



Pick n Pay

SUSTAINABLE LIVING REPORT UPDATE 2016

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Introduction from Gareth Ackerman Chairman

I am delighted to introduce this update to our full Sustainability Report, which is published every two years. In this update, we highlight our commitment to sustainability and the five areas of our sustainability strategy: environmental responsibility; employee opportunity and diversity; promoting healthy living, supporting local and ethical suppliers and doing good

in the local community.

At a time of economic challenge, we launched our ‘War on Waste’ campaign in July 2015. As part of this programme, we have committed to creating 20 new jobs within the business every working day until the year 2020 – or around 5 000 a year. Over the past financial year 4 500 jobs have been created, and in the past three years 11 000 jobs have been created within the business.

War on Waste also aims to reduce energy use per square metre by a further 20% against our 2008 baseline, and to reduce our food waste to landfill by 20% – all by 2020. We made a good start this year, with good progress made. In tackling food waste, 1 737 tonnes of safe food was donated to Foodbank. In cutting down on energy waste, our total cost savings due to energy efficiency initiatives implemented over the past seven years reached R1 billion.

Over the past year, Pick n Pay spent over R40 billion on local suppliers and sourced 94% of fresh-food products from local suppliers. This was the result of intensified focus on facilitating small business development in the retail sector. Our supply chain sustains more than 400 000 jobs across the country.

We increased our spend on SMMEs in 2015 by 61%. Expenditure on BBBEE business was increased by 6%, reaching R35 billion.

While we make good progress on our turnaround plan to restore Pick n Pay to long-term sustainable growth, we remain committed to supporting communities in which we trade. During this year, we invested R41.5 million in Corporate Social Responsibility projects.

For almost five decades, Pick n Pay has played an important role in the economic and social development of southern Africa. We are proud to continue to build and grow this legacy, and will continue to lead on progressive social action and embedding sustainability within our business.

Gareth Ackerman

Pick n Pay’s Sustainability Strategy

The idea that “doing good is good business” has informed Pick n Pay’s development since the company began 49 years ago. Over the years, this principle has found expression in many ways: in pro-consumer activism, sustainable and ethical product lines, training and mentoring, venture philanthropy, and more. Our belief in doing good has made our business stronger and more innovative and has earned us a special place in the hearts of our customers.

Our sustainable living strategy builds on decades of learning. We seek to focus our energy and investment in addressing some of the key challenges that our customers and stakeholders face. We also align our work with many of the inspiring initiatives already led by our suppliers, non-governmental organisations, civil society and religious groups, government and other stakeholders.

We make a significant and lasting difference through our scale. Some of our most significant contributions are linked to our core business:

- ▶ Investing up to R5 billion in new stores and refurbishments over the next two years will help boost both national and local economies
- ▶ New jobs – including for previously unemployed people – provide reliable income, exciting careers, healthcare and other benefits
- ▶ We source more than R50 billion worth of products from local suppliers annually. Smaller suppliers can benefit from our centralised supply chain and special trading terms
- ▶ We provide safe, reliable and affordable food in under-served communities
- ▶ We communicate to millions of customers to help them be healthy and live more sustainable lives

These large-scale impacts are supported by more specific work, enabling us to make a significant difference in the lives of individuals and groups:

- ▶ The Ackerman Pick n Pay Foundation funding helps to get small ideas off the ground
- ▶ We mentor and support small suppliers, helping them to enter our supply chain and grow into national businesses

- ▶ We support local charities through donations and volunteering
- ▶ We are committed to setting an example in responsible environmental management, through initiatives that include our energy efficiency and waste management programmes, partnerships with environmental NGOs and our Pick n Pay School Club environmental education programme

Both independent surveys and our own feedback confirm that our work leads to:

- ▶ More loyal customers
- ▶ Stronger relationships with suppliers
- ▶ More innovation and higher quality products
- ▶ A loyal and effective workforce
- ▶ Greater food security through tackling regional and global challenges such as climate change

OUR FIVE FOCUS AREAS

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PROMOTING HEALTHY LIVING

2

SUPPORTING LOCAL AND ETHICAL SUPPLIERS

3

BEING ENVIRONMENTALLY RESPONSIBLE

4

EMPLOYEE OPPORTUNITY & DIVERSITY

5

DOING GOOD IN THE LOCAL COMMUNITY

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



Our sustainable living strategy is a core element of the community section of the Pick n Pay steering wheel. The five commitments cut across each segment in support of customers, employees, operations and finance. We report on these commitments in the chapters to follow.

Please refer to the final chapter for information on how we organise sustainability across the business, our reporting structures and governance efforts.

Pick n Pay’s approach to sustainability has informed our business plan over the past two years. For example, an important feature of Stage 1 of our recovery has been energy efficiency, which has helped us to reduce cost pressures and improve efficiency.

We see sustainability efforts playing an even greater role in support of our plan: changing the trajectory of Pick n Pay. A commitment to leaner operations will require greater supply chain efficiency, supported by our efforts to reduce waste and energy use, and improve delivery and packaging efficiency.

Sustainability is a part of how we think, innovate and grow. Our customers increasingly expect it and it is becoming embedded in our thinking and actions.

PROMOTING HEALTHY LIVING



Why it’s important

Healthy food choices are important for good health and wellbeing. Chronic conditions such as cardiovascular disease, obesity, cancer and diabetes are all linked to poor diet and lifestyle. In South Africa, some of these conditions are reaching epidemic proportions. As one of the largest food retailers, we recognise our role in providing access to affordable healthy food, and information that will help customers to make informed choices about what they eat and how they live.

