3.6% in 2022 to 3.1% in 2023, according to the latest Africa's Pulse, the World Bank's April 2023 economic update for Sub-Saharan Africa. Growth across the region varies from country to country. Some countries, particularly those in East Africa, are expected to fare better. Public debt and inflation are at levels not seen in decades, with double-digit inflation present in half of the countries – eroding household purchasing power and striking at the most financially vulnerable people.

The Group will continue to operate in our established Rest of Africa (RoA) countries with the same levels of resolve and financial prudence to minimise country-specific risks as much as possible. We still believe there are opportunities, but these will require ongoing risk management by the Group's RoA team and our in-country partners.

Changing industry and customer trends

Balance sheet strength and operating efficiency underpin the Group's ability and agility to respond quickly and appropriately to changing market dynamics. Many industry trends and changes in customer needs evolve as a direct response to the macro-environment in which we trade, including government policy and geopolitical events, while others evolve as a result of social or cultural movements, or advancements in technology. The Group engaged extensively with customers throughout the development of its Ekuseni strategy, which is designed to meet current and evolving consumer trends:

Lower prices and greater value	The Group's improved operational efficiency has enabled lower prices and deeper promotions, with a keen focus on supporting our QualiSave and Boxer customers with even greater value on commodity products and other essential food and groceries.
Greater relevance	Customer segmentation across the Group's three main trading banners has allowed for greater simplicity in each operating model, each with a product range specifically tailored to meet the needs of each community served, including through innovation and convenience.
Convenience	The Group's investment in its supermarket estate is focused on smaller shops in convenient locations, including closer to where our customer live, work or take public transport.
Online retail	The Group's investment in online retail platforms - including scheduled, on-demand and Click n Collect options - reflects the surge in customer demand for online grocery retail in South Africa.
Customer loyalty	Customers seek greater reward for loyalty, including through highly personalised deals based on unique customer data. The Group continues to invest in its Smart Shopper loyalty programme, which was recognised as South Africa's Coolest Loyalty Programme in September 2022 at the Sunday Times GenNext Awards.
Information security	Cyber crime is on the rise worldwide and customers are increasingly concerned with the protection of their personal information. The Group continues to prioritise the security of its data and its information systems, including its point-of-sale and Smart Shopper loyalty platform.

Addressing the demand for online grocery shopping

The Covid-19 pandemic significantly accelerated the shift to online grocery shopping in South Africa, which had previously lagged developments in similar-sized overseas markets.

At the start of lockdown, Pick n Pay worked quickly with its partners in its online liquor offer Bottles to expand it into a much broader one-hour online grocery delivery service. Our competitors also developed similar on-demand services, and the online grocery market in South Africa is predominantly focused on this type of one-hour on-demand grocery shopping.

On-demand retail

Pick n Pay provides two offers for customers in this market: Pick n Pay asap! (which developed out of the original Bottles business when it was acquired by Pick n Pay in 2020), and Pick n Pay Groceries on Takealot's Mr D platform. On-demand online sales have grown over 100% in each of the past two years. The Pick n Pay asap! app is the most downloaded grocery app in South Africa, with over 4 million installs. From a launch in the second half of 2022, Pick n Pay Groceries on Mr D has been rolled out nationwide, allowing customers to shop both restaurant takeaway and grocery in one place. The Mr D platform now makes up a large part of our on-demand business, ensuring we are available to more customers in more relevant ways. Overall, customer demand for online grocery shopping has continued to grow strongly since the pandemic and we are benefiting from growth both in sales to existing customers and new customer segments.

Digital transformation

We expect consumer behaviour and expectations to continue to evolve, driven by technological advancements, new fast and flexible delivery options, and the use of data and artificial intelligence to make shopping easier and more personalised.

Our Omnichannel division is at the forefront of driving digital transformation and shaping the future of retail, to ensure we evolve ahead of our customers and the communities we serve. We continue to pioneer new ways to integrate in-store and online shopping, leveraging over 400 stores nationwide as fulfilment hubs, and leveraging real-time online data to improve in-store experiences.

AN INTEGRATED VIEW OF RISKS AND OPPORTUNITIES

The risks and opportunities presented are the material matters identified by the Board as having the potential to significantly impact the Group's performance and ability to create sustainable value for our stakeholders over the longer term. Understanding these matters enables us to test the resilience and agility of our strategy and take an integrated view of risks and opportunities (current and emerging) in our rapidly evolving operating environment.

Determining materiality

We apply materiality to focus discussion and decision-making on the significant matters the Group manages that could have a substantial impact on value creation. This improves the quality and relevance of information available to all stakeholders and enables a more efficient and productive allocation of capital.

To determine our material risks and opportunities, we consider various inputs, including:

- The macro-economic environment we operate in. Read more from page 31.
- Changing industry and consumer trends. Read more on page 33.
- Our stakeholders' expectations and concerns. Read more from page 42.
- The outcomes of the Group's risk management process. Read more from page 36.
- The Group's underlying capitals, which provide the resources we rely on. Read more from page 24.

Governance at work

The effectiveness of our governance and risk management, including the accurate and timely identification of material risks and opportunities, our commitment to social and environmental sustainability, our financial performance and the successful execution of the Ekuseni strategy, are all inseparable elements of long-term value creation.

During the year, our Board undertook several discussions related to key topics that could impact our ability to create and protect value for our stakeholders. These discussions are presented on page 84 and unpacked in more detail in our corporate governance report. They reflect the risks and opportunities the Group identified as material in FY23, how these are being mitigated and, where relevant, viewed as growth opportunities through our long-term strategic plan.

Prioritised material risks and opportunities

The Group utilises an integrated and collaborative process to identify and prioritise material risks and opportunities, which involves senior management, our risk management function, the Audit, Risk and Compliance Committee and the Board.

Our determination of materiality is primarily driven through our risk management process, which involves a formal framework of policies and procedures to identify and assess material risks and opportunities at a strategic, regulatory, reputational, financial and operational level – including all ESG-related risks and opportunities. This review forms part of the Group's comprehensive, enterprise-wide risk management and combined assurance programme.

Senior management has day-to-day responsibility for identifying, evaluating and managing risks and opportunities within their area of accountability. Their input informs our risk management process.

The senior management team regularly engages with its providers of financial capital – including large shareholders and strategic funding partners. This engagement is crucial in gaining an understanding of the independent perspective of key stakeholders and their material concerns, which is a further way of identifying or confirming relevant material matters for the Group.

The Audit, Risk and Compliance Committee monitors the risk management process across all divisions in the Group.

The Board undertakes discussions throughout the year on matters it believes could impact our ability to create and protect value for stakeholders. During these discussions, the Board tests the relevance of our material risks and opportunities and provides guidance on where matters may need to be expanded, relooked or added to ensure our strategy remains responsive to our changing operating environment.

The outcome of our materiality determination process

Our material risks and opportunities change over time, influenced by many factors. These factors include changes in our economic, natural and social environments, evolving consumer needs and trends, advancements in operating systems and technology and disruption in our competitive landscape.

As an outcome of the Group's materiality determination process, we have reviewed and updated the material risks and opportunities presented to our stakeholders last year (FY22). The material risks and opportunities reported last year all remained relevant in FY23, with the majority adjusted to reflect an increased residual risk rating as a result of the Group's more difficult operating environment, and specifically the substantive financial and operational impact of load-shedding.

The Group has not removed any material risks and opportunities from its risk register in FY23. However, we have reviewed and adjusted the Group's residual risk ratings where appropriate.

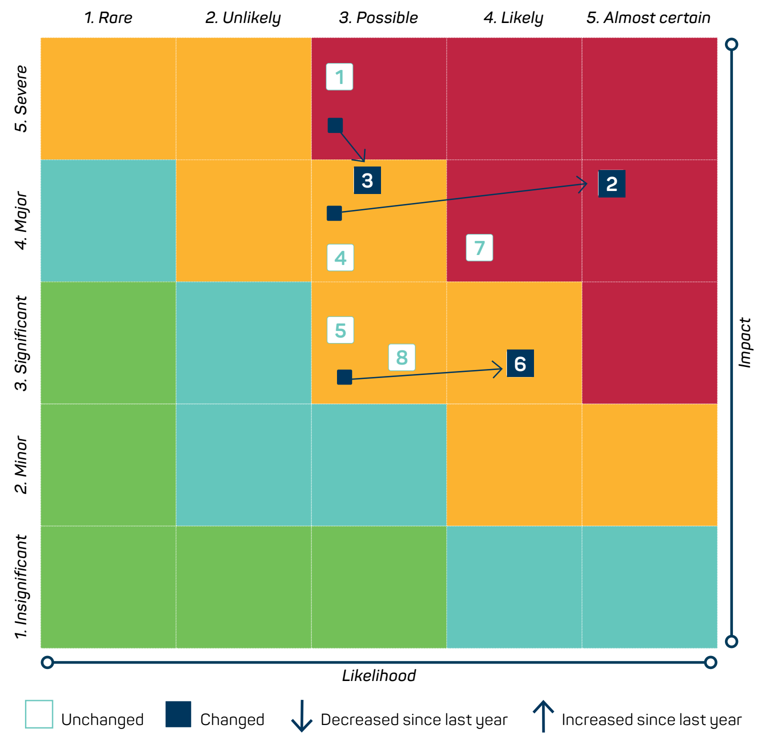
The Group's material risks and opportunities for FY23

1	**Customer value proposition** – meeting consumer and broader stakeholder needs in a constrained consumer environment
2	**Operational disruption and business resilience** – maintaining security and stability across our value chain, particularly as a result of load-shedding in South Africa
3	**Health and safety** – upholding the highest standards of occupational health and safety and food safety
4	**Digital stability and security** – across our IT infrastructure, online platforms and data storage
5	**Foreign investment returns** – currency devaluation and earnings volatility within our Rest of Africa division
6	**Talent retention and diversity** – to build and retain a talented, diverse and motivated retail team
7	**Climate change** – impact of scarce resources and environmental degradation on food and grocery retail
8	**Successful execution of Ekuseni** – the Group's long-term growth strategy

The Group's material residual risks

The residual risk rating is the exposure that remains after considering the control environment in place to mitigate those risks.

The heat map presented below illustrates the potential impact of the Group's material residual risks and the likelihood of occurrence. A clear understanding of the probability and impact of material risks guides the Group in its prioritising and managing of risks, in order to minimise any negative impact on value creation.



Emerging material risks and opportunities

In FY22 the Group cautioned that escalating cost pressure had emerged as a short- to medium-term risk, as a result of a combination of factors, including the impact of the July 2021 unrest on the cost of increased security measures and insurance covers; higher fuel and staple commodity prices as a result of the war in the Ukraine; and the cost of running diesel generators to operate stores effectively during load-shedding. Unfortunately, higher cost inflation became a material feature of the Group's FY23 financial performance, including R430 million of unplanned costs directly related to the elevated levels of load-shedding. The Group's Ekuseni strategy remains resolutely focused on operational efficiency and cost discipline in order to mitigate against this inflationary pressure, including the implementation of an energy resilience plan to deliver energy savings of approximately R200 million in FY24.

The challenging economic environment has constrained consumer spend even further, with customers seeking lower prices, particularly on staple food and groceries. The Group must continue to meet our customers' need for lower prices, and in an inflationary environment may impact profit growth and margin accretion. This is a specific risk for our stores that serve customers in the lower-income communities of South Africa, including smaller franchise and market stores. The Group will continue to engage closely with its retail partners to provide the operating support or exit strategies for struggling stores, and is working closely with a key group of franchisees to review and modernise the Group's franchise agreement to ensure it remains effective and sustainable for all.

Our material risks and opportunities

1 Customer value proposition – meeting consumer and broader stakeholder needs in a constrained consumer environment

South Africa's economic environment remains difficult, with high levels of unemployment and living costs, exacerbated in FY23 by power and related water outages.

Food inflation and other cost pressures – including higher interest rates, fuel, electricity and utility costs – will continue to add financial pressure for consumers over the short term.

Suppliers across the Group's value chain will experience operational cost pressures and disruption which will impact input costs and the stability of supply, with greater potential risk for SMMEs.

The Group's customer value proposition must adequately meet our customers' need for lower prices and greater value, which, without mitigating action, will impact profit margins over the short term.

Some franchisees, particularly those trading in the less affluent communities of South Africa, may require additional support in navigating the more difficult economic conditions. Franchisees are important strategic partners and remain key to the Group's success.

Risks to value creation

- Worsening macro- and socio-economic conditions put customers under economic pressure
- Increased competition for a shrinking consumer wallet
- The Group, its franchisees and other stakeholders across the value chain are unable to fully absorb cost pressures
- CVP not aligned to changing customer needs

Risk management and opportunities to create value

- The Ekuseni strategy is at the forefront of delivering on the Group's long-term strategy of sustainable growth; including through a modern store estate and the development of a strong online offer and value-added services proposition
- Cost savings and operational efficiency, through Project Future, supports price investment
- Regular review of commercial pricing and promotional strategy to balance underlying profitability with the needs of a strained consumer
- Careful liquidity and working capital management allows for investment into essential food and groceries ahead of price increases
- Increased focus on building a strong and resilient franchise model in order to maintain sound business relationships and sustain mutual value creation

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		1 2 4	Increased, but uncertain

2 Operational disruption and business resilience – maintaining security and stability across our value chain

All disruptive events that materially impact on the Group's ability to trade effectively, whether in its supply chain, store estate or support functions, including, but not limited to:

- Utility outages
- Disruption in global supply chains as a result of geo-political factors
- Political instability and protest action
- Sabotage
- Pandemics
- Fire
- Natural disasters

Risks to value creation

- The catastrophic loss of assets and reduced insurance covers
- Unstable supply of power and water leading to increased operating costs, higher levels of food waste and unreliable product availability
- Power outages impacting digital communications systems
- Labour disruption resulting in trade disruption

Risk management and opportunities to create value

- Business continuity and disaster recovery plans
- Crisis management protocols and executive working groups
- Alternative distribution centres as source of supply
- Generators in all stores and distribution centres
- Green distribution centres, with solar-driven and water-efficient operations
- Strengthened functional outsource arrangements, and constructive engagements with labour unions
- Strengthened security measures across store estate
- More than 95% of food sold in our South African stores is procured domestically and overall production and distribution remains resilient

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		3 4 5	Increased

3 Health and safety – upholding the highest standards of occupational health and safety and food safety

We are committed to providing our customers with high-quality food and groceries and a safe and secure shopping experience.

We protect the health of our people and customers by upholding rigorous hygiene standards across our stores, offices and supply chain.

Our decisions and protocols are guided by the advice of expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases.

Food safety is maintained by robust health and safety standards across the food chain to mitigate the significant risks associated with unsafe food.

Risks to value creation

- Safety standards are not followed in stores, distribution centres or support offices, putting our customers or people at risk of ill health or injury
- Business partners do not adhere to our overall minimum health and safety standards
- We inadvertently stock or prepare unsafe food or other grocery products that harm customers

Risk management and opportunities to create value

- Formal health and safety protocols are maintained in stores, support offices and distribution centres, including regular handwashing and rigorous in-store cleaning and sanitising and clear sickness protocols
- Franchise agreements regulate minimum in-store safety requirements
- Suppliers are contractually bound to comply with all legislated health and safety requirements, including certain additional minimum standards set by the Group
- Suppliers are subject to regular food safety standard audits by independent third-party auditors, and non-compliance with food safety standards results in suspension of supply agreements until compliance is restored
- All stores undergo regular stringent food safety audits, undertaken by independent service providers and internal audit teams
- Crisis management and escalation processes are in place, including product recall protocols

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		1 3 4 5	Stable

4 Digital stability and security – across our IT infrastructure, online platforms and data storage

Enterprise-wide information technology supports and facilitates critical functions across our operations, including:

- Point-of-sale transactions
- Value-added financial services
- Product forecast and replenishment
- Labour scheduling
- Our Smart Shopper loyalty programme
- Our online shopping platforms
- Real-time financial reporting
- Remote working

Risks to systems stability and security are increasing due to the frequency of global cyber and ransomware attacks, the acceleration in digitisation across our business and the increase in online transactions.

Risks to value creation

- System disruption that impacts our ability to serve customers and run our business effectively
- Cyber attacks and the impact on the security of confidential information
- Reliance on IT systems that are unable to support growth and innovation
- A lack of accuracy or timeliness of information having a negative impact on decision-making ability

Risk management and opportunities to create value

- A specialist team – including external service providers – builds, maintains and protects the Group's IT infrastructure, following global best practice in development, maintenance, cybersecurity and recovery
- All systems have been migrated into cloud services
- Core systems are regularly backed up each day and are able to be restored quickly
- Ongoing digital innovation:
  - drives growth of value-added services
  - enhances Smart Shopper loyalty programme
  - advances the Group's online offer

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		1 2 3 4	Stable

5 Foreign investment returns – currency devaluation and earnings volatility within our Rest of Africa division

The Group manages operations across the African continent and views this diversification as an important long-term engine of growth.

At the close of FY23, the Group operated in seven countries outside South Africa.

Risks to value creation

- Different political, economic, social, regulatory, foreign exchange and other operational risks are present in each country in which we operate, contributing to volatility in the performance of the Rest of Africa division
- Poor understanding of local markets can negatively impact on sustainable returns from these countries
- Hyperinflation, currency weakness and falling foreign earnings increase the pressure on Group profitability, including through a higher effective tax rate

Risk management and opportunities to create value

- Growth outside South Africa is planned and deliberate, without placing the core South African business at undue risk
- The investment model is tailored to suit the operating environment and, wherever possible, includes collaboration with experienced local partners who share our values and our commitment to strong corporate governance
- We look for growing markets that provide opportunity for real scale in a business environment that is well regulated, without too much complexity, and that is welcoming to foreign investment
- The Group has strengthened its operating model in Zambia, with strong discipline in capital and operating spend and tighter working capital management
- Exports to Zimbabwe are on a cash up front basis and, as such, the Group's associate in Zimbabwe does not have any outstanding trade debt with the Group

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		1 2 4	Uncertain

6 Talent retention and diversity – to build and retain a talented, diverse and motivated retail team

Our long-term Ekuseni strategy is driven by the ambition, commitment and performance of our people.

The Group's success is also predicated on the economic prospects of South Africa and income and job creation for all.

Our team must reflect the diverse communities we serve, and we are committed to providing rewarding career opportunities in the retail industry.

Risks to value creation

- An inability to attract and retain diverse talent that can deliver on the Group's strategy, including in digital innovation, and ensure strong succession
- Recruiting and training the right store managers for our growing Boxer estate
- Employee morale as a result of voluntary and other employee restructuring programmes
- Lack of skills development and training
- Lack of diversity or opportunity for all
- Increasing cost of labour without a commensurate increase in return
- Labour strikes/stoppages that affect the operation of our business

Risk management and opportunities to create value

- Remuneration policies that advance diversity, career progression, training and incentivisation
- Clear targets for transformation within the business
- Business-wide performance management system drives a high-performance culture and rewards performance
- Remuneration approach is benchmarked across the industry
- Increased employee engagement and communication channels, including regular town hall events, wellness campaigns and quarterly surveys
- Open and constructive relationships with labour unions, with formal processes to proactively manage critical issues
- Ongoing investment in training and education

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
		4 5	Increased

7 Climate change – impact of scarce resources and environmental degradation on food and grocery retail

Climate change and food security is a concern for our Group and for all our stakeholders, particularly as poverty and hunger are so prevalent across South Africa and the regions we serve.

In addition, climate change and changing weather patterns could disrupt the availability of raw materials and energy supply, as well as operations along our supply chain.

The Group is therefore committed to reducing our impact on the environment and building the resilience of our operations.

To help mitigate risks that threaten food systems in the long term, we explore opportunities to contribute to a circular economy, source environmentally sustainable commodities and strive to reduce our climate impact across our business and value chain.

Risks to value creation

- Climate change poses a significant threat to:
  - Ecosystems and biodiversity
  - Food availability and food quality
  - Sustainability and prosperity of the agricultural sector
  - Water resources
  - Broad economic and societal well-being

Risk management and opportunities to create value

- Pick n Pay was the first South African retailer to sign up to the 10x20x30 Food Waste Initiative, collaborating with suppliers to reduce global food waste by 50% by 2030. Pick n Pay has reduced its own food waste by 30% since 2019.
- We have joined collaborative initiatives to support our contribution towards a healthier planet, including among others The New Plastics Economy Global Commitment and The Roundtable for Sustainable Palm Oil.
- Pick n Pay has increased our percentage of general waste diverted from landfill to 62%.
- Our Chair, Gareth Ackerman, is the co-chair of the Consumer Goods Council of South Africa. The international Consumer Goods Forum brings together consumer goods manufacturers and retailers from around the world to address some of the most important opportunities and risks facing our industry globally. This includes matters linked to climate change and its impact on the food retail industry.

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
Social and relationship, Natural	Customers, Communities, Employees, Suppliers, Franchisees, Shareholders	The Group's Ekuseni ESG Plan	Increased

8 Successful execution of Ekuseni long-term growth strategy

The Ekuseni strategy is a comprehensive, balanced, multi-year plan, and a significant new chapter in the Group's history. The Group's growth and sustained value creation over the long term is to a large extent predicated on the successful execution of Ekuseni.

Risks to value creation

- The strategy requires significant cultural changes, including the redefinition and refinement of the Pick n Pay and Pick n Pay QualiSave brands, the prioritisation of digital innovation and automation, and a more flexible workforce
- The strategy targets acceleration in new stores, refurbishments and conversions, with stringent return on investment requirements
- The strategy requires a significant step change in the Group's capital investment programme, with a concomitant increase in debt funding

Risk management and opportunities to create value

- The plan was based on extensive research, including analysis of Smart Shopper and other retail data and close engagement with customers and other stakeholders
- The plan has the full support of the Board and the senior management team
- Key leadership appointments, clear lines of accountability and transparent performance targets
- The dedicated transformation office tracks the progress of the Ekuseni strategy against targets and detailed risk register
- Short-term and long-term incentives are linked directly to Ekuseni performance targets

Capitals	Stakeholders	Ekuseni focus area	Risk to value creation compared to FY22
Financial, Manufactured, Intellectual, Human, Social and relationship, Natural	Customers, Communities, Employees, Suppliers, Franchisees, Shareholders	1, 2, 3, 4, 5	Increased, but stable

Legend

Capitals	Stakeholders	Ekuseni focus area
Financial	Customers	1 A refined and strengthened Pick n Pay customer value proposition
Manufactured	Communities	2 Accelerate the growth of Boxer
Human	Employees	3 Build a market-leading online offer
Social and relationship	Suppliers	4 Fund our ambition through Project Future
Intellectual	Franchisees	5 Delivery through people
Natural	Shareholders	

BALANCING THE NEEDS, INTERESTS AND EXPECTATIONS OF STAKEHOLDERS

Good performance is inextricably linked to effective engagement. It helps us to understand our place in society, holds us to account, ensures we can adapt to the rapidly changing external environment in which we operate, and ultimately improves the services we offer stakeholders and the decisions we make on their behalf.

Effective stakeholder engagement is particularly important in an era of social, technological and environmental disruption. It requires ongoing engagement with key stakeholders to ensure our strategy remains agile and responsive to the risks and opportunities that may arise.

Identifying and understanding our stakeholders

The value the Group creates depends on the quality of our stakeholder relationships. We continuously evaluate our stakeholder landscape to ensure that we do not overlook stakeholders who may have a material influence on our business. We need to ensure stakeholder engagement mechanisms are appropriate and relevant, in order to stay connected with stakeholders and respond to their changing needs, interests and expectations.

We identify stakeholders through ongoing engagement with individuals, groups and organisations.

We analyse stakeholders to understand their level of interest in and influence over the Group.

We review our stakeholder engagements to ensure they are effective and relevant.

The Board seeks to ensure the Group's long-term Ekuseni strategy balances the needs, interests and expectations of key stakeholders in the best long-term interests of the business. This approach helps to ensure that we take an environment- and society-wide view of value creation.

Why we engage

- To gain insight into the nature and quality of our relationships with key stakeholders
- To identify and respond to matters affecting stakeholders and our business
- To improve our understanding of stakeholders' legitimate expectations, aspirations and interests
- To strengthen the transparency and accountability through which we have established valued relationships
- To consider the needs and interests of stakeholders when determining our material risks and opportunities (from page 35) and strategic response (from page 37)

How we engage

We focus our engagement efforts on stakeholders who have a significant interest in the Group's operations or significant influence over the way we do business and create value. We have specific engagement methods for each key stakeholder. These include direct engagement, regular meetings and forums, surveys, portals, conferences and roadshows, joint planning sessions, development initiatives and more. When necessary, we undertake specific engagements on topics or matters that may arise.

"The strength of our Pick n Pay, QualiSave and Boxer brands is testament to our commitment to building strong stakeholder relationships based on trust and mutual respect. This commitment has been at the heart of our business for 56 years and is evident in the underlying principles of the Group's Ekuseni strategy."

Suzanne Ackerman
Chair: Social, Ethics and Transformation Committee

Governance at work

The Board commits to stakeholder engagement that is constructive, fair, transparent and conducted in a manner that is aligned with the Group's enduring values (provided on page 11).

The Board, supported by its Social, Ethics and Transformation Committee and its Nominations and Corporate Governance Committee, takes overall accountability for the Group's governance of key stakeholder relationships. The Board delegates responsibility for implementing and executing effective stakeholder engagement to the CEO and the senior management team.

The Group pursues an integrated programme of stakeholder engagement to ensure that the business:

- Remains accessible and accountable to key stakeholders
- Engages regularly on material matters
- Reports to the Board on all material stakeholder engagements, including any emerging risks or opportunities

Our key stakeholders	Responsible executive reporting to the CEO
Customers	Chief ESG Officer Chief Brand Officers: Pick n Pay, QualiSave, Boxer
Communities	Chief ESG Officer
Employees	Chief People Officers: Pick n Pay and Boxer Chief Strategy and Transformation Officer
Suppliers	Chief Commercial Officer Chief Supply Chain Officer
Franchisees	Chief Brand Officers: Pick n Pay and QualiSave Group Executive: Franchise
Shareholders	Chief Finance Officer Group Executive: Investor Relations

We consider our key stakeholders' legitimate needs and interests when making business decisions, pursuing strategy and driving performance.

Customers

We provide an inclusive and diverse spectrum of customers with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, in modern stores, underpinned by great service.

We track several measures to assess the quality of customer relationships, including, but not limited to:

- Growth in customers and basket value
- Customer responses to pricing surveys
- Redemption of personalised Smart Shopper loyalty vouchers and the effectiveness of Smart Prices and Boxer discounts
- Number and nature of customer complaints and the resolution thereof, including engagements through social media channels

Our customers value:

- Low prices, good value and personalised loyalty rewards
- Consistently high levels of product availability
- Convenience
- Product quality, traceability and food safety
- Great stores and customer service
- Strong health and hygiene standards
- The privacy and protection of their personal information
- Community involvement and environmental sustainability

We create and preserve value for customers by:

- Ensuring an effective supply chain and store operations, with cost savings invested into lower prices and targeted promotions
- Delivering an increasingly relevant product range tailored to meet the needs of Pick n Pay, QualiSave and Boxer customers – with more own brand and value-added services, including a competitive financial services offer
- Providing a convenient and modern retail offer through a strong store opening and refurbishment programme and online retail platforms
- Optimising the Smart Shopper loyalty programme
- Providing customer-focused employee training
- Being a "force for good" in the communities we serve

Customers are at the heart of our long-term Ekuseni strategy.

Key engagement themes and actions in FY23:

- The rebranding of our Pick n Pay supermarkets into two differentiated customer-facing brands – Pick n Pay and Pick n Pay QualiSave – was based on the results of 7 000 customer interviews and has delivered product ranges and promotions tailored to meet the needs of customers served.
- Challenging macro- and socio-economic conditions have put many customers under considerable financial strain. The Group remains committed to providing lower prices, particularly on essential food and grocery items, and increased the cadence and breadth of its customer pricing surveys to test our price competitiveness with customers. As a result, Pick n Pay improved its customer price perception against its key competitors and Boxer retained its position as a price leader in the market.
- Pick n Pay increased the operating hours and the number of service personnel of its customer call centre this year, to meet increased demand related to the significant growth in its online shopping platforms.

Communities

Our success depends on the well-being of the communities we serve. We provide meaningful socio-economic support and create opportunities for sustainable economic growth. This includes education and literacy programmes and nutrition and poverty relief schemes, such as our partnership with the Feed the Nation Foundation. In addition, we support cultural and theatrical projects, sports development and environmental programmes.

We track several measures to assess our impact on communities, including, but not limited to:

- The number and value of corporate social investment initiatives (CSI)
- Volume of food donated to FoodForward SA and value of clothing donated to Clothing Bank
- Volume of recycling including tonnes of cardboard, paper, plastic and metal
- Varied metrics measuring our environmental impact, including our energy usage and intensity, water usage, fuel consumption and carbon emissions

Our communities value:

- Access to quality food at low prices in clean and safe stores
- Investment in feeding schemes and community outreach programmes
- Investment in schools and other educational initiatives
- A commitment to economic development and opportunity, including job creation
- Education around healthy eating and the provision of healthier food choices
- The Group's ongoing commitment to be environmentally conscious

We create and preserve value for communities by:

- Embedding environmentally and socially responsible practices throughout our business
- Sourcing from and developing diverse and ethical suppliers
- Driving job creation through long-term sustainable growth
- Promoting healthy and sustainable living

Our business grows hand in hand with our contribution to society. Our social investment strategy focuses on empowering communities through educational initiatives and reducing food insecurity.

Key engagement themes and actions in FY23:

- The Group contributed 882 million tonnes of edible surplus food to the value of R35 million from our stores to FoodForward SA for distribution to more than 2 200 beneficiary organisations. Pick n Pay Clothing donated R11.6 million worth of clothing to Clothing Bank
- Over 2.4 million learners at 3 280 schools were supported through Pick n Pay's School Club, including through educational materials, tutoring programmes and bursaries
- The Ackerman Pick n Pay Foundation supported 6 646 community food gardens and 2 102 home gardens, providing a source of food for over 30 000 families, schools and early childhood development centres

Employees

We are committed to building a strong and diverse team that reflects the communities we serve. We engage with employees to communicate strategy and responsibilities, improve our productivity and efficiency, identify needs, recognise and reward good performance and hold each team member accountable for their individual contribution to the Group's success.

We track several measures to assess the quality of employee relationships, including, but not limited to:

- Employee morale (eNPS score) through quarterly surveys, to assess the drivers of morale, motivation and productivity and to actively address areas of dissatisfaction
- Stability of employee turnover across fixed-time and variable-time employees
- Value of investment in training, including bursaries, and the number of employees participating in training interventions, including internships, apprenticeships and graduate programmes
- Employee wellness through numerous employee wellness programmes

Our employees value:

- Competitive remuneration and benefits
- Job security and fair and reasonable working hours (with certainty of hours and shifts)
- Safe working environments
- Training and development
- Wellness programmes and work-life balance
- Working for a responsible and ethical corporate citizen

We create and preserve value for employees by:

- Providing fair and competitive remuneration as well as training and development programmes
- Building a lean and effective organisational structure for the benefit of all
- Advancing employee opportunity and diversity
- Offering various health and mental wellness programmes
- Developing a support office of the future, including flexible hybrid working policies, which include the opportunity for remote working

Becoming the employer of choice in a highly competitive retail environment is a strategic advantage.

Key engagement themes and actions in FY23:

- Launched a consolidated health and wellness campaign which focused on the mental, physical and financial well-being of employees. The campaign provided education in respect of employee benefits (including medical aid and retirement benefits) and provided access to health checks and counselling (including in respect of blood pressure, glucose and cholesterol, obesity and HIV).
- Engaged with employees and labour partners on strategic measures to improve productivity and service – including the implementation of Pick n Pay's new in-store multi-skilling agreement, and the consolidation of de-centralised support functions into a single head office in Cape Town.

Suppliers and service providers

We procure goods and services from a broad network of suppliers and service providers, including many SMMEs that were mentored through our enterprise development programmes. We engage to source high-quality products at the best price and ensure food safety, sustainable and ethical business practices, innovation and consistent on-shelf availability.

We track several measures to assess the quality of these relationships, including, but not limited to:

- Relative product performance within category
- Effectiveness of targeted promotions, including volume uplift
- Number of suppliers mentored through the enterprise development programme
- Spend on black-owned and women-owned businesses

Our suppliers and service providers value:

- Fair pricing, and transparent negotiation and contractual agreements
- Effective and efficient administration
- Sustainable business partnerships and opportunities for cost reduction
- Research and development as well as logistical support
- Transformation and enterprise development
- Resource efficiency (including energy, water, waste and logistics)

We create and preserve value for suppliers and service providers by:

- Committing to fair, efficient and mutually beneficial business relationships, with a strong focus on local procurement
- Building a cost-effective and efficient supply chain
- Developing small businesses and diverse and ethical suppliers, including through more own brand and confined label products
- Developing strategic partnerships on our value-added services and Smart Shopper loyalty platforms
- Offering Pick n Pay Fast Pay – key banking partners provide competitive funding to participating suppliers for the early settlement of invoices

The Group has developed a centralised, and increasingly effective, procurement and distribution channel.

Key engagement themes and actions in FY23:

- The launch of our Ekuseni strategy, with close supplier engagement on range optimisation for the Pick n Pay and QualiSave CVP roll-out and tailored promotions
- Contingency planning as a result of elevated levels of load-shedding, including strategic buy-ins to maintain the on-shelf availability of staple food and grocery items
- The opening of the Group's new Eastport distribution centre in Gauteng – the largest and most modern facility in southern Africa – and the efficient transition from Longmeadow, to ensure undisrupted supply, high levels of order fulfilment and minimal waste

Franchisees

Our 747 franchise stores are an integral part of the Group. We support our franchisees by helping them build profitable and sustainable businesses through mutually beneficial partnerships. These partnerships are built on the strength of the Pick n Pay brand and are supported by efficient and effective distribution and administrative platforms.

We track several measures to assess the quality of our franchise relationships, including, but not limited to:

- Growth in franchise point-of-sale turnover, wholesale turnover and royalties
- Improvements in order and delivery strike rates from Pick n Pay distribution centres to franchise stores
- Stability and recoverability of franchise debt

Our franchisees value:

- The opportunity to build a profitable and sustainable business
- Security and sustainability of supply and timely delivery of quality products
- Competitive pricing, product innovation and marketing support
- Food safety
- Opportunities for cost reduction and resource efficiency (including energy, water, waste and logistics)
- Transformation and enterprise development
- Accessibility to and engagement with Pick n Pay management

We create and preserve value for franchisees by:

- Offering one of the most successful and mutually beneficial franchise models in the retail industry
- Providing competitive pricing through our high-volume order book and access to a highly efficient distribution network
- Providing a flexible franchise model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support

Our franchise partners continue to provide the Group with sustainable opportunities for growth and are often a benchmark for innovation and operational excellence.

