picknpay.com

PICK N PAY INTEGRATED ANNUAL REPORT 2021

INTEGRATED ANNUAL REPORT 2021

Pick n Pay

CONTENTS

OUR 2021 INTEGRATED ANNUAL REPORT

We use six broad capitals to create sustainable stakeholder value:

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

Refer to pages 19 to 24 for more information.

We consider and address our key stakeholders' issues and concerns to create lasting value:

- Customers
- Community
- Employees
- Suppliers
- Franchisees
- Shareholders

Refer to pages 41 to 46 for more information.

We have six clear engines for long-term strategic growth:

- Pick n Pay: South Africa's most trusted retailer
- Boxer: Africa's favourite discount supermarket
- Bearing down on costs
- Value-added customer services
- Expansion in Africa
- Force for good

Refer to pages 49 to 60 for more information.

We are pleased to present our 2021 Integrated Annual Report for the 52 weeks ended 28 February 2021.

The scope and boundary of this report

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 28 February 2021. It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management 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.

Integrated reporting boundary

Corporate Governance Report | Integrated Annual Report | Sustainable Living Report

Influenced by

Our broader macro-economic environment across eight southern African countries	*Page 27*
The material risks and opportunities that impact the performance and sustainability of the Group	*Page 33*
The legitimate needs and interests of our key stakeholders	*Page 41*
Governance practices across our value chain	*Page 85*

Annual Financial Statements | Financial reporting boundary | Summarised results and AGM notices

Pick n Pay	Boxer	TM
830 company-owned stores	342 company-owned stores	61 associated stores
761 franchise stores		28 trading as Pick n Pay

About the 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.

Our approach to online reporting

Our Integrated Annual Report is available online on the Group's investor relations website at **www.picknpayinvestor.co.za**. Printed copies are available on request from our Company Secretary, Debra Muller, at **demuller@pnp.co.za** or by fax at +27 21 797 0314.

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 provided.

Integrated Annual Report (IAR)

A review of the Group's strategy, material issues, risks and opportunities and our operational and financial performance for the period. The report includes relevant extracts of the FY21 annual financial results, disclosure on environmental and social sustainability, our governance structures and our remuneration report.

Annual Financial Statements (AFS)

The audited Group and Company Annual Financial Statements for Pick n Pay Stores Limited for the FY21 financial year. The report includes our audit, risk and compliance committee and directors' reports.

Corporate Governance Report (CGR)

A review of the Group's commitment to good corporate governance in implementing its strategy and governance framework. The report includes our Notice of the annual general meeting to be held on 28 June 2021 and Board committee reports.

Summarised results and AGM notices (AGM)

A high-level review of our operational and financial performance, including the summarised audited Group Annual Financial Statements, remuneration report, relevant shareholder information, and Notice of the annual general meeting to be held on 28 June 2021 and the proxy voting form.

Sustainable Living Report (SLR)

This report is published every two years and details our sustainability strategy and performance against strategic non-financial targets.

Online version available on our website: www.picknpayinvestor.co.za

Print version available on request

Our reports comply with the following reporting standards and frameworks:	IAR	AFS	CGR	AGM	SLR
The International Integrated Reporting <IR> Framework	✓				
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)[1]	✓	✓	✓	✓	✓
International Financial Reporting Standards (IFRS)	✓	✓		✓	
The Global Reporting Initiative's (GRI) Standards	✓				✓

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

The report structure and how to give us feedback

This report includes summarised financial information, with audited financial statements (prepared in terms of IFRS) available on our website at **www.picknpayinvestor.co.za**. For more information, please email our Company Secretary, Debra Muller, at **demuller@pnp.co.za**. We continue to engage with all stakeholders to ensure that we improve our external integrated reporting year-on-year.

OUR REPORT TELLS OUR VALUE CREATION STORY

Our enduring values

Pick n Pay is a much-loved brand, 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 54 years, providing a solid foundation for growth, innovation, service excellence and generosity.

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

The Board endorses the concept of integrated thinking, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. Furthermore, the Board understands that integrated thinking requires a comprehensive understanding of the Group's strategy, resources, stakeholders, systems and controls to achieve integrated decision-making and effective internal and external reporting:

The Board assumes accountability 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. The executive committee is tasked with implementing the strategy and managing the day-to-day operations of the Group to ensure sustainable value creation for all stakeholders. *Read more from page 41.*

We successfully execute our customer-led, innovative and forward-looking strategy to create sustainable value. *Read more from page 49.*

Our sustainability strategy supports our business strategy. Our sustainability strategy is aligned with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business. *Read more from page 57.*

2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER

To create and preserve sustainable value, the focus cannot be solely on shareholders – all the key stakeholders of a business need to be considered.