What we do

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

What we aim for	What we’ve achieved in FY 2016
Offer healthy and sustainable food choices	➤ Worked on 160 products to reduce sodium content, all of which comply to the Sodium regulations that come into effect in June 2016 ➤ Engaged with the national Department of Health on proactive commitments to reformulate certain categories of foods to improve their nutrition credentials ➤ Conducted over 1 150 health and safety audits on Pick n Pay-branded products suppliers
Empower people through accessible information	➤ Launched Guideline Daily Amount front-of-pack labelling scheme on private label products to bring key nutrition facts to the customer’s attention ➤ The Pick n Pay School Club provides educational material on healthy eating habits for more than 1.5 million learners ➤ Diabetes leaflets distributed nationally in March and November 2015
Making healthy products more accessible	➤ Discounted healthy products through the Vitality Pick n Pay HealthyFood™ programme
Encourage active lifestyles	➤ Hosted the ongoing series of Pick n Pay Women’s Walk events, attracting more than 25 000 participants during the year, raising over R1 million for breast cancer awareness. 1368 breast examinations were done and 18 women were referred for further testing ➤ Annual sponsorship of the Cape Town Cycle Tour, the world’s largest timed cycling event
Provide services in stores	➤ Pick n Pay pharmacies with clinics offer a wide range of wellness screening tests, health and nutritional advice and a range of medical services ➤ Ongoing customer support through the Health Hotline free nutrition advice service managed by our in-house dietitian. Currently 54 queries are received per month

Offer healthy and sustainable food choices

We offer a wide range of wholesome, nutritious and high-quality food, and are committed to improving the products on offer and the choices available to our customers. Salt reduction in processed food has become mandatory in South Africa and similar requirements on sugar in processed products are expected. We continue to reduce salt in a range of our products to levels set by government to be achieved by 2016 and 2019. The challenge is to reduce salt and sugar content in products without compromising their safety, taste and quality. To meet our commitment to food quality and safety, Pick n Pay has a robust policy under which all our private label food suppliers are audited.

Empower people through reliable and accessible information

Providing reliable and accessible information is essential in promoting healthy food choices. Our product labelling policy ensures that customers are given accurate information to allow them to make informed buying decisions. Pick n Pay launched a front-of-pack labelling scheme on 739 private label products to assist customers in making better-informed food choices. Pick n Pay’s registered dietitian is available through the company’s toll-free Health Hotline (0800 11 22 88) to answer customer and staff queries relating to various nutrition and food-related issues. We extend health education to our customers through distributing a range of NutriWise leaflets in stores, providing educational materials in schools, and have a library of nutrition and health-related articles on our website’s Nutrition and Wellness page: www.pnp.co.za/healthcorner

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

Encourage active lifestyles

We encourage our customers to lead more active lifestyles by sponsoring and supporting high-profile events. Pick n Pay hosts the PnP Women’s Walk, a series of nationwide 5km fun walks to raise funds for PinkDrive, a non-profit company offering free cancer screening and health advice in local communities,

and promoting physical fitness. Since 1991 we have been a major sponsor of the annual Cape Town Cycle Tour, the world’s largest timed cycling event, which attracts up to 35 000 participants. Our strategic position in these events is to promote physical fitness and a healthy lifestyle.

Provide in-store services

Our pharmacy division was created to provide our customers with the best possible healthcare. We have 29 Pick n Pay pharmacies nationwide, offering over-the-counter medication, vitamins and supplements, sports nutrition supplements, medical services clinics and a dispensary. Our pharmacies with clinics offer wellness screening and a wide range of medical tests including: cholesterol testing, glucose testing, blood pressure, BMI, weight management, audiometry, ear irrigation and wound care, pregnancy testing, antenatal consultations, breast examinations, pap smears (selective clinics), baby vaccinations (free vaccinations in the Western Cape for government patients), family planning (free in the Western Cape for government patients), and HIV testing and counselling. Clinics can also assist with injections and pathology collections, peak flow assessments, rapid blood group testing and more.

Making healthy products more accessible

Some customers believe that fruits, vegetables and fish are more expensive than processed meals and snacks. To counter this, and to improve access to healthier products, our Smart Shopper loyalty programme seeks to encourage customers to make healthier choices and through our partnership in the Vitality Pick n Pay HealthyFood™ programme, Vitality members receive a discount on our healthy products.

Customers enjoy buying vegetables that look perfect. But nature produces fruits and vegetables that, while perfectly nutritious, can be imperfectly shaped. We have run a campaign specifically focused on selling ‘imperfect’ produce to help change customer perceptions and reduce waste.

Community healthcare:
Our pharmacy staff members’ community-outreach activities include:

- Free glucose and blood-pressure tests at the PinkDrive truck at Pick n Pay Women’s Walks
- Free in-store health screenings throughout the year
- Visiting government-funded old age homes to offer free screening services, as well as to donate cakes and small gifts

Educational material:
As part of our School Club initiative we encourage healthy eating by educating learners about the importance of eating breakfast and why a healthy, balanced lunch box is important for our bodies.

- This past year we printed and distributed posters (see below) to about 2 300 primary schools.

Addressing obesity:
We engage with the national Department of Health to help combat obesity in South Africa. Initiatives include responsible marketing communications for foods and beverages to children, contributing to an industry-wide healthy eating education campaign and supporting local research to determine the nutritional causes of obesity in SA.

SUPPORTING LOCAL AND ETHICAL SUPPLIERS



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

Why it’s important

Local and diverse suppliers
Small business development in the retail sector, particularly of black- and women-owned businesses, is essential to grow our economy, drive employment and empower individuals. A diverse supplier base is important in ensuring we have a broad variety of products to meet customer needs and a strong pipeline of innovation. A locally focused supply base is an advantage in addressing long-term food security, environmental and social challenges. We measure our contribution to these objectives by tracking relevant key performance indicators year-on-year (see page 18). The long-term viability of our operations depends on the sustainability of our resource base. We recognise the importance of promoting resilience throughout our value chain, and supporting our suppliers to meet effective standards. Ensuring strict product quality control also builds trust with our customers.

What we do

- We recognise that many small suppliers have challenges in accessing funding, growing scale and achieving a viable business – particularly if they are new to the industry. We have taken a leading role in mentoring, encouraging and enabling small-scale entrepreneurs to become sustainable suppliers to the retail industry and have sought to address the inequalities of the past by focusing on broad-based black economic empowerment (BBBEE).
- We support producers who proactively manage animal welfare and environmental issues, and we encourage initiatives that promote improvements to animal welfare.
- We are partnering with our suppliers on various sustainability initiatives, including packaging reduction and innovation, sustainable product development, and sustainable and transparent sourcing.