Key engagement themes and actions in FY23:

- The launch of the Ekuseni strategy and the conversion of 37 Pick n Pay Supermarkets to QualiSave
- The more difficult macro-economic environment, including the financial and operational impact of load-shedding on franchisees, specifically smaller franchisees operating within lower-income and emerging market communities of South Africa
- The formation of a franchise forum to engage and consult on the modernisation of Pick n Pay's franchise agreement, to ensure it remains relevant, effective and continues to deliver mutually sustainable returns over the long term

Shareholders

We engage with shareholders and the broader investment community to provide a comprehensive, consistent and well-understood investment case, with a rigorous focus on capital efficiency and strategy execution that takes a sustainable long-term view. This aims to ensure that shareholders can make informed investment decisions and that our share trades at a fair value.

We track several measures to assess the shareholder environment, including, but not limited to:

- Dividend cover, dividend yield and price:earnings ratio
- Long-term share price performance relative to peers
- Analyst investment recommendations and market commentary

Our shareholders value:

- The opportunity for sustainable investment returns at an acceptable level of risk
- Understanding our business model, strategic direction and profit drivers
- Access to timely, accurate and transparent information
- Good corporate governance and being a socially responsible and ethical corporate citizen
- Expanded financial disclosure (including disclosure on key ESG concerns in line with recognised frameworks)

We create and preserve value for shareholders by:

- Operating according to sound corporate governance principles
- Executing a strong strategy that targets long-term growth, while responding quickly to changes in the operating environment and in customer needs
- Following innovative business practices and growth opportunities at acceptable levels of risk
- Capital efficiency, targeting attractive returns on investment

The Group follows a clear long-term plan and consistently communicates its progress against key objectives.

Key engagement themes and actions in FY23:

- The launch of the Ekuseni strategy, including online market presentations and site visits for institutional shareholders and retail analysts
- More regular and transparent financial reporting, including voluntary sales and earnings market announcements and the introduction of segmental sales information of the Pick n Pay and Boxer brands
- The publication of the Group's first ESG Performance Summary and Databook in June 2022, which heightened shareholder engagement in respect of key ESG themes and targets
- FY23 results roadshow in May 2023 which set out the financial impact of load-shedding on the business and mitigation plans

BUILDING ON THE GROUP'S RICH LEGACY

4

CHIEF EXECUTIVE OFFICER'S REFLECTIONS

Pieter Boone
Chief Executive Officer

This has been an extraordinary year for the Group, and an extraordinary year for South Africa.

We have made tangible progress in implementing our Ekuseni strategy. However, like everyone in South Africa, we have been greatly impacted by load-shedding. Unfortunately, we see the disruption and the significant additional cost as a new operating reality, at least for the foreseeable future.

Our immediate focus is on increasing our resilience in this new operating reality so that we can do what we always do in a crisis – put our customers first and do everything we can to help them through the crisis.

Ekuseni remains the right plan. It will inevitably take us longer to deliver in this new situation. But we remain determined to succeed, for customers, for our people, and for our wider stakeholders.

Ekuseni sets out our ambition to invest in our growth engines, to modernise Pick n Pay so it provides a more tailored offer to our customers, and to become a more streamlined and efficient business so that we can give our customers best value at all times.

We have made pleasing progress over the first 12 months of our multi-year journey. We have:

- Launched and rolled out a wholly new retail banner in Pick n Pay QualiSave – dedicated to serving customers at the crucial middle and lower-income segment of the market
- Converted over 130 stores to our new CVP across Pick n Pay and QualiSave, with very encouraging sales growth of over 10% from these stores compared to the previous year
- Expanded our Boxer business through market-leading like-for-like growth, and a record of 60 new stores opened in the year
- Grown our online on-demand sales by over 100% – driven by asap! and our new Pick n Pay offer on the Mr D platform
- Gained market share in clothing, opening 60 new stores in the year
- Delivered R800 million in cost savings through Project Future and on track to deliver on our ambition of R3 billion in savings by FY26

I am pleased with the progress we have made, and proud of our people who have delivered it. It has been a great team effort across Pick n Pay and Boxer. It could not have been achieved without the support of our valued franchise partners, and the many other individuals and businesses who support our Group.

The severe escalation in load-shedding since last September has made lives harder and more costly for all South Africans. It has imposed substantial practical challenges and financial costs on all businesses, including our Group. Food retailers are particularly vulnerable because – during load-shedding – we have to use expensive diesel generators to keep our stores open and our refrigerators running to sustain food safety and integrity for customers. The cost of purchasing diesel to run these generators was over R500 million in FY23, and is projected to be at least R1 billion in a full year of prolonged load-shedding.

It is our responsibility to prepare on the basis that the disruption will continue for the foreseeable future, and may well worsen in the coming months.

I want to set out our key priorities – for our customers as well as for our business – as we face this new operating reality:

1. Energy resilience

We have rapidly developed an energy plan as a Group. We are seeking to mitigate at least R200 million in energy costs in the coming financial year, and more in future years. In part, resilience will be achieved through new technology, and we are rapidly assessing and trialling battery energy storage systems (BESS) alongside increased solar energy. Meaningful savings can also be made by accelerating the rollout of existing technologies, such as LED lighting and natural refrigeration.

As always, people are crucial, because the key to saving energy is very often about applying the right disciplines in stores, such as turning off lights and equipment when they are not needed, reporting faulty equipment so it can be repaired, and reducing the energy load as far as possible during the hours of load-shedding.

2. Meeting the needs of customers

Our Ekuseni strategy was built on an understanding that, in a low-growth economy, the key to winning a larger share of the market would lie in providing exceptional value to customers, in particular those on very limited incomes.

That is why we set out to double the size and sales of Boxer – the leading limited-range discounter in sub-Saharan Africa – which is winning new customers every day by offering unbeatable prices, quality, and service. It is also why we created our new QualiSave banner – to cater directly to loyal Pick n Pay customers who are in search of lower prices and great promotions to stretch their budgets and meet the needs of their families. It is also why we are so determined to achieve our R3 billion savings target through Project Future – so that we can pass these savings on to our customers in difficult times.

3. Future growth opportunities

It is important to look through these difficult times, at how customers will want to shop in the future. We are determined to maintain the very encouraging growth in our online business. We can see across the world that online shopping is growing, as more and more customers come to value its convenience and flexibility. In Smart Shopper, we already have the best loyalty scheme in the South African market. We have strong plans to make it easier and more exciting for customers to access Smart Shopper and online shopping in a seamless and integrated way.

This coming year is likely to be another difficult one for South Africa. We are planning on this basis, and are determined that our business should become even more resilient, so that we can serve our customers consistently and effectively, whatever the circumstances.

Our Ekuseni vision remains the right one for our business, for our people, and for our customers. It will inevitably take us longer to deliver the plan in this new operating reality.

However, we remain determined to succeed, and to stay focused on meeting the needs of our customers, our people and our broader stakeholders. Despite all the doubts expressed by politicians and commentators, we are committed through Ekuseni to the future of South Africa.

Pieter Boone
Chief Executive Officer

14 June 2023

OUR EKUSENI STRATEGY

The Group launched the Ekuseni strategy in May 2022. "Ekuseni" signalled a "new dawn" for the Group, symbolising the themes of renewal and growth in the plan. The Ekuseni strategy was developed out of extensive analysis, research, and conversations with customers. It sought to build on the strategic advantages of the Group, addressing areas of current under-performance in order to build a platform for sustainable growth.

Building on our strategic advantages

- Pick n Pay is a loved and trusted brand
- Boxer is the fastest growing limited-range discounter in Africa
- The Group's product range across Pick n Pay and Boxer enable it to cater for all demographics and customer segments
- Our Pick n Pay franchise partners are excellent entrepreneurs in their own right
- Smart Shopper is one of the best loyalty programme in the country

Addressing areas of under-performance

- The Pick n Pay customer value proposition (CVP) needed greater differentiation to reflect the distinct needs of customers at different income levels
- Pick n Pay needed to reduce its cost structure by becoming leaner and more productive
- Lower costs were needed to improve Pick n Pay's price competitiveness and price perception
- The Group needed to develop a more consistent shopping experience for our Pick n Pay customers
- The Group needed to reverse a trend where total shareholder return had trailed key competitors in recent years

Ekuseni set out a comprehensive and balanced plan, and a significant new chapter in the Group's history. In this update, we set out the progress made and challenges experienced in the first year of delivering this significant multi-year plan.

The new operating reality

The Ekuseni strategy is built around five key strategic focus areas. When launching the plan in May 2022, the Group set out a series of ambitions to be achieved by the end of its 2026 financial year (February 2026):

As explained elsewhere in this report, the severe escalation in load-shedding has imposed substantial cost and disruption on Pick n Pay, Boxer, and all other businesses. We remain committed to the goals of the Ekuseni strategic plan. However, we believe that the disruption and very difficult operating conditions arising from loadshedding will persist for the foreseeable future, and will require some new priorities to be pursued – such as the energy resilience plan we describe elsewhere.

Key strategic focus areas	Ambitions and goals	
1 Refined and strengthened Pick n Pay customer value proposition	+20 NPS*	3% Market share gain
2 Accelerate the growth of Boxer	2x Boxer sales	
3 Build a market-leading online offer	8x Online sales	
4 Fund our ambition through Project Future	R3bn savings	
5 Delivery through people	10% Sales CAGR	>3% PBT margin

* Customer Net Promoter Score.

1 Refined and strengthened Pick n Pay customer value proposition

Ambition:	Management assessments of status:
+ 20 NPS score	Progress, more to do

At the very heart of our Ekuseni ambition was the turnaround of our Pick n Pay supermarket business, which required a clearer CVP – refined and tailored to provide customers at different income levels with the right assortment at the right price.

Successful launch of new Pick n Pay QualiSave banner

The Group launched a new supermarket banner – Pick n Pay QualiSave – in August 2022. Rapid progress was made in building the banner, and 155 Pick n Pay stores were converted to QualiSave by February 2023. QualiSave gives the Group a highly competitive low-price, great quality 8 000 product format, tailored to lower- to middle-income customers.

Encouragingly, QualiSave sales growth has outpaced Pick n Pay sales growth since launch.

Pick n Pay, our banner targeting middle- to upper-income customers, is being modernised to ensure that customers get the best quality products at great value, benefit from an exceptional range of up to 18 000 products, and enjoy an excellent in-store experience.

In both our Pick n Pay and QualiSave banners, we are focused on developing a simpler store operating model, with less complexity, higher productivity, less waste, and better customer service delivered through more targeted promotions and greater on-shelf availability. Both banners seek to provide exceptional customer service, regardless of where they trade and who we serve.

Converted 131 stores to our new Pick n Pay CVP

The Group has developed new CVPs for Pick n Pay and QualiSave focusing on improved service, tailored product ranges, prominent power categories to excite customers, more targeted promotions, and a better look-and-feel in-store.

Following the completion of the first CVP conversion in May 2022, the Group had fully converted 131 stores to the new CVPs across Pick n Pay and QualiSave by the end of February 2023.

The customer response to the CVP converted stores has been very positive, with weekly sales growth significantly higher than that in the remainder of the Pick n Pay estate. The relaunched stores have achieved a post-conversion sales uplift of more than 10%, well ahead of the 4.3% Pick n Pay South Africa sales growth.

On track
Progress, more to do
Disappointing

FY23 highlights and achievements

- Successful launch of the new Pick n Pay QualiSave banner
- 155 stores converted to QualiSave
- 131 stores converted to new CVP across Pick n Pay and QualiSave
- 9% growth in NPS score in converted stores
- More than 10% post-conversion sales uplift from converted stores
- Notable improvement in Pick n Pay price perception

FY23 challenges

- Some trade disruption during conversions. Given the scale of conversions, this had some impact on overall turnover growth.
- Some elevation in stock levels as the CVP ranges were assessed and refined.

Key goals for FY24

- Continue CVP conversions of Pick n Pay and QualiSave stores (80 conversions planned)
- Balanced capital investments, measured against required returns, energy resilience requirements and responsible gearing levels

Key challenges for FY24

- Significantly more challenging environment in which to deploy capital investment
- Less certain short-term return on capital investment in highly constrained and uncertain economy, with declining consumer confidence

Key performance measures

- Sales and earnings growth from CVP converted stores
- NPS score in converted stores
- Return on invested capital
- Stock levels

EKUSENI

2 Accelerate the growth of Boxer

Ambition: 2x Boxer sales

Management assessments of status:

Boxer is South Africa's leading discount supermarket – consistently out-performing the market through a tight range of 3 000 essential food and grocery products that provide exceptional value through a simple and highly effective operating model.

Boxer has a clear customer value proposition which gives customers the confidence that they need "never pay more than the Boxer price".

Boxer's exceptional performance over the past nine years has been a key growth engine for the Group, and the time is right to accelerate the growth of this business.

Boxer accelerates store roll-out programme

Boxer reported FY23 South Africa sales growth of 20.2% (7.3% like-for-like), driven by a determined store roll-out programme, and further refinement of its CVP. Boxer opened 60 new stores in FY23, well ahead of the 36 new stores opened in FY22. The new stores took Boxer's total store estate to 428, delivering space growth of 14.4%.

At its current roll-out rate, Boxer is well on its way to achieving its Ekuseni goal of opening 200 new Boxer stores between FY22 and FY26, doubling its sales in the process.

FY23 highlights and achievements

- Continued market share gains
- South African sales up by 20.2%
- Opened a record of 60 new Boxer stores
- Opened 400th Boxer store
- Created more than 3 000 new jobs

FY23 challenges

- Securing appropriate sites for new stores has been challenging in some areas
- Distribution network and support structures keeping pace with growing store estate
- Community protests related to load-shedding and lack of service delivery from local municipalities

Key goals for FY24

- Continued expansion of Boxer with 75 new stores planned
- State-of-the-art forecasting and replenishment tool planned for FY24

Key challenges for FY24

- Growth in Boxer estate remains a very high strategic priority. However, no area can be regarded as immune from the more challenging environment in terms of deployment of capital investment

Key performance measures

- Like-for-like sales growth
- Sales contribution from new stores
- Profit margins
- Return on invested capital

The Group's portfolio of three supermarket banners (Pick n Pay, QualiSave, and Boxer), each optimised to meet their individual target customer needs, allows us to compete effectively across the full customer spectrum:

	Boxer	Pick n Pay QualiSave	Pick n Pay
Consumer	Lower- to middle-income	Lower- to middle-income	Middle- to higher-income
SKUs	3 000	8 000	18 000
Range	Focused, strong own brand	Wider range, strong in fresh	Depth of range, quality, innovation
Price	Lowest price discounter	Low prices, great quality	Great value, best quality
Stores	Vibrant	Elevating the essentials	Aspirational and powerfully fresh
Service	Friendly and familiar	Service excellence	Experiential service

Ambition: 3% **Market share gain**

3 Build a market-leading online offer

Ambition: 8x Online sales

Management assessments of status:

Online food and grocery retailing is still in its early developmental stage in the South African market. However, it is growing rapidly, and is already a key determinant of market share growth. We expect growth to accelerate in line with global consumer demand for greater convenience, facilitated by advances in digital and communications technology.

The Group is fully focused on meeting the growing customer demand for online grocery shopping and unlocking further growth through innovation in its omnichannel offers and channels.

Successful launch of new on-demand grocery offer on Mr D

The Group launched a new on-demand Pick n Pay grocery offer on the Mr D platform during October 2022. This offer grew from a limited number of stores in early October to a nationwide offer by the end of the year. The offer benefits from a synergistic combination of Pick n Pay's extensive store network, stock-management system, fresh product offering, and in-store picking experience, and Mr D's strengths in user-interface design, a 2.5 million active customer base, and a delivery fleet of 15 000 scooters.

This new offer complements Pick n Pay's existing and highly popular Pick n Pay asap! offer, which also experienced pleasing growth in the year.

Together, across asap! and Pick n Pay on Mr D, the Group achieved on-demand online sales growth for the year well in excess of 100%.

Taking into account its scheduled delivery service, the Group achieved total online sales growth for the year of 72.0%. Pick n Pay is working on improvements to its scheduled delivery service to provide customers with wider choice and greater flexibility on delivery.

FY23 highlights and achievements

- Consistent growth from asap!
- Launched new Pick n Pay offer on the Mr D platform
- More than 400 on-demand delivery locations nationwide
- Grew total online sales by 72.0%
- Grew on-demand sales by over 100%
- Almost doubled online contribution to overall sales

FY23 challenges

- Keeping pace with growing offer on different platforms to meet demand
- Ensuring consistent execution in in-store picking and customer experience

Key goals for FY24

- Drive online sales to deliver growth of more than 70%
- Develop highly profitable new revenue streams, including retail media
- Invest in technology and accelerate digital innovation

Key performance measures

- Sales contribution and growth from different offers and platforms
- Profitability of online business
- Return on invested capital

Key challenges for FY24

- Significantly more challenging environment in which to deploy capital investment

4 Fund our ambition through Project Future

Ambition:
R3bn
savings over the plan

Management assessments of status:

Operating efficiency and cost savings remain a priority under Ekuseni. Efficiency gains and cost savings are very important in enabling the Group to invest in the customer, in particular through lower prices. This investment is key to driving customer and volume growth.

Project Future identified further significant and quantifiable opportunities for efficiency gains across the Group's procurement, supply chain, store operations and support office structures, with a target of R3.0 billion in cost savings between FY22 and FY26.

The Group is delivering targeted cost savings across a number of initiatives:

1. **Store productivity:** simplify store operations, modernise operating models and flexible workforce
2. **Supply chain and working capital:** supply chain optimisation and reduced stock holding
3. **Commercial initiatives:** savings from redefined Pick n Pay customer offer and close collaboration with suppliers to buy better and sell more
4. **Goods not for resale:** buy better, more efficient use of consumables, reduce waste and leverage technology
5. **Office of the future:** leaner, simpler, and more effective support office
6. **Sustainable and efficient store estate:** leveraging formats to serve customers better, tackling rising operating costs and delivering on ESG goals

Saving through Project Future

R800 million of Project Future savings were delivered in FY23, and Pick n Pay is on track to deliver R3 billion savings over the plan.

Key performance measures

- Gross profit margin and trading expense margin
- Like-for-like trading expense growth
- Stock levels and waste
- Various relevant ESG targets, particularly in respect of energy and water consumption and waste

FY23 highlights and achievements

- Greater efficiency in the Group's supply chain operations through a more optimised transport network and greater labour productivity in distribution centres
- Better buying and collaboration with suppliers, as they demonstrate support for the Ekuseni strategy and its ability to deliver greater value for customers
- Multi-skilling agreement signed, allowing Pick n Pay supermarkets, for the first time, to schedule employees for more than one task within a single shift
- Announcing the consolidation of the Cape Town and Johannesburg support offices by December 2023

FY23 challenges

- Cost pressures related to higher levels of load-shedding
- Global supply chain disruptions as a result of the war in Ukraine
- Restructuring costs and some disruption arising from the reorganisation of the Pick n Pay estate into two banners and the rebranding of QualiSave
- Increased funding interest, reflecting higher gearing and interest rate hikes
- Increased stock levels due to the Longmeadow to Eastport handover

Key goals for FY24

- The new Eastport distribution centre in Gauteng opened in March 2023, with the transition from Longmeadow near completion. We expect Eastport's larger capacity, improved layout, and enhanced systems to drive further supply chain efficiency
- A VSP, aimed at delivering targeted benchmarks in terms of support office and store-level efficiency gains
- A modernisation of Pick n Pay junior store management structures, to reflect changing customer and operational needs, increase efficiency, and deliver better customer service

Key challenges for FY24

- Sustained inflationary pressure on trading expenses, including in respect of utilities, security and insurance costs

5 Delivery through people

Ambition:
10%
sales CAGR and >3% PBT margin

Management assessments of status:

The success of Ekuseni will depend on the determination, commitment and skill of our executive management, operations, and support teams across the business.

Our ambition is to build the best retail team in South Africa – a future-fit, high-performance team, incentivised to deliver on the goals of Ekuseni and empowered to deliver sustainable long-term growth for all stakeholders.

FY23 highlights and achievements

- Increased focus on recruitment and training
- More than 4 000 jobs created in Boxer, Clothing and Online growth engines
- Agreed multi-skilling and flexibility
- Launched consolidation of Pick n Pay support offices

FY23 challenges

- Multiplicity of change initiatives needs to be communicated and managed carefully
- Monitoring the impact on the morale of our people
- Plans to consolidate to a single head office is disruptive to those directly impacted

Key challenges for FY24

- Employee morale post the implementation of the VSP and other efficiency-led employee restructuring programmes

"Retail business is a people business."
– Pieter Boone

Energy resilience plan

As explained elsewhere in this report, the escalation in load-shedding is having a profound impact on the Group and the country as a whole. It is essential that the Group takes rapid and decisive steps to mitigate the impact of load-shedding. As a result, it has added an energy resilience plan to its Ekuseni strategy.

All Pick n Pay and Boxer stores have backup power and are operational throughout load-shedding. However, load-shedding results in various disruptions and challenges, and adds significant diesel cost to run generators – adding a net R430 million of costs during FY23 and expected to add at least R1 billion in a full year of prolonged load-shedding. In response, the Group has developed an energy resilience plan to mitigate as much as possible of the additional cost pressure. The Group is targeting FY24 cost savings of at least R200 million, and more in future years.

The key elements of the Group's energy resilience plan are:

- Energy usage reduction initiatives, including tighter store disciplines, accelerated investment in energy-efficient LED lighting, and more efficient refrigeration
- Negotiations with landlords to maximise solar installations and the provision of renewable electricity to our stores
- Trialling battery energy storage systems and other energy resilience technology to operate supermarkets sustainably through load-shedding
- Making the case to government for diesel tax rebates

In FY24, the Group is prioritising energy cost mitigations that can be implemented rapidly – such as tighter store disciplines around energy conservation, and decisions to reduce energy usage during load-shedding. These plans often require limited or no capital investment, while delivering quick and sustainable savings. However, the Group is assessing the potential for a large battery energy solution, including various funding mechanisms to limit the call on capital expenditure.

Key goals for FY24

- Complete junior store management modernisation
- Complete Pick n Pay-wide VSP
- Further development of Office of the Future plans

Key performance measures

- Employee NPS score
- Employee turnover

In summary and looking ahead

FY23 was an intensive period for the Group as it launched and began execution of its Ekuseni strategy, and simultaneously dealt with unprecedent levels of load-shedding during the second half of the year. The results achieved in year one of the multi-year plan have been encouraging, particularly in respect of our growth engines. Extensive progress has been made within our core Pick n Pay supermarkets business. The Group has made substantial progress on Project Future and the groundwork has been laid for further efficiency gains in FY24 and FY25.

Ekuseni remains the right plan

Within the context of our new operating reality and the pressures that we all face, we are confident that Ekuseni – and in particular its focus on meeting the current needs of customers while investing in future growth – is the right plan for our business, our people, and our customers.

However, the severe escalation in load-shedding, which we believe will persist for some time, will require some new priorities to be pursued – such as the energy resilience plan we described above.

This will inevitably mean some adjustment to the shape and the timetable of the overall Ekuseni plan. This is ongoing work at the time of publication.

We look forward to providing a further progress report in a year's time.

EKUSENI

DOING GOOD IS GOOD BUSINESS

The Group is actively driving sustainable practices in its core operations, with an emphasis on fresh thinking and innovation, informed by a clear analysis of the significant risks and opportunities in creating a resilient business.

Governance and oversight over ESG

ESG issues present both increasing challenges and opportunities within the South African retail environment. Our response to these issues is informed by Pick n Pay's enduring values, our Code of Ethics and our founding belief that companies have a significant role to play in addressing the social and environmental challenges of our time.

The Board oversees the process of sustainability integration across the Group. We recognise that this is a complex and multi-faceted process, requiring a multi-horizon perspective. Our ESG framework guides Group-wide decision-making and action in this respect.

Our sustainability governance structure is focused on progressing the integration of these considerations into decision-making and Group operations.

ESG strategic framework

The Pick n Pay Group's ESG framework is informed by our key sustainability issues. It plays an important role in informing decision-making in relation to current and emerging social and environmental challenges and opportunities. It also helps to align our efforts with national and global sustainable development goals.

- **Partnering to shift the food system**
- **Reducing environmental impact**
- **Supporting communities**
- **Investing in our people**

Board accountability

Pick n Pay Stores Limited Board

- Audit, Risk And Compliance Committee
- Nominations and Corporate Governance Committee
- Social, Ethics and Transformation Committee
- Remuneration Committee

Executive leadership

Senior management team

Cross-functional leadership

Executive Sustainability Steering Committee

Cross-functional working group and ad hoc steering committee

Sustainability team

Operational Sustainability Steering Committee

Oversight *Operational implementation*

We have several Group ESG targets that are linked to our Ekuseni strategy:

↓50% in food waste by 2030	Net zero carbon (Scope 1 and 2) by 2050, -60% by 2040	100% packaging to be recyclable/reusable by 2025
100% CO_2 refrigeration by 2040	75% of all waste diverted from landfill by 2025	↓20% reduction in water usage per store 2025

Highlights

R39.1 million expenditure on corporate social investment (CSI)

Listed on the FTSE/JSE Responsible Investment Index

R3.1 billion spend with SMMEs during FY23

Level 5 BBBEE rating

Savings from energy conservation exceed **R2 billion** since FY10

Reduced average packaging weight for Pick n Pay own brand products by **27.5%** against our 2019 baseline

An integrated reflection on ESG performance

Each focus area of the Ekuseni strategy includes opportunities for positive social or environmental impact.

1 Refined and strengthened Pick n Pay customer value proposition

The segmentation of our customer-facing banners has sharpened our focus on the most important ESG issues across our diverse customer base.

Pick n Pay supermarkets offer a broad product range, with an emphasis on innovation and convenience. We are expanding our green and sustainably sourced product ranges, such as Live Well and Eat Well. Boxer and QualiSave stores offer a more targeted range, with an emphasis on essential food and groceries.

The banner segmentation has been key to removing complexity from the business and has advanced cost savings and efficiency - this has been critical in maintaining on-shelf availability and restricting selling price inflation in the face of volatile commodity markets, where events, including the protracted war in Ukraine, have impacted the availability and cost of food staples such as cooking oil and maize.

Viable innovations explored in Pick n Pay own brand ranges can be reverse-engineered into the value segment. By growing salads hydroponically, we can eliminate pesticides and extend shelf life. We have a large gluten-free range at Pick n Pay, but an equal responsibility to Boxer customers where sugar consumption is very high. In each case, we share stories and insights across our value chain to encourage a positive change in behaviour.

Firm environmental targets further strengthen our value proposition. Accrued savings from energy conservation over the past 13 years now exceeds R2 billion. Our reliance on generators to sustain operations and the cold chain during load-shedding has unfortunately impacted our carbon emissions. We are pursuing partnerships with landlords and others to scale the renewable transition across the Group.

2 Accelerate the growth of Boxer

Already the leading limited-range discounter in Africa, Boxer's growth has been exceptional and underscores our recognition of growth opportunities in under-served markets. Boxer sales increased by 20.2% in FY23 and we opened 60 new Boxer stores. Boxer's lean and highly effective operating model has been a significant competitive advantage and requires us to retain the simplicity of the model as we grow. Our challenge is to harmonise ESG standards across the Group, while simultaneously increasing affordability and inclusion.

3 Build a market-leading online offer

Digital technologies help us scale our positive social and environmental impact. Alongside its on-demand asap! platform, Pick n Pay launched a second on-demand grocery offer in August 2022, selling groceries through Takealot's Mr D app. Direct-to-home delivery has the prospect of lowering Scope 3 carbon emissions. We are presently engaging with Takealot on a transition to e-bikes which would reduce our delivery footprint accordingly. Digital platforms also enhance sustainability integration.

Improved inventory and returns management reduces waste; streamlined engagement and feedback channels provide better customer insight, including more sustainable choices; and better data management enhances ESG tracking and disclosure.

4 Fund our ambition through Project Future

The Group's modernisation and efficiency programme incorporates a range of projects focused on improving efficiency, increasing flexibility, and reducing costs by R3 billion by FY26. The programme includes measures to reduce the Group's environmental impact, including targets to reduce energy and water consumption and reduce waste. Project Future has driven cost discipline across the business and delivered R800 million in cost savings in FY23.

The Group's shift to science-based targets for greenhouse gas emissions and our commitment to improve our disclosure in terms of the Taskforce on Climate-related Financial Disclosures, has provided the Group with access to preferential long-term funding terms, an important lever in reducing the Group's overall cost of borrowing.

5 Delivery through people

In growing future-fit, high-performing teams, we know that talented young people are attracted to companies with a social purpose and ambition. Our people strategy embraces learning and development, effective hybrid working, and diversity. More than 4 000 jobs were created in our Boxer, Clothing and Online growth engines. Our drive for junior store management modernisation will deliver greater efficiency and clarity.

Our focus on employee wellness was increased this year, with important engagement on issues of physical, mental and financial well-being. The Group also increased its engagement with employees on important ESG issues, involving many more of its employees in its environmental and social initiatives, including beach clean-ups, charity walks and food drives.

Our strategic ESG framework and performance data

Our strategic ESG framework focuses decision-making and action across the Group. The framework provides a view on the business and our Ekuseni strategy in the context of our relationships with society and nature.

Partnering to shift the food system

Relevant UN SDGs: 3, 8, 12, 14

Food is a basic human need. Meeting this need sustainably requires a big picture view and the ability to work with multiple players across the system. As a large retailer, we are able to play an influential role across the value chain. Through many co-ordinated interventions, we are focused on:

- Affordability of basic goods, with a focus on brand segmentation and cost reduction
- Promoting healthy eating and lifestyles
- Increasing the sustainability attributes of products and product ranges
- Supply chain inclusion, with significant support for smaller, local suppliers
- Working with all suppliers to ensure responsible and ethical production practices
- Reducing food waste

South Africa's economy remains under strain, impacting food security for poorer households. By segmenting our customer-facing brands, we are able to better deliver on specific customer ESG interests and needs. In promoting smart, sustainable and inclusive food supply chains, we support smaller, local suppliers to become part of the retail sector, contributing to a sustainable South African economy.

We work with all our suppliers to ensure we provide great quality products that are produced responsibly and ethically. Working actively with local suppliers, we are expanding our range of healthy and sustainable food choices at affordable prices. Our collaborations to reduce food losses at our operations and along production and supply chains assist in alleviating hunger through food distribution.

	FY23	FY22	FY21
Number of entrepreneurs enrolled in our Enterprise and Supplier Development programme	198	187	112
Sustainable seafood percentage by sales value (South Africa only)	89%	91%	95%
Percentage private label sow crate friendly pork	100%	100%	100%
Spend on BBBEE businesses in rand (billion)	53.4	50.8	54.5

Reducing environmental impacts

Relevant UN SDGs: 12, 13

We provide a wide range of products to consumers. Each of these products impacts the environment at virtually every stage of the product life cycle. Our teams work together systematically to reduce this impact through:

- Decarbonising the value chain
- Energy and water efficiency
- Removing harmful chemicals, particularly in refrigerants
- Waste reduction, recycling and reuse, with a focus on plastic packaging

As a retailer with thousands of suppliers and millions of customers, we are mindful of our wide reach and the environmental impact we have across our value chain. While the Group has limited opportunity to address national energy and climate challenges at scale, our commitment to reducing environmental impacts continues to open opportunities for electricity conservation at stores and distribution centres, for exploring options for renewable energy, and for improving the efficiency of our distribution operations.

We are also working on a broad set of solutions and targets to reduce our impact in other key areas, in particular refrigerants, water, waste and packaging, working with our suppliers and partners to innovate for a healthy planet and helping our customers play their part in protecting the environment.

	Target	FY23	FY22	FY21
Total carbon emissions (Scope 1 and Scope 2) (tonnes CO_2e)	Net zero	1 143 345	1 000 558	889 595
% of stores using natural refrigeration	100%	9.5%	6.4%	5.0%
Reduction in water intensity against a 2018 baseline	20%	12.0%	–	–
Reduction in food waste against 2019 baseline*	50%	27.9%	31.9%	37.8%
Pick n Pay branded packaging that is recyclable/reusable	100%	91.8%	88.4%	87.3%
General waste diverted from landfill (Pick n Pay company-owned stores)**	75%	62%	55%	61%

Higher levels of food waste during FY22 and FY23 due to Covid-19 and the impact of load-shedding.

*** Increase in waste diversion due to better performance of waste recycling partners since consolidation of services.*

Supporting communities

Relevant UN SDGs

South Africa continues to be challenged by stark inequalities and many people struggle to access what they need each day. Our corporate social investment (CSI) approach is based on long-term partnerships and focuses on:

- Supporting educational initiatives
- Promoting awareness of social and environmental issues
- Responding to household food insecurity, including crisis interventions

Our social investment strategy focuses on empowering communities through educational initiatives and reducing food insecurity. Access to quality education is a globally recognised means of lifting people out of poverty. Food insecurity is a significant problem in South Africa, with many people living in poverty and struggling to access enough food to meet their basic needs. We also respond to immediate needs in the more vulnerable communities we serve.

We believe that doing good is good business. Customers reward businesses which they believe are at the heart of society and give back to the communities they serve. As customers reward us with their loyalty, we can grow, serve more customers, generate more jobs and help build resilience in more communities.

	FY23	FY22	FY21
Value of ESG investment, inclusive of CSI and SED (millions)	39.1	37.9	41.3
Volume of products donated to FoodForward SA (tonnes)	882	841	840
Number of schools in the Pick n Pay School Club	3 280	3 185	3 155
Number of meals distributed for Feed the Nation (millions)	5.2	9.1	27.9*

* *Reflecting additional support over the Covid-19 pandemic.*

Investing in our people

Relevant UN SDGs

Pick n Pay operations engage thousands of employees and suppliers and millions of customers. We are committed to creating good jobs and promoting diversity, equity and inclusion. Together with our local and global network of investors and peers, we continue to advocate for collective action in support of pressing social and environmental goals, focusing on:

- Good jobs and working conditions, effective training, competitive remuneration and opportunity to progress
- Diversity, equity and inclusion, with a focus on alignment with BBBEE provisions
- Stakeholder engagement and outreach, including advocacy initiatives together with retail peers

Our people are at the heart of what we do. In striving to be an employer of choice, our commitment to employees is that we provide good jobs, effective training and development initiatives, competitive pay, good working conditions and an opportunity to progress. Creating a caring and more inclusive and diverse workplace provides a critical foundation for promoting our desired organisational culture and achieving our Ekuseni strategy.

	FY23	FY22	FY21
Total number of employees* (000s)	59.9	57.0	55.2
Percentage of employees who are deemed 'HDSA'	99%	99%	96%
Percentage of employees who are women	64%	64%	68%

* *Pick n Pay operations - excluding franchisees.*

Memberships and partnerships

Including being a member of South Africa's Food Loss and Waste Voluntary Agreement

All Packaging Producers Responsibility Organisations such as PETCO, POLYCO, EWASA and Lightcycle.