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.
Read more from page 41.

We use six broad capitals to create sustainable stakeholder value. Our operating 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.

Board oversight includes considering environmental, social and governance (ESG) issues as part of its decision-making processes to support sustainable stakeholder value creation.

The executive sustainability steering committee meets on a quarterly basis, ensuring frequent review of performance indicators, and allowing a more systematic and multi-faceted response to ESG issues that intersect across our value chain. These are executed by the operational sustainability steering committee and the sustainability team.

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

The Board reviewed and approved this Integrated Annual Report for release to our stakeholders on 27 May 2021.

Detailed consideration of all the various elements of our value creation story ensures a cohesive and efficient approach to internal 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 steps of which are outlined below:

The Board supports the concept of materiality. We apply materiality to determine the scope and content of the Integrated Annual Report. Materiality emphasises integrated reporting based on the issues, risks and opportunities that can have a material impact on the sustainable performance of the Group over the short, medium and longer term. It ensures that the reports issued by the Group 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 33 to 40.

The Group's Integrated Annual Report is drafted by the Group's Head of Investor Relations, supported by the Group's reporting team, detailed internal management and Board reports, interviews with senior management personnel, and engagements with key stakeholders.

The Group's Integrated Annual Report is reviewed by the Board's executive committee. Other relevant committees that review the report include the remuneration committee and the social and ethics committee.

The audit, risk and compliance committee undertakes a final review of the report to ensure accuracy, completeness and compliance, and recommends it for approval to the Board.

The Board performs a final review of the Integrated Annual Report 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
All summarised financial information is extracted from the annual financial statements and audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion thereon.

Selected non-financial performance metrics
Accredited service providers and agencies have 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.

The Board is confident that this Integrated Annual Report 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 Council's Framework. This report provides a fair representation of the financial position of the Group as at 28 February 2021, and its performance for the financial year.

Gareth Ackerman
Chair

Lerena Olivier
Chief Finance Officer

Jonathan Ackerman
Executive director

Jeff van Rooyen
Lead independent non-executive director

David Friedland
Independent non-executive director

Annamarie van der Merwe
Independent non-executive director

Pieter Boone*
Chief Executive Officer

Richard van Rensburg**
Chief Information Systems Officer – retired

Aboubakar Jakoet
Non-executive director

Haroon Bhorat
Independent non-executive director

Hugh Herman
Independent non-executive director

Richard Brasher*
Chief Executive Officer – retired

Suzanne Ackerman-Berman
Executive director

David Robins
Non-executive director

Mariam Cassim
Independent non-executive director

Audrey Mothupi
Independent non-executive director

* *Richard Brasher retired as CEO at the end of April 2021 and CEO-designate Pieter Boone was appointed in his stead.*
** *Richard van Rensburg retired from the Group at the end of March 2021.*

A MESSAGE FROM OUR CHAIR

> A strong focus on ESG does not require a trade-off against core business priorities. Clear action plans on environmental and social priorities strengthen the operational resilience of the business and – by reducing cost – has also strengthened our competitiveness.
>
> *Gareth Ackerman*

This has been an extraordinary, unprecedented year, which fell almost entirely within the Covid-19 State of Disaster. It has called upon us to adapt to a new way of working, a demanding and increasingly digitised reality, and to marshal all our energies through Feed the Nation to keep South Africans from going hungry.

We are extremely proud of our performance this year, and the FY21 results delivered. The Group's strong core trade performance and the resilience in its earnings – down just 6.1% on a comparable basis – is an extraordinary performance under very difficult circumstances. Our teams all did a magnificent job in delivering the results and in growing the business this past year.

Our role in society has never been more important than over this past year. I have been enormously proud of our team and the values they have shown every day in keeping our customers and staff safe, and in contributing so ably to communities throughout the country. It has been an extraordinary effort.

Today, because of the devastating socio-economic impact of Covid-19, there has been a generally positive shift in matters relating to ESG – environmental, social and governance issues. ESG is attracting increasing interest from investors around the world, with companies – and countries – being asked to account for their values and activities. With this trend, we have seen companies becoming more practical in their approach, and focusing on real goals to make a difference.

The fact of it is that ESG matters to long-term sustainability – and must work alongside financial factors to save, not increase costs. It is only in this way that companies will give these critical issues their full attention.