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

LOCAL AND DIVERSE

What we aim for	What we’ve achieved in FY 2016
Increase local sourcing	➤ A total of 94% of our fresh-food products are procured from South African suppliers ➤ We procured products worth R50 billion from South African suppliers ➤ Through co-operation with the Ackerman Pick n Pay Enterprise Development Fund, 25 businesses and community enterprises benefited from the enterprise development (ED) programme, of which 12 are now suppliers
Promote supplier diversity	➤ Expenditure on BBBEE business increased by over 6%, reaching R35 billion

SUSTAINABLE AND ETHICAL

Support ethical and sustainable initiatives	➤ Leading change in the industry by enforcing ambitious commitments to improve the welfare of pigs in our supply chain ➤ Rebranded our ‘green household range’ of cleaning products ➤ Partnered with Eco-Label SA for the development of an African eco-labelling standard
Source sustainable seafood	➤ R15 million invested in the World Wide Fund for Nature (WWF) Sustainable Fisheries Programme (SFP) since 2010 ➤ 65% of our seafood products by species and 83% of our products by sales meet our seafood sustainability targets, based only on species assessed by WWF South African Sustainable Seafood Initiative (WFF-SASSI) ➤ Launched a new sustainable seafood website with extensive information about the species in our procurement stream and our strategies to drive responsible environmental governance
Work with suppliers to meet environmental, social and governance (ESG) standards	➤ 67% of Pick n Pay fresh produce suppliers are GLOBALG.A.P (good agricultural practice) certified ➤ We partnered with the Consumer Goods Council of South Africa (CGCSA) and a group of our suppliers to launch a pilot programme for the implementation of the Global Social Compliance Programme in South Africa ➤ We partnered with the National Business Initiative on their Private Sector Energy Efficiency programme and introduced more than 300 suppliers to the potential energy reduction and savings of the programme

Local and diverse

Increasing local sourcing
By developing strong, trusting and enduring partnerships with local suppliers through communication, collaboration and common purpose, we are able to give our customers what they want: global best quality but through locally sourced products. We explore innovative ways of supporting local businesses while retaining our high standards of quality and value for money. Our small business mentorship and enterprise development initiatives help local businesses to become sustainable suppliers for the whole retail industry.

Promoting supplier diversity
We promote transformation throughout our supplier base through preferential procurement and by assisting suppliers to achieve compliance with standards. Our strategic approach is overseen by our Transformation Director and administered by our Transformation Office, in conjunction with the

Ackerman Pick n Pay Foundation. Our preferential procurement strategy directly targets black- and women-owned small businesses and we have made significant progress across our key performance indicators (see page 18). We will continue to work hard to engage with and provide training to our buying divisions on BBBEE.

Supporting small businesses
Through our Enterprise Development Programme, and the Enterprise Development Fund administered through the Ackerman Pick n Pay Foundation, we are building and sourcing from an increasing number of small businesses. This hub of entrepreneurship is becoming a pipeline of new and enterprising products for our shelves, and a lever to drive our product innovation. Building a resilient supplier network enables us to help existing suppliers address social and environmental risks, deepen relationships within our supplier network, and comply with empowerment requirements.

Sustainable and ethical

Supporting ethical initiatives
Customers participating in our Smart Shopper loyalty programme have given us insight into a growing public awareness of social, environmental and ethical issues. As customer preferences change, there are opportunities for new products and new enterprises. To offer consumers sustainable alternatives, we provide a range of organic, free range and Fairtrade products. In 2015, we set a new benchmark among the biggest food retailers in South Africa with commitments to accelerate progress

on the welfare of pigs in South Africa. From 31 December 2016, all fresh pork sold under the PnP brand must come from farms using group housing for pregnant sows during the gestation period – allowing them to socialise and move much more freely. By 31 December 2017, this commitment will be extended to cover all processed pork products sold under the PnP brand. We are strengthening our own audit process to reflect the new requirements, and are working closely with our suppliers to ensure they are met.

Sourcing seafood sustainably
Pick n Pay continues to play a leading role among African retailers in the path towards sustainable seafood and providing customers with the best environmental choices. We drive change throughout our seafood supply chain to mitigate risks of over-fishing. We are a longstanding core funder and sustainable seafood partner of WWF-SA (see table on left and page 8). We will continue our drive towards sustainable seafood and we remain committed to ensure that all our seafood products comply with our sustainability requirements.



Pick n Pay's milestones in advancing sustainable seafood

2008 One of the founding partners of the WWF-SASSI retailer participation scheme

2010 Partnership agreement with the WWF SFP started

2013-2015 Compiled a list of all fish purchased and assessed their status in terms of sustainability; developed new supplier procurement guidelines. Commitment that all fish sold at Pick n Pay must be sustainably sourced by the end of 2015

2016 All new products sourced by Pick n Pay must comply with the new supplier guidelines and seafood commitments

Working with suppliers to meet ESG standards

Awareness of the need to ensure that environment, social and governance (ESG) standards are upheld in the supply chain has grown significantly over the past decade. We promote ethical standards across our supplier base through initiatives like SASSI and GLOBALG.A.P. and LOCALG.A.P. certification, an internationally recognised set of farming standards linked to G.A.P. (good agricultural practice).

Our support for small emerging enterprises includes help to mitigate the risks posed by climate change. We are, for example, raising awareness of the causes and impacts of climate change and supporting adaptation practices.

We encourage our suppliers to attend various discussions relating to biodiversity farming techniques. Our Technical Division auditing process ensures that animal welfare standards are met, suppliers comply with labour legislation and organic suppliers are correctly certified.

Developing priorities and plans

Growing consumer demand for accurate labelling and traceability was highlighted through the global controversy on meat mislabelling in 2013. Traceability of our food is controlled through our food health and safety audits. We have also traced ingredients with high environmental and social impacts, such as palm oil and soya, to facilitate sustainable sourcing.

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

Access to sufficient clean water is key to a resilient food supply. To help manage our risks in this area, we have analysed our fresh produce supply chain in terms of water risk. We have been working with external parties to formulate an appropriate approach that we hope to roll out in the coming year.