Explore further

Read more on our ESG approach and performance in the ESG Performance Summary and Databook available at www.picknpayinvestor.co.za

This report also references our various policies and position statements that govern our approach to material ESG issues.

A RESILIENT FY23 PERFORMANCE

5

STRATEGIC EXECUTION AND FINANCIAL RESILIENCE: CHIEF FINANCE OFFICER'S REPORT

Lerena Olivier
Chief Finance Officer

FY23 result overview

The Group delivered a resilient performance in the first year of implementing its Ekuseni strategy. The Group had planned for an investment year in FY23. We guided that once-off strategic costs were necessary to kick-start the implementation of Ekuseni and the turnaround of the core Pick n Pay business, and would curtail earnings growth in the short term. We did not anticipate unprecedented operational disruption from severe and extended power outages in South Africa. However, we navigated the challenges effectively, playing a vital role in shielding the consumer from these additional costs.

Turnover increased by 8.9% to R106.6 billion, driven primarily by strong performances from the underlying growth engines of Boxer, Clothing and Online. The Pick n Pay supermarket estate under-performed, with work still ahead to restore the performance of the core business. However, early Ekuseni progress in the CVP conversion of 131 Pick n Pay and Pick n Pay QualiSave supermarkets delivered good uplift in sales and profitability in those stores compared with the balance of the Pick n Pay estate.

The Group's gross profit margin (excluding all disruption from civil unrest in the base) was held level at 19.6%, with greater efficiency across the procurement and distribution channel enabling strategic investment into lower prices on essential food and grocery products. Other income, excluding insurance recoveries related to the July 2021 unrest, increased 14.1%, reflecting solid growth in the Group's value-added services proposition (+19.8%) and income from digital media (+10.1%).

Cost discipline, driven by our Project Future programme, contained growth in trading expenses to 11.9%. This is despite the additional year-on-year spend of R522 million on operating diesel generators (R430 million net of electricity savings), the primary means of keeping the Group's offices, stores and distribution centres operational during load-shedding. Higher costs of security and insurance related to the July 2021 civil unrest were offset by further savings in employee costs, with sustained improvements in employee productivity and efficiency.

Pro forma trading profit at R2.9 billion and at 2.7% of turnover, decreased just 4.3% year-on-year, a solid performance in the context of the elevated levels of load-shedding. The trading profit margin excluding the R430 million net incremental cost of load-shedding was 3.1%, in line with the prior year.

Net interest paid increased 15% year-on-year to R1.3 billion, reflecting the Group's increased debt levels, driven by strategic capital investment under the Ekuseni strategy and higher interest rates over the year.

Group pro forma profit before tax (PBT) of R1 678.4 million declined 15.1% year-on-year.

Underlying PBT, excluding the net incremental cost of load-shedding of R430 million, would have been an estimated R2.1 billion, up 7% year-on-year and slightly ahead of the Group's expectations for the first year of Ekuseni.

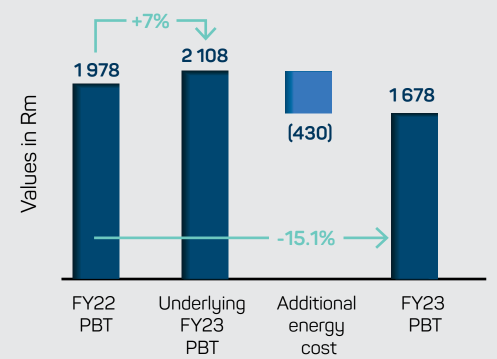
Driving Ekuseni through unprecedented load-shedding

Key financial indicators	52 weeks to 26 February 2023 FY23	52 weeks to 27 February 2022 FY22	% change
Group turnover	R106.6 billion	R97.9 billion	8.9
Gross profit margin	19.6%	19.6%[2]	
Trading expenses	R20.2 billion	R18.0 billion	11.9
Trading profit	R3 048.0 million	R2 886.5 million	5.6
Pro forma trading profit[1]	R2 902.8 million	R3 031.7 million	(4.3)
Pro forma trading profit margin	2.7%	3.1%	
Profit before tax and capital items	R1 800.2 million	R1 807.7 million	(0.4)
Pro forma profit before tax[1]	R1 678.4 million	R1 978.0 million	(15.1)
Pro forma profit before tax – South Africa[1]	R1 524.1 million	R1 859.0 million	(18.0)
Profit after tax	R1 169.9 million	R1 214.5 million	(3.7)
HEPS	259.25 cents	262.59 cents	(1.3)
Pro forma HEPS[1]	242.37 cents	289.64 cents	(16.3)
Total dividend per share	185.15 cents	221.15 cents	(16.3)

[1] *FY23 pro forma trading profit, profit before tax (PBT) and pro forma headline earnings per share (HEPS) exclude R145.2m (R104.5m net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma earnings as it relates to losses incurred during FY22. In line with normal Group practice, pro forma earnings also exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. Pro forma HEPS is the Group's dividend driver.*

[2] *Excluding all disruption from the July 2021 unrest.*

Underlying performance meeting expectations



Note: The additional energy cost refers to the incremental cost of diesel net of incremental electricity savings.

The underlying results achieved in year one of the multi-year Ekuseni strategy are encouraging, despite the macro-economic environment challenges. Our growth engines continue to deliver highly competitive performances and progress was made within our core Pick n Pay supermarket business. While the results are not yet visible on the Pick n Pay top line, there are encouraging signs from the QualiSave and CVP converted stores.

		Pro forma[1]			
Turnover	Gross profit margin	EBITDA	PBT	HEPS	Total dividend
R106.6 billion	19.6%	R3.2 billion	R1.7 billion	242.37 cents	185.15 cents
+8.9%	Flat on prior year	-2.3%	-15.1%	-16.3%	-16.3%

Detailed review of FY23 financial performance

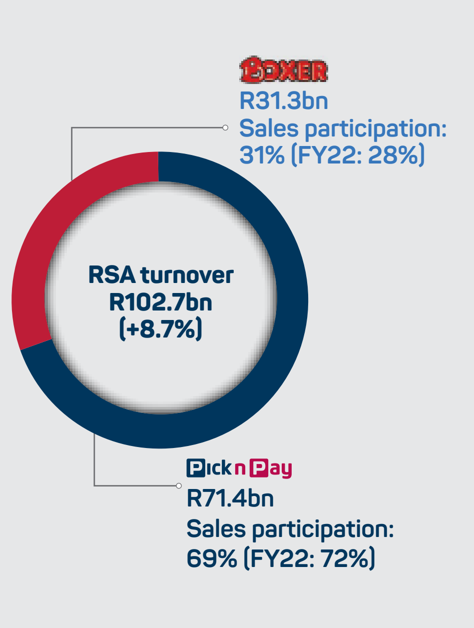
Turnover

Group sales increased 8.9% to R106.6 billion, with like-for-like sales growth of 4.8%.

The Group's South Africa segment (96.4% of Group sales) grew sales 8.7% to R102.7 billion, with like-for-like sales growth of 4.5%. This growth was driven by Boxer, with its South African sales growth of 20.2% to R31.3 billion. Pick n Pay South Africa (Pick n Pay and QualiSave banners combined) grew sales 4.3% to R71.4 billion.

	FY23 Rm	FY22 Rm	% change	Like-for-like % change
Pick n Pay SA sales	71 372.2	68 450.4	4.3	3.5
Boxer SA sales	31 349.1	26 084.8	20.2	7.3
SA total sales	102 721.3	94 535.2	8.7	4.5
Rest of Africa sales (inc. DSDs*)	5 086.5	4 438.8	14.6	
Total segment turnover	107 807.8	98 974.0	8.9	
Elimination of RoA DSDs	(1 246.0)	(1 101.2)	13.1	
Group turnover	106 561.8	97 872.8	8.9	4.8

* *DSDs included in Rest of Africa (RoA) sales are in-country direct-to-store deliveries by Group suppliers to certain foreign franchisees that are not included in Group turnover as per IFRS requirements.*



Boxer's market-leading performance was driven by a combination of its accelerated Ekuseni store opening programme (adding 14.4% of space) and solid like-for-like sales growth of 7.3%. Sales growth moderated over the course of the year, mainly attributed to the base effects of the July 2021 riots, with a much stronger second half performance in the FY22 base. Boxer's strong sales growth increased its contribution to Group turnover from 28% in FY22 to 31%.

Pick n Pay Clothing extended its market share gains, with sales growth in stand-alone stores of 15.3%. The strong performance was driven by a strong store opening programme in FY23, with 58 new stores adding 16.8% of space (FY22: 26 new stores) and like-for-like sales growth of 5.6%.

Pick n Pay achieved online sales growth of 72.0% across its combined scheduled-delivery and on-demand platforms. On-demand food and grocery retail remained the key driver of the Group's online performance, up over 100% year-on-year, with solid growth in Pick n Pay asap! and the successful launch of Pick n Pay's food and grocery offer on the Takealot Group's Mr D app.

The strong performances from our Boxer, Clothing and Online divisions demonstrate the effectiveness of the Ekuseni strategy in building on the strategic advantages of the Group's growth engines.

The Ekuseni strategy is also focused on building like-for-like sales growth in the Pick n Pay store estate, with capital investment on conversions and refurbishments prioritised ahead of new stores. The 3.5% like-for-like sales growth reflects some trade disruption from the 131 CVP upgrades completed during the year, which accelerated from 41 stores in the first half of the year to 90 stores in the second half.

Group liquor sales grew 20.4% for FY23, moderating from 36.2% in the first half as the base effects of Covid-19 liquor trading restrictions normalised.

Notwithstanding mixed sales performances, either because of the CVP trade disruptions or complex base effects, we are pleased with the strong results from our Ekuseni growth engines. We are encouraged by the early results from the CVP upgraded Pick n Pay stores, which are on aggregate delivering sales growth of more than 10%, well ahead of the rest of the estate.

Gross profit

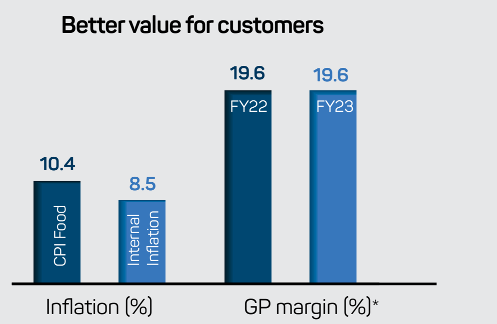
Gross profit rose 13.8% to R20.9 billion, with a gross profit margin of 19.6%. The FY22 gross margin of 18.8% was negatively impacted by the July 2021 civil unrest. If this impact is stripped out of the FY22 base, the underlying gross profit margin was 19.6% – demonstrating tight margin management in the face of higher fuel prices and the intensely competitive market.

The depressed economy and persistently high inflation have placed consumers under financial pressure. With a focus to deliver better value for customers, we have again contained our internal food inflation of 8.5%, well below CPI food inflation of 10.4%.

The stable margin was the net impact of the Group re-investing gains from better buying, logistics efficiencies and strategic inventory buy-ins into price investment to support under-pressure consumers.

While the Group is doing its utmost to offset increased load-shedding costs, it believes that it is inevitable that consumers will have to, over time, absorb some of these additional costs.

Better value for customers



* *Gross profit (GP) margin excludes the impact of civil unrest in the prior year.*

Trading expenses

Trading expenses increased 11.9% to R20.2 billion (7.9% like-for-like), reflecting the cost contribution of the new Boxer and Pick n Pay Clothing stores, alongside increased costs of insurance and security as a result of the civil unrest last year.

In addition, load-shedding added R430 million of net incremental energy costs, with 80% of the cost incurred over the second half of the year. Based on the costs incurred in January and February of FY23 (approximately R84 million of additional costs per month), the Group expects FY24 energy costs to increase by a further R400 million, before any mitigation efforts.

Excluding the additional net cost of load-shedding, trading expenses grew 9.5% year-on-year. This is a commendable performance in an inflationary environment, demonstrating the effectiveness of the Group's Project Future efficiency initiatives.

	FY23 Rbn	FY23 change %	FY23 LFL change %	FY23 H1 change %	FY23 H2 change %
Trading expenses	20.2	11.9	7.9	10.6	13.1
Employee	8.3	6.5	2.9	6.5	6.5
Occupancy	3.1	14.7	8.2	12.5	16.8
Operations	5.4	18.7	13.0	12.8	24.3
Merchandising and administration	3.4	13.0	13.1	16.7	9.6

Employee costs

Increased 6.5% to R8.3 billion (2.9% like-for-like). Growth in our largest expense line was well contained despite the accelerated Boxer and Clothing store roll-out, demonstrating good progress by Pick n Pay to achieve targeted employee efficiency benchmarks.

Occupancy costs

Increased 14.7% to R3.1 billion (8.2% like-for-like). The increase was driven by the net new Boxer and Clothing stores, alongside an 86% increase in security and insurance costs directly attributable to the July 2021 riots.

Operations costs

Increased 18.7% to R5.4 billion (13.0% like-for-like), reflecting the doubling of utility costs (higher diesel price and diesel consumption) and higher electricity tariffs, despite some forced savings from load-shedding.

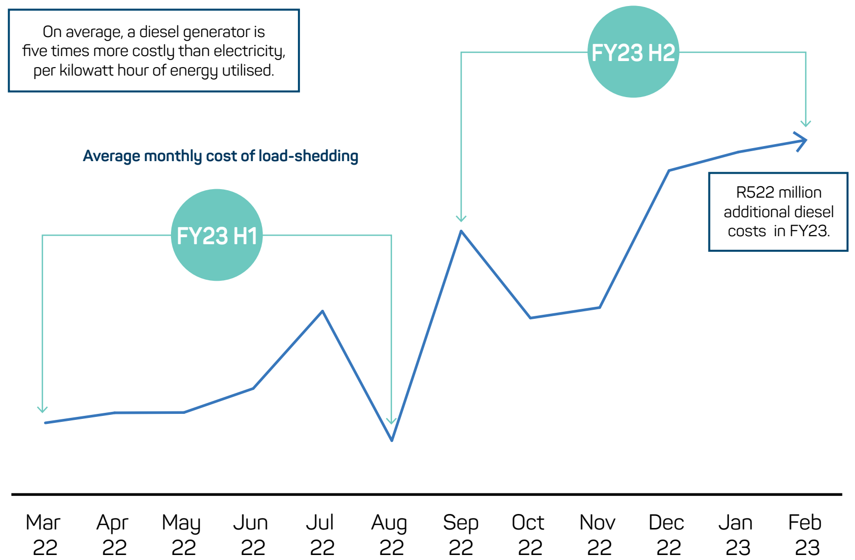
Merchandising and administration costs

Increased 13.0% to R3.4 billion (13.1% like-for-like), as the Group increased advertising spend to refocus the Pick n Pay brand and its price perception with customers to drive sales growth.

We have made substantial progress on our Project Future cost savings initiatives. This includes important groundwork for further efficiency gains to be delivered in FY24 and FY25 through:

- Implementation of the multi-skilling agreement in stores
- The opening of the new Eastport distribution centre
- Preparing for the December 2023 support office consolidation
- The VSP and junior store management restructurings, which began in March 2023

Impact of load-shedding costs



Other income

Other income, excluding insurance recoveries related to the 2021 civil unrest, grew 14.1% year-on-year to R2.0 billion, a significant area of revenue generation for the Group. Commissions and other income increased 15.4% driven by growth in value-added services (+19.8%) and income from digital media (+10.1%). Franchise fee income increased 4.5%, with 22 franchise stores converted to Pick n Pay and Boxer company-owned stores over the past year.

	FY23 Rm	FY22 Rm	% change
Franchise fee income	448	428	4.5
Operating lease income	157	116	36.2
Commissions and other income	1 400	1 213	15.4
Other income (underlying)	2 005	1 757	14.1
Insurance recoveries	261	748	
Reported other income	2 265	2 505	

Net interest

Net interest paid, including implied interest charges under IFRS 16, increased 15% year-on-year to R1.3 billion.

Funding interest

The Group's net funding cost (net of trade receivables interest) increased from R21.4 million to R171.1 million. This was due to the significant increase in the Group's debt funding over the year, driven by strategic Ekuseni capital investments, and higher interest rates (a year-on-year increase of 325 basis points in the repo rate).

Lease interest

The implied net interest charges under IFRS 16 increased 2% year-on-year to R1.2 billion, reflecting supply chain savings under Project Future, specifically related to a strategic change in contracted logistics services. Combined net lease interest and depreciation of right-of-use assets (the effective lease expense under IFRS 16) increased by 6.1% to R3.3 billion, driven by the new store roll-out.

Rest of Africa (RoA)

The Group's Rest of Africa segment contributed R5.1 billion of segmental sales, up 14.6% on last year and up 7.8% in constant currency terms.

RoA delivered pro forma profit before tax of R154.3 million (before the application of hyperinflation accounting), up 29.7% on the R119.0 million achieved in FY22.

Franchise operations

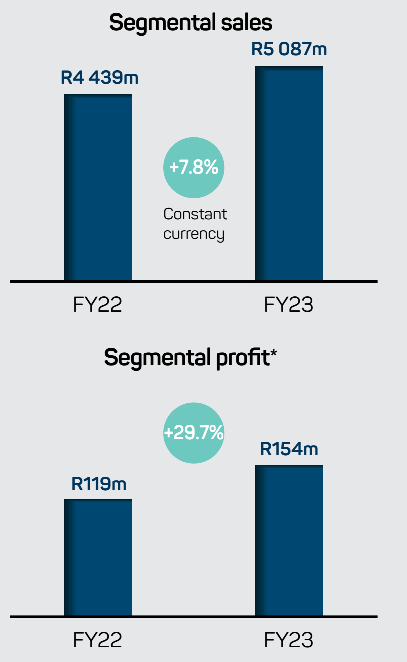
Our 80 Pick n Pay franchise stores in Botswana, eSwatini, Lesotho and Namibia continue to trade well, despite challenging macro-economic conditions across all regions.

Zambia

Our 23 Pick n Pay company-owned stores delivered a much-improved FY23 result. Management continues to implement and maintain robust operational standards to enhance the CVP.

TM Supermarkets, Zimbabwe

The 72 stores of our 49% associate-accounted investment delivered another resilient performance in a difficult economic environment. The Group's share of TM's earnings, before any hyperinflation net monetary adjustments, increased 1.8% year-on-year to R98.4 million. Sharp local currency devaluation during the year meant that hyperinflation and local currency translation into rands negatively impacted the result. The Group received a R16.0 million dividend from TM (R20.1 million in FY22). The investment in TM Supermarkets is recognised at a carrying value of R72.4 million (FY22: R106.0 million), which reflects the current severe economic challenges of hyperinflation and currency devaluation and illiquidity.



* *Excluding non-cash hyperinflation adjustments and capital items.*

Overview of FY23 financial position

The Group has entered an investment cycle, supported by a strong and agile balance sheet.

The increase in non-current assets and debt funding reflects the Group's strategic investments under its Ekuseni strategy. It is closely and carefully managed within the Group's return on investment targets and internal gearing covenants, to ensure long-term sustainable growth at an acceptable level of risk. The robust underlying performance of the FY23 result demonstrates the potential future returns these investments will deliver.

Capex	Net working capital
R4.0 billion	+R1.0 billion
+R1.9 billion	Strategic buy-ins: R600 million Eastport DC: R400 million

Net gearing	Net debt: EBITDA
R3.7 billion	1.1 times
+R2.2 billion from FY23 H1	Supporting strategic investments

	2023 Rm	2022 Rm
ASSETS		
Intangible assets	1 424.4	987.1
Property, plant and equipment	8 893.2	7 150.5
Right of use assets	11 195.0	9 588.9
Net investment in lease receivables	1 949.1	2 069.0
Other non-current assets	1 407.8	1 298.2
Non-current assets	24 869.5	21 093.7
Inventory	10 647.0	8 277.3
Trade and other receivables	4 472.0	4 207.6
Cash and cash equivalents	1 997.8	6 425.3
Net investment in lease receivables	333.4	319.1
Other current assets	45.4	21.5
Current assets	17 495.6	19 250.8
TOTAL ASSETS	42 365.1	40 344.5
EQUITY	3 702.8	3 715.7
Non-current liabilities		
Lease liabilities	15 133.2	13 656.5
Current liabilities		
Trade and other payables	14 661.0	12 976.4
Lease liabilities	2 470.8	2 431.4
Short-term borrowings	5 669.4	6 803.1
Other current liabilities	727.9	761.4
	23 529.1	22 972.3
TOTAL EQUITY AND LIABILITIES	42 365.1	40 344.5

Detailed review of key elements of the FY23 balance sheet

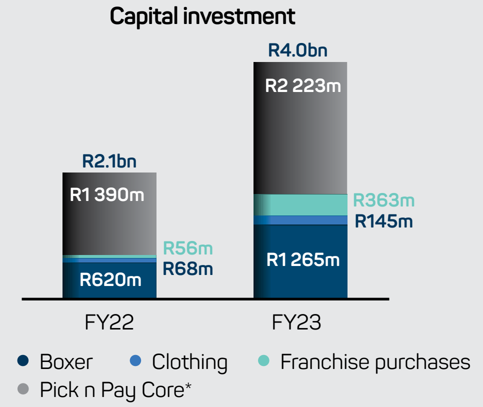
Capital investment

The Group invested R4.0 billion in capital projects in FY23, up 87% on the R2.1 billion of FY22.

The accelerated capital spend reflected the growth ambitions of the Ekuseni strategy, and targeted higher returns from investment in the Boxer (R1.3 billion, up 104%) and Clothing (R145 million, up 113%) growth engines. We directed R2.2 billion of capital spend to revitalising the core Pick n Pay brand through the CVP store conversion programme, with positive early results, alongside investment into the online retail platforms and other digital innovation.

The Group achieved a Return on Invested Capital (ROIC) for FY23 of 12.8% (excluding IFRS16 leases). On an underlying basis, excluding the R430 million of net energy costs incurred in FY23 as a result of load-shedding, the Group achieved a ROIC of 16.3%, reflecting a return ahead of its Weighted Average Cost of Capital (WACC) of 13.4%.

The Group forecasts FY24 capital spend to be in the range of R3.5 billion to R4.5 billion, which will balance strategic growth with the immediate need for greater energy resilience.



* *Includes digital and innovation capex.*

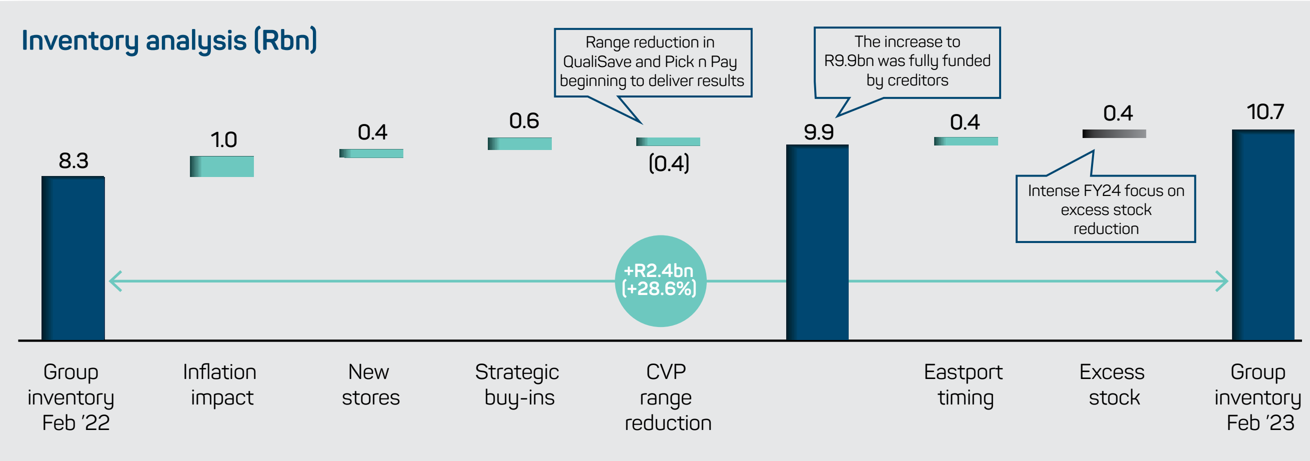
Working capital investments

The Group absorbed R1.0 billion of liquidity from working capital during FY23, primarily because of increased inventory.

Inventory

Stock on hand increased by 28.6% to R10.7 billion at year-end. The increase reflects new stores, the strategic investment in essential food and grocery lines ahead of price increases to keep internal inflation below CPI Food, and efforts to maintain on-shelf availability during periods of high load-shedding. The transition from the Longmeadow distribution centre to the new Eastport facility added R400 million of inventory at year-end. This is expected to clear by the end of May 2023, on the conclusion of the handover period and the exit from Longmeadow.

Given the high levels of food inflation, the Group will maintain most of the strategic inventory investments on a rolling basis. The anticipated inventory benefit of the ongoing Pick n Pay and QualiSave range optimisation has begun to deliver results, and we expect this to have an increasingly positive impact on Group inventory as the range optimisation is completed in FY24.



Trade and other receivables

Trade and other receivables (current and non-current) increased 5.6% to R4.6 billion. Net franchise debt increased 4.4% to R3.8 billion. The Group raised the provision on franchise debt from 3.7% last year to 4.9% at February 2023, given the impact of the difficult trading environment, including load-shedding costs borne by franchisees. The Group is confident in the quality of its debtors' book and the prudence of impairments.

Trade and other payables

Trade and other payables increased 13.0% year-on-year to R14.7 billion, reflecting the corresponding increase in inventory. Reported payables understates the underlying payables position as suppliers on the Group's Fast Pay invoice financing platform are reported within net debt in terms of IFRS requirements. Including the value of this fast-growing facility (+48.7% year-on-year to R599.4 million) gives total year-on-year payables growth of 14.1%.

The Pick n Pay Fast Pay platform allows suppliers including SMMEs to gain instant cost-effective funding, and was awarded the Best Working Capital Funding Solution at the International Working Capital Awards.

Gearing

Group net gearing (excluding leases) rose from R0.4 billion at February 2022 to R3.7 billion at February 2023. The Group's increased gearing was planned and reflects the capital investment under Ekuseni, alongside a temporary increase in working capital.

The Group is nearing closure on a R5.5 billion medium- and long-term debt package to rebalance its short-term debt portfolio towards a longer-term maturity profile more suited to higher levels of net gearing. The debt package will be unsecured, and will reflect highly competitive interest rates, including ESG-linked targets.

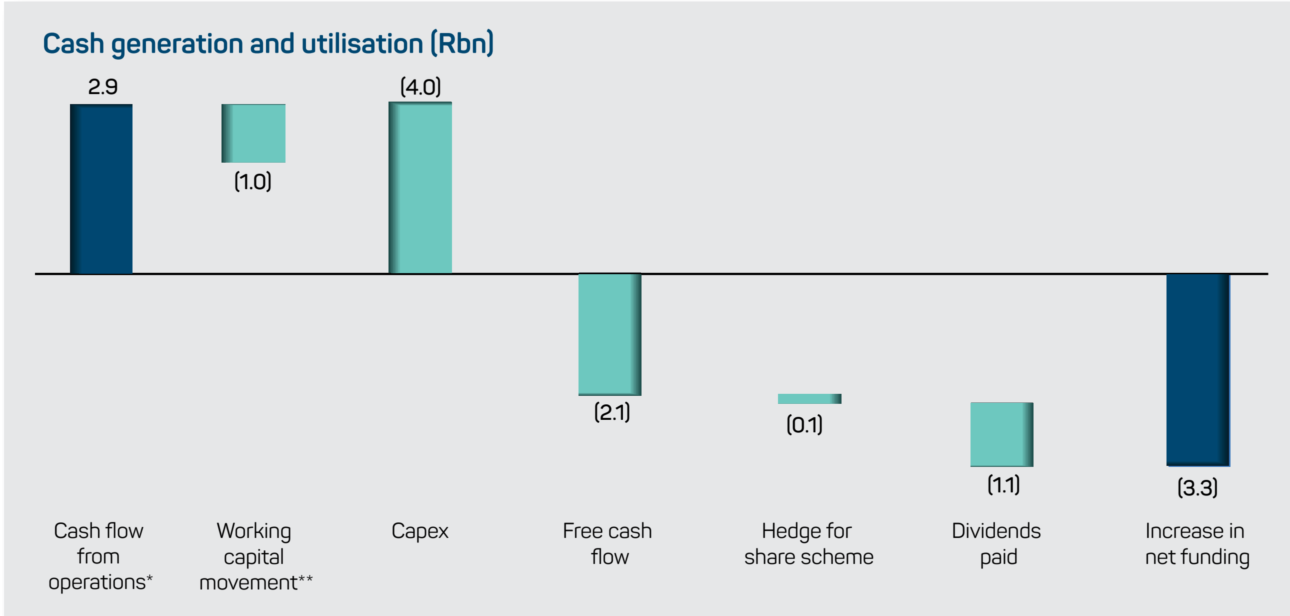
	26 February 2023 Rm	28 August 2022 Rm	27 February 2022 Rm
Gross debt	5 669.4	6 693.0	6 803.1
Cash and cash equivalents	(1 997.8)	(5 253.6)	(6 425.3)
Net gearing	3 671.6	1 439.4	377.8
Net debt to EBITDA	1.1	0.4	0.1

The Group's net debt:EBITDA ratio was carefully managed and at 1.1 times is well within the Group's internal annual covenant of 1.5 times EBITDA.

Cash generation and utilisation

The Group's cash profile over the year reflects the Ekuseni investment and related debt funding detailed on the previous page.

Cash flow from operations reduced from R3.3 billion last year to R2.9 billion in FY23. On a comparable basis, excluding the R430 million net incremental costs of load-shedding, cash flows from operations were in line with FY22.



* Before non-cash flow impact of IFRS16.
** Excluding Fast Pay increase of R0.2 billion.

FY23 earnings and shareholder distributions

FY23 reconciliation	PBT Rm	HEPS cents per share
Reported	1 800.2	259.25
Non-cash hyperinflation impact	23.4	4.87
Insurance recoveries	(145.2)	(21.75)
Pro forma	1 678.4	242.37

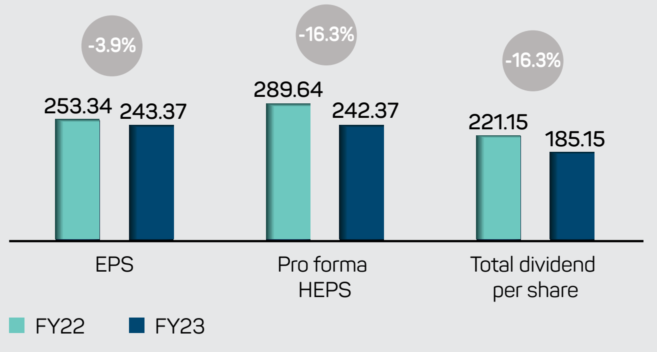
Impairments and other net capital losses of R92.6 million (FY22: R46.2 million) are excluded from the calculation of HEPS. Pro forma headline earnings per share (pro forma HEPS) excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets, and excludes R145.2 million (R104.5 million net of tax) business interruption insurance proceeds received and accounted for in FY23, but previously included in FY22 pro forma HEPS.

Pro forma HEPS declined by 16.3% year-on-year to 242.37 cents per share, reflecting the significant impact of load-shedding. Pro forma HEPS is the Group's primary measure in determining its dividend pay-out ratio.

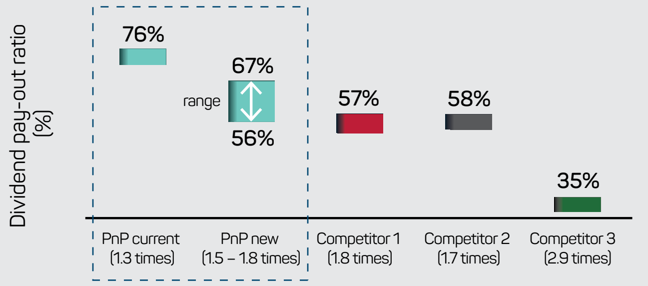
FY23 dividend

The Board declared a final dividend of 140.30 cents per share. This brings the total FY23 dividend to 185.15 cents per share, down 16.3% on last year. This is in line with the decline in the Group's pro forma HEPS, maintaining a divided cover of 1.3 times pro forma HEPS. The dividend will be paid on 5 June 2023.

FY23 earnings and dividends (cents per share)



New dividend policy from FY24



Competitor dividend calculations based on FY22 dividend relative to headline earnings. Pick n Pay calculation based on dividend relative to pro forma headline earnings.

New dividend policy from FY24

The Board amended the dividend policy going forward, to adequately reflect the capital investment requirements of Ekuseni and the higher operating costs and trading volatility brought about by load-shedding.

Going forward, the Group will change from a dividend cover of 1.3 times HEPS – excluding non-cash hyperinflation remeasurements – a 76% pay-out ratio, to a range of between 1.5 times and 1.8 times HEPS (67% pay-out to a 56% pay-out).

The new policy will provide balance sheet flexibility to support the elevated capital expenditure required by the Ekuseni strategy. It is expected that the dividend cover will tend towards the upper end of the range of 1.8 times HEPS over FY24 and FY25, and subsequently increase dividend returns to shareholders once the capital demands of the Ekuseni strategy taper off. The upper end of the dividend cover range remains broadly in line with the FY22 covers of our retail peers.

Significant post balance sheet events

- In March 2023, Pick n Pay launched two strategic employee restructuring programmes:
  - A Company-wide VSP aimed at delivering targeted benchmarks in terms of employee productivity.
  - The modernisation of junior store management structures, to best serve changing customer and operational needs.
- It is anticipated that some store management roles may be lost through an S189 retrenchment process. However, the business is creating a broadly equivalent number of new roles at a more junior level. The Group will incur restructuring charges related to these programmes in the first half of FY24, with associated efficiency gains expected to flow thereafter.
- The Group will comment on the financial impact of these programmes over the coming months.
- The Board approved the long-term debt financing detailed under Gearing on page 74.
- The Group entered into a 100% lease with Fortress Reit Limited over its new Eastport distribution centre. The Group had originally planned to purchase 60% of the facility, but has now taken a more prudent approach to capital investment, as a result of the substantial unforeseen costs of load-shedding. Capital investment will remain focused on customer-facing initiatives.

FY24 outlook

We remain determined to deliver on the growth ambitions of the Ekuseni strategy, including sustaining the momentum of our growth engines, rejuvenating Pick n Pay supermarkets, and optimising our cost base.

The Group will invest a further R3.5 billion to R4.5 billion on capital improvement and expansion plans. Investment will remain targeted at the Group's high-return growth engines, balanced against the need for greater energy resilience and the modernisation of the Pick n Pay store estate.

We will continue to fund the majority of the spend through long-term borrowings, within a maximum net debt to EBITDA ratio of 1.5 times annual earnings (excluding once-off restructuring costs). We are targeting a reduction in inventory levels of between R500 million and R1.0 billion, and will move to rapidly implement our energy resilience plan, in order to mitigate up to R200 million of energy costs.