Fund managers have correctly put pressure on listed entities to make sure that the shares they own are morally, socially and environmentally sound. The strength of this trend can be clearly seen in net inflows into ESG funds, particularly in developed countries.

Our business has developed six engines for long-term strategic growth. One of these engines defines our sustainability ambition: to be a force for good. Our commitment is to use less and share more. This means taking decisive steps to reduce our environmental impact, with a focus on food loss and waste, our packaging impacts and mitigating carbon emissions as a result of our operations. We invest in responding effectively to local and national needs, with a specific focus on food security and quality education.

We have a range of public commitments – both national and global, through the Consumer Goods Forum amongst others, which bind us to a sustainable way of operating. These are underpinned by sound governance and compliance, which for many is a key factor in investment decision-making, as it should be.

We have been fortunate in that Pick n Pay has embedded ESG issues in its values since the 1970s. This has given us a head start in the way we approach these critical questions. Through its long-term plan the Group continues to reinforce and integrate environmental, social and governance (ESG) factors in our strategic and operational decision-making.

This year, our business turnaround plan entered its third phase: a transition to sustainable, long-term growth. This marks a significant milestone in the integration of ESG factors in our strategic and operational decision-making.

There have been significant developments in the ESG disclosure arena over the past year, and we continue to track the evolving requirements of various ESG rating agencies. Our developing ESG data management system is aimed at enhancing our ability to meet the evolving disclosure expectations of our key stakeholders.

We have retained our listing on the FTSE/JSE Responsible Investment Index Series. We are committed to supporting and upholding the Ten Principles of the United Nations Global Compact, and we align our sustainability work with the United Nations Sustainable Development Goals (SDGs). Our efforts contribute directly to seven of the global goals, as reflected on our strategic framework, and work is currently underway to assess our indirect contribution to additional global goals.

We have also been very strong on talent management and skills development, promoting from within. At the same time, we have when necessary sought the best talent available globally to work and thrive at our Group, bringing the very best skills available to the benefit of shareholders. In this respect, South Africa must understand that if we are to be globally competitive, we have to be in a position to remunerate global talent commensurately, or we will never be able to attract the very best to our shores.

While the specifics of our ESG achievements are detailed in this report, I would like to highlight just a few:

Energy, carbon and water

Since 2010 we've had an active energy management programme, and through our efforts, we have saved over R2 billion in electricity costs over the past decade. This figure alone demonstrates the considerable financial upside of sustainable operations.

Ten years on, we are using 10% less energy despite 76% more stores and a 38% increase in gross lettable area. We have also reduced our energy intensity by over a third over the same period. We are now using about half of the energy per square metre we were using in 2008. In addition, we have increased the amount of renewable energy we generate.

We have reduced our carbon emissions per square metre by 7.6% against our 2013 baseline. In 2019, we switched to full natural refrigerants using CO_2 on freezers as well as chillers. Nearly 10% of our estate now has these systems, while over a third of our estate now uses a version of natural refrigerants.

We've also reduced our water usage by just over 11% year-on-year in our Pick n Pay owned stores, while nationally – including our distribution centres – the reduction is just under 10%. In the water-scarce Western Cape, we have achieved a reduction of 20%, since 2018.

Waste and food waste

Waste and food waste are a strong focus for us given that food security is an issue of grave concern in South Africa. This year, we diverted more than 60% of all waste from landfills. We sold more than 1.6 million re-usable bags and donated R39 million of excess food to FoodForward SA.

In a year that saw unemployment and poverty rise sharply, the Feed the Nation Foundation raised R136 million in hunger relief efforts, enabling the distribution of more than 28 million meals to vulnerable families across South Africa. This was achieved through a phenomenal collective effort from our employees, customers, suppliers, other corporates, welfare organisations and foundations both locally and internationally.

Packaging

We have done extensive work to reduce our packaging impacts, and the collective impact at scale has been enormously encouraging. By way of example, revised bottled water and fresh juice packaging is reducing plastic usage by 1 566 tonnes annually.

Encouraging lifecycle thinking is a critical part of reducing packaging waste. On all new Pick n Pay own brand packaging designs, we are introducing a revised on-pack recycling label to help customers understand how best to recycle their packaging. By 2023, all our branded products will feature the new logo.