KEY PERFORMANCE INDICATORS			
	FY 2014	FY 2015	FY 2016
Spend on BBEE businesses	R24BN	R33BN	R35BN
Spend on black-owned businesses	R836M	R3BN	R2.2BN
Spend on black women-owned businesses	R350M	R1BN	R965M
Spend on SMMEs	R326M	R1BN	R1.61BN

Facilitating small business development in the retail sector, and particularly the empowerment of black- and women-owned businesses, is essential to grow our economy, drive employment and empower individuals

Supporting small suppliers

The Ackerman Pick n Pay Foundation supported 25 agricultural projects in KZN, with 72 hectares under irrigation, 478 direct beneficiaries and 2 390 indirect beneficiaries. These agricultural projects are part of their Water Management programme, which supports small agricultural projects with drip irrigation, water tanks, boreholes and water conservation training. There are 267 projects included in their programme.



Our supply chain

We have a substantial impact on the South African economy through our supply chain, with R50 billion in direct procurement, providing employment for approximately 52 900 people.



BEING ENVIRONMENTALLY RESPONSIBLE



Why it's important

The advent of COP21 at the end of 2015 signalled the increasing international drive to mitigate the significant impact that economic development has had on the environment. Reducing our environmental footprint helps us manage risk and achieve cost reductions. The rising costs and environmental impacts associated with electricity and fuel use, as well as sending waste to landfill, are key drivers in this area.

Given the pressure on natural resources, this focus also benefits the environment and broader society. Severe climatic events, increasing energy costs and water supply limitations are impacting producers and could, in time, threaten global food systems. We take our responsibility seriously and work with others in tackling these risks.

What we do

- As a leading retailer, we are committed to reducing our impact on the environment and encouraging our suppliers and others to do so as well.
- We have identified our key environmental impacts and our efforts are guided by a climate change and food security strategy.
- Our approach focuses on improving energy efficiency and reducing our carbon footprint, reducing the amount of waste we produce, recycling as much as possible, and being water-wise.
- We have improved our environmental data management, which equips us to better respond to our environmental reporting obligations. Greater centralisation of our business is improving our operational efficiency in this and other areas.

What we aim for	What we've achieved in FY 2016
Improve energy efficiency and reduce carbon emissions	➢ Emissions per square metre reduced by 0.6% from the 2013 financial year baseline ➢ Electricity use per square metre reduced by 33% since 2008, generating cumulative savings of more than R1 billion and 1 081 million kWh of electricity ➢ R80 million invested in energy efficiency since 2012 ➢ We partnered with the National Business Initiative on their Private Sector Energy Efficiency programme and introduced more than 300 suppliers to the potential energy reduction and savings of the programme
Reduce packaging	➢ Sold more than 1.15 million reusable bags
Reduce waste generation and divert waste from landfills	➢ Recycled 46% of store waste, amounting to 18 353 tonnes ➢ Donated 1 737 tonnes of surplus food to charity
Be water wise	➢ Benchmarked water usage at our stores and monitor unusual water consumption patterns ➢ Mapped our fresh supply chain in terms of water scarcity risk ➢ Rainwater harvesting provides 20% of water requirements at our Cape Town Distribution Centre

Improve energy efficiency and reduce carbon emissions

We have a three-tiered energy reduction strategy. The first component is centred on improving energy efficiency through behavioural change and the implementation of innovative technologies in new stores as well as retrofitting existing stores to become more energy efficient. Stores account for more than 90% of the total electricity we use. For this reason our strategy revolves around improving efficiency in the key areas of refrigeration, lighting and air-conditioning. The current disruption in electricity supply in South Africa and increasing prices underlines the importance of reducing our electricity consumption. Our energy efficiency initiatives have resulted in a 33% reduction in electricity use per square meter since 2008. This reduction has generated cumulative savings of more than R1 billion and 1 081 million kWh of electricity. Furthermore, the majority of new stores opened over the past year operate up to 36% more energy-efficiently than stores opened in 2010.

The second component of our strategy is focused on reducing the impact of refrigeration, through the implementation of natural refrigeration systems. All newly-constructed and refurbished stores are fitted with hybrid refrigeration systems that use CO₂ alongside gases with lower potential emissions than hydrofluorocarbons. CO₂ as a refrigerant has a near negligible impact on the environment. To date, 57 of our stores have been fitted with these systems and all of our Distribution Centres use ammonia as a natural alternative coolant.

The third component of our strategy is to implement renewable energy solutions where feasible and to investigate the possibility of increasing the amount of electricity we procure from renewable sources. Solar PV installations have been done at our distribution centres in Phillipi, Cape Town and Longmeadow, Johannesburg, as well as our On Nicol store in Johannesburg. Our climate change strategy has been acknowledged both locally and internationally.

RECOGNITION IN FY 2016

Pick n Pay was the top performing retailer in Africa in 2015 and shared joint 2nd position globally with UK-based Marks and Spencer in the Carbon Disclosure Project (CDP) with a score of 99B

Pick n Pay was included for the 3rd consecutive year in the prestigious global Dow Jones Sustainability Index

Included in the Socially Responsible Investment Index of the Johannesburg Stock Exchange

Reduce waste and divert waste away from landfill

Our three-tiered approach to managing waste is to reduce waste generation, divert waste from landfill and increase consumer recycling. We continue to face challenges in finding cost-effective solutions for treating organic waste in South Africa, although we expect this situation to ease with Anaerobic Digestion plants set to start coming online during 2017/18. Irrespective of this challenging environment, we reduced the amount of waste we

send to landfill by recycling 46% of Pick n Pay-owned store waste and donating 1 737 tonnes of surplus food waste to Foodbank SA. Any food that has passed its sell-by date, but not its expiry date, is donated to FoodBank SA.

Over the past two years, we conducted trials including processing food waste into vermicompost, and converting fat and oil from our stores into biofuel. As part of exploring other opportunities, we are

partnering with nutrient recycling company AgriProtein, which uses organic waste to create protein. We have also completed a category analysis of the food waste we send to landfill.

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

Reduce packaging

Retailers can play an important role in minimising waste by reducing the amount of packaging that comes with products.