We expect another difficult year due to the financial burden and operating disruption of trading without power, despite the early sales and earnings benefits from the Ekuseni strategy, including improved performances from refurbished Pick n Pay and QualiSave supermarkets, resilience in underlying growth engines and sustained improvement in operating efficiencies.

Load-shedding is not expected to moderate over the short term, and we anticipate even higher levels of load-shedding over the winter months. We do not expect to deliver earnings growth in FY24 unless there is meaningful improvement in the stability and reliability of the national electricity grid.

FY24 H1 earnings will reflect:

- The Group's annual earnings seasonality – only a third of earnings delivered in H1
- Higher levels of load-shedding compared with FY23 H1
- Higher finance charges
- Duplication of supply chain costs due to the move from Longmeadow to Eastport
- Employee restructuring costs

Acknowledgement

I am pleased with what we have achieved in a difficult year. I acknowledge the determination and commitment of our teams across our stores, supply chain and support offices, including our valued franchise partners, to deliver a solid underlying result in the face of unprecedented operational challenges.

I extend my sincere thanks to my finance team, who continue to maintain the highest standards of corporate governance, compliance and financial reporting in a highly complex and changing environment.

Lerena Olivier
Chief Finance Officer

14 June 2023

COMMITMENT TO THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE

The summarised governance report should be read in conjunction with our full Corporate Governance Report, available at www.picknpayinvestor.co.za/governance.php.

6

IN CONVERSATION WITH OUR LEAD INDEPENDENT DIRECTOR

Jeff van Rooyen
Lead independent director

Our ethical value system has built strong relationships with stakeholders who recognise and support the Group as a responsible corporate citizen, with the confidence that we will do what is right.

Our approach to corporate governance

The Board reaffirms its long-standing commitment to the highest standards of corporate governance, which it believes has contributed to the Group's sustainable value creation over the past 56 years. The Board provides effective and ethical leadership and remains committed to a governance framework that is built on the principles of honesty, integrity and accountability.

The Board endorses the corporate governance principles encapsulated in King IV, including the concept of integrated thinking, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. The Board commits to stakeholders that it will operate in accordance with the values of integrity, competence, fairness, responsibility, transparency and accountability, as captured by our enduring values (refer to page 11).

The Board is elected by shareholders and accepts overall accountability for the Group's performance. It ensures that the Group is adequately positioned to create sustainable value over the long term for all stakeholders, considering all material issues, risks and opportunities. Sustainable value creation is measured across the triple context of the Group's economic, social and environmental performance against the objectives set out in our long-term Ekuseni strategy. It also references the effective management of our capitals and the balanced and appropriate management of stakeholder needs.

The Board is satisfied that it has fulfilled its responsibilities in accordance with the Company's Memorandum of Incorporation, corporate governance charter, King IV, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for FY23.

Our corporate governance philosophy and practices are aligned with the four governance outcomes advocated by King IV

Ethical culture

An ethical culture has built the support structures that underpin our core purpose, values and strategy.

Governance structures are regularly reviewed to align with best practice and reflect regulatory changes to ensure that we maintain an ethical culture.

The Board, supported by the Nominations and Corporate Governance Committee, conducted its annual review of the corporate governance charter, aligning it with best practice. The review continues into FY24, as the charter is updated to reflect new management structures under the Ekuseni strategy.

The Board, supported by the Social, Ethics and Transformation Committee, also conducted its annual review of the Group's Code of Ethics, which outlines the key behaviours and actions expected by the Board, employees, suppliers and business partners. The Code of Ethics was redrafted and modernised this year with the assistance of the Ethics Institute of South Africa, subject to final Board approval in FY24.

The Board oversaw the activities of the Group's ESG division and reviewed the Group's FY23 progress against its long-term ESG targets, including in respect of food waste, recyclable packaging, water and energy usage, the roll-out of natural refrigerants and carbon emissions.

Effective control

The Group's governance and compliance framework is built on the principles of accountability, transparency, ethical management and fairness.

The governance framework allows for specific areas of governance to be delegated to the Board's various committees. This delegation of authority contributes to role clarity and the effective exercise of responsibilities across the Board's various committees and within the broader business. The governance framework, as set out in the corporate governance charter, ensures a clear balance of power and authority on the Board, such that no single director has unfettered powers of decision-making.

The Group's governance structure is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the sustainability of operations. The Group's corporate governance charter was amended during the year to change the name of the Social and Ethics Committee to the Social, Ethics and Transformation Committee, to best reflect the role of that Committee, and to increase the Board's diversity targets from 30% to 35% for both female and ACI participation. Other small enhancements were proposed, and the formal review of this charter continues into FY24.

The Board annually conducts an evaluation of its contribution to the Group as a whole, as well as the individual performance of each director. The Board is satisfied that its objectives have been met.

As part of its succession planning and to enable a seamless transition in key leadership roles, the Board, in collaboration with the Nominations and Corporate Governance Committee:

- Reviewed the succession planning for all non-executive directors as well as for senior executive positions.
- Appointed:
  - Aboubakar Jakoet as the independent chair of the Audit, Risk and Compliance Committee after his appointment to the Committee by shareholders at the 2022 AGM.
  - Penelope Gerber as the Company Secretary, on the retirement of Debra Muller on 31 July 2022.
  - James Formby as an independent non-executive director on 10 October 2022.
- Accepted Jonathan Ackerman's early retirement as an executive director on 31 March 2023 and appointed Jonathan as a non-executive director from that date.
- Assessed the effective functioning of the Board and each Board committee, to ensure that there was an appropriate mix of knowledge, skill, experience and diversity as well as sufficient non-executive director capacity to execute committee and Board duties effectively.
- Reviewed and adjusted committee membership to ensure that all directors contributed in accordance with their strengths and diverse experience, with James Formby appointed to the Audit, Risk and Compliance Committee and Jonathan Ackerman appointed to the Social, Ethics and Transformation Committee.
- Agreed that James Formby would take over as lead independent director on my retirement from the Board at the 2023 AGM. The Board will benefit from James' fresh perspective as the newest serving member of the Board, alongside his exceptional skill and experience in treasury and liquidity management, mergers and acquisitions, and the assessment of investment returns.

The Board respects the King IV principle of having an arm's length relationship with the Company Secretary and has created an environment in which she is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the boards of the various companies in the Group. The Board formally assessed and confirmed the competence and expertise of Penelope Gerber in May 2023.

Legitimacy

The Board retains overall responsibility for the concept of integrated thinking.

The Board regularly reviews its stakeholder relationships with the aim of ensuring its approach is inclusive and balances the needs, interests and expectations of all stakeholders in the best interests of the Group. The implementation of effective stakeholder relationship management has been delegated to the executive management team.

Key areas of focus included:

- Customer feedback on service, price competitiveness, product range and quality.
- Corporate social investment into poverty and hunger relief efforts, educational initiatives and other social upliftment programmes.
- Investment into employee training and development, job creation, promotions and oversight of indicators of overall employee wellness across the Group.
- Engagements with suppliers and service providers, and ongoing efforts to develop small and diverse businesses across the Group's value chain.

- The quality of the Group's relationship with its Pick n Pay franchisees, including the support provided in difficult trading conditions and the reasonability of provisions against overdue franchise debt.
- The transparency of internal and external financial reporting and engagement with shareholders and retail analysts on the Group's financial and operating performance.
- Ensuring that shareholders can participate as effectively as possible in the AGM, making the minutes publicly available, and ensuring that all directors attend the AGM and are available to respond to shareholder questions as to how the Board executed its governance duties. In addition, ensuring that the designated partner of the external audit firm attends the AGM, and is available to respond to shareholder questions.
- Ensuring that the subsidiary companies in the Group operate as separate and independent juristic entities with delineated rights and roles.

Refer to page 42 for more information on our stakeholders.

Good performance

There are well-entrenched structures within the Group to ensure that proper assurance and oversight are given to strategic and operational performance, and sustainable value creation.

The Board undertook several discussions during the year related to strategy, performance, governance and risk management.

The Board ensures that the financial and operational reports issued by the Group are timely, accurate and transparent to enable stakeholders to make informed assessments of its performance and its longer-term prospects. Refer to page 3 for more information on our approach to reporting.

Jeff van Rooyen
Lead independent director
14 June 2023

Reflections from our lead independent director

Jeff van Rooyen joined the Pick n Pay Board in 2007 and alongside a number of committee memberships, he served as the Chair of the Audit, Risk and Compliance committee for 15 years, until handing over the reins to Aboubakar Jakoet in July 2022. Jeff has held the significant lead independent director position for the past three years, providing sound independent leadership and wise counsel for the Board during challenging circumstances. Jeff has shared some reflections from his time on the Pick n Pay Board, ahead of his planned retirement at the 2023 AGM.

What informed your decision to join the Board so many years ago?

I had always admired Raymond and Wendy Ackerman from a distance. They are truly iconic figures, not only in business but in society in general. The contribution of the Group to the economy in terms of jobs, taxes and social responsibility has been immeasurable. The Group has been at the forefront of providing food to communities at the most affordable prices, a philosophy and commitment that has endured to this day. During the apartheid era the Group took enormous risks by promoting black people to senior positions. It took years for others in the industry and business in general to follow suit. These were my main reasons for joining the Pick n Pay Group and for staying on for 16 years.

What makes the Group so special?

The founders created a business based on the universal values of doing good, integrity, respect and caring. My sense is that the people have been selected and recruited on the same basis. I've seen everyone in the Group, from the founders, directors and management to the general staff live these values, walking the talk, during good times and difficult times. It is especially during difficult times that values and principles are sorely tested, and the Group has always remained firm and unwavering.

What do you believe has made the Board effective?

All the Board members embrace the values and principles of the Group – there is complete alignment. The Board is diverse in terms of race, gender and age. Board members have all the requisite skills, for example, strategy, retail, finance, legal and ESG to perform at the highest level. The Board exercises its oversight role in a manner that empowers the management to perform their duties to the best of their ability. The Board has managed succession well and brings in new members as and when necessary.

What are the right qualities for a lead independent director?

In my opinion, the qualities required for this position are exactly the same as that required for the Chair of the Board. The lead independent director must embrace sound values and principles, always take a strategic view of the business, have strong inter-personal skills and the strength of character to remain calm and focused regardless of noise or pressure.

Appointment of my successor

In view of the depth of talent we have on the Board, identifying and appointing my successor was no easy task. Some of the long-serving Board members will be retiring within the next year or so and this was an important consideration. Given where the business is at the moment and where we need to go in future, it was the unanimous view of the Board to name James Formby as the new LID, subject to his appointment to the Board by shareholders at the 2023 AGM. I'm confident that James will be very successful in his new role.

Explore further

Read more on our commitment to good corporate governance in implementing the Group's strategy and governance framework in the Corporate Governance Report. The report also includes our notice of the AGM and the Board committee reports. It is available at www.picknpayinvestor.co.za/governance.php.

A SYNOPSIS OF GOVERNANCE STRUCTURES AND OUTCOMES

The Board is confident that the Group's governance framework, supported by its Board committees and related administrative structures and compliance processes, contribute to sustainable value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting
- Remuneration policies that aim to build a winning team through the development and retention of top talent and through incentivisation in line with the Group's strategic and transformation objectives

The Group's governance framework is regularly reviewed to ensure that it exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability of the business.

The Board considers the principles and key aspects of ISO 37000:2021 Governance of Organizations, alongside King IV, the Companies Act and the JSE Listings Requirements, with the aim of ensuring that best corporate governance practice remains in place.

The Board and its committees

The Board assumes accountability for the Group's performance. It guides and oversees the business considering material and emerging risks and opportunities to ensure the business strategy remains relevant and responsive.

The Board appreciates that the strength of its strategy, the identification of material matters, the effectiveness of risk management, its commitment to social and environmental sustainability and financial performance are all inseparable elements of long-term value creation. Directors engage in rigorous and informed debate with the aim of promoting direction, governance and effective leadership.

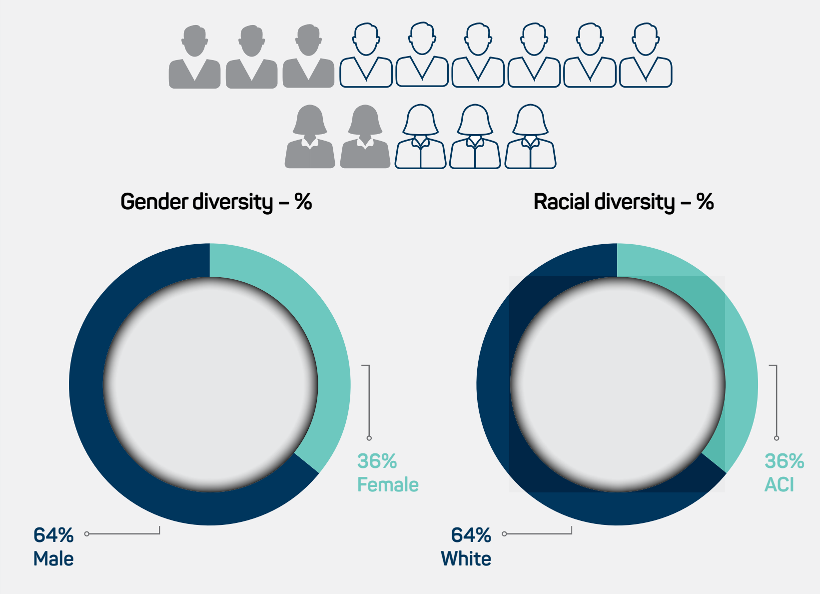
The Board is supported by six committees. The Board's delegation of authority to these committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group. The role and responsibilities of each committee are set out in the Board's corporate governance charter, available at www.picknpayinvestor.co.za/governance.php. The charter is reviewed annually to ensure the committee mandates remain current and effective and that King IV requirements are met.

Each committee considers its effectiveness by reviewing its activities against the approved terms of reference, in line with their delegated powers and authority.

Where relevant and appropriate, each committee is able to form a subcommittee to provide specialist focus on areas of significant importance. The Audit, Risk and Compliance Committee was supported by quarterly meetings of its Treasury and Franchise subcommittee this year.

The Board:

- Has a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors
- Achieved its gender and race diversity targets of 35%, with 36% female directors, and 36% South African citizens who are African, Coloured or Indian (ACI)
- Is satisfied that the independent non-executive directors have met the criteria for independence as established by King IV, the Companies Act and the JSE Listings Requirements
- Confirms the Group's risk management, mitigation and monitoring processes were effective and limited the impact of risks on the business during FY23
- Is satisfied that its internal evaluation process improves its performance and effectiveness
- Confirms the Company Secretary has the qualifications, competence and expertise necessary for the role



The Board and its committees

Board

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

Meeting attendance: 100%

In FY23, the Board's focus areas included, among others:

- The impact of load-shedding and the Group's energy resilience plan
- The implementation of the Ekuseni strategy
- The separation of the Pick n Pay brand into the Pick n Pay and QualiSave banners
- Gross profit margin management and price competitiveness
- Cost inflation and the effectiveness of Project Future
- People initiatives and restructuring plans
- Supply chain efficiency and the transition to Eastport
- Return on capital investment
- Gearing and liquidity
- Working capital management and engagement with franchisees
- Performance of our Rest of Africa segment

Audit, Risk and Compliance Committee

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

Meeting attendance: 100%

Nominations and Corporate Governance Committee

The Committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board and its committees. It also ensures that the governance procedures, practices and structures of the Board and its committees are effective, appropriate and aligned with relevant local and international codes and best practices.

Meeting attendance: 100%

Social, Ethics and Transformation Committee

The Committee, supported by key management personnel, is tasked with ensuring that the Group's enduring values underpin the Group's long-term strategy and are applied daily in all areas of the business. It oversees that our sustainability strategy is closely aligned with the United Nations SDGs most relevant to our business.

Meeting attendance: 100%

Remuneration Committee

The Committee ensures that the Group's remuneration policy promotes the achievement of Group strategy, by providing fair and responsible rewards that attract, reward and retain a winning team.

Meeting attendance: 100%

Corporate Finance Committee

The Committee consists of the non-executive directors who are not representatives of the controlling shareholder. It assists the Board in assessing material investment opportunities for the Group, as identified in the long-term Ekuseni strategy.

Meeting attendance: No formal meetings in FY23

Executive Committee

The Committee is tasked with implementing the strategy of the Board and serves as the Group's Chief Operating Decision Maker (CODM). The Committee manages the Group's day-to-day retail operations, including management of the Group's information technology and information security, to ensure sustainable value creation for all stakeholders.

"Together with the Board, all committees are satisfied that they have carried out their responsibilities during FY23."

Jeff van Rooyen, lead independent director

Audit, Risk and Compliance Committee FY23 focus areas

- The AFS, interim results, preliminary results announcements and the IAR's compliance with IFRS, the Companies Act, the JSE Listings Requirements and King IV.
- The Group's capital structure, gearing, liquidity and dividend policy.
- The effectiveness of the Group's risk management function in identifying, evaluating and mitigating issues which may have a material impact on the Group's ability to protect and create sustainable stakeholder value. This also included a focus on the material financial and operational impact of load-shedding, and the security of supply chain and store operations.
- Agreed the appointment of the Group's new head of Legal (supported by the Nominations and Corporate Governance Committee). Under new leadership, and with a strengthened compliance function, the Group's combined framework of compliance (including the Board charters) will be reviewed and modernised to reflect best practice.
- Considered the skill, experience and independence of the Group internal audit function and concluded that the internal audit function is appropriate and effective for the Group.
- Concluded that it is satisfied with the level of service rendered by EY during FY23 and is satisfied with EY's independence and JSE accreditation, and will propose to re-appoint them as the external auditors for FY24 at the upcoming AGM.

Nominations and Corporate Governance Committee FY23 focus areas

- Recommended appointments to the Board and Board committees, the appointment of the Company Secretary, and change in classification of Board members.
- Reviewed the succession planning for the Board and committee membership and reviewed CEO and senior executive succession planning.
- Reviewed the rotation of directors and recommended the directors' re-appointment for either a three-year or one-year term. Refer to the AGM notice for more detail.
- Reviewed the composition of the Board in light of the retirement of Jeff van Rooyen in July 2023, and concluded that up to two additional independent non-executive directors would be recruited in due course.
- Actively monitored diversity and was satisfied that the legacy of the Group in promoting diversity was honoured by the progress made. It will focus on accelerating the momentum of transformation at senior management levels going forward. The Committee also increased the Board diversity targets to 35% for both female and ACI representation.

Social, Ethics and Transformation Committee FY23 focus areas

- Partnering to shift the food system, including affordability of basic goods, sustainability attributes of products, supply chain efficiency and inclusion, and reducing food waste.
- Reducing the Group's environmental impact, including decarbonising the value chain, energy and water efficiency, removing harmful chemicals, and waste reduction, recycling and reuse.
- Supporting communities through investments that address areas of critical importance to our business.
- Investing in our people and relationships, including diversity, equity and inclusion, promoting supplier ESG compliance, and stakeholder engagement and outreach.

Remuneration Committee FY23 focus areas

- Constructive engagement with shareholders ahead of the 2022 AGM, with the introduction of policy changes where appropriate. Please refer to page 99 for further information.
- Assessing underlying performance and awarding short-term and long-term incentives in a highly disrupted environment where performance targets do not reflect the reality of load-shedding.
- Providing oversight of the implementation of employee restructuring programmes to ensure undertaken in line with the values of the Group.
- Close oversight of the capacity of management to deliver on the Ekuseni strategy, and ongoing review of staff morale (eNPS) at all levels, as measured by formal surveys.
- Engagement with independent remuneration specialists to advise on the effectiveness and appropriateness of the Group's variable incentive schemes.
- Ongoing market benchmarking of remuneration across all levels of the organisation and statistical analysis of pay parity and the provision of fair and reasonable remuneration.

More detail is set out in the remuneration report, starting on page 94.

Corporate Finance Committee FY23 focus areas

The Committee did not meet separately in FY23. A number of potential investment opportunities, aligned with the Ekuseni strategy, were reviewed in detail in full Board meetings and in other Board committees and subcommittees. No investment opportunities were explored with a potential conflict of interest with the controlling shareholder.

For more detailed information on the Board's focus areas and deliberations please refer to the full Corporate Governance Report at www.picknpayinvestor.co.za/governance.php.

Board composition

Our directors are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. The Group has actively sought to appoint business people to its Board, looking for individuals who play an active role in business, are in a position to offer retail, commercial, financial, accounting, IT and digital, ESG, legal and regulatory knowledge to the Board, and add value through wisdom and practical business acumen.

The Board is satisfied that its balanced composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence, and no single director has unfettered powers of decision-making.

The Board considers that there is sufficient capacity to fulfil all Board functions.

67% of our non-executive directors are independent

8 Independent non-executive directors + **4** Non-executive directors (including our Chair) + **2** Executive directors = **14** Directors at the date of this report

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board.

Gareth Ackerman, Jonathan Ackerman[1], Suzanne Ackerman and David Robins are not considered independent owing to their relationship with the controlling shareholder.

Jeff van Rooyen was appointed as lead independent director as the Chair is not considered independent. Jeff van Rooyen will retire from the Board after the 2023 AGM, after which James Formby will be appointed as lead independent director, subject to his appointment to the Board by shareholders.

The Executive Committee performs the CODM role within the Group and comprises Pieter Boone (CEO) and Lerena Olivier (CFO).

The **lead independent director** provides:

- Leadership and advice to the Board when the Chair has a conflict of interest, without detracting from his authority
- An important contact point for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest

The **CEO** is responsible for:

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

The **CFO** is responsible for:

- The financial, risk and compliance functions of the Group

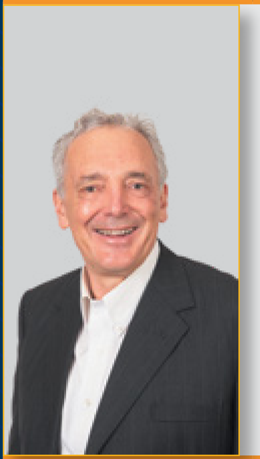
[1] *Jonathan Ackerman retired as an executive director on 31 March 2023, on which date he was appointed as a non-executive director and will be presented to shareholders for election at the 2023 AGM.*

OUR BOARD OF DIRECTORS

as at June 2023

The Board has broad local and international retail experience – a strong competitive advantage and a unique strength. All Board members are conscious of their obligation to act with integrity and as representatives of all our stakeholders.

Non-Executive Chair



Gareth Ackerman (65)
Chair
BSocSci, CMS and AMP (Oxon)

- Appointed 1990
- Years of service to the Group: 39
- Years of service on the Board: 33
- Chair of the Nominations and Corporate Governance Committee

C SM CC G H L IT R LC F RM S

An executive at Pick n Pay for 15 years until 1999, Gareth headed up various divisions and served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. He was appointed to the Board in 1990 as an executive director, until becoming a non-executive director in 1999. From 2002 to 2010 Gareth was Chair of Pick n Pay Holdings Limited, which at that time was the ultimate holding company of the Group. In 2010 he was appointed non-executive Chair 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. Gareth sits on the Board of Business Unity South Africa and is also a trustee of the Masisizane Fund and was a member of the international board of the Young Presidents' Organization (YPO). He chairs the Ackerman Family interests.

Executive directors

Pieter Boone (55)
Chief Executive Officer (CEO)
BBA

- Appointed 2021
- Years of service to the Group and Board: 2

C SM G H L IT R LC F RM S

A Dutch national, Pieter became CEO of the Group in April 2021. He has extensive international experience in the retail, food service and wholesale sectors, and a consistent track record of leading and delivering retail growth in a diverse range of tough and emerging markets across Asia, Latin America and Europe. Pieter's goal is to drive the Group forward into a new era of sustainable growth, accelerating the development of its existing businesses and building new engines of growth. Pieter believes that people are an organisation's greatest asset and is committed to winning with our people.

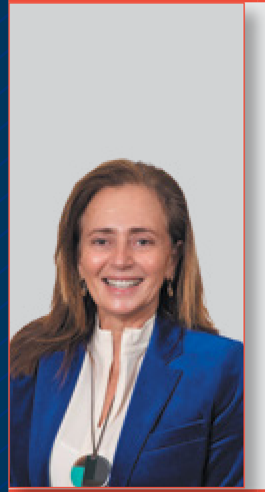
Lerena Olivier (47)
Chief Finance Officer (CFO)
CA(SA)

- Appointed 2019
- Years of service to the Group: 12
- Years of service on the Board: 3

C R H F LC S RM IT G

Lerena joined the Group 12 years ago, taking responsibility for Group financial reporting and the finance team. During her 20 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise across a number of key business areas, including finance, risk management, strategy, information systems, value added and retail related financial services, accounting and tax.

Non-executive directors



Suzanne Ackerman (60)
BA, Fellow: Aspen Business Institute; First Movers; International Professor of Practice, Rutgers School of Business-Camden

- Appointed 2010
- Years of service to the Group: 28
- Years of service on the Board: 13
- As executive director: 12
- As non-executive director: 1
- Chair of the Social, Ethics and Transformation Committee

C SM CC R H S

Following broad executive experience in the Group, Suzanne was appointed Director of Transformation in 2007. In addition to her executive contribution to the Group, she was appointed to the Board as a representative of the controlling shareholder in March 2010. Suzanne retired as an executive director on 31 March 2022, on which date she was appointed to the Board as a non-executive director.

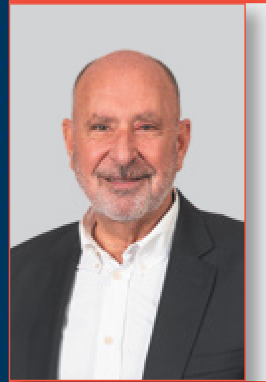
Suzanne holds the position of International Professor of Practice at the Rutgers School of Business–Camden (United States), where she lectures to undergraduate and graduate students and members of the business community in New Jersey and Philadelphia. Suzanne also remains active in many areas of philanthropy across different sectors of society. In particular, she is a passionate proponent of enterprise development and acts as advisor and mentor to the Pick n Pay Enterprise Development division. Suzanne is the Founder and a Trustee of the Feed the Nation Foundation, Chair of the Ackerman Pick n Pay Foundation, a Trustee of the David Sussman Community Forum and a Trustee of the Smile Foundation.

Jonathan Ackerman* (56)
BA Marketing

- Appointed 2010
- Years of service to the Group: 30
- Years of service on the Board: 13

C SM CC R H S L

Returning to South Africa after studying and working in the USA, Jonathan joined the Group in 1992. Over a distinguished career with the Group, Jonathan held key leadership roles, most notably in marketing and store operations. Jonathan was appointed to the Board as a representative of the controlling shareholder in March 2010, and as the Group's director of Values he ensured that the well-being of customers was the primary motivating factor for any strategic decision taken in the Group. Jonathan retired as an executive director on 31 March 2023 and has served as a non-executive director from that date.



David Robins (69)
BBusSci

- Appointed 2002
- Years of service to the Group: 29
- Years of service on the Board: 21

C R RM F SM S G

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside South African borders. In 2002 he was appointed as Deputy Chair 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.

Legend: Sector experience

- C Corporate social responsibility
- CC Climate change
- H Human resources
- IT Information technology
- LC Legal compliance
- RM Risk management
- SM Sales and marketing
- G Governance
- L Logistics
- R Retail
- F Finance
- S Strategy

Legend: Committee membership

- Audit, Risk and Compliance Committee
- Remuneration Committee
- Nominations and Corporate Governance Committee
- Corporate Finance Committee
- Social, Ethics and Transformation Committee
- Executive Committee
- Employee Share Incentive Trust

* *Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director from that date.*

Our Board of directors

Independent non-executive directors

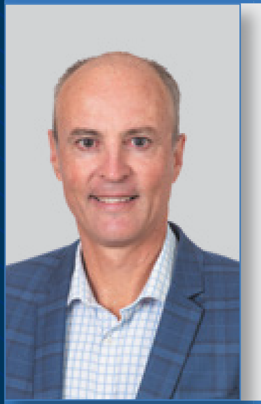
Haroon Bhorat (54)

PhD in Economics

- Appointed 2020
- Years of service on the Board: 3
- Other listed company directorships: Sygnia Asset Management (independent non-executive Chair)

C F CC S LC H RM L G

Haroon is Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town. He is currently a member of the Presidential Economic Advisory Council (PEAC), established in 2019 by President Ramaphosa to generate new ideas for economic growth, job creation and addressing poverty in South Africa. Haroon is the Independent Non-Executive Chair of Sygnia Asset Management and is also Chair of the Nimble Group. Haroon is a Non-Resident Senior Fellow at the Brookings Institution – the world's leading global think tank. He was recently invited to join the UCT College of Fellows. He is a member of the executive committee of the International Economic Association. His career appointments include serving as an economic advisor to former Minister of Finance Pravin Gordhan and to former presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel.



James Formby (53)

CA(SA)

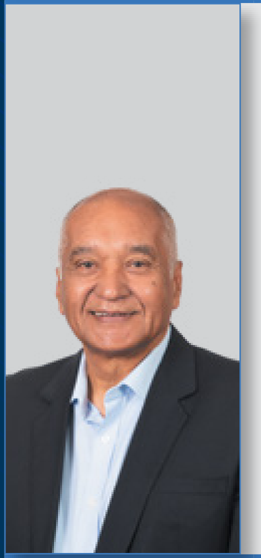
Masters in Philosophy in Management Studies

- Appointed 2022
- Years of service on the Board: 1

S C RM F LC G H SM

James was appointed to the Board in October 2022, following his retirement as CEO of the RMB group. James had a successful 25-year career with RMB, holding a number of senior leadership roles over his tenure including in corporate finance and investment banking. James' transactional skills and his ability to structure large deals made him a core member in many BBBEE transactions, IPOs, de-listings, mergers, acquisitions, and disposals over his tenure with RMB. As CEO, James played a significant role in developing RMB's strategy.

James will take over from Jeff van Rooyen as the Board's lead independent director, on Jeff's retirement at the 2023 AGM.



Aboubakar (Bakar) Jakoet (67)

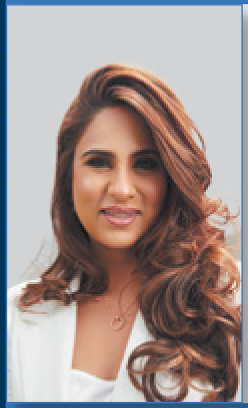
CA(SA)

- Appointed 2019 as a non-executive director
- Years of service to the Group: 37
- Years of service on the Board as non-executive director: 3
- Years of service on the Board as executive director: 9
- Other listed company directorships: Oceana Group Limited
- Chair of the Audit, Risk and Compliance Committee

C G H L IT R LC F RM S SM

Following his 34-year career in the finance team of the Group, Bakar retired as CFO and executive director in September 2019. Given his extensive experience in retail, strategy, tax and finance, the Group is privileged to retain his expertise and experience in his capacity as a non-executive director.

Bakar is deputy chair of the UCT finance committee.



Mariam Cassim (41)

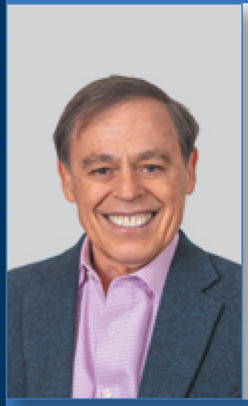
CA(SA), MBA

- Appointed 2020
- Years of service on the Board: 3

C SM CC L IT R LC F RM S

Mariam Cassim is the Chief Executive Officer of Vodacom Financial and Digital Services and a member of the Vodacom Group's Executive Committee.

Mariam's professional experience includes Corporate Finance and Deal Structuring, Mergers and Acquisitions, Debt Structuring and Commercial Evaluation. Her flair for innovation, disruption and new business development allows Mariam to generate creative business solutions that have a strong purpose element and thereby benefit business as well as society. Mariam served on the board of Super Group Limited until December 2020.



David Friedland (69)

CA(SA)

- Appointed 2013
- Years of service on the Board: 10
- Other listed company directorships: The Foschini Group Limited

C G LC R RM F S SM

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 served on the Boards of Investec Limited and Investec plc until August 2022.

Audrey Mothupi (53)

BA (Hons)

- Appointed 2013
- Years of service on the Board: 10
- Other listed company directorships: Life Healthcare Group, Altona plc (listed on the Aquis Stock Exchange)
- Chair of the Remuneration Committee

C RM SM H G IT R LC S F

Audrey is the Chief Executive Officer of the South African-based SystemicLogic Group, a global financial innovation, data and technology disruptor, specialising in emergent business models. Audrey's experience spans across various business domains including group strategy, talent design, marketing and communication as well as data, technology and innovation. Prior to SystemicLogic Group, Audrey was the head of inclusive banking at Standard Bank Group.

Audrey has served as the Chair of Roedean School (SA) as well as the Chair of Orange Babies of South Africa. Audrey has previously served on the boards of Nordic Female Business Angel Network and the Numeric Board of South Africa. She is a Fellow of the Africa Leadership Initiative (ALI), a member of the International Women's Forum (IWF) and a board member of the International Women's Forum South Africa (IWFSA). Audrey has been named one of Africa's 1 000 most powerful women.

Legend: Committee membership

- Audit, Risk and Compliance Committee
- Remuneration Committee
- Nominations and Corporate Governance Committee
- Corporate Finance Committee
- Social, Ethics and Transformation Committee
- Executive Committee
- Employee Share Incentive Trust

Legend: Sector experience

- C Corporate social responsibility
- CC Climate change
- H Human resources
- IT Information technology
- LC Legal compliance
- RM Risk management
- SM Sales and marketing
- G Governance
- L Logistics
- R Retail
- F Finance
- S Strategy

Our Board of directors

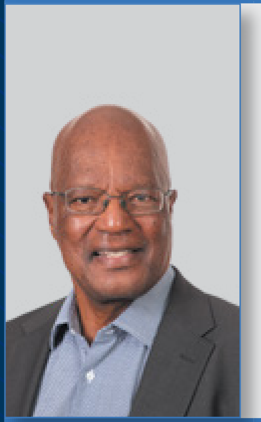
Independent non-executive directors

Annamarie van der Merwe (59)
B.Juris, LLB, LLM, EMP

- Appointed 2020
- Years of service on the Board: 2

C G H LC RM F S

Annamarie is the Executive Chair of the FluidRock Governance Group, a business that she co-founded approximately 17 years ago. Annamarie has been a corporate lawyer and company secretary of companies in the listed environment for more than 30 years. She was until late 2020 a member of the King Committee on Corporate Governance for South Africa and was actively involved in the writing of King II, III and IV with a particular focus on the sections dealing with the functioning of boards and responsibilities of directors. Annamarie serves as a member of the JSE Advisory Committee. She is a well-known presenter of workshops on issues such as board effectiveness, good corporate governance and statutory duties and liabilities faced by boards and individual directors. Annamarie acted as a facilitator for the IoDSA for more than 16 years and currently chairs the board of the Bureau of Food and Agricultural Policy NPC (BFAP) as well as the Vastfontein Community Transformation NPC.