Sustainable sourcing

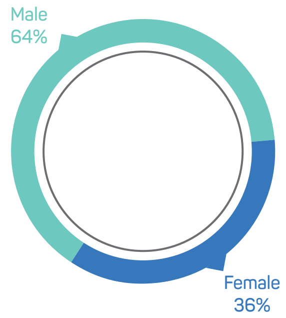
By the end of 2021, all palm oil, palm kernel oil or palm oil derivatives used in Pick n Pay will be sourced only from suppliers who are using sustainable palm oil. We are working with our suppliers to ensure that they all become certified members of the Roundtable on Sustainable Palm Oil (RSPO) by the end of 2022.

A quick overview of our Board – May 2021

Board composition

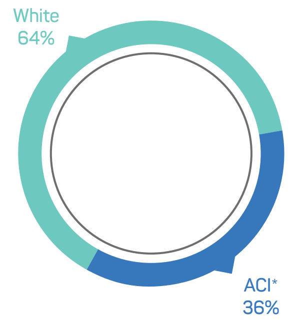
7	+	3	+	4	=	14
Independent non-executive directors		Non-executive directors (including our Chair)		Executive directors		Directors

Gender diversity – %



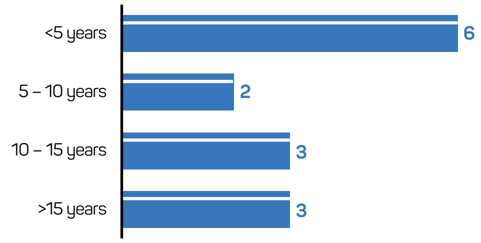
The Board has met its targets for gender diversity. When filling vacancies, the Board seeks and appoints qualified individuals who represent the diversity of the communities we serve.

Racial diversity – %



The Board has met its targets for racial diversity. The Board continue to monitor the work being done by the Group to achieve a diverse workforce at all levels.

Board director tenure



The Board has established a good balance between the experience of longstanding directors and the fresh insights from more recently appointed directors.

* *African, Coloured, Indian*

Enterprise development

Pick n Pay offers structured support to SMMEs in the way of business development advice and mentorship through its Enterprise and Supplier Development (ESD) programme. A key objective of the ESD programme is to increase the economic impact of SMMEs as well as integrate them into our supplier chain. Despite the impact of Covid-19, the financial performance of SMMEs provided with support in the last financial year grew steadily by 13%.

We increased our spend on SMMEs by 14% to R5.4 billion. We have 2 178 SMMEs in our supplier base, more than half of whom are black-owned, and black women-owned suppliers make up more than half of these.

The Group procures around 97% of its food and groceries locally – a fact which is a source of great pride to us. This we have achieved – like most companies with a similar record – without any punitive regulation. Encouragement, not legislation, is what achieves a high degree of localisation.

Governance

Corporate governance is a critical issue for listed companies, and we have always run the Group at the highest level of governance. Our policy has been to be within the guidelines of King IV where we have complied or explained why we are unable to.

Governance and compliance have become very complex, and reporting standards make it increasingly difficult to be a listed company. Rules and regulations should govern the manner in which companies report consistently and influence the manner in which we run our business.

But while we comply fully with all listings requirements, we have to ask whether the degree of complexity, and the sheer weight of detail, are adding value for shareholders. Providing comfort and confidence to shareholders should be the aim, but shareholders would have a legitimate expectation firstly that this could be done less expensively, and secondly that management is not distracted by increasing levels of unnecessary detail, when their focus should be on running the Group and increasing returns.

Proposed changes to the Companies Act will inevitably result in a great deal of debate. The main objective should be to ensure that all independent directors use their independence to scrutinise the Company and ensure stakeholder interests are met, and are not placed on boards to represent special categories of interest groups.

At the same time, increasing the reach of share schemes is an idea to be encouraged, if the associated tax implications and complex accounting rules are scrutinised at the same time. Currently, there is little incentive to hold shares given the associated tax burden.

Governance also requires that companies make it as easy as possible for its shareholders to understand the company, its results, its activities and its practices. Our ambition is to make communication with all stakeholders clearer, simpler and better.

A change in our Board

During the year, we welcomed three new non-executive directors, Haroon Bhorat, Mariam Cassim and Annamarie van der Merwe. Thank you for agreeing to serve on our Board.

At the end of the year, we said farewell and thank you to Richard Brasher as our CEO. Our Group was transformed in Richard's eight-year tenure, as he stabilised the business, changed its trajectory and put us on the path to sustainable long-term growth.

Richard led the Group with integrity, putting people first. Never was this more apparent than in this past year, just when the Group needed strong leadership. He calmly and skilfully steered the business, our customers and our people through unprecedented challenges. Our thanks to Richard, and our very best wishes to him and his family for the future.