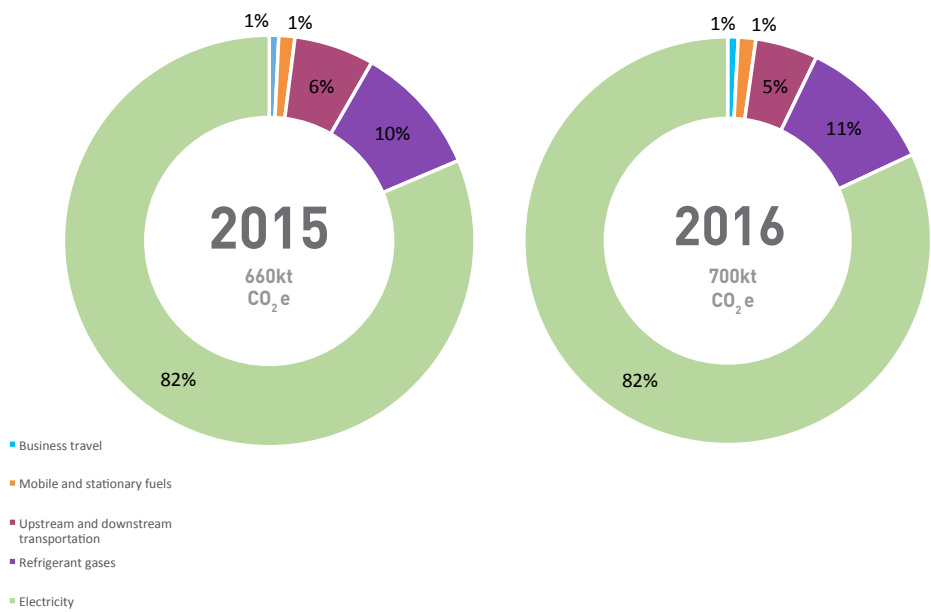
The challenge is to reduce packaging without compromising the safety and quality of products. We have more control over the packaging of our own brand products, so this is where we are focusing our efforts. We launched new packaging for our products in 2015, one of which was the relaunch of the PnP Green range. The PnP Green range consists of cleaning products that have been developed to reduce the impact on the aquatic environment and landfills. These products are biodegradable and are manufactured using 95% Post-Consumer Recycled Materials (PCRTM). Each ton of PCRTM used in the PnP Green range bottles results in a reduction of 1.5 metric tons of

carbon dioxide (CO₂) emitted as polymers derived from virgin fossil fuels are not being used. We are developing our packaging database and a new packaging strategy.

We provide clear on-pack information to customers on the recyclability of packaging. Another challenge is sourcing affordable recyclable packaging that will not transfer the cost to our customer. We have continued our campaign to provide customers with reusable bags through innovative enterprise development partnerships. Our plastic bags contain at least 30% recycled material.

OUR CARBON FOOTPRINT		FY 2015	FY 2016
Scope 1	Mobile and stationary fuels	8 338	9 726
Scope 1	Refrigerant gases	68 036	75 866
Scope 2	Electricity	537 561	571 172
Scope 3	Upstream and downstream transportation	41 576	34 476
Scope 3	Business travel	4 945	5 778
	Total carbon emissions	660 456	697 019

* The carbon footprint relates only to Pick n Pay-owned stores. The emissions in the table are in Tonnes CO₂e.



As a leading retailer, we are committed to reducing our impact on the environment and encouraging our suppliers and others to do the same

Minimising light levels: Using key-switches in stores after hours saves 75-80% of lighting energy consumption.

Fuel savings: Our growing online shopping business uses tuk-tuks instead of trucks to make deliveries, which is more efficient and uses less fuel. The result has been that the total carbon emissions from online shopping has decreased by 8% since FY 2015.

Recycling enterprise: The Phahama Project provides PnP-branded, pedal-powered vehicles to previously disadvantaged collectors of recyclable waste materials.

Recycling in-house: The majority of our trolleys contain up to 30% recycled content. All recyclable material from old, damaged

and scrapped trolleys is removed and reused. During the past year, we recycled more than 4 500 tonnes of waste in our reverse logistics project. The project involves Pick n Pay trucks transporting recyclable materials from stores back to our distribution centres to be recycled.

Refrigeration: All our new and refurbished stores are equipped with hybrid refrigeration systems that use carbon dioxide alongside gases with lower potential emissions than hydrofluorocarbons. Our six distribution centres use ammonia as a natural alternative coolant.

Rebranded PnP Green household range: Newly repackaged and improved products in our eco-friendly PnP Green range are certified as being vegan, cruelty-free and not tested on animals.



We provide a range of reusable bags to assist customers in using fewer plastic bags.

EMPLOYEE OPPORTUNITY AND DIVERSITY



Why it’s important

Creating jobs, building skills and accelerating opportunity and empowerment are essential to the wellbeing of the nation and to reducing poverty and inequality. By growing our workforce and improving our employees’ skills and employment equity profile, our business makes a valuable contribution to our economy and social cohesion.

Employees who are satisfied with their work are less likely to leave – and in an industry where staff turnover is high, it is a competitive advantage to be an employer of choice.

What we do

- We provide good jobs, effective training and development, competitive pay, good working conditions and an opportunity to progress.
- We seek to ensure that the composition of our employee base at all levels accurately reflects wider society.

- We operate a robust career-development framework to help our employees to meet their career goals.
- We provide opportunity: Pick n Pay’s graduate programme is a 12-month programme where graduates are recruited from various faculties with the purpose of attracting talented young people into the business. During this programme, the graduates gain exposure and experience in all areas in the business and it entails giving graduates on-the-job training supported by formal training courses. Graduates are assessed throughout the programme for suitability and possible placement in various areas of the business such as Logistics, Finance, Buying, Property Development, Human Resources, Business Operations Management, Marketing Management, Project Management and IS. Seventeen graduates are on the current programme and our aim is to continue with this programme together with other development programmes to build our talent pipeline and address the employment shortage in our country.

What we aim for	What we’ve achieved in FY 2016
Promote diversity, transformation and equity	➤ BBBEE rating maintained at level 4 ➤ Improved representation of designated groups in all occupational levels
Develop and retain skills	➤ R94.5 million spent on employee skills training and bursaries ➤ We have recruited a total of 65 graduates since the PnP graduate programme was started in FY 2013/14. 28 graduates have since been absorbed into permanent positions in the company
Create 20 new jobs in South Africa every working weekday	➤ We committed to creating 5 000 new jobs per year by 2020. This year the PnP Group created 4 500 jobs in total.