Jeff van Rooyen (73)
BCom (SA), Hons BCompt, CA(SA)

- Appointed 2007
- Years of service on the Board: 16
- Lead independent director (LID)
- Chair of the Corporate Finance Committee

C G H R LC RM F S CC

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings Proprietary Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a trustee of the IFRS Foundation, chair of the Public Accountants and Auditors Board (now IRBA) and founder president of the Association for the Advancement of Black Accountants. His public sector record is equally extensive. Former appointments include chair of the Financial Reporting Standards Council, executive officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria and director of MTN Group Limited. Jeff stood down as Chair of Exxaro Resources Limited in May 2021.

Jeff will retire from the Board at the 2023 AGM.

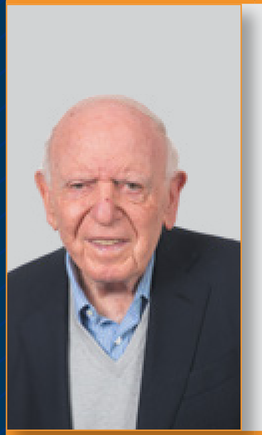
Company Secretary

Penelope Gerber (49)
CA (SA)

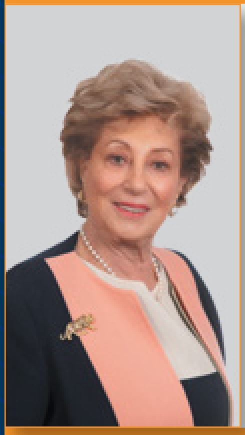
- Appointed 2022
- Years of service on the Board: 1
- Years of service to the Group: 20

Penelope joined the Group in 2002 as a newly qualified chartered accountant. Penny has worked in the Group's finance division for 20 years, holding leadership positions in our financial reporting and treasury divisions, and more recently led the Group's Investor Relations function until 2022.

Honorary life presidents



Raymond Ackerman
Years of service: 56



Wendy Ackerman
Years of service: 56

Legend: Committee membership

- Audit, Risk and Compliance Committee
- Remuneration Committee
- Nominations and Corporate Governance Committee
- Corporate Finance Committee
- Social, Ethics and Transformation Committee
- Executive Committee
- Employee Share Incentive Trust

Legend: Sector experience

- C Corporate social responsibility
- CC Climate change
- H Human resources
- IT Information technology
- LC Legal compliance
- RM Risk management
- SM Sales and marketing
- G Governance
- L Logistics
- R Retail
- F Finance
- S Strategy

The sector experience highlighted considers the cumulative knowledge and experience of directors who have spent time working or advising in a particular industry or sector. Directors receive regular briefings on changes in the Group's consumer and competitive environment, including updates on regulatory compliance, which focus on the material opportunities and risks that could impact on successful execution of the Group's long-term plan.

OUR REMUNERATION REPORT

The structure of our remuneration report

Our commitment to employees

We recognise that retail is a people business and we will build a winning team

We take deliberate action to achieve employment equity and gender targets

We are equitable in our recruitment

We guarantee equal pay for equal work

Everybody has the opportunity to progress in the Group

An overview of the Remuneration Committee

Mandate of the Remuneration Committee

The Committee is mandated by the Board to ensure that the Group's remuneration policies and decisions are:

- Market-related and effective at attracting and retaining talent
- Fair, responsible and balanced, rewarding individual, divisional and Group performance
- Closely aligned with the delivery of the Group's long-term Ekuseni strategy
- Appropriate to incentivise sustainable value creation over the longer term
- Aligned with the interests of shareholders

The role and responsibility of the Remuneration Committee

The Committee assists the Board in developing and administering an effective remuneration strategy that:

- Aligns with the Group's long-term strategic objectives
- Delivers the Group's commitment to fair, transparent, and responsible remuneration
- Balances the best short- and long-term interests of the Group and its shareholders
- Meets all legislative and regulatory requirements

The Committee ensures that the Group's remuneration policy achieves its key objective of sustainable value creation over the short, medium and long term. The Committee considers and recommends the remuneration policy for all employee levels in the Group, with specific focus on executive directors, senior management and non-executive directors.

Members and attendance at meetings

The Committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. In addition to the Committee members, the CEO, CFO and Chief People officers of Pick n Pay and Boxer are permanent invitees to Committee meetings. All are recused from the meeting when their individual remuneration is being discussed. Independent external advisors and other human resource executives are invited to attend the meetings as and when required.

The Committee operates in terms of a Board-approved charter, which the Board reviews annually. Four Committee meetings were held over the course of and in respect of FY23.

	Board tenure	Remuneration Committee meeting attendance
Audrey Mothupi (Chair)	10 years	4/4
Gareth Ackerman	33 years	4/4
Haroon Bhorat	3 years	4/4
Aboubakar Jakoet	12 years	4/4
Jeff van Rooyen	16 years	4/4

The Committee is satisfied that it met its responsibilities in terms of its charter, and that the remuneration policies it applied and the decisions it took fulfilled the objective of fair and responsible remuneration.

REFLECTIONS FROM THE REMUNERATION COMMITTEE CHAIR

Audrey Mothupi
Chair: Remuneration Committee

Guide for stakeholders

This section provides context to FY23, including:

- Key focus areas, decisions taken and priorities going forward
- Internal and external factors that influenced remuneration decisions and the discretion applied
- Outcomes of shareholder engagement
- Remuneration policy changes

As a responsible corporate citizen, we devote the necessary focus to the important matters of employment equity, gender equity and pay parity. At our heart, we are a people business and can only win through our people.

The year in review

On behalf of the Board, I am pleased to present the Group's FY23 remuneration report. This report provides shareholders and other stakeholders with an overview of the Group's overall remuneration philosophy, highlights key remuneration policies, and sets out how these policies were implemented in FY23. While the report focuses on payments made to executive and non-executive directors, it also highlights the Committee's heightened focus on employee morale and wellness across all levels of the organisation, and providing adequate consideration and support in a more difficult socio-economic environment. This report is prepared in accordance with the Companies Act, King IV, and the JSE Listings requirements.

The Committee seeks to strike the right balance of attracting, motivating and retaining key talent, while delivering a fair return to shareholders. Remuneration paid to executive directors and senior management must be appropriate, fair and responsible, and policies must be designed to attract, motivate and retain a diverse and high-performance team in a manner that is aligned with the interests of all our stakeholders. The Committee continued to engage with shareholders on matters of remuneration policy to ensure that our decision-making remained fair and balanced. The outcomes of these important discussion are set out from page 99.

The Committee has an important role in ensuring that the award of management incentives is measured against the delivery of the Group's Ekuseni strategy, which includes clear sales, market share and earnings growth targets. However, the Committee must also consider the extent to which delivery is hampered by effects outside of management's control, and make the necessary adjustments to ensure that the objectives of retention and appropriate reward are upheld.

Employee retention at all levels was a specific Committee focus area this year as a result of the very difficult macro-economic environment and the challenges it has posed for the retail industry and for our team. The Committee is aware that our people have had little respite from challenging trading conditions over the past three years. Our team have navigated the unprecedented circumstances of the Covid-19 pandemic, the severe disruption of the July 2021 unrest, and most recently and currently the severe practical and financial impact of running a business for many hours a day without grid power. We are concerned that operating in these conditions may have taken a personal toll on experienced and talented employees across the business. Managing the challenge of escalating and unpredictable load-shedding requires effective crisis management, rapid and flexible decision-making, agility in managing operational systems and protocols, and in many cases very long hours. Their efforts have not gone unnoticed by the Committee.

Measuring performance in a disrupted environment

In addition to the increased burden on our operational teams, unrelenting load-shedding imposes heavy unplanned costs on the business through the need to operate expensive diesel generators in stores. While management is focused on mitigating as much as possible of this financial impact, it is not possible at current levels of grid outage to avoid a significant overall cost escalation, with a resulting substantial negative impact on management's ability to deliver against its short- and longer-term performance targets.

Put simply, once load-shedding began to worsen from the second half of FY23, it became clear that management teams would find it impossible to meet the performance targets set – with the rapid action taken to mitigate the impact actually impeding their ability to deliver against the targets due to the high diesel costs.

The Committee carefully deliberated how to measure and reward performance against targets that were no longer achievable, or indeed relevant, under substantively changed trading conditions. It became increasingly important for the Committee to look through the noise and focus on the Group's underlying performance, excluding the material impact of load-shedding. This in itself was not straightforward.

The incremental cost of operating diesel generators for several hours per day across the vast store estate was R522 million in FY23, and R430 million net of electricity savings as a result of not taking power from the grid. However, this does not take into account the additional cost of repairing and maintaining generators, refrigeration and other machinery vulnerable to damage as a result of power outages and power surges. It also does not consider the increased cost of product spoilage across the business as a result of cold chain disruption, lost trade due to reduced product availability, or less footfall in dark shopping centres.

Load-shedding and the use of diesel generators also had a negative impact on the Group's environmental and social targets for the year, most notably in respect of elevated carbon emissions and waste. Management has developed a strong energy resilience plan to mitigate these impacts, including through the increased use of solar energy, LED lighting and battery solutions. However, these measures will only have a positive impact over time, beginning in FY24. The Group has also increased its engagement with suppliers to better understand and manage disruption over the value chain to reduce waste and improve availability.

The Committee resolved to look through the disruption as far as possible, and objectively assess the underlying execution of the Ekuseni strategy in this the first year of implementation.

Ekuseni – a year of progress and learning

In May 2022, the Group published FY26 Ekuseni targets across five strategic pillars. Internally, these targets are further broken down into shorter-dated annual targets, which provide the Group and the Committee with a scorecard against which to incentivise and measure management performance. The Group had planned, and guided externally, for an investment year in FY23, with implementation costs necessary to kick off the Ekuseni strategy expected to curtail earnings growth in the short term.

The Group delivered pro forma profit before tax (PBT) of R1.7 billion in FY23. On an underlying basis, excluding the exceptional net incremental costs of load-shedding of R430 million, Group profit before tax and exceptional items (PBTAE) of R2.1 billion increased an estimated 7% on the prior year, ahead of the year-one Ekuseni PBT target of R2.0 billion (in line with FY22).

The underlying earnings performance demonstrates solid progress against the Ekuseni strategy, with strong performances from the Boxer, Clothing and Online growth engines, tight gross profit margin management and discipline over controllable costs. However, there were also important strategic learnings over the course of the year, which had a negative impact on operations. Most notable were the number and scale of customer value proposition (CVP) conversions undertaken across the Pick n Pay supermarket estate, which caused trade disruption and restricted Pick n Pay sales growth, particularly in the second half of the year. The CVP conversions also resulted in higher stock holdings and higher fresh waste (unrelated to load-shedding) as the management team fine-tuned the CVP in Pick n Pay and QualiSave supermarkets and adjusted its forecast and replenishment to meet changing customer needs.

Capital investments directed at Boxer, QualiSave, Clothing and Online have generated the targeted levels of return, while investment returns from the Pick n Pay banner have lagged, requiring further refinement of the operating model.

	FY23 Performance assessment
Profit before tax and exceptional items (PBTAE) R2.1 billion	On track
Sales growth 8.9%	Progress, with more to do
Improvement in Net Promoter Score (NPS) of CVP stores 9%	Progress, with more to do
Number of new stores 175	On track
Gross profit margin management 19.6%	On track
Project Future cost savings R800 million	On track
Working capital management R400 million excess stock	Disappointing
Return on invested capital (ROIC) 16.3%*	Progress, with more to do
ESG targets** On track, with pressure on carbon emissions and waste	Progress, with more to do

* On an underlying basis, excluding the impact of load-shedding.
** Refer to page 107 for further information.

Disappointing · Progress, with more to do · On track

Fair recognition and reward

The Committee used careful and considered judgement in the application of remuneration policy to ensure fair and responsible reward. With the Group's underlying FY23 PBTAE target met (excluding the net cost of load-shedding), the Committee was able to award a short-term incentive (STI) bonus in FY23, subject to the application of the Group's formal STI methodology.

The Group's STI methodology ensures high-performance divisions are recognised commensurately, and individual performance is rewarded in line with the outcome of a robust performance appraisal process. The Committee is confident that it has achieved fair and reasonable award. Please refer to page 104 for further information.

	Average STI awarded at:		
Division	**Threshold**	**Target**	**Stretch**
Pick n Pay Supermarkets	✗		
Pick n Pay Clothing		✓	
Pick n Pay Online		✓	
Boxer			✓
Rest of Africa	✓		

STI awards are subject to the attainment of individual performance targets. Higher-performing individuals have been awarded bonuses higher than the average award. The Pick n Pay Supermarket division did not meet its threshold PBTAE target required for the award of an STI award. Certain key high-performing personnel were awarded an ex gratia payment for retention purposes.

The Committee considers the impact of unforeseen events on management's ability to achieve its targets. It is never the Committee's intention to penalise management for circumstances outside of their control. At the same time, fair and responsible reward is always balanced with the interests of all stakeholders. The Committee remained balanced in its assessment of underlying performance, careful to note both positive drivers and negative detractors, and is confident that it has achieved a fair and reasonable outcome, under trying conditions.

Labour productivity and efficiency

The Group began the implementation of four important, efficiency-led people initiatives this year:

Multi-skilling labour agreement – Pick n Pay secured a multi-skilling agreement with its main labour partner during the year, which allows Pick n Pay, for the first time, to schedule employees for more than one task within a single shift. This is a significant step forward in advancing skills development, productivity and improved customer service. Pick n Pay began to implement multi-skilling in the second half of the year, with the early benefits expected to come through from FY24. All other trading divisions have multi-skilling in place.

Pick n Pay voluntary severance programme – Pick n Pay undertook a company-wide voluntary severance programme in March 2023. The programme was aimed at delivering targeted benchmarks in support office and store-level efficiency through a streamlined labour force enabled by improved ways of working. Participation by employees was entirely voluntary, and the business had the right to refuse applications in order to protect key skills and talent. This has been concluded successfully in line with Project Future targets.

Restructure of junior management roles – Pick n Pay commenced with the modernisation of its junior store management structures in March 2023, to best support changing customer and operational needs. Pick n Pay anticipates that some roles are likely to be lost through a Section 189 retrenchment process. However, the business is also creating a broadly equivalent number of new roles at a more junior level. This process is underway with good progress to date.

Consolidation of support office infrastructure and services – Pick n Pay announced plans to consolidate its Cape Town and Johannesburg support offices by December 2023. This is another important step in streamlining support functions, removing the duplication of roles and services, and creating an office of the future in Cape Town.

The programmes all target improved efficiency and levels of service, but all inevitably create short-term uncertainty and vulnerability for employees that are directly or indirectly impacted. The Board and the Committee support each of the programmes detailed above, and all other measures undertaken to improve the long-term cost effectiveness of the Group under Ekuseni.

The Committee has ensured that the implementation of each programme has been undertaken in line with the values of the Group, including clear communication and respectful engagement and consultation with employees and labour partners. It is never easy to say goodbye to valued colleagues. However, these important initiatives will ultimately allow for longer-term job creation in areas of growth and innovation. The Committee will closely monitor management's efforts to maintain the cost savings and productivity gains, and not allow costs to creep back into the business.

Employee capacity and morale

Ekuseni is driving substantive change. The Committee has remained mindful of the ambitious targets of the strategy and the implications for the capacity of management teams across the business.

This is particularly true for our Boxer team. With plans to double the size of the business by FY26, Boxer opened 60 new stores this year, more than double that of last year, and added 3 100 new jobs. Adequate training, skills development and succession planning will be key determinants in the successful delivery of the Boxer Ekuseni strategy. Strengthened measures are in place, all of which are being closely monitored by the Committee alongside regular reviews of employee morale and retention.

Similarly, Pick n Pay converted 131 stores this year to its new Pick n Pay or QualiSave CVP, an immense achievement under challenging conditions. The conversions required an important step change in training and skills development at store level, while navigating the implications of the efficiency programmes detailed above.

The successful delivery of Ekuseni will be predicated on the collective and individual achievements of people across the Group and as such, the Committee is regularly reviewing the results of employee surveys and other indicators of employee morale, motivation and retention.

Application of Remuneration Committee discretion

A number of mechanisms are available to the Committee to ensure pay outcomes appropriately reflect individual and business performance, and the wider economic and societal climate. This includes the ability to apply malus, claw-back and responsible discretion to override formulaic outcomes under the short-term and long-term incentive schemes. Throughout the year, the Committee carefully considered pay arrangements and where it might, or indeed might not, be appropriate to apply discretion. After meaningful deliberation, the Committee concluded it was appropriate to apply discretion in the following three areas:

CEO and CFO short-term incentive bonus

The Committee moderated the STI awarded to the CEO and CFO from the target achieved to the mid-way point between threshold and target. The Committee recognised that the Group met its underlying performance targets, excluding the impact of load-shedding, driven by strong performances from the Group's growth engines, but believes that some moderation was appropriate to reflect elements of under-performance in the Pick n Pay division (sales growth, waste, stock holdings). Please refer to page 114 for further information.

The vesting of the long-term 2020 RSP share award (RSP 1) at 50%

The Committee recognised that the original headline earnings per share (HEPS) performance conditions set for the 2020 restricted share plan (RSP) awards (three-year compound annual growth rate of 6% at maximum) could not reasonably be attained, due to the severe trade disruption over the past three years (FY21: Covid-19; FY22: Civil unrest; FY23: load-shedding). The RSP LTI is designed to achieve long-term retention, with reasonably attainable targets resulting in a 40% vesting. The Committee elected to vest 50% of the awards in June 2023 to achieve the retention objective of the scheme, alongside recognition of the commitment of management under extraordinary circumstances. Please refer to page 115 for further information.

Amendment of in-flight RSP threshold performance targets

The rules of the Group's restricted share plan allow for the Committee to reasonably substitute or vary the performance conditions attached to share incentive awards, should events occur during the performance period which result in the original targets no longer being effective or appropriate.

The Committee believes that the deterioration in the Group's trading conditions as a direct result of load-shedding has put the key retention objective of the RSP scheme at substantial risk. As such, and after consultation with independent remuneration specialists, the Committee has elected to amend the RSP threshold targets required for a 40% vesting, from a Group HEPS target to an individual target linked directly to each participant's achievement of personal key performance indicators (KPIs).

		Previous	Amended
Performance target	**Vesting**	**Performance measure**	**Performance measure**
Threshold	40%	3-year HEPS growth: CPI	Individual KPIs
Target	70%	3-year HEPS growth: CPI + 1%	3-year HEPS growth: CPI + 1%
Stretch	100%	3-year HEPS growth: CPI + 2%	3-year HEPS growth: CPI + 2%

The discretion utilised will be key to achieving retention in a highly competitive and volatile trading environment. Please refer to page 110 for further information.

Retirement gratuity to retiring executive director

The Committee awarded Jonathan Ackerman a retirement gratuity of R1.5 million on his retirement from the Group on 31 March 2023. Please refer to page 116 for further information.

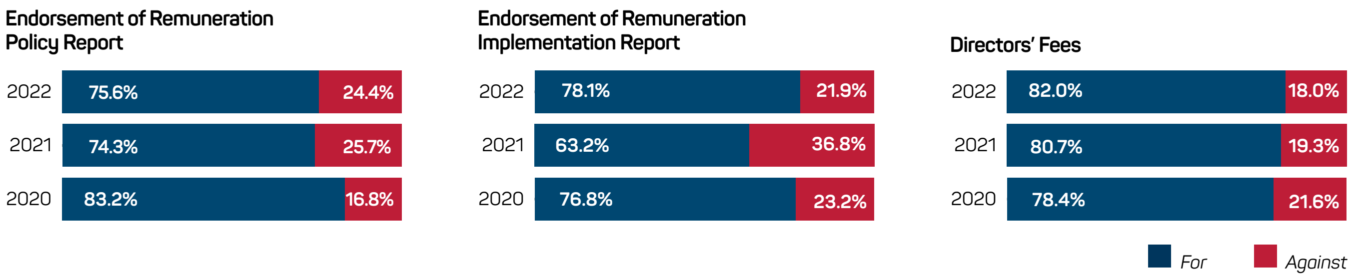
The Committee remained mindful of the concern expressed by shareholders around the level of discretion it has used in the past. The Committee trusts that shareholders will agree that it has struck a fair and equitable balance in delivering on the retention objectives of its remuneration policy.

Considering our shareholders' views on remuneration

I was supported by the Board chair in a number of engagements with our large institutional shareholders ahead of the 2022 annual general meeting (AGM). The shareholder meetings were highly constructive and resulted in strong shareholder representation at the AGM (90% of ordinary shares voted) and improved voting outcomes for our remuneration-related resolutions.

I encourage all our shareholders to continue to engage with myself and the Board on remuneration and other strategic matters, so that shareholder concerns continue to be reflected in the decisions taken.

AGM voting outcomes



Shareholder engagement largely centred around the following key issues:

1 Remuneration Committee discretion
- Consideration of the financial impact of the July 2021 unrest in the vesting of short-term and long-term incentives
- Retirement gratuities

2 Transparency of remuneration reporting
- The request for forward-looking STI targets and greater transparency of ESG-related performance targets

3 Long-term incentive targets
- The appropriateness of consumer price index (CPI)-linked long-term HEPS targets
- The introduction of targets linked to ROIC

4 Incentivisation and retention of key executives
- Adequate measures to retain individuals key to the delivery of the Ekuseni strategy and the incentives in place to drive performance

How the Committee considered shareholders' feedback on remuneration matters

1. Remuneration Committee discretion

Discretion utilised by the Remuneration Committee

Shareholders noted the discretion utilised by the Committee in the award of the FY22 STI and the vesting of the 2019 forfeitable share plan awards, with performance measures adjusted to exclude a portion of the negative financial impact of the July 2021 riots. Shareholders considered the discretion utilised and the control thereof justifiable under the circumstances. Shareholders sought confirmation that the discretion had been extended fairly across all levels of the Group, and particularly reached those individuals who had played a pivotal role in restoring critical supply chain and store operations.

Remuneration Committee response:

The Committee confirmed that STIs were awarded to all eligible employees, with higher multiples paid to those employees who had worked tirelessly to rebuild and reopen damaged infrastructure.

CFO bonus at 70% of maximum (stretch)

Shareholders requested further clarity on the decision to award the CFO an FY22 STI at 70% of her maximum stretch multiple, compared with the average 50% award provided to other executive directors and the management team.

Remuneration Committee response:

The Committee confirmed that while the average award was at 50% of stretch, individual awards were allocated to participants based on the attainment of personal key performance indicators (KPIs). CFO Lerena Olivier was awarded 70% of her maximum bonus in recognition of her careful management of the Group's liquidity over the period of the disruption, and her leadership in managing the Group's insurance claims and the reinstatement of its insurance covers. Lerena Olivier was recused from all Committee discussion in respect of her bonus award.

Ad hoc retirement gratuity awarded to retiring executive director

Shareholders expressed concern at the practice of awarding gratuity payments to executive directors on retirement. Suzanne Ackerman was awarded a retirement gratuity of R3.0 million in FY22 in recognition of her extended and valuable tenure with the Group, and in particular her successful contribution to driving transformation across all levels of management.

Remuneration Committee response:

The Committee retains the discretion to make such awards, when it believes it is right and fair to acknowledge a highly valuable contribution over many years. In these instances, the Committee carefully deliberates the value of the award, which is limited to a maximum of 12 months' cash salary. Executive directors are not party to any Committee discussion in respect of retirement gratuities. Please refer to page 116 for detail on the retirement gratuity awarded to Jonathan Ackerman on his retirement this year.

2. Transparency of remuneration reporting

Non-disclosure of forward-looking STI targets and greater transparency of ESG targets

Shareholders requested disclosure of the forward-looking short-term performance targets which had been agreed for the FY23 short-term annual bonus scheme. Shareholders also requested greater transparency around ESG targets.

Remuneration Committee response:

The Committee recognises that best practice dictates the publication of these targets. However, due to the commercial sensitivity of disclosing prospective profit targets and increased volatility of the market (which necessitates more regular Committee meetings), the Group will continue to disclose profit targets on a prospective basis in Section 3 of this report, in line with market practice. The Group continues to improve and expand its ESG-related disclosures. Please refer to page 114 for further information.

3. Long-term incentive targets

CPI-linked targets

Shareholders supported the introduction of CPI-linked earnings targets into the executive RSP. However, certain shareholders had expressed concern that the RSP 2021 (RSP 2) performance targets were not stretching enough in the context of the Group's Ekuseni strategy and requested a review of the published CPI-linked targets to ascertain whether it would be appropriate to revise these targets upwards.

Remuneration Committee response:

The Committee recognised the merit in shareholder concerns and reviewed the CPI-linked targets in detail at its October 2022 and December 2022 meetings. However, the economic environment deteriorated substantially over the second half of the year, with escalating levels of load-shedding having a material impact on the financial performance of the Group and on its prospects of achieving the original performance hurdles set (which had not anticipated further disruption of power supply). As such, the Committee engaged independent remuneration specialists to provide guidance on how best to address in-flight share awards in order to adequately meet the objective of long-term retention and incentivisation under extremely challenging circumstances. Please refer to pages 114 and 115 for further information.

Long-term incentive targets linked to return on invested capital (ROIC)

The Group's RSP long-term share incentive scheme includes HEPS performance targets only, with a gatekeeper that return on capital employed must be maintained above weighted average cost of capital over the three-year performance period (ROCE > WACC). A number of shareholders confirmed a preference for a greater proportion of performance hurdles to measure operational returns in excess of cost of capital.

Remuneration Committee response:

The Committee confirmed that management (supported by the Treasury subcommittee) was in the process of developing an appropriate measure of ROIC, which would be introduced as a performance target for the CEO, CFO and other senior management, as relevant, for all long-term share incentive awards going forward. Please refer to pages 110 and 115 for further information.

4. Incentivisation and retention of key executives

The incentivisation of the delivery of Ekuseni

A number of shareholders requested assurance that the executive management team would be adequately incentivised to execute and deliver on the ambitious targets of Ekuseni. Shareholder concern centred around the retention of key skills and talent in a difficult and competitive environment, with particular concern around the capacity and incentivisation of the management teams at the helm of the Group's growth engines (Boxer, Clothing and Online), with management teams across the business required to deliver substantive sales and earnings growth over the period of the Ekuseni strategy.

Remuneration Committee response:

The Committee, with the assistance of remuneration specialists, was in the process of developing a separate long-term incentive award, targeted at a small number of executives directly accountable for the successful execution of the long-term Ekuseni strategy. The term of the scheme and its performance targets (including ROIC as appropriate) will be directly aligned with the objectives of the plan and will be communicated in due course. Please refer to pages 110 and 116 for further information.

5. Other topics

Provision of housing loans to employees

Shareholders expressed various concerns regarding the practice of providing financial assistance to employees, including that the policy could lead to greater indebtedness for financially constrained employees and provide unnecessary gain and conflict of interest for senior executives. Some shareholders noted that they only support financial assistance to employees in the case of incentivisation or the advancement of BBBEE.

Remuneration Committee response:

The primary objective of the Group's housing loan policy is to assist employees with the acquisition of residential property. The loans are provided at beneficial interest rates and are capped at varying amounts based on the employee's position in the Group and the results of affordability tests. Noting shareholder concern, loans are no longer awarded to executive directors or senior management.

The value of the non-executive Chair fee

Shareholders expressed concern at the high value of the non-executive Chair's fee relative to other listed companies in South Africa.

Remuneration Committee response:

The Chair's fee reflects the active role the Chair plays in formulating and steering the Group's overarching corporate governance framework, with a focus on environmental and social responsibility.

Please refer to pages 111 and 116 for further information.

The independence of the Group's long-serving directors

Shareholders noted that eight of the Group's non-executive directors had served terms of nine years or more (more than three terms), including four Remuneration Committee members, and the independence of these directors would come under increased scrutiny over coming years.

Remuneration Committee response:

The Board recognised that long tenure does create concern around director independence. The Board is confident that it has established a Remuneration Committee which has a good balance between the wisdom and experience of long-standing directors, and the fresh insights from more recent appointees. The Board has appointed four new independent directors over the past three years, which has invigorated the Board, including the appointment of James Formby in October 2022. Hugh Herman retired in July 2022 and Jeff van Rooyen will retire at the AGM in 2023. The Committee will look to refresh its composition in the coming 12 months.

The process we will follow for the 2023 AGM

The Remuneration Committee values open and constructive engagement with shareholders. We encourage shareholders to engage with the Committee on all material remuneration concerns to ensure that they are informed when voting on the Group's remuneration policy and the application thereof. Please direct all comments and queries to our Company Secretary via email at CompanySecretary@pnp.co.za

The remuneration policy (pages 103 to 111) and implementation report (pages 112 to 121) will be presented separately to our shareholders for non-binding votes at the AGM on 19 July 2023. Should either the remuneration policy or the implementation report receive 25% or more dissenting votes, the Group will take the steps detailed below.

1. Issue a SENS announcement on the AGM's voting results.
2. Invite dissenting shareholders to engage formally with the Remuneration Committee.
3. Schedule collective and/or individual shareholder engagements as appropriate to determine the reasons for the dissenting votes and take reasonable steps to resolve legitimate shareholder concerns.
4. Provide participating shareholders with a formal response, noting concerns raised and providing detailed responses where changes will be made to address concerns.

Unpacking the Committee's FY23 priorities and key decisions

The table below provides detail on how we actioned the FY23 priorities we committed to in last year's remuneration report.

The FY23 focus areas	The Committee's reflection on progress and key decisions
Review the Board and Remuneration Committee timelines to ensure timely and transparent reporting to stakeholders.	The Committee increased the number of its formal meetings this year to four, in order to support Board, management and reporting requirements.
Ongoing review of the effectiveness of STI and LTI policy to drive the Ekuseni objectives.	The Committee engaged with independent remuneration specialists to advise on the effectiveness of STI and LTI policy, with a focus on the adequate retention of key skills and talent in a challenged environment. Read more on pages 108 and 114.
Develop a specific Ekuseni long-term incentive (LTI) award, targeting senior executives key to its delivery.	The development of a stand-alone Ekuseni long-term share incentive scheme is underway. Read more on page 116.
Continue to differentiate reward in terms of individual performance and address under-performance through the Group's formal performance appraisal process.	The Committee is satisfied that the Group's formal performance appraisal process has ensured fair reward which reflects the individual attainment of personal KPIs. Areas of under-performance are identified and formally addressed through this process.
Continue the focus on developing and retaining key successors, as emphasised by the cash retention incentive (CRI) scheme aimed at retaining and developing lower and middle-management employees.	The participation on the CRI and RSP LTI schemes was expanded to include rising stars identified at lower levels of management through the formal appraisal process. These individuals will receive tailored training and development, with ongoing focus on transformation. Read more on page 115. Pick n Pay has implemented a new bonus scheme for store managers in FY24, which incentivises store managers against a simplified scorecard of seven key KPIs, to target improvements in store efficiency and customer service. Read more on page 108.
Diversity and skills development among senior leadership, with a focus on gender and race.	The Committee noted excellent transformation at middle and lower levels of management. However, it remains concerned with the slow pace of transformation at the most senior levels of the Group and has requested more regular feedback on progress against the Group's transformation goals to drive momentum in this area.
Continue to ensure fair and equitable remuneration practices across the Group – including improving income disparity at lower levels of management, and providing a fair wage for employees.	The Committee reviews the results of market benchmarking on an annual basis, and utilises statistical analysis to ensure race and gender pay parity. Read more on pages 104 and 105. The Group is transitioned to a "cost-to-company" remuneration model that will provide even greater clarity on pay parity across the Group. Refer to page 112. Higher increases were provided to lower levels of employees. The amendments to the threshold LTI performance targets, while implemented to drive retention objectives, also serve to differentiate rewards on the basis of individual performance.

In addition to the material deliberations detailed on the previous page, the Committee also addressed:

- The implementation of Pick n Pay employee efficiency programmes under Ekuseni to ensure it is conducted in a manner aligned with the values of the business.
- The capacity of the Boxer management team to meet the growth ambitions of Ekuseni and the steps taken to bolster skills development and succession planning in this business.
- Employee morale at Pick n Pay and Boxer as measured by the employee Net Promoter Score (eNPS) and the steps taken to address issues raised, particularly within a changing Pick n Pay environment.
- Reviewed and approved salary increases for executive and senior management and ensured fair and responsible increases for employees at lower income levels. Refer to page 104.
- Reviewed the remuneration framework for, and fees paid to, non-executive directors. Refer to page 116.

The role of independent external advisors

The Committee ensures that the Group remains up to date with evolving legislation and remuneration practices across the retail industry through ongoing training, research and monitoring. Independent and objective expert advice is obtained as required, including in respect of industry benchmarking and the fair and transparent structure of variable short-term and long-term benefits in order to drive performance and achieve retention.

The Group utilised the services of Remchannel and DG Capital during the year for various aspects of remuneration benchmarking, and utilised PwC for assistance in the development of more efficient management structures in our support office, as part of our Project Future efficiency programme. The Group appointed independent advisors 21st Century and De kern van de zaak to guide on the effectiveness of its long-term incentive schemes, and to assist with the development of a stand-alone LTI to incentivise the goals of Ekuseni. Please refer to page 107 for further information.

The Committee is satisfied that these remuneration specialists all provided objective and independent advice and services to the Group.

The Committee's role has been pivotal in striking the right balance between attracting, motivating and retaining employees in a challenging market and aligning remuneration outcomes with operational performance and shareholder interests. It is not an easy balance to get right, and I hope that shareholders are able to see how we have applied careful judgement in the application of our remuneration policies in order to achieve fair and reasonable outcomes.

I trust that our commitment to listen carefully to our shareholders, and amend our policies and actions where necessary, was evident in the constructive engagements we held with shareholders and with our improved disclosures this year. The Committee will continue to review and evolve the Group's remuneration policies in a measured and responsible manner that considers the needs of all stakeholders.

Audrey Mothupi
Chair: Remuneration Committee

14 June 2023

Our key focus areas for FY24

- The motivation and retention of key skills and talent, to ensure the business retains its strong leadership team tasked with the delivery of Ekuseni, especially within the challenging macro-economic environment of South Africa
- Increasing the eNPS score in our Pick n Pay business, to ensure employee morale is restored post the severance and restructuring programmes undertaken to improve the efficiency of the business
- Maintaining the winning spirit of our Boxer, Clothing and Online growth engines to ensure momentum is maintained in these key divisions
- Targeted attraction and retention of key skills and talent in digital innovation to ensure the Group continues to advance its systems infrastructure and capability
- Enhancements (where necessary) to the Group's short-term and long-term incentive schemes in light of the volatile macro-economic environment, including the finalisation of a stand-alone Ekuseni LTI
- Embedding relevant ESG performance targets at all levels of management
- Race and gender transformation at the most senior levels of the Group

UNDERSTANDING THE GROUP'S REMUNERATION POLICY

Guide for stakeholders

This section provides information on the Group's remuneration policies and practices, including:

- Key principles underlying the remuneration policy framework
- Remuneration structures, including detail on guaranteed and variable remuneration
- Service contracts, termination benefits and minimum shareholding requirements
- Malus and claw-back

The Group's remuneration policy is forward-looking and will be voted on by shareholders at the AGM on 19 July 2023. Refer to advisory vote 1 in the notice of AGM.