We were delighted to welcome our new CEO, Pieter Boone, after an extensive local and global search for Richard's successor. Pieter was the outstanding candidate, with great global experience of leading retail businesses in tough, developing markets. Pieter has our warm welcome and every support for the years ahead.

In conclusion

The Group has performed very well this past year, in a very demanding environment. This coming year will be no less challenging for all of us – from those on the senior management team to those who serve in our stores. I have every confidence that we will continue to live our values to their fullest, serving our customers with efficiency, commitment and dedication.

We are deeply saddened that over the Covid-19 pandemic over 50 members of the Pick n Pay team have passed away. Our thoughts and condolences are with their families and friends. Their contribution will always be remembered.

Gareth Ackerman
Chair
27 May 2021

Key focus areas of the Board during the year

- CEO succession and smooth transition
- Strengthening the composition and membership of Board committees
- The Group's Covid-19 response – ensuring our stores remained safe, open, full and working
- The effectiveness of the Group's long-term strategy to maintain momentum and capture growth in a tough economic climate
- Rest of Africa operations – to manage returns under increasingly difficult economic conditions
- The FY20 dividend deferral as a result of unprecedented disruption under Covid-19 – and its subsequent payment in December 2020 (alongside the FY21 interim dividend)
- The voluntary severance programme and other targeted retrenchments – undertaken by Pick n Pay to achieve long-term productivity and efficiency objectives
- Progress against the Group's ESG and transformation goals
- Changes in the Group's regulatory environment – including the implementation of the Protection of Personal Information Act and the proposed amendments to the Companies Act
- Cyber risks and the effectiveness of the Group's control environment
- Advanced proficiency in the areas of environmental, social and governance reporting and risk management

Please refer to the Group's 2021 Corporate Governance Report, published online, for further information on the Board's key focus areas this year

02 THIS IS THE PICK N PAY GROUP

ABOUT US

Our mission statement

We **serve**

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

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

Our honorary life president and consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa, in 1967. Since then, the Group has grown to encompass stores across South Africa, Namibia, Botswana, Zambia, Nigeria, eSwatini and Lesotho. Pick n Pay also owns a 49% share of Zimbabwean supermarket chain, TM Supermarkets.

The Pick n Pay Group is a retail business in the fast-moving consumer goods industry. We operate through multiple store formats under three brands – Pick n Pay, Boxer and TM Supermarkets. Pick n Pay also operates one of the largest online grocery platforms in sub-Saharan Africa.

We procure quality products at the best available prices, and our 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 and general merchandise products at competitive prices.

At Pick n Pay, we believe doing good is good business. The Group has successfully pursued a clear and customer-led turnaround strategy over the past eight years – with greater efficiency and investment in an improved customer offer driving sustainable value growth for all stakeholders.

For further information on our business model, refer to pages 19 to 24.

Key facts

R93 billion Turnover	**Close to 2 000 stores** Doubled over eight years
90 000 employees Created 15 000 jobs over eight years	**16%** Compound annual growth in comparable earnings over eight years
400 000 jobs sustained through the reach of our supply chain	**40%** Return on capital employed
25% Sales participation of own brand products	Listed on the **FTSE/JSE** Responsible Investment Index
First South African retailer to sign up to the 10x20x30 **Food Waste Initiative**	**Smart Shopper** recognised as South Africa's best loyalty programme for the past decade
R12 billion capital investment over eight years	Member of the international **Consumer Goods Forum** and the Consumer Goods Council of South Africa
Founding member of the Consumer Goods Council Voluntary Food Waste Agreement	**First retailer in Africa** to make sustainable seafood commitments

WHAT SETS US APART

The Group's investment case

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

Strong brand loyalty: broad customer reach

Pick n Pay – increasingly tailored to meet the needs of customers

Pick n Pay is one of South Africa's strongest and most inclusive brands. As a much-loved shopping destination, Pick n Pay has moved hand-in-hand with the changing needs and aspirations of its customers for over 50 years. Our customer-led store segmentation programme – across our Value, Core and Select supermarkets – is driving growth through product ranges, promotions and customer engagement specifically tailored to meet the needs of customers served. As a result, Pick n Pay's product offer is increasingly clear, uncluttered and relevant, enabling improved forecasting, supplier replenishment, reduced waste, higher on-shelf availability and consistently high levels of customer service.