Promote diversity, transformation and equity

To promote diversity, transformation and equity, we have established policies and plans supported by employment equity (EE) forums. Our strategy of promoting from within and fast-tracking external candidates from designated groups has enabled us to make significant progress at junior and middle management levels.

Our five-year EE plan for 2014 to 2019 seeks to achieve steady progress in meeting diversity targets at senior and top management levels. We are implementing programmes aimed at attracting more black graduates into the retail sector to provide a diverse talent pool.

Our EE forums include employees, senior managers and trade union members, and seek to engage and consult on the EE plan and its implementation. In addition, the seven pillars of BBBEE form part of all senior managers’ KPIs. We implement diversity programmes to further integrate and create awareness within our organisation at all levels.

Develop and retain skills

A skilled workforce is crucial to a successful retail business. Good skills mean better products, a more efficient supply chain and store operations, and better customer service. Staff who develop their skills are able to advance more quickly through the organisation. This makes the business stronger, makes individuals more likely to stay with the company and contributes to social mobility. For all these reasons we attach a high priority to training and developing skills in our people.

A key challenge in skills development is balancing the company’s operational needs with the training requirements of the individual.

Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders. Our Graduate Programme is aimed at developing graduates to join our leadership pipeline, while our Corporate Academy seeks to fast-track the development of a pool of managers for our stores.

We offer over 330 training programmes to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes

➤ **Promote employee health and wellness**
Promoting health and wellness has a positive influence on our employees’ wellbeing and productivity, at work and beyond. We comply with the Occupational Health and Safety (OHS) Act. All our employees receive health and safety training as part of their induction, and specific training is provided where required. We employ OHS practitioners who coordinate all health and safety activities in the regions. They provide health advice and referrals to health centres for tests, treatments and check-ups. They also assist regions with health-related tasks such as monitoring health hazards or visiting sick employees.
Our longstanding HIV/Aids programme includes the provision of anti-retrovirals to HIV-positive employees and taking care of orphans of our employees.

Listening to and engaging with our employees

Engaging regularly with our employees helps to build knowledge of the company’s plans and activities, and helps our staff communicate knowledgeably and effectively with our customers. Good internal communications also helps build trust and loyalty among our team members and enables us to better respond to our employees’ concerns and expectations.

Our main channels of engagement include surveys, monthly publications, and formal and informal staff

interaction. Common issues discussed with our employees include remuneration, training, career development, company performance, and BBBEE and transformation.

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

Our BBBEE progress	FY 2014	FY 2015	FY 2016
Element			
Overall BBBEE level*	Level 6	Level 4	Level 4
Ownership	2.3	9.6	10.8
Management control	5.1	4.9	4.6
Employment equity	10.7	11.1	11.2
Skills development	5.3	6.2	5.4
Preferential procurement	9.4	14.7	14.1
Enterprise development	10.6	15.0	15.0
Socio-economic development	5.0	5.0	5.0
Total points	48.4	66.5	66.1

* Scorecard compiled internally and verified independently by EmpowerLogic (Pty) Ltd

Employment equity	FY 2014	FY 2015	FY 2016
Top management	39%	36%	36%
Senior management	61%	64%	66%
Professionally qualified middle management	85%	87%	88%
Skilled technical and junior management	95%	95%	96%
Semi-skilled and discretionary decision-making	100%	100%	100%
Unskilled and defined decision-making	100%	99%	100%

PnP wins employment equity award
In October 2015, PnP won top honour at the Department of Labour and the Commission for Employment Equity’s inaugural EE awards. PnP was the overall private sector winner of excellence in EE. The award came after an extensive audit by the Department of Labour of all levels of Pick n Pay’s business that included an analysis of the company’s investment in training and the extent to which leadership structures allow for employment equity. The auditors also spoke to employees to get first-hand information about PnP’s employment equity practices.

DOING GOOD IN THE LOCAL COMMUNITY



Asakhe Nonzwakazi (in blue) with members of her Township Social Enterprise co-op.

Why it’s important

We have stores in the heart of many communities, and seek to play a positive role wherever we have a presence. This can take various forms, including supporting local charities, volunteering, donating goods or services and helping local people during crises or emergencies.

Being part of the community helps to build and maintain trust and loyalty in our brand. More broadly, it contributes to social capital and progress on the social and economic transformation of the country.

What we do

- For us, social responsibility has always encompassed a broad range of activities, from championing the interests of the consumer through to working at a local level to uplift communities and individuals.
- We seek to ensure that at least 5% of our after-tax profits are invested in social and community initiatives.
- We seek to strike a balance between supporting smaller local initiatives and larger wider-impact initiatives that can benefit from our scale and leverage.
- Our principal partnerships are with non-governmental organisations and service providers, government departments, and companies that invest in the community development initiatives.

What we aim for	What we’ve achieved in FY 2016
Make philanthropy work	➤ A total CSI expenditure of R41.5 million* ➤ Our Smart Shopper loyalty programme has generated R2.5 million worth of points, which has been donated to charity by our customers
Build community food gardens	➤ Established 264 community gardens to increase community food security
Support educational projects	➤ Increased the number of schools in our School Club from 2 500 in the 2013 financial year to 3 025 ➤ Every year 5 000 previously disadvantaged children visit national parks through our Kids in Parks programme ➤ Contributed R920 000 in bursaries
Donate to organisations	➤ Donated food to the value of R54 million to FoodBank ➤ Donated clothing to the value of R2.5 million to Clothing Bank ➤ Donated schoolwear to the value of R43 000

*This figure includes funds directed into enterprise development through the Enterprise Development Fund

Make philanthropy work

In all our investments, we aim to uphold the principle of “doing good is good business”. We strive to ensure that we respond effectively to local as well as national needs, by empowering our stores to engage effectively with their local stakeholders. Our stores in disadvantaged areas provide jobs and opportunities where they are most needed.