The Group strives to build a diverse and high-performance team that is fairly rewarded and incentivised to deliver on the Group's strategic objectives over the short, medium and long-term.

The Group's framework of remuneration policies is designed to provide employees with fair, responsible and balanced reward that recognises the attainment of short-term goals, while incentivising long-term, sustainable value creation.

Overview of remuneration policy

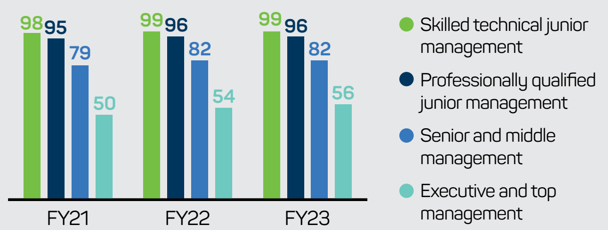
The interests of our team are aligned with those of our stakeholders through governance practices based on four key principles.

1

Promoting diversity and building talent

- The Group provides equal opportunities to people from all walks of life to ensure our team adequately reflects the communities we serve
- Remuneration packages are benchmarked at all levels and are designed to attract, develop, motivate and retain the retail industry's most talented employees

Employment equity participation (%)



3

Fair and responsible remuneration

- The Group is committed to furthering employees' economic empowerment and overall well-being
- The Group provides fair and responsible remuneration for all employees, in line with market benchmarks, to help them succeed and thrive in and outside of work, alongside opportunities for ongoing skills development, bursaries and study grants
- There is equal opportunity for growth and development, and employees are recognised and advanced based on merit

Please read from page 104 for further information.

2

Efficient and productive workforce

- The Group is committed to building a high-performance culture that rewards efficiency and productivity
- The Ekuseni strategy is focused on building a winning team, and unlocking productivity and efficiency gains across our supply chain, store and support operations
- Regular reviews of operational effectiveness ensure efficiency and cost discipline are achieved through ongoing improvements in employee structures and scheduling and the centralisation of support services
- Group and individual performance targets increasingly focus on key measures of employee efficiency and productivity

4

Responsible executive remuneration

- Executive directors and senior managers are fairly rewarded for creating and delivering sustainable shareholder value over the short, medium and longer-term, in line with the Group's strategic objectives
- The executive team is not unduly rewarded where performance does not meet expectations
- The Remuneration Committee strives to find a reasonable balance to retain key executives and attract quality executives from outside the business, to ensure delivery against the Group's strategic objectives
- Long-term share incentive schemes align executive and shareholder interests and promote a culture of executive share ownership

Fair and responsible remuneration

The Group as a responsible corporate citizen has committed to a framework of remuneration policies which will deliver remuneration outcomes that can be objectively viewed as fair and reasonable by all relevant stakeholders.

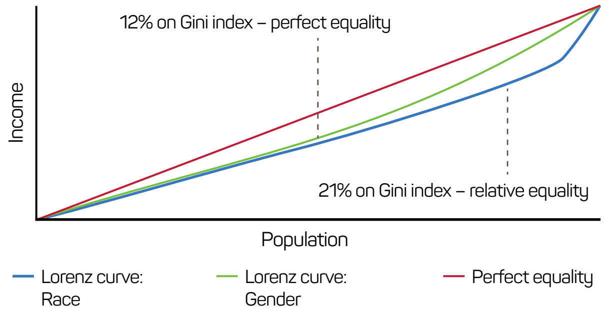
Equal pay for equal work

The Group follows an equal pay for equal work policy and does not discriminate based on race, ethnicity or gender. Statistical analysis is performed on an ongoing basis to identify and correct any differential pay rates based on race or gender, and to ensure employees are rewarded fairly in relation to their peers, adhering to the equal pay for equal work principle.

The Committee's statistical analysis of income distribution across employee grades was extended this year. In FY22 the analysis focused on management grades (A – G), which was extended in FY23 to all full-time employees, including NMBU employees.

The Group's analysis of the income equality of full-time employees across race classifications and gender did not highlight any evidence of bias or discrimination. Relative equality has been achieved, as reflected in the graph below. The results reaffirm the Group's commitment to equal pay for equal work.

Relative income equality



Fair and responsible

The Group assesses remuneration as fair and responsible in the context of the following criteria:

- Fair and responsible for the role performed (internal equity)
- Fair and responsible in terms of compliance with relevant legislation
- Fair and responsible in terms of agreements with unions
- Fair and responsible in terms of market benchmarks (external equity)
- Fair and responsible in terms of long-term sustainability

Non-management bargaining unit (NMBU) employees

Approximately 50% of our employees (and 70% in Pick n Pay) belong to a labour union, where wages are governed by labour union agreements. Employees remunerated under contractual agreements with labour unions are paid in accordance with agreed hourly pay scales and additional benefits, without any differentiation based on race, gender or disability. Negotiations with our labour unions consider:

- Statutory minimum wage requirements in South Africa and the retail sector
- Individual job categories as defined in the SD9 regulation*, as well as the Basic Conditions of Employment Act
- The economic environment
- Additional benefits provided for the well-being of our employees
- Affordability, with a particular focus on the projected percentage increase in like-for-like sales growth relative to the percentage wage increase and the increase in other costs, to determine whether the wage increase is affordable for the Group, or whether it is likely to reduce our overall competitiveness and our capacity to offer greater value to customers through lower prices

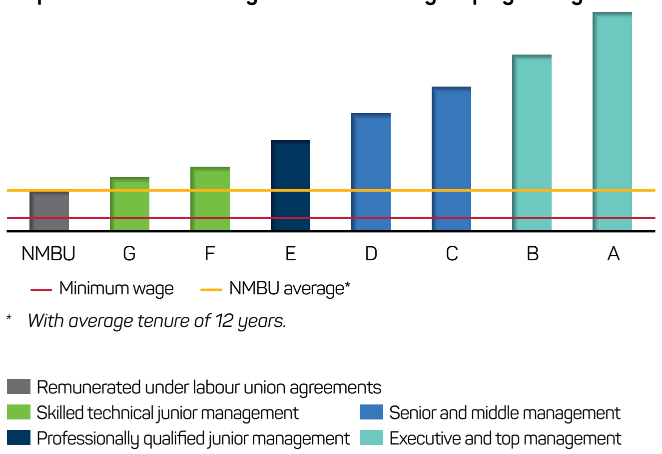
Management employees (Grades A - G)

Guaranteed pay and variable incentives are benchmarked against the market to ensure employees are rewarded competitively.

The income gap

The Group's statistical analysis of its income distribution across its full-time employees demonstrates large income disparity, driven by the high number of unskilled and semi-skilled workers employed across its retail store estate. This is reflective of norms in the retail industry, with higher levels of guaranteed and variable remuneration paid to skilled and senior management.

Representation of average remuneration by employment grade



The analysis does not yet consider variable-time employees. The significant variation in hours worked across the variable-time labour force does not allow for reasonable comparability. The Group is committed to improving the transparency of its income disparity disclosures in line with the JSE's sustainability disclosure guidance and will provide further information in due course.

The Committee will continue to ensure that remuneration is benchmarked to the market at all levels, that we provide industry-leading benefits, and that the Group continues to award higher annual salary increases to lower levels of management. Refer to page 112 for historic increases.

* *Sectoral Determination 9 - applying to the employment of employees in the Wholesale and Retail Sector in South Africa.*

Benchmarking remuneration to the market

Guaranteed pay and variable benefits at each employment grade are benchmarked annually against industry norms to ensure employees are rewarded competitively in relation to the broader employment market and the retail industry specifically. Remuneration is generally positioned at the market median. Key or scarce skills and high performers are remunerated at the upper quartile of the market. Independent experts assist with remuneration benchmarking to ensure that decisions are objective and fair. Advisors include PWC, REMchannel, DG Capital and 21st Century.

Employees below senior executive level

The Group utilises REMchannel national surveys to benchmark remuneration annually against the national and retail markets.

Senior executive benchmarking

The Group annually benchmarks guaranteed and variable remuneration paid to senior executives to a comparator group of large JSE-listed companies to ensure our executives are remunerated fairly and in line with the market. Comparator companies for benchmarking:

Clicks, TFG, Mr Price, Shoprite, Pepkor, Spar, Truworths, Woolworths.

Remuneration framework

The Group has an ambition to build the most skilled and talented retail business in southern Africa. The Group's remuneration framework for management employees is designed to develop and retain a high-performance team. It provides for fair and balanced reward that recognises the attainment of short-term goals, while motivating sustainable value creation, strongly aligned with the Group's strategy and the long-term interests of stakeholders.

Guaranteed remuneration

Fixed salaries and benefits across the Group are set at levels that are competitive with the rest of the market. This enables the Group to attract, motivate and retain the right calibre of diverse people to achieve our strategic business objectives.

Base pay

- Tailored to reflect the relative skill, experience, and individual role of each employee
- Remuneration is directly linked to formal annual performance assessments
- Annual increases reflect the projected CPI and comparable increases in the general and retail market

Benefits

- Healthcare benefits
- Retirement funding
- Leave
- Training
- Bursaries and study grants
- Vehicle allowances
- Long-service awards
- Other benefits at store level, including meal, transport and uniform subsidies in Pick n Pay

The Group benchmarks its guaranteed pay and benefits against several JSE-listed and unlisted comparator companies.

Variable incentives

Variable incentives are designed to reward and incentivise performance over one- (STI) to three-year (LTI) periods. Variable benefits are closely linked to achieving Group, divisional operating units and individual performance objectives.

Short-term incentives (STI)

Annual cash bonus rewards qualifying employees based on meeting key performance targets.

Other, more frequent bonuses are paid to qualifying employees at store level.

Long-term incentives (LTI)

Cash retention incentive scheme
Retention and reward aimed at talented middle management.

Restricted share plan
Retention and reward aimed at executive and top management.

Ekuseni LTI
Retention and reward, aligning key executive management incentives with the targets of the Group's long-term plan. This scheme is in the process of being finalised

RSP CRI

The basis for calculating STIs and LTIs is formulaic in nature (page 108). However, participation in variable incentive schemes is at the discretion of the Remuneration Committee. The Committee may exercise discretion to award ex gratia payments where extraordinary value was created or elect to moderate or withhold incentives where individual performance does not warrant an award.

Category
Skilled technical junior management *Professionally qualified junior management* *Senior and middle management* *Executive and top management*

Remuneration mix

Remuneration is balanced between guaranteed remuneration and variable incentives to align employee and shareholder interests over the long-term. To achieve a high-performance culture, a higher proportion of variable remuneration is applied to senior management personnel to drive performance, with a greater emphasis on total guaranteed pay (TGP) for middle and junior management.

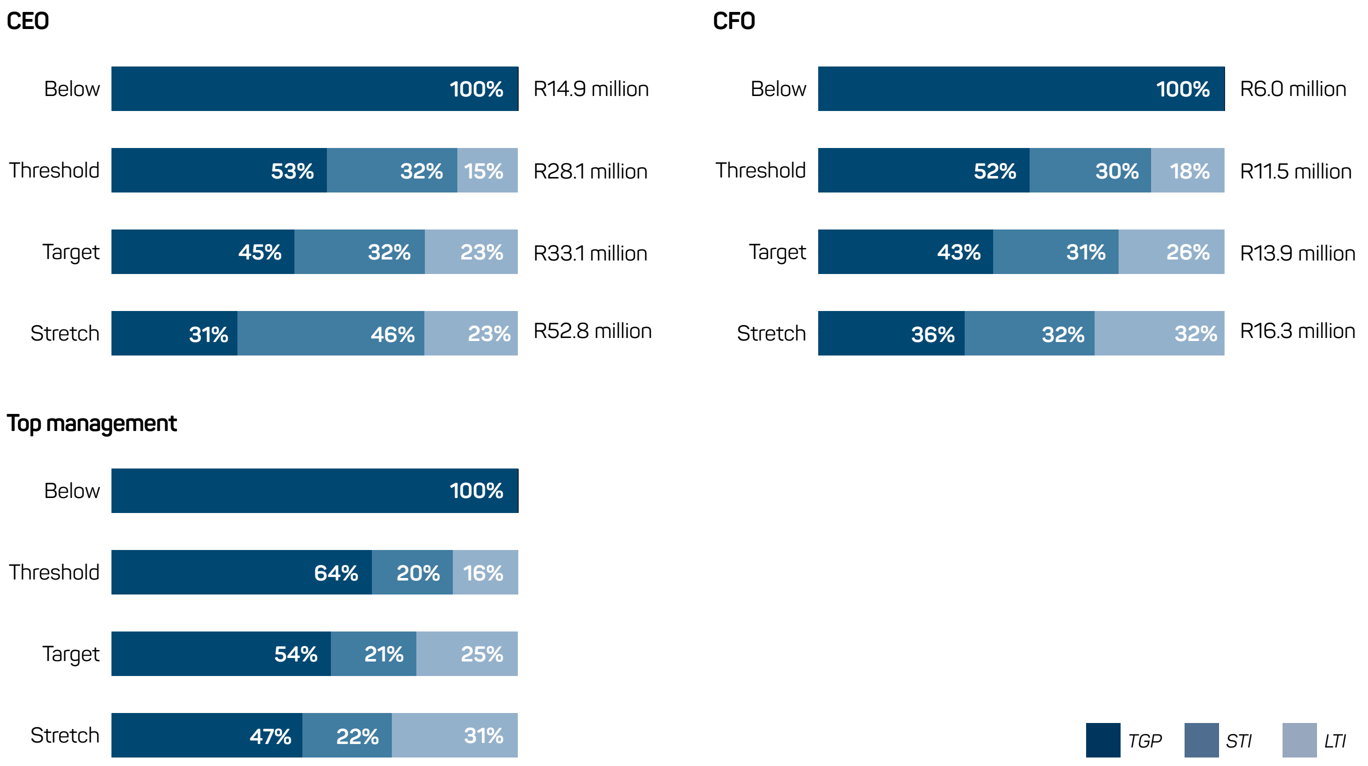
Variable remuneration consists of short-term incentives (STI) and long-term incentives (LTI) and is considered 'at risk pay' as it is dependent on meeting performance targets, closely aligned to the Group's long-term strategic plan. Performance targets are set within the Group's overall risk appetite, with the objective of being challenging but realistic, in order to achieve retention and drive performance in the broader context of the Group's economic and trading environments.

The value of STI and LTI remuneration increases as targets are met and exceeded to encourage the attainment of stretch targets. The table below illustrates the mix of guaranteed and variable remuneration payable to the Group's executive management team.

	Remuneration outcome		
	TGP	**STI award**	**LTI vesting**
Below threshold	100%	0%	0%
Threshold	100%	80%	40%
Target	100%	100%	70%
Stretch	100%	120%*	100%

* *CEO STI at 200% at stretch.*

The potential remuneration mix for the Group's CEO, CFO and executive and top management team against agreed performance targets, based on a multiple of basic cash monthly salary, is presented below:



Aligning variable pay with delivering the Group strategy

The Group's variable remuneration policies are strongly aligned with the Group's long-term plan, designed to incentivise the delivery of the Group's financial and operational objectives over a one- and three-year period.

Primary KPIs

Primary KPIs align management interests with those of shareholders:	Short-term incentive scheme	Long-term incentive scheme
Profit before tax and exceptional items (PBTAE)	●	
Sales growth	●	
Comparable HEPS, adjusted for exceptional items as appropriate		●
ROIC	●	●

Secondary KPIs

	Short-term incentive scheme	Long-term incentive scheme
Individual KPIs drive management performance against a balanced Ekuseni scorecard of financial, operational, transformation and good business targets (refer overleaf for further information).	●	
Individual KPIs have been introduced as a threshold target in the RSP.		●

● Short-term incentive scheme – annual performance bonus ● Long-term incentive scheme – restricted share plan

The execution of the Group's Ekuseni strategy is measured against KPIs within its five key strategic focus areas. The long-term Ekuseni ambitions are aligned with the HEPS performance targets of the RSP. KPIs are utilised to incentivise and measure the performance of senior management personnel in the Group's annual performance bonus scheme (short-term incentive scheme).

Ekuseni Strategic Pillar	Ambitions	Annual Scorecard
Refined and strengthened Pick n Pay customer value proposition	+20 NPS; 3% market share gain	NPS growth Sales growth Store growth ROIC Stock levels
Accelerate the growth of Boxer	2 x Boxer sales; 3% market share gain	Sales growth Profit margins ROIC
Build a market-leading online offer	8 x Online sales	Sales growth Profit growth ROIC
Fund our ambition through Project Future	R3 billion cost savings	Gross profit margin Trading expenses margin Stock levels and waste Relevant ESG targets (provided below)
Delivery through people	10% sales CAGR >3% margin	Employee satisfaction (eNPS) Employee turnover

We have several Group ESG targets that are linked to our Ekuseni strategy.

↓50% in food waste by 2030 (against a 2019 baseline)	**Net Zero Carbon** (Scope 1 and 2) by 2050, -60% by 2040 (against a 2022 baseline)	**100%** packaging to be recyclable/reusable by 2025
100% CO_2 refrigeration by 2040*	**75%** of general waste diverted from landfill by 2025	**↓20%** reduction in water usage per store 2025 (against a 2018 baseline)

* *CO_2 refrigeration is a natural and cost-effective alternative to synthetic refrigeration. Its climate impact is 1 500 to 4 000 times less than that of synthetic refrigerants.*

The Group's Ekuseni strategic targets and related time-frame for delivery are currently under review as a consequence of the deteriorating macro-economic conditions in South Africa.

* *Please refer to page 62 for further information on ESG targets*

Short-term incentives

Annual short-term bonus scheme

The annual short-term bonus scheme aims to drive short-term performance in a measured and sustainable way. The scheme incentivises the achievement of the Group's financial and non-financial targets as set out in the Group's plan for the year to follow, while retaining key skills and talent over the longer term.

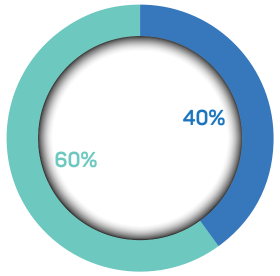
Criteria to participate in the short-term bonus scheme	Approximately 1 000 management employees (Grades A – D) are eligible to participate. Employees must: • Be in the Group's employ for at least four months of the financial year, with the bonus applied pro rata • Achieve the prescribed minimum performance level on their annual performance appraisal Employees cannot have resigned prior to the bonus payment date or be completing a resignation notice period.
A formulaic approach to calculating the short-term bonus	• The Group must first attain the threshold target set by the Remuneration Committee for PBTAE before any bonus is payable to the management team. This gatekeeper PBTAE target is applied at Group or divisional level, as appropriate, and ensures the bonus is affordable for the Group. • The PBTAE target determines the maximum of the short-term bonus pool based on a formal and transparent pay-out multiple linked to participants' basic monthly cash salary. • The bonus pool increases in a linear manner, as performance hurdles are met with the target pay-out at 100%, with threshold at 80% and stretch at 120% (CEO 200%). • The value of the short-term bonus paid to each participant is determined through a balanced scorecard of Group performance and individual KPIs. Performance targets are determined and communicated to participants annually in advance.

Balanced scorecard

Group or divisional financial performance weighting 60%

60% of the pay-out multiple is subject to the attainment of PBTAE and sales targets as set by the Remuneration Committee on an annual basis.

Focus on earnings and top-line trade performance is important to ensure that the Group delivers growth in a sustainable manner.



40% Individual financial and non-financial performance weighting

40% of the pay-out multiple is subject to each participant achieving two key performance targets specific to their role within the Group. This is agreed on with their line manager on an annual basis and monitored through the formal performance appraisal process.

The executive team is subject to a third key performance target linked directly to the Group's ESG objectives, as appropriate.

Weighting

Group or divisional performance targets

PBTAE	60%
Sales growth	40%

Weighting

Individual performance targets

Individual KPI	40%
Individual KPI	40%
Relevant ESG KPIs	20%

Application of STI methodology for the Group's CEO and CFO

Please refer to page 114 for detail on how the formal STI methodology was applied in the calculation of the CEO and CFO FY23 performance bonuses.

Other short-term bonuses

Other, more frequent incentive bonuses are paid to qualifying employees at store level. These incentives are linked directly to short-term store performance targets, including turnover, stock holdings, shortages and waste.

Pick n Pay introduced a new short-term bonus scheme for all Pick n Pay and Pick n Pay QualiSave supermarket store managers in March 2023, which incentivises monthly performance against seven key Ekuseni store metrics:

1. Sales growth
2. Online picking, fulfilment and delivery rates
3. Customer satisfaction (NPS score)
4. Shortage as a % of sales
5. Employee costs
6. Controllable expenses
7. Compliance with Ekuseni operational standards of execution

Long-term incentives

Long-term incentives are an integral part of the Group's remuneration philosophy to ensure the long-term retention of skilled and promising talent at all levels of management and to align the interests of senior executives with those of shareholders.

The Group maintains a long-term cash retention scheme for middle-management employees and a long-term share incentive scheme for our senior management team.

Cash retention incentive scheme

The objective of the CRI scheme is to recognise and retain key talent at senior and middle-management levels, while advancing the Group's employment equity and gender equity targets. The cash award is based on a fixed multiple of each participant's monthly salary, and vests after a period of three years.

Retention in a highly contested retail environment is the primary objective of the scheme and, as such, no performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If a participant leaves before the end of the vesting period all unvested cash awards will lapse, subject to good leaver provisions (such as retrenchment, ill health or disability).

Participants are identified through the Group's formal performance appraisal process, and awards are made on an annual basis, allowing for participants to receive rolling annual awards as they progress through the Group.

Funding of share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million Pick n Pay Stores Limited (PIK) shares to manage the Group's employee share option and restricted share schemes, representing 13% of issued share capital. In respect of the number of new shares that can be issued to cover obligations under the employee share schemes, the two share schemes are constrained by an aggregate limit of 5% of PIK's issued share capital.

Legacy share option scheme

The Group's legacy share option scheme (the 1997 employee share option scheme) was replaced by the CRI in FY22. All outstanding share options previously awarded under the scheme will vest in participants over the next five years under the original terms and conditions of the awards. No further share options are awarded under this scheme.

The future net realisable value of outstanding share options held by employees at 26 February 2023:

Year	Average grant price R	Number of options 000's
Outstanding share options may be taken up during the following financial years:		
2024	64.17	9 694.0
2025	64.58	1 412.6
2026	70.19	1 347.6
2027	65.35	619.1
2028 and thereafter	51.03	89.0
Total		13 162.3

The outstanding share options had a fair value of just R1.6 million at year-end as the market share price of R45.63 on 24 February 2023 was less than the grant price of the majority of the awards.

Restricted share plan

The RSP recognises executive and top management employees who have a significant role to play in delivering the Group's strategy and its growth and sustainability.

The RSP has performance conditions attached to incentivise participating employees to deliver long-term earnings growth in line with the Group's strategic plan. An award of shares may also be used to attract talented prospective employees and progress the Group's transformation strategy.

Value	• The Remuneration Committee awards zero-strike RSP shares to participants. The values of in-flight awards were calculated as a percentage of each participant's basic annual cash salary: › CEO 100% › CFO 100% › Top management 50% – 100% • The Group is transitioning to a cost-to-company remuneration model and multiples will be reviewed and amended as appropriate going forward. • The value of shares awarded to participants reflects recognised market benchmarks, each participant's individual contribution to long-term value creation, and other relevant retention and attraction considerations.
Vesting	• The shares are held by a Central Securities Depository Participant on behalf of participants over the time of the vesting period (normally three years). • Participants cannot dispose of the shares before the vesting date. • If a participant leaves the Group before the completion of the vesting period, all shares and accrued dividends are forfeited (subject to good leaver provisions).
Performance conditions/targets	• In order to drive the stated retention objectives of the RSP, threshold performance targets (40%) are now linked to the attainment of individual KPIs as measured through the Group's formal performance appraisal process. This change follows consultation with remuneration specialists. • On-target (70%) and Stretch (100%) performance targets are linked to the Group's financial performance, with in-flight awards utilising compound annual growth in comparable HEPS linked to growth in CPI. • Going forward, and following shareholder engagement, the On-target and Stretch performance targets will include a target for Return on Invested Capital (ROIC). • Performance conditions are applied on a linear, rising scale once the threshold target has been met. This allows for the vesting of an increasing number of shares as earnings thresholds are met and exceeded. • All growth thresholds are inclusive of the applicable IFRS 2 share-based payment expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding. Please refer to page 98 for further information.
Gatekeeper clause	• To ensure that the RSP is aligned with the best interests of the Group and its shareholders, the performance conditions of all in-flight awards are subject to an overriding gatekeeper condition that ROCE must be greater than WACC over the vesting period before the RSP shares can vest. The gatekeeper clause ensures that the Group generates a real return for shareholders before rewarding its management team. • Future awards will include a formal ROIC performance target, alongside earnings targets. The change aligns with revised internal methodology following shareholder engagement.
Ownership rights	• Participants have full voting rights over the period. • Dividend rights are at the discretion of the Remuneration Committee, are deferred until vesting date, and are paid in direct proportion to the number of shares which vest.

Service contracts and termination benefits

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

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions. Termination, restraint of trade payments, or retirement gratuities may be made at the discretion of the Remuneration Committee.

Remuneration policy on termination of employment

	Salary	Benefits	STI	LTI
Voluntary resignation	Paid over notice period	Paid over notice period	Lapses	Unvested awards forfeited
Dismissal / termination	Paid until termination	Paid until termination	Lapses	Unvested awards forfeited
Early retirement from 55 years of age	Paid over notice period	Paid over notice period	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved
Normal retirement	Paid until retirement	Paid until retirement	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved
Retrenchment (voluntary or involuntary)	Paid until exit	Paid until exit Severance payments apply	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved

Minimum shareholding requirement (MSR)

The CEO is required to retain 50% of the shares delivered under the Group's share incentive schemes (after the settlement of tax), while in the employ of the Group. The CEO will receive his first shares under the Group's restricted share plan in June 2024.

The Committee will consider extending the MSR to the CFO and other members of the senior executive team over the coming year.

Malus and claw-back policy

In the event of a material misstatement of the financial statements of the Group, or of any subsidiary company, the Board is entitled to adjust (malus) or recover (claw-back) any performance-related short-term and long-term incentives previously paid to executives implicated in the misstatement because of fraud, dishonesty or negligence.

Trigger events for the application of either malus or claw-back are set out in the policy and include:

- Fraud, dishonesty, or the misrepresentation of financial performance
- Errors or misstatements in financial results which result in greater remuneration outcomes
- Reputational damage

Non-executive director fees

Non-executive directors do not have service contracts, but serve under a formal letter of appointment from the Board and are re-elected by shareholders on a rotational basis.

Fees are not linked to the performance of the Group or its share price and are paid six monthly in arrears. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. Their services may be terminated without liability for compensation.

Proposed fees are based on independently benchmarked data, including against retail peer companies in South Africa. The Company Secretary proposes the fees to the Remuneration Committee, which recommends the fees to the Board for final approval from shareholders.

The table below sets out the remuneration policies applied for FY23. These policies form the underlying basis for the directors' fees tabled for shareholder approval – refer to page 116 for the detailed fees.

Non-executive director fees have been benchmarked against large JSE listed companies, including:

ABSA	Multichoice
Bidvest	Shoprite
Clicks	Spar
Dischem	TFG
Discovery	Tiger Brands
TFG	Truworths
Growthpoint	Vodacom
Mr Price	Woolworths

Chair	The Chair's fee reflects the active role he plays in the Group's corporate governance and in formulating overarching strategies. He does not play a day-to-day role in the executive management and administration of the business, but makes himself available to the executive team in an advisory capacity.
Lead independent director and other directors	Directors' fees are market-related, based on relevant benchmarks, and commensurate with the time required for directors to fulfil their duties. Annual fees are not subject to attendance at meetings, as meetings are well attended.
Committee membership	The fees reflect the additional responsibilities taken through the chairpersonship and membership of Board committees.
Consultancy fees	The fees related to additional consultancy services to the Board and its committees are determined and approved by the Remuneration Committee on an ad hoc basis, considering the nature and scope of the services rendered.
Expenses	The Group settles all travel and accommodation expenses related to the work of the Board.

THE REMUNERATION IMPLEMENTATION REPORT FOR FY23

Guide for stakeholders

This section details how the Remuneration Committee implemented the remuneration policy over FY23, based on Group and individual performance. It includes information on:

- Guaranteed pay, including for the CEO and CFO
- The awards aligned with the STI and LTIs
- The progress made on the Ekuseni LTI
- Non-executive director fees

The report on the implementation of the remuneration policy will be voted on by shareholders at the AGM on 19 July 2023. Refer to advisory vote 2 in the notice of AGM.

The implementation report details the key decisions taken by the Committee this year, including the steps taken to provide fair and balanced remuneration in a year severely disrupted by elevated levels of load-shedding.

The Committee has complied with the Group's remuneration framework and policy, and all policies applied are consistent with the prior year. Pick n Pay moved to a cost-to-company remuneration model in March 2023. This provides employees with greater flexibility in tailoring their guaranteed package, and provides greater clarity on pay parity across the organisation.

Tables are provided at the close of this section for a summary of the remuneration paid to executive and non-executive directors.

Executive directors and senior management

Executive directors' total guaranteed pay

The Committee evaluated the overall value and composition of TGP in respect of the executive directors and all other senior managers. Executive and senior management remuneration is considered fair and competitive against market benchmarks, and appropriately reflects the role, experience and performance of each individual member of the Group's senior management team.

	CEO Pieter Boone		CFO Lerena Olivier		Executive director Jonathan Ackerman	
	FY23 R'000	FY22 R'000	FY23 R'000	FY22 R'000	FY23 R'000	FY22 R'000
Base salary	10 707.0	10 707.0	5 160.0	5 070.0	1 217.1	1 512.0
Retirement and medical	968.5	953.6	488.1	478.5	271.2	268.9
Other benefits	3 200.0	3 266.0	340.4	336.4	324.5	322.6
Total guaranteed pay	14 875.5	14 926.6	5 988.5	5 884.9	1 812.8	2 103.5

The CFO did not take an increase in FY23, the 1.8% year-on-year increase reflects the timing of her FY22 increase in the base. The decrease in the TGP provided to executive director Jonathan Ackerman reflects a reduction in his role, ahead of his retirement on 31 March 2023. Jonathan served as a non-executive director from that date.

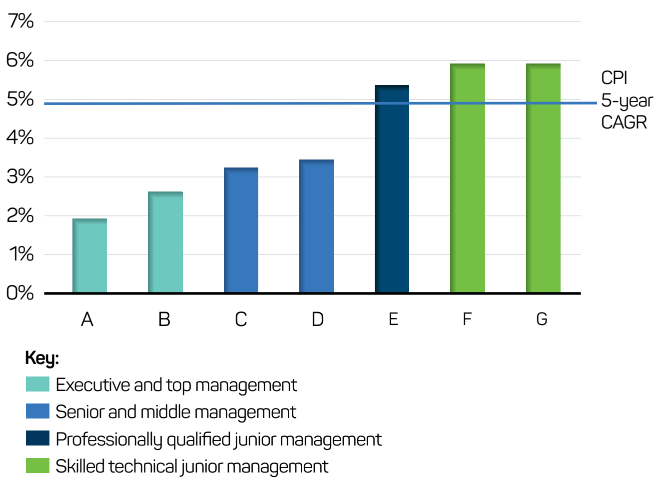
Annual salary increases

The following factors are considered in determining a fair, equitable and competitive salary increase:

- Group and divisional performance and affordability
- Macro-economic environment
- Market benchmarking

The Group continues to provide junior, entry-level and non-management employees with higher salary increases relative to more senior colleagues. This recognises the impact the tough economic climate has on employees, and provides a mechanism to narrow the income gap across management levels.

Salary increases over five years – 5-year CAGR



The CEO and CFO, as leaders of the Ekuseni strategy, and in support of the cost-saving initiatives, chose to forego any salary increase in FY23 and FY24.

Category	FY24 annual salary % increase	FY23 annual salary % increase	FY22 annual salary % increase
CEO	–	–	n/a
CFO	–	–	21.9%*
Top management	3.5%	2.3%	4.0%
Senior and middle management	3.5%	4.5%	4.5%
Junior management	4.5%	5.4%	5.5%
Entry level and non-management	4.5%	5.4%	5.5%

* *Increased to align CFO salary with market benchmarks.*

The average increase for NMBU employees in FY23, as governed by labour union agreements, was between 6.4% and 7.3% (FY22: 5% – 10%).

Short-term incentive

The Committee determines annual financial performance targets in advance of the Group's short-term incentive bonus scheme for the coming financial year.

FY23 performance against STI targets

	FY22 Prior year performance	FY23 Target	FY23 Actual performance	Target met
Sales growth	5.2%	9.0%	8.9%	✓
Profit before tax (PBT)*	R1 978 million	R2 000 million	R1 678 million	Refer below
PBTAE*	R1 978 million	R2 000 million	R2 108 million	✓
PBTAE margin*	2.0%	2.0%	2.0%	✓

* *Adjusted for pro forma insurance recoveries and hyperinflation in Zimbabwe, refer page 123.*

The Group implemented its Ekuseni strategy in FY23 and had anticipated that implementation costs would restrict earnings growth in the first year of the strategy. As such, performance targets anticipated flat earnings (PBTAE) and margin growth in FY23.

The Group delivered PBT of R1.7 billion in FY23 (-15.1%). After careful consideration, the Committee concluded that as performance targets had not anticipated the severe escalation in load-shedding in FY23 and as these costs could not be mitigated by management in the short-term, they would be considered exceptional in nature and would be excluded from PBTAE (refer to the CFO report on page 68). On an underlying basis, excluding the exceptional net incremental costs of load-shedding of R430 million, Group PBTAE of R2.1 billion increased an estimated 7% on the prior year, ahead of the year-one Ekuseni target of R2.0 billion. The underlying earnings performance demonstrates solid progress against the Ekuseni strategy, under challenging conditions.

The Committee was able to award an FY23 short-term performance bonus to qualifying employees in most divisions as the primary PBTAE target had been met. The formal methodology STI was applied, with 60% of the bonus driven by Group or divisional performance as appropriate and 40% of the bonus dependent on the attainment of personal KPIs as determined by the Group's formal performance appraisal process. The Pick n Pay Supermarket division did not achieve a performance bonus. An ex gratia retention bonus was awarded to key members of management accountable for the delivery of Ekuseni.