Boxer – the fastest growing food and grocery retailer in South Africa

Boxer is South Africa's fastest growing discount supermarket chain, with sustained double-digit sales growth and solid market share gains over a number of years. Boxer is winning customers through a modernised store estate, a tight range of 3 000 products, a strong fresh meat and produce offer and unbeatable value on the products that are most important to customers in the lower to middle-income communities of South Africa. The Group converted 18 Pick n Pay franchise stores to Boxer stores this year (13 supermarkets and five liquor stores) and all are delivering stronger trade performances and higher investment returns off a significantly reduced and tailored range.

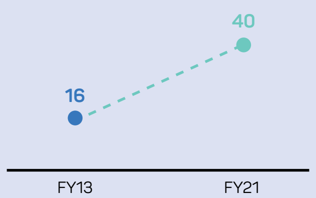
The Group's broad range of formats, including growing clothing and liquor businesses and Boxer's unbeatable value proposition, positions our Group well to serve all customers across the diverse socio-economic communities of southern Africa.

Clear and effective strategy: consistent returns and strong growth platform

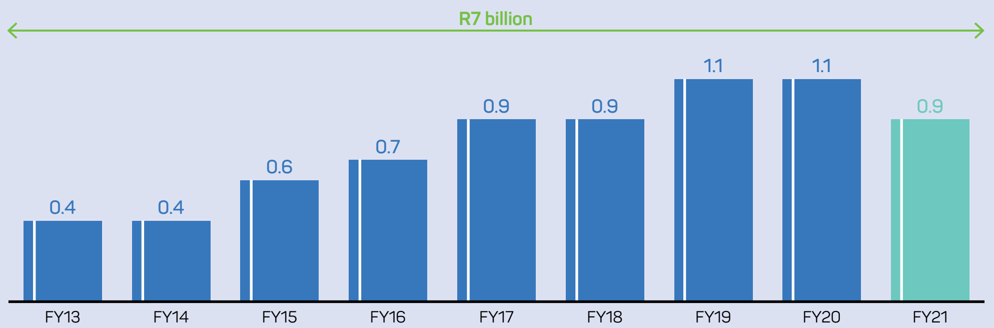
The Group has followed a clear and consistent long-term plan over the past eight years, initially focused on stabilising the Group's balance sheet and its financial performance, followed by decisive action to accelerate the growth trajectory of the business. Consistent and effective execution, underpinned by robust risk and capital management, has delivered sustained revenue growth and improved operating margins, notwithstanding the increasingly difficult economic conditions across the regions in which we operate. The Group has delivered against its plan to build a strong and agile multi-format and multi-channel retail business, providing an increasingly tailored customer offer across a broad socio-demographic reach.

The stability of the Group's business throughout the Covid-19 crisis is evident in the underlying strength of its balance sheet, including low levels of debt, which has enabled an uninterrupted dividend cycle and has delivered increasing returns from a measured and targeted capital investment programme.

Return on capital employed – %



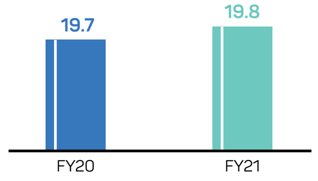
Dividends paid from FY13 – FY21 – Rbn



Greater operational efficiency under Project Future

The Group developed Project Future 18 months ago, a programme of initiatives aimed at accelerating the growth and efficiency objectives of the Group's long-term plan, to ensure it maintained its momentum in an increasingly challenging economic environment. Project Future has three main objectives: to transform the business beyond incremental change; to drive productivity and efficiency gains so that the Group can invest in a strengthened customer offer; and to use data and systems better to enable more effective ways of working. The Group has delivered solid progress against Project Future this year, achieving R600 million of cost savings against its two-year target of R1 billion.

Gross profit margin – %



The Group increased its gross profit margin to 19.8% of turnover this year – fully mitigating the severe impact of Covid-19 trading restrictions on its higher margin categories, with cost savings, efficiency gains and increased centralisation across its supply chain.

Strong digital platform: driving innovation in omni-channel retail

The Group benefits from an outstanding information technology infrastructure. This includes an end-to-end SAP system that enables automated and centralised processing, including 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 ably supports our Smart Shopper loyalty programme, including the redemption of personalised discount vouchers directly through the programme's digital app. Pick n Pay has led online grocery retail in South Africa for more than a decade – and its sustained investment into a modern, flexible and fully integrated systems infrastructure has built the country's largest digital grocery platform, a clear advantage throughout the Covid-19 crisis.

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 omni-channel proposition.