The Ackerman Pick n Pay Foundation (the Foundation) was

founded in 1997 as a fund for philanthropic purposes.

Complementing Pick n Pay initiatives, the Foundation supports community organisations that have programmes or activities in place that generate income to make the community self-reliant and financially independent.

Through our Smart Shopper loyalty programme, our customers are able to convert Smart Shopper points into a donation to a charity.

Build community food gardens

Since 2013 the Ackerman Pick n Pay Foundation has supported community gardening as part of its commitment to ensuring food security and creating jobs. The Foundation partners with Food Basket for Africa and other organisations across the country to establish rural and urban food gardens as well as converting a few of them into training gardens. These projects both feed communities and allow for the sale of surplus produce. Between 2013 and 2016 the number of community food gardens established more than doubled from 100 to 264 (40% are in the Eastern Cape), and more than 60 home gardens were started.

Support educational projects

The Pick n Pay School Club, now in its 13th year, is one of the most influential and dynamic public-private educational initiatives in South Africa. The Club makes much-needed educational resources available through private sector funding. It reaches 3 025 schools (725 high schools and 2 300 primary schools), comprising more than 5.7 million educators, learners, parents and guardians. The free educational material supplied by the School Club – books, posters, overview brochures, recognition

stickers, certificates, and mirror decals – is specific to learners’ grades, aligned to the curriculum, and written by experts. The material also addresses nutrition, health and sustainability topics.

The number of schools included in the School Club initiative increased from 2 500 in 2013 to 3 025 in 2016

Donating to organisations that address challenges at scale

We are the biggest retail donor to the food security agency, FoodBank SA. Through our partnership, FoodBank has been able to provide food to more than 4 450 beneficiary organisations across the country, which in turn provide more than 11 million meals a year. Pick n Pay Clothing Bank donates its excess clothing to the Clothing Bank’s development programme, which trains and supports black women in running small informal clothing retail businesses in their communities. The Clothing Bank has helped over 275 women to start small businesses in the last four years.



Township® social enterprise: For over a decade we have been supporting the Township® social enterprise, which trains disadvantaged women from Khayelitsha and Manenberg to run their own Fairtrade-certified sewing cooperatives sustainably. The women make reusable bags from non-genetically modified cotton. Township® supplies our ‘Say no to plastic bags’ campaign designer bags. Thanks to customers’ support more than 500 000 have been manufactured for Pick n Pay since 2009.

Dignity Dreams: Pick n Pay sponsors Dignity Dreams, which distributes packs of essential sanitary hygiene items to disadvantaged girls around the country who can’t afford to buy sanitary towels. This is a major help in reducing school absence among these girls.



Clockwise, from top left: During the year we donated 4 000 pairs of school shoes to children in need; we donated a library to the Merrydale school in Mitchells Plain; our Kids in Parks partnership with government allowed 5 000 children to participate in an educational programme in national parks throughout South Africa.

Beyond our borders

Our support for communities also extends to our stores in other African countries.

In Zambia every store adopts a school in their area and makes an annual capital contribution to the improvement of the school.

Funds are allocated to activities such as the repair of school roofs and the provision of fencing around a school.

In the year under review, children’s homes such as the Lubasi and Lushomo Homes in Zambia were supplied with groceries to support them for several months.

Water pumps and boreholes were also donated to two schools to provide water. The schools have an average of 1 800 learners each. At another school a library was installed.

In Lusaka’s Mtendere township a full computer lab was donated to the Mahatma Gandhi Primary school.

WAR ON WASTE



20/20/20 BY 2020

WE HAVE SET THESE AMBITIOUS TARGETS TO BE ACHIEVED BY 2020:

➤

REDUCE ENERGY USE PER SQUARE METRE BY A FURTHER 20%, ADDING UP TO A 50% REDUCTION SINCE 2008

➤

CREATE 20 NEW JOBS IN SOUTH AFRICA EVERY WORKING DAY ADDING UP TO 5 000 NEW JOBS PER YEAR

➤

REDUCE FOOD WASTE TO LANDFILL BY 20% BY 2020

In July 2015, Pick n Pay announced a broad campaign to combat waste in all its forms. Ten million tonnes of food is wasted each year in South Africa, a country in which millions of people still go hungry. Too much energy is wasted in a country which is suffering from a constrained power supply and frequent power outages, and which is committed to action on climate change. Too much human talent is also wasted, with over half of 15- to 24-year-olds in South Africa unemployed.

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

➤ **Between 2015 and 2020 we will cut our energy use per square metre by a further 20%**, adding up to a 50% cut since we began on this journey in 2008. In terms of tackling climate change, and including our work on climate-friendly refrigeration, we will aim to reduce CO₂ emissions per square meter by 25% by 2020.

➤ **We will create 20 new jobs in South Africa every working weekday**, employing many previously unemployed young people. This will add up to around 5 000 new jobs per year as we expand our ability to serve customers across the country.

➤ **We will cut food waste by 20% by 2020, and set a goal of zero food waste to landfill.** In addition to deepening our partnership with FoodBank, we will find new ways to make productive use of food waste. As our business becomes more efficient and effective we will reduce the amount of food waste we produce in the first place.

We call this programme 20/20/20 by 2020, encapsulating our ambitious targets to wage a war on waste in Pick n Pay. We are busy galvanising everyone in our business – and our partners and stakeholders outside the business – to get behind our ambition and our targets.

ABOUT THIS REPORT

The Pick n Pay Sustainable Living Report (SLR) Update 2016 seeks to provide a comprehensive view of how our business is responding to social and environmental challenges. We aim to provide an understanding of our contributions over the past two financial years, ending 28 February 2016. The scope of this report includes all Pick n Pay-owned stores in South Africa, as well as our distribution centres and regional offices.

The Pick n Pay Sustainable Living Report is published every second year, with an updated version released on an annual basis. The report is aimed at a broad spectrum of stakeholders, including employees, suppliers, customers, media and government agencies. The SLR is part of a suite of reports (available at picknpayinvestor.co.za) generated from our integrated reporting process, and supplements the high-level information included in the Pick n Pay Integrated Annual Report 2016.