The STI bonus payable to the CEO and CFO was determined as follows:

CEO – Pieter Boone

	Weighting	KPI at target	KPI achieved	Achieved	Bonus achieved
Primary targets	60%				6 424 200
PBTAE	60%	R2.0bn	R2.1bn		3 854 520
Sales growth	40%	9.0%	8.9%		2 569 680
Secondary targets	40%				3 939 770
NPS[1]	40%	10%	9%		1 370 000
New stores	40%	170	175		1 713 120
ESG targets	20%	**Various**	On track		856 650
Bonus achieved based on formula applied					10 363 970
Bonus paid					9 814 800

CFO – Lerena Olivier

	Weighting	KPI at target	KPI achieved	Achieved	Bonus achieved
Primary targets	60%				2 580 000
PBTAE	60%	R2.0bn	R2.1bn		1 548 000
Sales growth	40%	9.0%	8.9%		1 032 000
Secondary targets	40%				1 720 000
ROIC	40%	18%	16.3%		550 000
Project Future savings	40%	R750m	R800m		826 000
ESG targets	20%	**Various**	On track		344 000
Bonus achieved based on formula applied					4 300 000
Bonus paid					3 870 000

The pressure on the Group's net zero carbon and food waste targets are as a result of the load-shedding experienced, with diesel generators adding to carbon emissions and disruptions in the cold chain resulting in greater product spoilage.

Key:

Threshold *Target* *Stretch*

[1] *Improved net promoter score in CVP supermarkets*

The STI paid to the CEO and CFO reflects the mid-way point between the threshold target and the target achieved. The discretion applied in moderating the STI awards downward reflects some challenges in the Pick n Pay supermarket business, including in sales growth, waste and stock holdings.

	Long-term target[1]	FY23	Status
Net zero carbon (Scope 1 and 2)	-60% by 2040	+14%[3]	
Natural refrigeration	100% by 2040	10%	
Reduction in water usage	-20% by 2025	-12%	
Reduction in food waste	-50% by 2030	-28%	
Recyclable packaging	100% by 2025	92%	
Waste diverted from landfill	75% by 2025	62%	
Employee equity[2]	Various	Various	

[1] *Against relevant baselines.*
[2] *Targets differ by employee grade.*
[3] *Carbon emissions increased by 14% against the 2022 baseline largely due to increased diesel consumption as a result of load-shedding.*

Key:

On track *Pressure on short-term targets*

Long-term incentives

The Committee engaged independent remuneration specialists, 21st Century, to review its long-term incentive schemes in line with market best practice.

The advisors confirmed that the LTI framework and principles applied remained sound and balanced in the interests of all stakeholders. However, advisors noted the significant retention risk in a volatile macro-economic environment, where forecasting is difficult and performance targets are impacted by economic shocks. The careful use of judgement and discretion is critical under these circumstances and cannot be avoided.

Cash retention incentive scheme

The Committee introduced a cash retention scheme in November 2020 aimed at the retention of key members of middle management. The Committee approved the 2022 award (FY23) under the scheme as follows:

	2022 Award	2021 Award	2020 Award
Vesting date	June 2025	June 2024	June 2023
Retention period	36 months	36 months	36 months
Number of participants	260*	194	181
ACI participation	64%	58%	56%
Female participation	45%	40%	35%

* *The increase in the number of participants reflects the inclusion of rising stars in lower levels of management, with a focus on developing talented ACI and female managers.*

Restricted share plan awards

Delivery of executive share awards

Scheme	Number of shares millions	Number of participants	Base year	Three-year comparable HEPS growth target: Threshold	Target	Stretch	Vesting date
RSP 2020 (RSP 1)	3.1	116	FY20	2%	4%	6%	June 2023

The original HEPS performance targets set for the scheme could not anticipate the level of trade disruption which would unfold over its three-year term, which included trade disruptions related to the Covid-19 pandemic, the July 2021 civil unrest and the material increase in load-shedding in South Africa in the second half of FY23.

The HEPS performance condition is defined as comparable HEPS over three years, adjusted for exceptional items as appropriate. Please refer to page 98 for further information. The Committee considered all the material items listed above as exceptional and outside the control of the management team. While the cost of load-shedding will be mitigated through the Group's energy resilience plan, any benefits therefrom will only flow in FY24.

It was management's assessment that the scheme would have vested close to 100% had it not been for the combined financial impact of the disruption. The Committee concluded that any assessment of earnings performance excluding the disruption was highly complex and subjective and, as shareholders had borne the impact to some degree, a vesting at 50% was considered fair and reasonable. As such, 1.5 million shares will be delivered to participants on 26 June 2023 (with the balance forfeited), alongside the payment of 50% of dividends accrued over the term of the scheme. The Committee is confident that this outcome meets the important retention objective of the scheme (40%), with the additional 10% in recognition of dedicated service under exceptional conditions.

	RSP 2022 RSP 3	RSP 2021 RSP 2
Vesting date	June 2025	June 2024
Retention period	36 months	36 months
Number of shares	2.6 million	3.2 million
Three-year comparable HEPS growth targets:		
Threshold – 40% vesting	Personal KPIs	Personal KPIs
Target – 70 % vesting	CPI plus 1%	CPI plus 1%
Stretch – 100% vesting	CPI plus 2%	CPI plus 2%
Number of participants:		
ACI participation	46%	38%
Female participation	28%	30%
Held by executive directors:		
CEO – Pieter Boone	178 500	500 000[1]
CFO – Lerena Olivier	87 000	87 000
Jonathan Ackerman	–	27 000

[1] *In accordance with Pieter Boone's sign-on agreement, with a commitment to award a further 500 000 shares in 2023.*

Outstanding executive share awards under the RSP

The HEPS performance hurdles (Threshold; Target and Stretch) for RSP 2 and RSP 3 were linked to growth in CPI over the period of the schemes. The link to an objective economic measure was intended to alleviate the need for Committee discretion. However, the significant cost of load-shedding, alongside the concerted effort to protect customers from this cost through lower price increases, has placed pressure on these HEPS targets. As a consequence of the volatility in the market and the difficulty in forecasting the level of future load-shedding with any accuracy, the Committee has resolved to:

- Replace the HEPS threshold target with a target linked to the attainment of personal KPIs. This addresses key retention risk under the scheme, where the Group's financial performance is materially impacted by economic conditions outside of management control. Individual performance is assessed through a formal and robust performance appraisal process which has been successfully utilised for the Group's short-term incentive scheme.
- Retain the original CPI-linked HEPS performance conditions at Target and Stretch, noting that the exceptional costs of load-shedding, alongside the actions taken to mitigate those costs, will be considered in the deliberation of a fair and reasonable vesting.

The Group will issue a 2023 award in the coming months (RSP 4) that will include a Return on Invested Capital (ROIC) performance measure at the request of shareholders.

Ekuseni LTI

The Committee, in consultation with independent remuneration specialists, is in the process of developing a long-term share incentive scheme targeted at a small number of senior executives, and support staff, directly accountable for the delivery of the Ekuseni strategy. The objective of the scheme is the retention of key individuals in a highly competitive and disrupted environment, alongside the incentivisation of performance, aligned with shareholder interests. The nature of the scheme and its performance targets will be aligned with the objectives of the plan and will be communicated in due course.

Executive early retirement – Jonathan Ackerman

Retirement gratuity

Jonathan Ackerman retired as an executive director on 31 March 2023. In a distinguished career with the Group, spanning more than 30 years, Jonathan held important leadership positions across many areas, most notably in marketing and store operations. Jonathan worked tirelessly as a champion of the customer and a torchbearer for the Group's values. The Committee extended its sincere appreciation to Jonathan and awarded him a gratuity of R1.5 million on his early retirement. Jonathan continues to serve the Group as a non-executive director.

Delivery of outstanding long-term share incentives

Jonathan's outstanding share incentive awards will be delivered to him in June 2023 on a pro rata basis in line with the good leaver provisions of the executive share incentive scheme.

Malus and claw-back

No incidents were identified in FY23.

Non-executive directors' fees

Guide for stakeholders

The Committee reviewed and recommended non-executive director remuneration to the Board, for shareholder approval at the AGM on 19 July 2023. Refer to special resolution 1 in the notice of AGM.

Chair of the Board

In setting the Chair's proposed annual fee of R4.9 million in respect of FY24, the Remuneration Committee considered the active role the Chair plays in the Group's corporate governance and in formulating overarching strategy for the individual subsidiary companies. Gareth Ackerman is recused from all discussions in respect of his annual remuneration.

The Chair informed the Committee that he would again waive an increase in FY24, in support of the Group's cost savings initiatives.

Lead independent director

The Committee proposed an all-inclusive Lead Independent Director (LID) fee of R1.3 million for FY24, which includes all participation at Board and committee meetings. This is a policy change from previous years, where the LID received a LID fee in addition to the Board fee and committee fees received. The change provides the Board and the Chair with flexibility in utilising the services of the LID.

Non-executive directors (NED)

Shareholders approved the FY23 directors' fees at the July 2022 AGM, and agreed that the FY24 fees be increased by CPI for FY24 (forecast at 4.5%). Notwithstanding the shareholder approval received, the non-executive directors elected to receive an increase of around 3.5%, aligned with the increase paid to senior management.

Fees paid to members of the Audit, Risk and Compliance Committee have been increased from R156 250 to R200 000 per annum, an increase of 28% to align with market benchmarks.

Non-executive director fees (excluding value-added tax) for the current and proposed periods

	Proposed FY24 R	Actual FY23 R	Actual FY22 R
Chair of the Board	4 893 300	4 893 000	4 893 000
Lead independent non-executive director (LID)	1 350 000[1]	156 250	152 000
Non-executive director (NED)	486 000	470 000	457 000
Audit, Risk and Compliance Committee			
Chair	420 000	405 000	394 000
Member[2]	200 000	156 250	152 000
Remuneration Committee			
Chair	223 000	215 800	210 000
Member	105 300	101 800	99 000
Nominations and Corporate Governance Committee[3]			
Member	100 000	97 150	94 500
Social, Ethics and Transformation Committee			
Chair	223 000	215 800	–
Member	105 300	101 800	99 000
Corporate Finance Committee[4]			
Chair	223 000	215 800	210 000
Member	151 000	146 000	142 000

1 *All-inclusive fee from FY24.*
2 *Increased to align with market benchmarks.*
3 *The Nominations and Corporate Governance Committee is chaired by the Chair of the Board, who does not receive an additional fee for chairing this Committee.*
4 *The Corporate Finance Committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period but will not be more than the annual proposed fee. The Committee did not meet in FY23.*

Total remuneration of executive directors and prescribed officer

Executive director	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Retirement gratuity[4] R'000	Total remuneration R'000	Long-term share awards charges – current year[5] R'000
FY23								
Pieter Boone	10 707.0	968.5	3 200.0	14 875.5	9 814.8	–	24 690.3	5 817.8
Lerena Olivier	5 160.0	488.1	340.4	5 988.5	3 870.0	–	9 858.5	3 838.0
Jonathan Ackerman	1 217.1	271.2	324.5	1 812.8	378.0	1 512.0	3 702.8	1 098.7
Suzanne Ackerman[1]	252.0	23.5	28.2	303.7	–	–	303.7	61.4
Total remuneration	17 336.1	1 751.3	3 893.1	22 980.5	14 062.8	1 512.0	38 555.3	10 815.9
FY22								
Pieter Boone[2]	8 922.5	799.1	2 759.5	12 481.1	10 492.9	–	22 974.0	5 798.6
Lerena Olivier	5 070.0	478.5	336.4	5 884.9	3 612.0	–	9 496.9	5 577.7
Jonathan Ackerman	1 512.0	268.9	322.6	2 103.5	504.0	–	2 607.5	633.3
Suzanne Ackerman	3 024.0	281.6	291.5	3 597.1	1 008.0	3 024.0	7 629.1	2 153.4
Richard Brasher[2]	1 806.0	163.8	1 522.1	3 491.9	–	–	3 491.9	–
Richard van Rensburg[3]	420.0	36.4	28.6	485.0	–	–	485.0	–
Total remuneration	20 754.5	2 028.3	5 260.7	28 043.5	15 616.9	3 024.0	46 684.4	14 163.0
Prescribed Officer								
Pieter Boone[2]	1 784.5	154.5	506.5	2 445.5	–	–	2 445.5	–

1 *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
2 *Richard Brasher retired as CEO at the end of April 2021 and Pieter Boone was appointed as CEO on 20 April 2021. Pieter Boone was a prescribed officer up until his date of appointment.*
3 *Retired March 2021.*
4 *Gratuities paid on retirement of executive director in recognition of exemplary service to the Group.*
5 *The long-term share awards expense is determined in accordance with IFRS 2 Share-Based Payments, and reflects the current year's charge recorded in the Group's statement of comprehensive income and statement of changes in equity. The fair values of share awards are determined at grant date, and are recognised in the statement of comprehensive income and statement of changes in equity over the period during which the employee becomes unconditionally entitled to the award (the vesting period). Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the restricted share plan (RSP), previously named forfeitable share plan (FSP), are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. Vesting criteria in respect of the 2020 awards, due to vest in June 2023, have not been fully met. As a result, and as directed by the Remuneration Committee, 50% of the 2020 awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. This is in line with the Remuneration Committee's decision in the prior year to forfeit 50% of the 2019 awards.*

Total remuneration of non-executive directors

Non-executive director	Directors' fees R'000	Lead independent director R'000	Audit, Risk and Compliance Committee R'000	Remune-ration Committee R'000	Social, Ethics and Transfor-mation Committee R'000	Nominations and Corporate Governance Committee R'000	Employee share trust R'000	Total remuneration R'000
FY23								
Gareth Ackerman	4 893.0	–	–	–	–	–	–	4 893.0
Suzanne Ackerman[1]	430.8	–	–	–	197.8	89.1	–	717.7
Haroon Bhorat	470.0	–	156.2	101.8	–	97.2	–	825.2
Mariam Cassim	470.0	–	156.3	–	–	–	–	626.3
James Formby[2]	235.0	–	78.1	–	–	–	–	313.1
David Friedland	470.0	–	156.2	–	–	97.2	–	723.4
Hugh Herman[3]	195.8	–	–	–	–	–	–	195.8
Aboubakar Jakoet[4]	470.0	–	236.3	101.8	–	–	45.5	853.6
Audrey Mothupi	470.0	–	156.2	215.8	–	97.2	45.5	984.7
David Robins	470.0	–	–	–	101.8	–	–	571.8
Annamarie van der Merwe	470.0	–	–	–	101.8	97.2	–	669.0
Jeff van Rooyen[4]	470.0	156.2	259.9	101.8	–	97.2	45.5	1 130.6
Total remuneration	9 514.6	156.2	1 199.2	521.2	401.4	575.1	136.5	12 504.2
FY22								
Gareth Ackerman	4 893.0	–	–	–	–	–	–	4 893.0
Haroon Bhorat	457.0	–	152.0	99.0	–	94.5	–	802.5
Mariam Cassim	457.0	–	152.0	–	–	–	–	609.0
David Friedland	457.0	–	152.0	–	–	94.5	–	703.5
Hugh Herman	457.0	–	–	–	–	–	–	457.0
Aboubakar Jakoet	457.0	–	–	99.0	99.0	–	44.0	699.0
Audrey Mothupi	457.0	–	152.0	210.0	–	94.5	44.0	957.5
David Robins	457.0	–	–	–	99.0	–	–	556.0
Annamarie van der Merwe	457.0	–	–	–	99.0	94.5	–	650.5
Jeff van Rooyen	457.0	152.0	394.0	99.0	–	94.5	44.0	1 240.5
Total remuneration	9 006.0	152.0	1 002.0	507.0	297.0	472.5	132.0	11 568.5

[1] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*
[2] *James Formby was appointed as a non-executive director, effective 10 October 2022.*
[3] *Hugh Herman retired in July 2022.*
[4] *Aboubakar Jakoet replaced Jeff van Rooyen as Chair of the Audit, Risk and Compliance Committee in July 2022.*

Share awards held by executive directors

FY23	Calendar year granted	Award grant price R	Balance held at 27 February 2022	Forfeits[3]	Granted/ (exercised)	Exercise price R	Balance held at 26 February 2023	Available for take-up
Pieter Boone								
Restricted shares	2021	Nil	500 000	–	–	–	500 000	June 2024
	2022	Nil	–	–	178 500	–	178 500	June 2025
			500 000	–	178 500		678 500	
Lerena Olivier								
Share options	2019	58.05	80 000	–	–	–	80 000	Now
	2019	58.05	60 000	–	–	–	60 000	September 2024
	2019	58.05	60 000	–	–	–	60 000	September 2026
Forfeitable shares	2019	Nil	50 000	–	(50 000)	59.14	–	n/a
Restricted shares	2020	Nil	120 000	(60 000)	–	–	60 000	June 2023
	2021	Nil	87 000	–	–	–	87 000	June 2024
	2022	Nil	–	–	87 000	–	87 000	June 2025
			457 000	(60 000)	37 000		434 000	
Jonathan Ackerman[1]								
Forfeitable shares	2019	Nil	4 000		(4 000)	59.14	–	n/a
Restricted shares	2020	Nil	30 000	(15 000)	–	–	15 000	June 2023
	2021	Nil	27 000	–	–	–	27 000	June 2024
			61 000	(15 000)	(4 000)		42 000	
Suzanne Ackerman[2]								
Forfeitable shares	2019	Nil	7 500	–	(7 500)	–	–	n/a
Restricted shares	2020	Nil	60 000	(28 786)	(31 214)	59.14	–	n/a
	2021	Nil	55 000	(55 000)	–	59.14	–	n/a
			122 500	(83 786)	(38 714)		–	

[1] *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director from that date.*
[2] *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from that date.*
[3] *As a result of the trade disruption experienced over the three-year term of the scheme, the Group did not achieve the headline earnings per share performance target required for the delivery of the 2020 RSP award. The Remuneration Committee directed a 50% vesting (with a 50% forfeit), in recognition of the exceptional nature of the disruption. The awards will be delivered at the end of June 2023.*

Directors' interest in ordinary shares

2023	How held[1]	Balance held at 27 February 2022	Additions/ grants	Disposals	Forfeits[6]	Balance held at 26 February 2023[12]	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 713 106	17 920	–	–	1 731 026	Beneficial
	indirect	19 762	–	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation[3]	indirect	101 900	–	–	–	101 900	Non-beneficial
Ackerman Family Investment Holdings Proprietary Limited[4]	indirect	1	–	–	–	1	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[5]	indirect	124 677 237	–	–	–	124 677 237	Non-beneficial
Mistral Trust[7]	indirect	2 812 000	38 000	–	–	2 850 000	Non-beneficial
Pieter Boone	direct – RSP	500 000	178 500	–	–	678 500	Beneficial
Lerena Olivier	direct	51 300	26 750	(14 000)	–	64 050	Beneficial
	direct – RSP/FSP	257 000	87 000	(50 000)	(60 000)	234 000	Beneficial
Suzanne Ackerman[8]	direct	120 528	–	–	–	120 528	Beneficial
	direct – RSP/FSP	122 500	–	(38 714)	(83 786)	–	Beneficial
	indirect	533 169	20 714	–	–	553 883	Beneficial
Jonathan Ackerman[9]	direct	122 888	–	–	–	122 888	Beneficial
	direct – RSP/FSP	61 000	–	(4 000)	(15 000)	42 000	Beneficial
	indirect	807 419	21 371	–	–	828 790	Beneficial
	indirect	2 161	–	–	–	2 161	Non-beneficial
Aboubakar Jakoet	direct	758 764	–	(750 000)	–	8 764	Beneficial
	indirect	–	750 000	–	–	750 000[11]	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	41 688	–	(7 500)	–	34 188	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
James Formby[10]	direct	4 000	–	–	–	4 000	Beneficial
	indirect	13 625	13 100	–	–	26 725	Beneficial

1 *Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.*

2 *Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.*

3 *The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman in their capacities as trustees.*

4 *The indirect non-beneficial interest in Ackerman Family Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*

5 *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*

6 *As a result of the disruptions experienced in the 2023 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2020 RSP award. As a result, and as directed by the Remuneration Committee, 50% of the RSP 2020 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2023 financial year. The remaining shares will be delivered to participants at the end of June 2023.*

7 *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

8 *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*

9 *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director from 1 April 2023.*

10 *James Formby was appointed as a non-executive director on 10 October 2022. The balance as at 27 February 2022 and the additions during the current year reflect the interest and movement in shares prior to his non-executive appointment.*

11 *Defined as an indirect beneficial shareholding in terms of JSE classifications. However, the director only has a 10% shareholding in the company which holds these shares, does not exercise any control over the shares, and receives no direct benefit therefrom.*

12 *There have been no changes in the directors' interest in ordinary shares since 26 February 2023 up to the date of approval of the 2023 audited Group Annual Financial Statements.*

Directors' interest in B shares

2023	How held[1]	Balance held at 27 February 2022	Additions	Disposals	Balance held at 26 February 2023[7]	Beneficial/ non-beneficial interest[2]
Gareth Ackerman	direct	522	–	–	522	Beneficial
	indirect	3 227 861	–	–	3 227 861	Beneficial
	indirect	39 140	–	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[3]	indirect	246 936 847	–	–	246 936 847	Non-beneficial
Mistral trust[4]	indirect	5 349 559	–	–	5 349 559	Non-beneficial
Suzanne Ackerman[5]	direct	233 767	–	–	233 767	Beneficial
	indirect	926 084	–	–	926 084	Beneficial
Jonathan Ackerman[6]	direct	243 307	–	–	243 307	Beneficial
	indirect	1 135 009	–	–	1 135 009	Beneficial
	indirect	4 280	–	–	4 280	Non-beneficial
David Robins	direct	1 931	–	–	1 931	Beneficial
	indirect	179 118	–	–	179 118	Non-beneficial

1 *Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.*

2 *Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.*

3 *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*

4 *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

5 *Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.*

6 *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director from 1 April 2023.*

7 *There have been no changes in the directors' interest in shares since 26 February 2023 up to the date of approval of the 2023 audited Group Annual Financial Statements.*

ADDITIONAL INFORMATION

7

SUMMARY OF OUR FY23 ANNUAL FINANCIAL RESULTS

Pro forma financial information

1 Pro forma earnings metrics

The table on page 124 presents the Group's earnings performance on a pro forma basis.

Insurance proceeds received during the period under review

The financial result for the 52 weeks ended 26 February 2023 includes the cash receipt of R145.2 million (R104.5 million net of tax) of insurance proceeds. These insurance recoveries relate directly to the civil unrest losses suffered by the Group during the prior reporting period as a result of civil unrest, and which was accounted for in the pro forma earnings presented in the 52 weeks ended 27 February 2022. Refer to the 2022 audited Group Annual Financial Statements.

In management's view, these losses and insurance recoveries should be viewed together. Recording the losses in one financial year and the recoveries in the next financial year does not provide users with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the insurance recoveries were included in prior year pro forma earnings. The Group has therefore presented its current period earnings on a pro forma basis, by excluding the R145.2 million insurance proceeds (R104.5 million, net of tax) received during the period.

Hyperinflation net monetary adjustments

Zimbabwe is classified as a hyperinflationary economy. The equity accounted earnings of the Group's investment in associate operating in Zimbabwe is accounted for under IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).

2 Constant currency disclosures

Constant currency information constitutes pro forma information. The Group discloses constant currency information in order to report on the Group's turnover and the Group's Rest of Africa sales from customers, excluding the impact of foreign currency fluctuations (collectively the "constant currency pro forma information").

The constant currency pro forma information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Zambia kwacha and the Botswana pula.

The Group's turnover growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates.

The sales from customers growth in constant currency is calculated by translating the prior period local currency sales from customers at the current period average exchange rates on a country-by-country basis and then comparing that against the current period sales from customers translated at the current period average exchange rates.

The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 26 February 2023 was 1.02 (2022: 1.27) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 26 February 2023 was 0.75 (2022: 0.75).

The constant currency pro forma information is presented in accordance with the JSE Listings Requirements, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the constant currency pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The Group's external auditor has issued a reporting accountant's report on the constant currency pro forma information, which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

52 weeks to 26 February 2023	Increase reported currency	Increase constant currency
Group turnover (%)	8.9	8.6
Rest of Africa sales from customers (%)	14.6	7.8

The pro forma earnings information presented in accordance with the JSE Listing Requirements and the SAICA guide on Pro forma Financial Information, is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the pro forma earnings information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma earnings information is based on the audited financial information of the Group for the period ended 26 February 2023 and has been prepared using the accounting policies of the Group which comply with IFRS and are consistent with those applied in the audited financial information.

Group pro forma earnings performance

	52 weeks to 26 February 2023 Rm	Insurance recoveries received 52 weeks to 26 February 2023 Rm	Pro forma 52 weeks to 26 February 2023 Rm	% of turnover	% change	Pro forma 52 weeks to 27 February 2022 Rm	% of turnover
Turnover	106 561.8	–	106 561.8		8.9	97 872.8	
Cost of merchandise sold	(85 625.2)	–	(85 625.2)			(79 476.7)	
Gross profit	20 936.6	–	20 936.6	19.6	13.8	18 396.1	18.8
Other income	2 265.3	(145.2)	2 120.1	2.0	(20.0)	2 650.3	2.7
Franchise fee income	447.7	–	447.7	0.4	4.5	428.3	0.4
Operating lease income	157.4	–	157.4	0.2	36.2	115.6	0.1
Commissions and other income	1 399.5	–	1 399.5	1.3	15.4	1 213.0	1.3
Insurance recoveries	260.7	(145.2)	115.5	0.1		893.4	0.9
Trading expenses	(20 153.9)	–	(20 153.9)	18.9	11.9	(18 014.7)	18.4
Employee costs	(8 347.9)	–	(8 347.9)	7.8	6.5	(7 836.3)	8.0
Occupancy	(3 054.2)	–	(3 054.2)	2.9	14.7	(2 662.1)	2.7
Operations	(5 384.3)	–	(5 384.3)	5.0	18.7	(4 535.1)	4.6
Merchandising and administration	(3 367.5)	–	(3 367.5)	3.2	13.0	(2 981.2)	3.1
Trading profit	3 048.0	(145.2)	2 902.8	2.7	(4.3)	3 031.7	3.1
Net finance costs	(1 322.8)	–	(1 322.8)	1.2	15.0	(1 150.4)	1.2
Net funding	(171.1)	–	(171.1)	0.2		(21.4)	–
Leases	(1 151.7)	–	(1 151.7)	1.0		(1 129.0)	1.2
Share of associate's earnings excluding net monetary adjustments	98.4	–	98.4		1.8	96.7	
Profit before tax, before capital items and before net monetary adjustments	1 823.6	(145.2)	1 678.4	1.6	(15.1)	1 978.0	2.0
Share of associate's hyperinflation net monetary adjustments	(23.4)	–	(23.4)			(25.1)	
Profit before tax before capital items	1 800.2	(145.2)	1 655.0			1 952.9	
Loss on capital items	(92.6)	–	(92.6)			(46.2)	
(Loss)/profit on disposal of assets and insurance recoveries on scrapping of assets	(20.1)	–	(20.1)			241.8	
Loss from impairments and scrapping of assets	(66.8)	–	(66.8)			(273.6)	
Impairment loss on investment in associate	(5.7)	–	(5.7)			(14.4)	
Profit before tax	1 707.6	(145.2)	1 562.4	1.5	(18.1)	1 906.7	1.9
Tax	(537.7)	40.7	(497.0)	0.5	(15.4)	(587.7)	0.6
Profit for the period	1 169.9	(104.5)	1 065.4	1.0	(19.2)	1 319.0	1.3
South Africa operating segment							
Sales from customers	102 721.3		102 721.3		8.7	94 535.2	
Profit before tax before capital items	1 669.3	(145.2)	1 524.1		(18.0)	1 859.0	
Rest of Africa operating segment							
Sales from customers	5 086.5		5 086.5		14.6	4 438.8	
Profit before tax, before capital items and before net monetary adjustments	154.3		154.3		29.7	119.0	
Earnings per share	Cents		Cents			Cents	
Basic earnings per share	243.37		243.37		(3.9)	253.34	
Diluted earnings per share	242.54		242.54		(3.9)	252.43	
Headline earnings per share	259.25		259.25		(1.3)	262.59	
Diluted headline earnings per share	258.36		258.36		(1.3)	261.65	
Pro forma headline earnings per share	Cents	Cents	Cents			Cents	
Pro forma headline earnings per share	259.25	(16.88)	242.37		(16.3)	289.64	
Pro forma diluted headline earnings per share	258.36	(16.81)	241.55		(16.3)	288.59	

Group statement of financial position

	As at 26 February 2023 Rm	As at 27 February 2022 Rm
ASSETS		
Non-current assets		
Intangible assets	1 424.4	987.1
Property, plant and equipment	8 893.2	7 150.5
Right-of-use assets	11 195.0	9 588.9
Net investment in lease receivables	1 949.1	2 069.0
Deferred tax assets	734.1	822.5
Investment in associate	72.4	106.0
Loans	117.8	85.9
Retirement scheme assets	68.6	122.0
Investment in insurance cell captive	71.3	47.4
Operating lease assets	8.9	7.9
Trade and other receivables	84.7	106.5
	24 619.5	21 093.7
Current assets		
Inventory	10 647.0	8 277.3
Trade and other receivables	4 472.0	4 207.6
Cash and cash equivalents	1 997.8	6 425.3
Net investment in lease receivables	333.4	319.1
Right-of-return assets	23.4	21.5
Derivative financial instruments	22.0	–
	17 495.6	19 250.8
Non-current asset held for sale	250.0	–
Total assets	42 365.1	40 344.5
EQUITY AND LIABILITIES		
Equity		
Share capital	6.0	6.0
Treasury shares	(643.8)	(702.1)
Retained earnings	4 685.2	4 717.3
Other reserves	20.1	(8.6)
Foreign currency translation reserve	(364.7)	(296.9)
Total equity	3 702.8	3 715.7
Non-current liabilities		
Lease liabilities	15 133.2	13 656.5
	15 133.2	13 656.5
Current liabilities		
Trade and other payables*	14 661.0	12 976.4
Lease liabilities	2 470.8	2 431.4
Deferred revenue	377.9	385.1
Bank overdraft and overnight borrowings	2 800.0	2 800.0
Borrowings	2 869.4	4 003.1
Current tax liabilities	269.8	279.8
Provisions*	80.2	88.8
Derivative financial instruments	–	7.7
	23 529.1	22 972.3
Total equity and liabilities	42 365.1	40 344.5
Number of ordinary shares in issue – thousands	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	480 702.1	479 389.3
Diluted weighted average number of ordinary shares in issue – thousands	482 344.2	481 128.4
Net asset value (property value based on directors' valuation) – cents per share	803.0	827.1

* *In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables.*

Group statement of changes in equity

for the period ended

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 28 February 2021	6.0	(873.4)	4 573.5	(6.6)	(313.3)	3 386.2
Total comprehensive income for the period	–	–	1 239.9	(0.2)	16.4	1 256.1
Profit for the period	–	–	1 214.5	–	–	1 214.5
Foreign currency translations	–	–	–	–	16.4	16.4
Movement in cash flow hedge	–	–	–	(0.2)	–	(0.2)
Remeasurement in retirement scheme assets	–	–	25.4	–	–	25.4
Other reserve movements	–	–	–	(1.8)	–	(1.8)
Transactions with owners	–	171.3	(1 096.1)	–	–	(924.8)
Dividends paid	–	–	(959.6)	–	–	(959.6)
Share purchases	–	(114.2)	–	–	–	(114.2)
Net effect of settlement of employee share awards	–	285.5	(285.5)	–	–	–
Share-based payments expense	–	–	149.0	–	–	149.0
At 27 February 2022	6.0	(702.1)	4 717.3	(8.6)	(296.9)	3 715.7
Total comprehensive income for the period	–	–	1 169.7	29.7	(67.8)	1 131.6
Profit for the period	–	–	1 169.9	–	–	1 169.9
Foreign currency translations	–	–	–	–	(67.8)	(67.8)
Movement in cash flow hedge	–	–	–	29.7	–	29.7
Remeasurement in retirement scheme assets	–	–	(0.2)	–	–	(0.2)
Other reserve movements	–	–	–	(1.0)	–	(1.0)
Transactions with owners	–	58.3	(1 201.8)	–	–	(1 143.5)
Dividends paid	–	–	(1 112.8)	–	–	(1 112.8)
Share purchases	–	(90.1)	–	–	–	(90.1)
Net effect of settlement of employee share awards	–	148.4	(148.4)	–	–	–
Share-based payments expense	–	–	59.4	–	–	59.4
At 26 February 2023	6.0	(643.8)	4 685.2	20.1	(364.7)	3 702.8

Group statement of cash flows

for the period ended

	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm
Cash flows from operating activities		
Trading profit	3 048.0	2 886.5
Adjusted for non-cash items	3 626.3	3 391.5
Depreciation of property, plant and equipment	1 320.5	1 216.0
Depreciation of right-of-use assets	2 148.2	1 979.9
Amortisation of intangible assets	96.6	123.4
Share-based payments expense	59.4	149.0
Lease adjustments	(28.9)	(42.4)
Movement in operating lease assets	(1.0)	3.1
Movement in retirement scheme assets	51.8	(4.0)
Fair value and foreign exchange adjustments	(20.3)	(33.5)
Cash generated before movements in working capital	6 674.3	6 278.0
Movements in working capital	(968.2)	(563.6)
Movements in trade and other payables, provisions and deferred revenue	1 668.9	898.2
Movements in inventory and right-of-return assets	(2 338.2)	(1 074.2)
Movements in trade and other receivables	(298.9)	(387.6)
Cash generated from trading activities	5 706.1	5 714.4
Other interest received	251.7	300.1
Other interest paid	(431.4)	(341.0)
Interest received on net investment in lease receivables	191.9	203.7
Interest paid on lease liabilities	(1 446.0)	(1 364.4)
Cash generated from operations	4 272.3	4 512.8
Dividends received	16.0	20.1
Dividends paid	(1 112.8)	(959.6)
Tax paid	(458.4)	(403.9)
Cash generated from operating activities	2 717.1	3 169.4
Cash flows from investing activities		
Investment in intangible assets	(231.5)	(88.1)
Investment in property, plant and equipment	(3 401.9)	(1 990.1)
Purchase of operations	(329.7)	(55.7)
Proceeds on disposal of intangible assets	25.7	4.0
Proceeds on disposal of property, plant and equipment	42.6	135.9
Insurance proceeds on capital items	13.8	210.5
Principal net investment in lease receipts	299.1	251.6
Lease incentives received	89.6	52.0
Loans repaid	62.4	14.8
Loans advanced	(94.3)	(41.5)
Cash utilised in investing activities	(3 524.2)	(1 506.6)
Cash flows from financing activities		
Principal lease liability payments	(2 408.8)	(2 059.8)
Borrowings raised	6 804.8	6 020.4
Repayment of borrowings	(7 938.5)	(5 348.5)
Share purchases	(90.1)	(114.2)
Cash utilised in financing activities	(3 632.6)	(1 502.1)
Net (decrease)/increase in cash and cash equivalents	(4 439.7)	160.7
Net cash and cash equivalents at beginning of period	3 625.3	3 463.7
Foreign currency translations	12.2	0.9
Net cash and cash equivalents at end of period	(802.2)	3 625.3
Consisting of:		
Cash and cash equivalents	1 997.8	6 425.3
Overnight borrowings	(2 800.0)	(2 800.0)