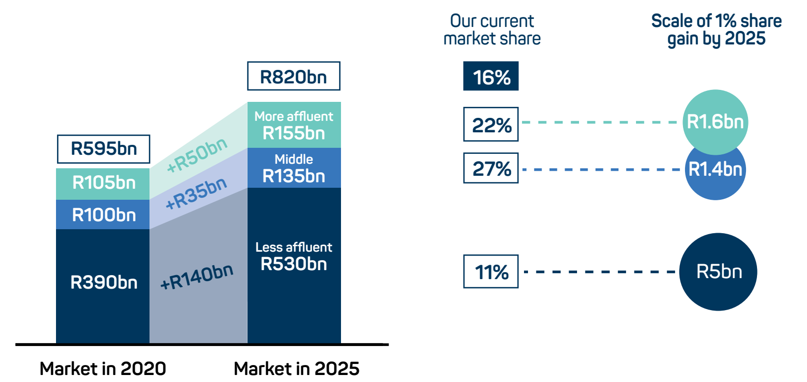
Well positioned for long-term growth

The size of the formal food and grocery retail market in South Africa is estimated at R595 billion. Historically, the formal market has grown at 1.0% – 1.5% ahead of GDP growth plus inflation, benefiting from the ongoing formalisation of the informal retail market. On this basis, the formal retail market is forecast to grow by an estimated 7.0% per annum to reach R820 billion in 2025.

Growth is not evenly spread across socio-demographic groups in South Africa – with R140 billion of the growth (or over 60%) expected to come from the less affluent segments of the market, where the Group is currently under-represented. Future success in this segment will depend on retailers having a dynamic and flexible approach to growth, mindful that the largest, and less affluent, communities of South Africa are seeking more value than ever before. Market share gains of 1% in this part of the market provide an opportunity to capture R5 billion in future sales.

The Group is well positioned to capture and accelerate growth in the value end of the market, through its increasingly agile and efficient Pick n Pay Value and Boxer supermarkets.

South African food and grocery market



Responsible retailer: committed to environmental, social and corporate governance

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over 54 years. The Board provides effective and ethical leadership and 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.

Pick n Pay is a founding member of the SA Plastics Pact; a signatory to the Ellen MacArthur Foundation's Global Commitment to develop a circular economy for plastic; and a member of The South African Alliance to End Plastic Pollution in the Environment

In 2020 we achieved a B rating on CDP* Climate and an A- rating on CDP Water – positioning Pick n Pay as one of South Africa's best performing retailers

We contribute to the SDGs and look for opportunities to align to the global goals

Pick n Pay was the first South African retailer to sign up to the World Resources Institute's 10x20x30 Food Waste Initiative. We currently divert 61% of our total waste from landfill through donation, recoveries and recycling

Since 2018, we have reduced the sugar content of our Pick n Pay own brand products by 34% and over 2 000 tons of sugar have been removed from a variety of our own brand products

We promote certification with internationally-recognised farming standards linked to good agricultural practices across our supplier base – GLOBALG.A.P. and localg.a.p

* *Formerly named the Carbon Disclosure Project*

OUR STORE FOOTPRINT

The Group, through our Pick n Pay and Boxer brands, is the most inclusive retailer in South Africa, well positioned to serve the needs of customers across all socio-economic backgrounds.

Changing customer demographics creates opportunity for the Group to extend its reach and grow turnover without impacting existing stores. Our expansion programme is focused on growing the business by opening stores that reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay and Boxer 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.

COMPANY-OWNED	1 March 2020	Opened	Closed	Converted openings	Converted closures	28 February 2021
Pick n Pay	**794**	**39**	**(19)**	**16**	**–**	**830**
Hypermarkets	21	–	–	–	–	21
Supermarkets	295	12	(6)	9	–	310
Clothing	225	18	(8)	–	–	235
Liquor	252	9	(4)	7	–	264
Pharmacy	1	–	(1)	–	–	–
Boxer	**298**	**27**	**(1)**	**18**	**–**	**342**
Supermarkets	181	15	(1)	13	–	208
Build	30	–	–	–	–	30
Liquor	70	12	–	5	–	87
Punch	17	–	–	–	–	17
Total company-owned	**1 092**	**66**	**(20)**	**34**	**–**	**1 172**
FRANCHISE						
Pick n Pay						
Supermarkets	308	6	(8)	–	(22)	284
Market	29	10	(1)	–	–	38
Express	170	8	(4)	–	–	174
Clothing	16	4	–	–	–	20
Liquor	249	14	(9)	–	(12)	242
Pharmacy	2	1	–	–	–	3
Total franchise	**774**	**43**	**(22)**	**–**	**(34)**	**761**
Total Group stores	**1 866**	**109**	**(42)**	**34**	**(34)**	**1 933**
TM Supermarkets – associate	**59**	**3**	**(1)**	**–**	**–**	**61**
Total with TM Supermarkets	**1 925**	**112**	**(43)**	**34**	**(34)**	**1 994**
AFRICAN FOOTPRINT* – included in total stores above	**154**	**14**	**(5)**	**–**	**–**	**163**
Pick n Pay company-owned	20	5	(1)	–	–	24
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	66	6	(3)	–	–	69
TM Supermarkets – associate	59	3	(1)	–	–	61
AFRICAN FOOTPRINT* – by country	**154**	**14**	**(5)**	**–**	**–**	**163**
Botswana	12	–	(1)	–	–	11
Lesotho	2	2	–	–	–	4
Namibia	38	–	(2)	–	–	36
eSwatini	23	4	–	–	–	27
Zambia	20	5	(1)	–	–	24
Zimbabwe	59	3	(1)	–	–	61