Identifying material issues

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

Reporting and other governance commitments

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

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

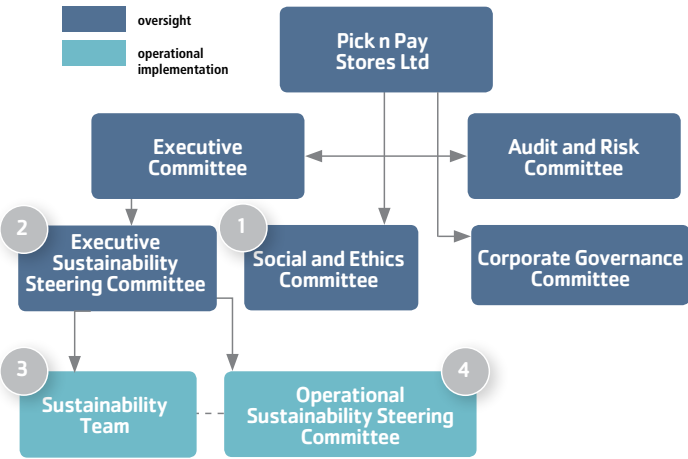
Recognition in 2015

➤ Included in the 2015 Dow Jones Sustainability Index

➤ Highest South African retailer score in the 2015 CDP and shared joint 2nd position with UK-based Marks and Spencer in the Carbon Disclosure Project (CDP) with a score of 99B

➤ Winner of the highest performing private sector company in Employment Equity

Sustainability governance structure



Organising sustainability across the business

Pick n Pay teams across the business give effect to the principle of “doing good is good business” through policies and practices. Good governance is an important element of this principle, enabling us to incorporate social and environmental issues into an analysis of risks and opportunities for our business.

We have a clear structure for managing transformation and report our progress against the Department of Trade and Industry’s BBBEE scorecard framework. This year we maintained our Level 4 BBBEE scoring under the old codes.

We continue to improve the data and outputs of our sustainability performance management system, with results being made available in our SLRs.

Consolidated non-financial data

We have assigned performance indicators for each of our sustainability objectives and we are improving our non-financial data management across the organisation. Only our BBBEE scorecard and carbon footprint data have been independently audited or reviewed.

1 The Social and Ethics Committee provides ongoing governance of our sustainability performance.

2 The Sustainability Steering Committee, consisting of our CEO, Chairman, Strategy and Corporate Affairs Director, Transformation Director, and Sustainability General Manager, meets every quarter to determine strategy and policy and ensure alignment with the business strategy.

3 The Sustainability Team coordinates Pick n Pay’s response to social and environmental challenges, ensuring that our efforts are aligned with the sustainability strategy.

4 The Operational Sustainability Steering Committee, consisting of senior management representing each of the focus areas of the strategy, is responsible for implementation.

Key performance indicators	FY 2014	FY 2015	FY 2016
People			
Number of Group stores (excluding investment in TM supermarkets)	1 076	1 189	1 093
Total number of employees	49 300	48 700	52 900
Total investment in training, including bursaries	R92M	R107M	R95M
Permanent employee turnover	15%	19%	16%

Skills development			
Total number of employees participating in training interventions	15 119	24 520	18 159
Number of Learners in learnerships, internships and apprenticeship programmes	54	375	399
Training spend on female employees trained as % of total spend	51.4%	51.1%	60.9%
Training spend on black employees trained as a % of total spend	85.9%	86.99%	72.92%

Key performance indicators	FY 2014	FY 2015	FY 2016
Supply chain			
Private label products sourced locally	92%	94%	89%
% PnP fresh produce suppliers certified against GLOBALG.A.P. standard	63%	65%	67%

Environment			
*Decrease in CO ₂ emission per square metre (corporate) stores (Scope 1 and 2) against FY 2013 baseline	-4%	-2.4%	-0.6%
Energy use per square metre for corporate stores (kWh/m²) (2008 baseline)	408	406	427
Total Scope 1 and 2 CO ₂ emissions (tonnes)	588 509	613 935	656 765
Cumulative Rand saving through energy reductions and efficiency programmes (since the 2008 baseline)	R508M	R749M	R1 034M
Cumulative energy savings (kWh) (since the 2008 baseline)	626M	840M	1 081M
Total energy usage for stores, distribution centres and offices (GWh)	510	523	565
Tonnes of waste recycled	19 468	19 861	19 468
% waste diverted from landfill for recycling	43%	45%	46%
Kilolitres of water used per square metre	1.19	1.11	1.06

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

Key performance indicators	FY 2014	FY 2015	FY 2016
Community			
Number of schools in the PnP School Club	2 750	3 025	3 025
Value of clothing donated to Clothing Bank	R1M	R1.8M	R2.5M
Value of food donated to FoodBank SA	R15M	R28M	R54M
Cumulative number of Ackerman Pick n Pay Foundation Community Food Gardens	113	243	264
Total CSI expenditure	R36M	R44M	R41.5M

Acronym guide	
BBBEE	Broad-Based Black Economic Empowerment
BN	Billion
BWI	Biodiversity and Wine Initiative
CDLI	Carbon Disclosure Leadership Index
CDP	Carbon Disclosure Project
CGCSA	Consumer Goods Council of South Africa
CPLI	Carbon Disclosure Performance Leadership Index
CSI	Corporate Social Investment
EME	Exempted Micro Enterprise
ESG	Environment, Social and Governance
FY	Financial Year
G.A.P.	Good Agriculture Practices
GMO	Genetically Modified Organism
GRI	Global Report Initiative
GWh	Gigawatt Hour
HFC	Hydrofluorocarbon
JMBU	Junior Management Bargaining Unit
KPI	Key Performance Indicator
kt	Kilotonnes
kWh	Kilowatt Hour
M	Million
NMBU	Non-Management Bargaining Unit
OHS	Occupational Health and Safety
SFP	Sustainable Fisheries Programme
SLR	Sustainable Living Report
SMME	Small, Medium and Micro Enterprises
WWF	World Wide Foundation for Nature

 **Contact us:** We invite you to share your reflections on our commitments and performance to date. All comments can be emailed to sustainableliving@pnp.co.za. You can also leave a comment in our online response box at picknpay.co.za/picknpay/content/en/contact-us.