FIVE YEAR REVIEW OF PERFORMANCE

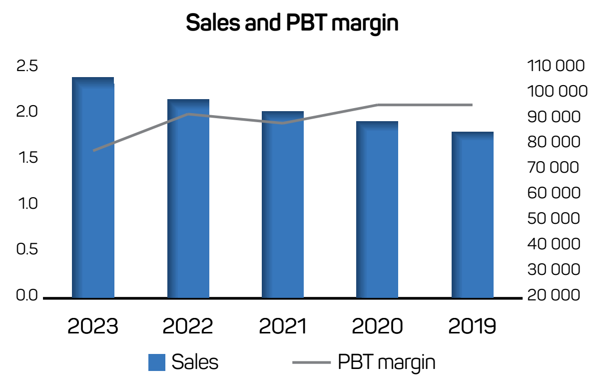
Financial metrics

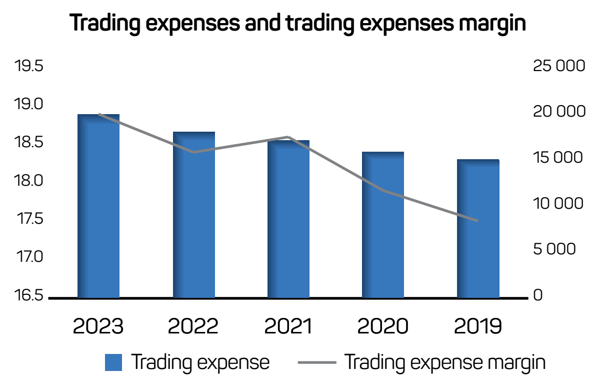
		FY23	FY22	FY21	FY20	FY19
Consolidated statement of comprehensive income						
presented on a 52 week basis						
Turnover	Rm	106 562.0	97 872.8	93 078.8	89 186.5	85 190.8
Other trading income, excluding insurance proceeds	Rm	2 004.6	1 756.9	1 580.9	1 570.2	1 474.8
Trading expenses	Rm	20 153.9	18 014.7	17 294.8	15 997.4	15 058.9
Pro forma trading profit	Rm	2 902.8	3 031.7	2 907.8	3 174.5	2 935.6
Pro forma profit before tax	Rm	1 678.4	1 978.0	1 583.4	1 897.2	1 776.1
Headline earnings	Rm	1 246.2	1 258.9	1 095.0	1 389.9	1 347.4
Pro forma headline earnings	Rm	1 165.1	1 388.5	1 124.2	1 346.7	1 347.4
EBITDA (before capital items)	Rm	3 313.4	3 096.9	2 849.3	3 272.1	*
Consolidated statement of financial position						
Total assets	Rm	42 365.1	40 344.5	37 816.5	33 505.3	32 107.7
Ordinary shareholders' equity	Rm	3 702.8	3 715.7	3 386.2	3 010.1	3 035.0
Total liabilities	Rm	38 662.3	36 628.8	34 430.3	30 495.2	29 072.7
Net debt/(cash) position	Rm	3 671.5	377.8	(132.6)	1 037.7	1 621.8
Earnings performance measures						
presented on a 52 week basis						
Turnover growth	%	8.9	5.2	4.3	4.7	7.1
Turnover growth – South Africa	%	8.7	5.1	5.0	5.1	7.4
Turnover growth – Pick n Pay South Africa	%	4.3	*	*	*	*
Turnover growth – Boxer South Africa	%	20.2	*	*	*	*
Gross profit margin	%	19.6	18.8	19.8	19.7	19.1
Gross profit margin, excluding impact of 2021 civil unrest	%	19.6	19.6	19.8	19.7	19.1
Trading expenses margin	%	18.9	18.4	18.6	17.9	17.5
Pro forma trading profit margin	%	2.7	3.1	3.1	3.6	3.4
Pro forma PBT growth	%	(15.1)	24.9	(16.5)	6.8	12.3
Pro forma PBT margin	%	1.6	2.0	1.7	2.1	2.1
HEPS growth	%	(1.3)	14.5	(21.4)	2.9	5.9
Pro forma HEPS growth	%	(16.3)	23.0	(16.8)	(0.3)	15.5
EBITDA (before capital items) growth	%	7.0	8.7	(12.9)	*	*
Financial position performance measures						
Net asset value per share	cents	803.0	827.1	769.9	776.2	786.7
Net debt/EBITDA	times	1.1	0.1	(0.0)	0.3	*
Net finance cost cover ratio	times	19.4	144.8	51.0	28.7	*
Return on capital employed (ROCE)	%	31.4	39.1	35.2	44.6	44.1
Return on invested capital (ROIC)	%	9.8	12.0	12.2	*	*
Weighted average cost of capital (WACC)	%	10.3	10.6	10.7	*	*
ROIC excluding impact of IFRS16	%	12.8#	20.9	23.6	*	*
WACC excluding the impact of IFRS16	%	13.4	14.0	13.7	*	*

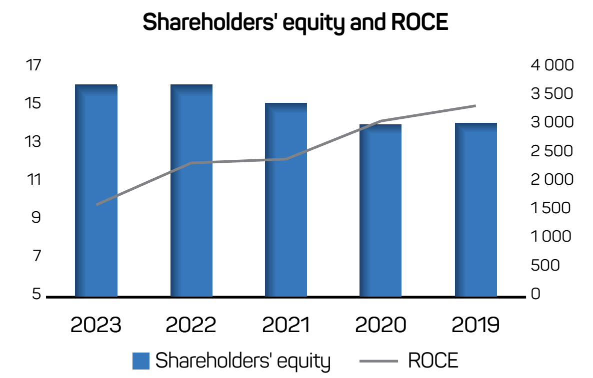
* *Information not presented.*

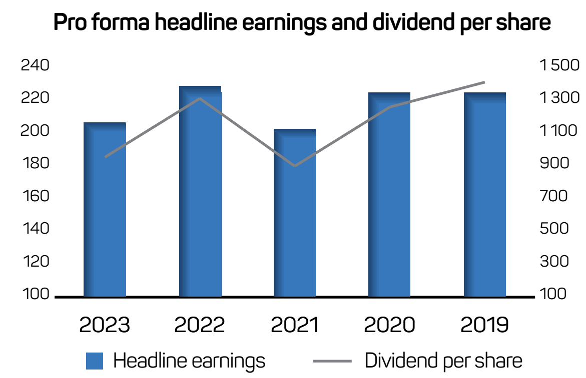
\# *16.3% on an underlying basis excluding the impact of load-shedding in FY23.*

		2023	2022	2021	2020	2019
Stock exchange (JSE Limited) performance						
Number of shares in issue	millions	493.5	493.5	493.5	493.5	493.5
Weighted average number of shares in issue	millions	480.7	479.4	477.5	476.2	475.1
Volume of shares traded	millions	388.0	349.3	261.6	275.8	362.8
Percentage of shares traded	%	78.6	70.8	53.0	55.9	73.5
Total market capitalisation	Rbn	22.5	22.9	25.5	27.3	34.1
Market capitalisation net of treasury shares	Rbn	22.0	22.3	24.7	26.4	32.9
Market price per share						
– close at year-end	cents	4 563	4 644	5 167	5 524	6 913
– high for the year	cents	6 688	6 250	6 778	7 412	8 209
– low for the year	cents	4 302	4 612	4 515	5 155	6 228
Price:earnings ratio	times	18.8	16.0	21.9	19.5	24.4
Total dividend per share	cents	185.15	221.2	179.7	215.9	231.1
Interim dividend per share	cents	44.85	35.8	18.7	42.8	39.1
Final dividend per share	cents	140.30	185.4	161.0	173.1	192.0
Dividend cover	times	1.3	1.3	1.3	1.3	1.3
Dividend yield	%	4.1	4.8	3.5	3.9	3.3









Definitions of key financial metrics

Growth	The percentage movement of an earnings metric when compared to the immediate preceding financial period.
Margin	The value of an earnings metric (for example, gross profit or trading expenses) expressed as a percentage of turnover.
Trading profit	Earnings generated from the Group's core operations before interest, tax and before capital items, and adjusted for once off-items.
Pro forma profit before tax (PBT)	Profit for the period before tax and before capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe – and specifically in FY23 and FY22 – accounting for insurance recoveries received in the same year as the related losses were recorded.
Exceptional items	Non-recurring items of an exceptional size and nature, as determined by the Remuneration Committee.
Headline earnings	Net profit for the period adjusted for the after-tax effect of capital items.
Pro forma headline earnings	Headline earnings excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe and – specifically in FY23 and FY22 –, accounting for insurance recoveries received in the same year as the related losses were recorded.
Pro forma headline earnings per share	Pro forma headline earnings divided by the weighted average number of shares in issue for the period.
EBITDA	Pro forma profit for the period before net interest, tax, depreciation, amortisation and capital items.
Net funding/cash position	Cash and cash equivalents net of overnight borrowings and short-term borrowings.
Return on invested capital (ROIC)	After tax trading profit adjusted for once-off items, divided by the average invested capital.
Invested capital	Net asset value excluding the impact of leases.
Return on capital employed (ROCE)	Pro forma headline earnings divided by average shareholders' equity plus secured borrowings.
Net asset value per share	Total value of net assets at period end, adjusted for directors' valuations of property, divided by the number of shares in issue at period end, held outside the Group.
Weighted average cost of capital (WACC)	The average post-tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.
Weighted number of shares in issue	The weighted average number of shares in issue considers all changes in outstanding shares over the period – including new issuances, share buy-backs and changes in treasury shares held – weighted for the time period that the shares were outstanding during the year.
Market capitalisation	The price per share at period-end multiplied by the number of shares in issue at period-end.
Price earnings ratio	The price per share at period-end divided by pro forma headline earnings per share.
Dividend cover	Pro forma headline earnings per share divided by the dividends per share that relate to those earnings.
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period-end, in respect of the current financial year.
Dividend yield	The value of the total dividend per share expressed as a percentage of the share price.
Volume of shares traded	The number of shares traded on the Johannesburg Stock Exchange in the financial year.

Non-financial measures

		FY23	FY22	FY21	FY20	FY19
Human measures						
Developed a skilled workforce						
Number of employees	000's	59.9	57.0	55.2	54.9	53.6
Permanent employee turnover	%	19.0	16.0	15.0	17.0	17.4
Employment Equity[1]						
Top management	%	56.2	53.8	49.7	48.5	44.0
Senior management	%	80.8	81.7	79.1	76.8	74.2
Professionally qualified middle management	%	96.1	95.8	95.3	93.8	93.5
Skilled technical and junior management	%	98.5	98.7	98.4	98.2	98.0
Semi-skilled and discretionary decision-making	%	99.7	99.8	99.9	99.8	99.8
Unskilled and defined decision-making	%	99.5	99.7	99.8	99.8	99.7
Social and environmental measures*						
Carbon footprint (Scope 1 and 2)[2]	CO_2e tonnes	1 143 345	1 000 558	889 595	987 230	827 663
Energy usage per square metre reduction (FY10 baseline)[3]	%	37.0	35.1	34.4	28.2	27.7
Waste diverted from landfill[3]	%	61.0	55.0	61.0	60.0	53.5
Water used[3]	megalitres	1 055	1 020.0	1 006	1 117	1 128
Total CSI spend[2]	Rm	39.1	38.0	41.3	34.0	34.1
Schools in Pick n Pay School Club[3]		3 280	3 185	3 155	3 025	3 025
BBBEE Level[3]		Level 5	Level 5	Level 7	Level 7	Level 8
Operational statistics*						
Total number of stores		2 204	2 081	1 994	1 925	1 795
Group – excluding associate		2 132	2 017	1 933	1 866	1 738
Pick n Pay – Owned		957	876	830	794	749
Pick n Pay – Franchise		747	773	761	774	719
Boxer – Owned		428	368	342	298	270
Associate						
TM Supermarkets		72	64	61	59	57
Total square metres	m^2 – millions	2.8	2.7	2.7	2.6	2.6
Owned	m^2 – millions	2.1	2.0	1.9	1.8	1.8
Franchise	m^2 – millions	0.7	0.7	0.8	0.8	0.8

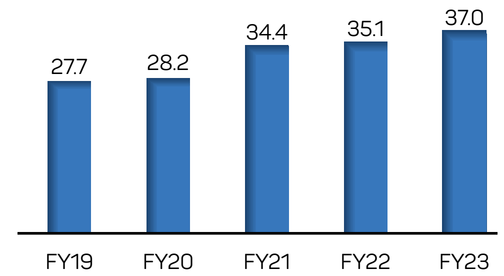
[1] *These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories within Pick n Pay.*

[2] *Information relates to all Pick n Pay and Boxer company-owned stores and operations.*

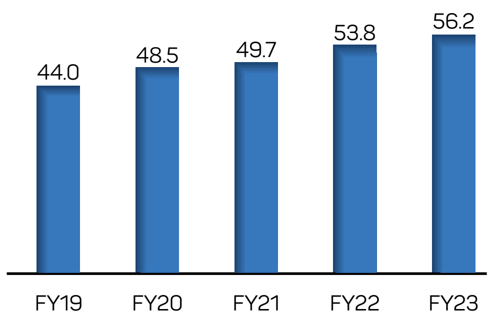
[3] *Information relates to all Pick n Pay company-owned stores and operations, with a roadmap to include Boxer.*

Number of stores and trading area

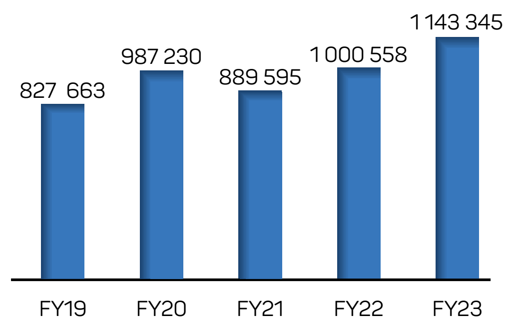
Reduction in usage energy per square metre (FY10 baseline)



Employment equity in top Pick n Pay management



Carbon footprint (Scope 1 and 2) – CO_2e tonnes

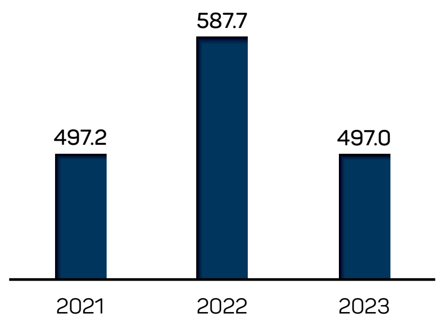


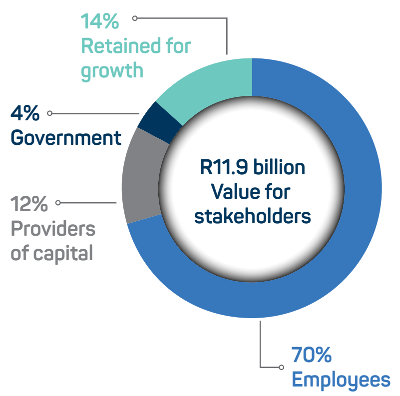
FINANCIAL VALUE-ADDED STATEMENT

We have created financial value of R11.9 billion (2022: R11.5 billion). The financial value-added statement illustrates how we have distributed this value to our stakeholders. Refer to the CFO Report on page 68 for further information.

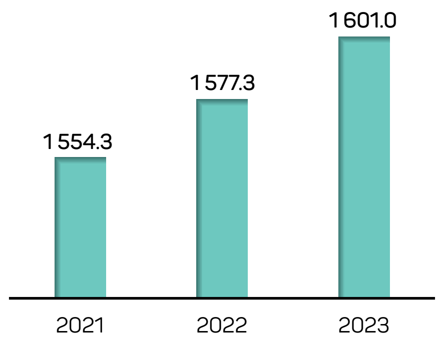
	52 weeks to 26 February 2023 Rm	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Turnover	106 562.0	97 872.8	93 078.8
Pro forma other income	2 120.1	2 650.3	1 580.9
Amounts paid for goods and services	(97 093.5)	(89 305.1)	(83 717.3)
Finance income (excluding IFRS 16)	260.3	319.6	240.4
Total value created	11 848.9	11 537.6	11 182.8
Distributed as follows:			
Employees			
Salaries, wages and other benefits	8 347.9	7 836.3	7 959.0
To providers of capital	1 403.0	1 536.3	1 172.3
Distributions to shareholders	881.5	1 081.1	876.0
Share purchases	90.1	114.2	–
Finance costs (excluding IFRS 16)	431.4	341.0	296.3
Government			
Pro forma taxation expense	497.0	587.7	497.2
Retained for growth	1 601.0	1 577.3	1 554.3
Total value distributed	11 848.9	11 537.6	11 182.8

Government (Rm)

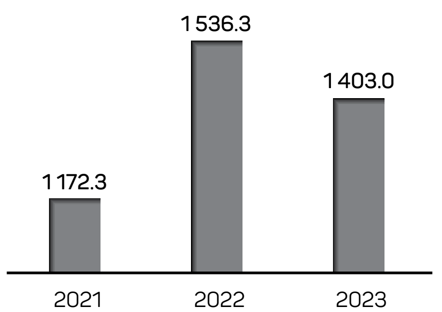




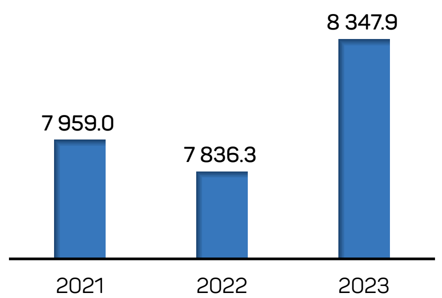
Retained for growth (Rm)



Providers of capital (Rm)



Employees (Rm)



The year-on-year fluctuations in the value distributed to stakeholders over the past three years reflects the financial impact of significant trade disruption over the period, including the Covid-19 pandemic (FY21), civil unrest (FY22) and more recently, elevated levels of load-shedding (FY23). Please refer to the CFO report for each period for further information.

ANALYSIS OF ORDINARY SHAREHOLDERS

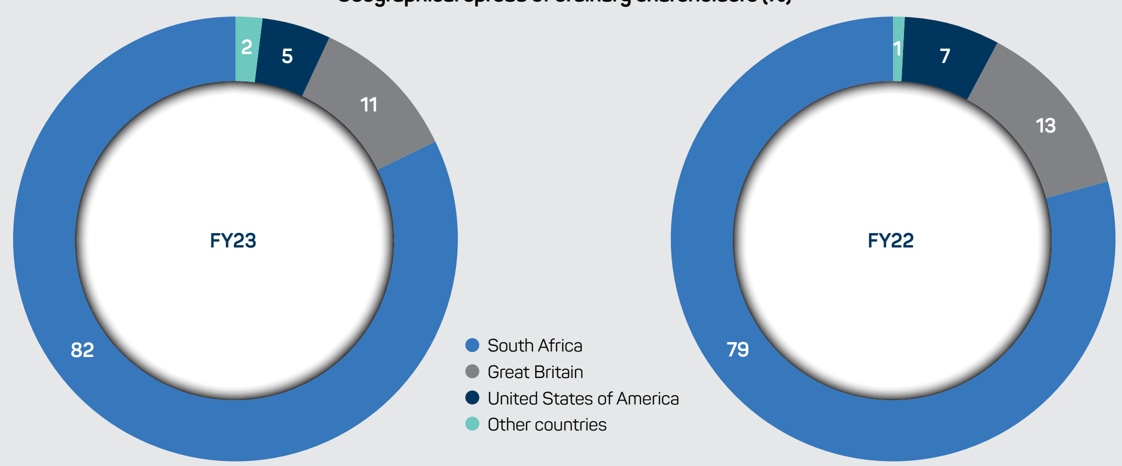
as at 26 February 2023

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	17 983	77.5	2 593 816	0.5
1 001 – 10 000 shares	4 006	17.2	12 903 485	2.6
10 001 – 100 000 shares	960	4.1	29 521 944	6.0
100 001 – 1 000 000 shares	235	1.0	63 663 715	12.9
1 000 001 shares and over	47	0.2	384 767 361	78.0
Total	23 231	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	16	0.1	144 380 835	29.3
Ackerman Investment Holdings Proprietary Limited	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	1 163 000	0.2
Shares held on behalf of FSP/RSP participants	1	0.0	7 012 500	1.4
Boxer Superstores Proprietary Limited	1	0.0	386 500	0.1
Pick n Pay Stores Employee Share Purchase Trust	1	0.0	3 818 153	0.8
Directors of Pick n Pay Stores Limited	8	0.0	4 371 544	0.9
The Mistral Trust	1	0.0	2 850 000	0.6
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Ackerman Family Investment Holdings Proprietary Limited	1	0.0	1	0.0
Public shareholders	23 215	99.9	349 069 486	70.7
Total	23 231	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 237	25.3
Government Employees Pension Fund	99 783 465	20.2
Fidelity Series Emerging Markets Opportunities Fund	25 960 299	5.3
J.P. Morgan Equities South Africa (Pty) Ltd	16 430 669	3.3
Allan Gray Balanced Fund	15 228 723	3.1
Alexander Forbes Investments Limited	7 590 803	1.5
Shares held on behalf of FSP/RSP participants	7 012 500	1.4
FIAM Group Trust For Employee Benefit Plans	5 479 925	1.1
Vanguard Emerging Markets Stock Index Fund (US)	4 896 533	1.0
Allan Gray Stable Fund	4 832 365	1.0

Geographical spread of ordinary shareholders (%)



ANALYSIS OF B SHAREHOLDERS

as at 26 February 2023

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	4.0	522	0.0
1 001 – 10 000 shares	7	28.0	43 599	0.0
10 001 – 100 000 shares	8	32.0	181 479	0.1
100 001 – 1 000 000 shares	4	16.0	1 582 276	0.6
1 000 001 shares and over	5	20.0	257 874 993	99.3
Total	25	100.0	259 682 869	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	12	48.0	258 277 425	99.4
Ackerman Investment Holdings Proprietary Limited	1	4.0	246 936 847	95.1
Directors of Pick n Pay Stores Limited*	10	40.0	5 991 019	2.3
Mistral Trust	1	4.0	5 349 559	2.0
Public shareholders	13	52.0	1 405 444	0.6
Total	25	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman (Director of Pick n Pay Stores Limited)	3 228 383	1.2

* *Includes direct and indirect holdings. Refer to note 4.3 of the audited Group Annual Financial Statements for further information.*

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.

OUR STORE FOOTPRINT

The tables that follow set out more detail on our store footprint, and the changes during FY23.

	27 February 2022	Opened	Closed	Converted openings	Converted closures	26 February 2023
Company-owned						
Pick n Pay	**876**	**82**	**(13)**	**15**	**(3)**	**957**
Hypermarkets	21	–	–	–	–	21
Supermarkets	317	12	(6)	7	(2)	328
Clothing	256	55	(2)	2	–	311
Liquor	282	15	(5)	6	(1)	297
Boxer	**368**	**50**	**–**	**10**	**–**	**428**
Supermarkets	243	30	–	6	–	279
Build	28	3	–	–	–	31
Liquor	97	17	–	4	–	118
Total company-owned	**1 244**	**132**	**(13)**	**25**	**(3)**	**1 385**
Franchise						
Pick n Pay						
Supermarkets	282	6	(5)	–	(11)	272
Market	36	1	(16)	–	–	21
Express	178	14	(1)	–	–	191
Clothing	21	4	(1)	–	(2)	22
Liquor	256	10	(16)	–	(9)	241
Total franchise	**773**	**35**	**(39)**	**–**	**(22)**	**747**
Associate						
TM Supermarkets	64	8	–	–	–	72
Total Group stores	**2 081**	**175**	**(52)**	**25**	**(25)**	**2 204**
African footprint						
– included in total stores above						
Pick n Pay company-owned	22	3	–	–	–	25
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	76	10	(6)	–	–	80
TM Supermarkets – associate	64	8	–	–	–	72
	171	**21**	**(6)**	**–**	**–**	**186**
African footprint						
– by country						
Botswana	13	6	–	–	–	19
Lesotho	4	–	–	–	–	4
Namibia	40	–	(5)	–	–	35
eSwatini	28	3	–	–	–	31
Zambia	21	3	(1)	–	–	23
Nigeria	1	1	–	–	–	2
Zimbabwe	64	8	–	–	–	72
	171	**21**	**(6)**	**–**	**–**	**186**

APPLICATION OF THE INTERNATIONAL INTEGRATED REPORTING FRAMEWORK

The FY23 IAR was prepared in accordance with the International Integrated Reporting Framework[1]. The framework comprises guiding principles and content elements and below we set out a summary of our compliance with these elements.

We recognise that reporting the Pick n Pay value creation process and its outcomes is an evolving process, and we strive to improve the IAR, and the compliance to the above framework, each year. Our report has been recognised as an excellent report in the annual EY Excellence in Integrated Reporting[2] awards for several years.

Guiding principles

The guiding principles underpin the preparation of the IAR, informing the content of the report and how information is presented.

Strategic focus and future orientation	Our Ekuseni strategy (page 54) sets out our future plans, and we describe our progress against the strategy throughout the report. We provide insight into anticipated trade-offs and the future availability of resources in our business model (page 24). We aim to balance historic performance information with our focus areas and priorities going forward, and provide insight into the essence of Pick n Pay (page 11).
Connectivity of information	Our report has a clear structure and addresses the required content elements. Where relevant, we visually show connectivity through icons relating to our Ekuseni strategy, stakeholders and the six capitals. We aim to provide insightful information where qualitative and quantitative elements are integrated, and provide comparative data where relevant. We provide clear references to related content within the IAR, and to other relevant reports and disclosures.
Stakeholder relationships	Our material stakeholder groups are clearly defined and are central to the way we do business. We disclose how stakeholder relationships are governed, as well as their needs, interests and expectations in the chapter starting on page 42.
Materiality	We apply judgement in applying a materiality lens to the information and data included in our IAR. Our approach to reporting is disclosed on page 3, the reporting boundary on page 5, and our material matters are on pages 35 to 41.
Conciseness	We apply our materiality lens to the IAR to ensure we report on what is material in our value-creation process. Our report has a clear structure and uses plain language, with a glossary of terms on page 138 and financial definitions on page 130. The IAR is supplemented with other reports and documents, as detailed on page 4.
Reliability and completeness	We aim to report accurately on all material matters. Our approach to reporting is disclosed on page 3, with our reporting process and Board approval detailed on page 6.
Consistency and comparability	We aim to provide context to our performance and the underlying data. Where relevant, we provide comparative numbers. Our reporting approach is similar to FY22, although we aim to improve our reporting annually. We also strive for consistency between the various elements of our reporting suite (page 4) and between internal and external reporting.

[1] *https://www.integratedreporting.org/resource/international-ir-framework/*
[2] *https://www.ey.com/en_za/assurance/excellence-in-integrated-reporting*

Content elements

An integrated report includes eight content elements that are fundamentally linked and are not mutually exclusive.

Organisational overview and external environment	We provide an overview of Pick n Pay and the environment in which the Group operates throughout the report. However, the chapters relating to a retail business in a fast-moving consumer goods industry (page 7) and managing and leveraging market dynamics (page 30), are most relevant to this content element.
Governance	We detail the role of the Board and its governance structures where relevant, with a focus on our Chair's report (page 8) and extracts of the governance and remuneration reports (as relevant to the IAR) starting on page 83. Note that the stand-alone Corporate Governance Report contains all compliance-related information relating to governance and remuneration. It is available at www.picknpayinvestor.co.za.
Business model	Pick n Pay's process of value creation and its outcomes are detailed throughout the IAR, with a synopsis of the six capitals, the business model and trade-offs on pages 24 to 29.
Risks and opportunities	An integrated review of the Group's risks and opportunities starts on page 35.
Strategy and resource allocation	The Ekuseni strategy (page 54) and the integrated approach to ESG (page 62) provide comprehensive insight into the Group's long-term strategy and focus areas.
Performance	Performance narratives are closely aligned with the Ekuseni strategy, with specific disclosures in the CEO and CFO reports (starting on pages 52 and 68 respectively), as well as in the Ekuseni strategy and ESG (doing good is good business) chapters (pages 54 and 62 respectively). We have a stand-alone report that provides more detail on the ESG strategy and performance. It is available at www.picknpayinvestor.co.za.
Outlook	Information regarding our outlook is included in the narratives provided in our leadership reports (pages 8, 52, 68 and 80), in our summary of resource availability (page 28), our anticipated trade-offs (page 29), and in the chapter on our market dynamics (page 30).
Basis of preparation and presentation	We explain our approach to reporting in the first chapter, starting on page 3. The material matter determination process, and the material matters, are explained on page 35.

GLOSSARY OF TERMS

Terms and abbreviations used in this Integrated Annual Report

A2X	A2X Markets, an alternative venue for secondary listing and trading shares in South Africa
ACI	African, Coloured and Indian
AFS	Annual Financial Statements
AGM	Annual general meeting
BBBEE	Broad-based black economic empowerment
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CGR	Corporate Governance Report
CO_2e	Carbon dioxide equivalent
CODM	Chief Operating Decision Maker
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Covid-19	Coronavirus disease (an infectious disease caused by the SARS-CoV-2 virus)
CPI	Consumer Price Index – the headline inflation number in South Africa as reported by Stats SA
CPI Food	The Consumer Price Index for food and non-alcoholic beverages as defined by Stats SA
CRI	Long-term cash retention incentive scheme – aimed at middle management (Grades C – D)
CSI	Corporate social investment
CVP	Customer value proposition
DC	Distribution centre
EBITDA	Pro forma profit for the period before net interest, tax, depreciation, amortisation and capital items
Ekuseni	The Group's new long-term strategy, launched in May 2022
eNPS	Employee Net Promoter Score – a formal measure of employee advocacy
EPS	Earnings per share
ESG	Environmental, social and governance
EY	Ernst & Young Inc.
FSP	Long-term forfeitable share plan replaced in 2020 by the restricted share plan (RSP)
FY	Financial Year, for example: FY23 – our 2023 financial year, and FY22 – our 2022 financial year
GDP	Gross domestic product
GRI	Global Reporting Initiative
Group	Pick n Pay Stores Limited and all its subsidiaries and associate
H1 and H2	First and second half of FY23: H1 – first half, end August 2022, and H2 – second half, end February 2023
HDSA	Historically Disadvantaged South Africans
HEPS	Headline earnings per share
IAR	Integrated Annual Report
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund

JSE	Johannesburg Stock Exchange	
King IV	The King IV Report on Corporate Governance™ for South Africa, 2016	
KPI	Key performance indicator	
LFL	Like-for-like	
LID	Lead independent director	
LTI	Long-term incentive – under the Group's long-term CRI and RSP schemes	
NED	Non-executive director	
NMBU	Non-management bargaining unit	
NPS	Net Promoter Score – a formal measure of customer advocacy	
PBT	Profit before tax – Profit for the period before tax and before capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe – and specifically in FY23 and FY22 – accounting for insurance recoveries received in the same year as the related losses were recorded	
PBTAE	Profit before tax and exceptional items	
Q1 – Q4	**FY23 financial quarters:**	
	Q1 – first quarter, end May 2022	Q2 – second quarter, end August 2022
	Q3 – third quarter, end November 2022	Q4 – fourth quarter, end February 2023
	2022 calendar quarters:	
	Q1 – first quarter, end March 2022	Q2 – second quarter, end June 2022
	Q3 – third quarter, end September 2022	Q4 – fourth quarter, end December 2022
RoA	Rest of Africa division	
ROCE	Return on capital employed	
ROIC	Return on invested capital – after tax trading profit adjusted for once-off items, divided by the average invested capital	
RSP	Long-term restricted share plan – aimed at senior and top management (Grades A – B)	
SASB	Sustainability Accounting Standards Board	
SDG	Sustainable Development Goal	
SED	Socio-economic development	
SENS	Johannesburg Stock Exchange News Service	
SMMEs	Small, medium and micro enterprises	
STI	Short-term incentive – the Group's annual cash performance bonus	
TCFD	Task Force on Climate-related Financial Disclosures	
TGP	Total guaranteed package	
TM	TM Supermarkets (Pvt) Limited – the Group's associate trading in Zimbabwe	
VSP	Voluntary severance programme	
WACC	Weighted average cost of capital – The average post-tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis	
Workday	A cloud-based human capital management software system that centralises a wide range of human resources functions into a single platform, including training and talent management, leave management, recruitment and general staff communication	

Other relevant financial definitions have been included on page 130.

SHAREHOLDERS' CALENDAR

JULY 2023

19
- Trading update
- Annual general meeting*

AUGUST 2023

27
- H1 FY24 financial period close

OCTOBER 2023

18
- FY24 Interim financial result publication

19-27
- Shareholder result roadshow

FEBRUARY 2024

TBC
- Trading update

25
- FY24 financial period close

MAY 2024

TBC
- FY24 final financial result publication

JUNE 2024

TBC

Publication of:
- FY24 Integrated Annual Report
- FY24 Audited Annual Financial Statements
- FY24 Corporate Governance Report
- FY24 ESG Databook

* *The 55th annual general meeting (AGM) of the shareholders of Pick n Pay Stores Limited will be conducted entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended and the Company's Memorandum of Incorporation. The live AGM webcast will be held at 08:30 on 19 July 2023. Please register for the AGM via the Lumi electronic platform at www.smartagm.co.za*

CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE and A2X share code: PIK
ISIN: ZAE000005443

Board of directors
Executive
Pieter Boone (CEO)
Lerena Olivier (CFO)

Non-executive
Gareth Ackerman (Chair)
Suzanne Ackerman[1]
Jonathan Ackerman[2]
David Robins

Independent non-executive
Haroon Bhorat
Mariam Cassim
James Formby[3]
David Friedland
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe
Jeff van Rooyen

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Registrar
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Rosebank 2196
Tel +27 11 370 5000

Postal address
Private Bag X9000
Saxonwold 2132

JSE Limited sponsor
Investec Bank Limited
100 Grayston Drive
Sandton 2196

Auditors
Ernst & Young Inc.

Principal transactional bankers
Absa Limited
First National Bank

Company Secretary
Penelope Gerber[4]
Email address: CompanySecretary@pnp.co.za

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

Investor relations
Stephen Carrott
Email address: StephenCarrott@pnp.co.za

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

Customer careline
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Email address: customercare@pnp.co.za

Boxer
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Email address: customercare@boxer.co.za

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

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[1] *Suzanne Ackerman retired as an executive director on 31 March 2022 and was appointed as a non-executive director on that date.*
[2] *Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director from that date.*
[3] *James Formby was appointed as an independent non-executive director on 10 October 2022.*
[4] *Penelope Gerber was appointed as Company Secretary on 31 July 2022.*

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