* *We opened our first store in Nigeria in March 2021*

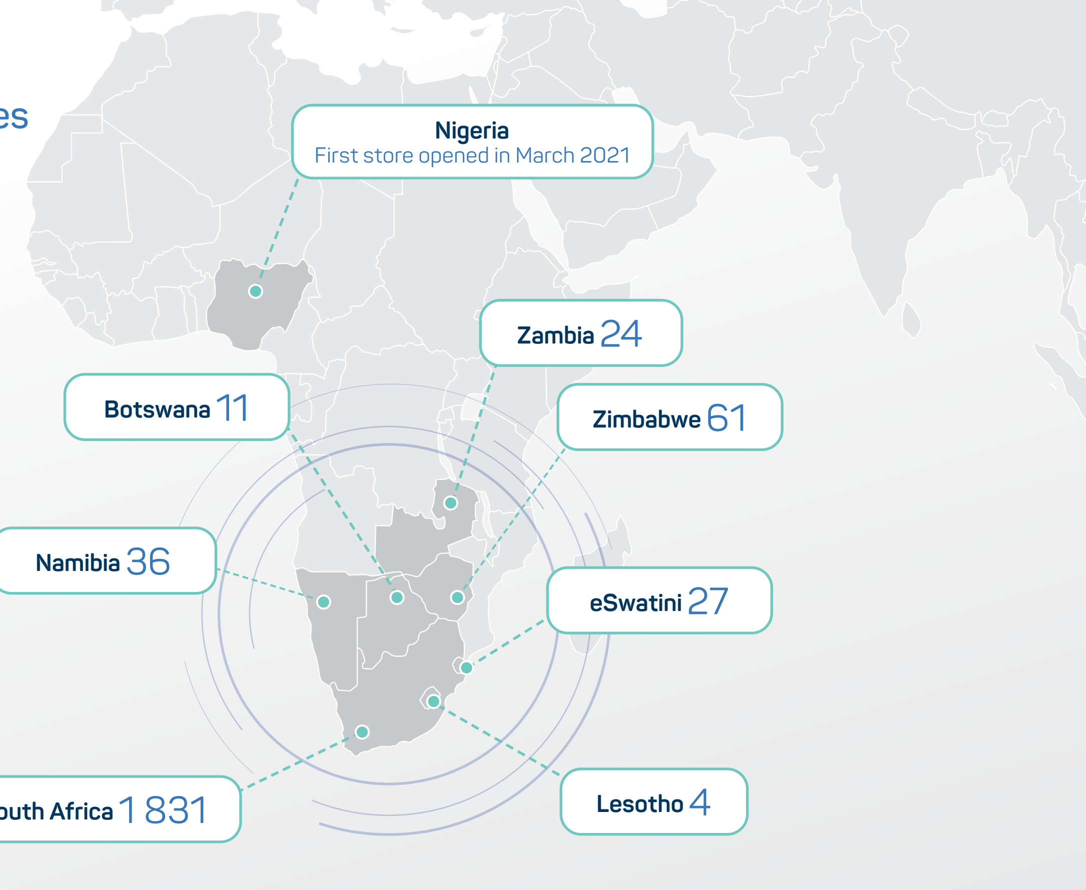
"The Group is determined to add new space where we are confident that doing so will deliver strong and sustainable returns. The Group has a strong plan for future space growth which takes advantage of our improved operating model – leveraging improved store efficiencies, an increasingly centralised supply chain and improved labour productivity. The lowered cost of operations enables the Group to make more efficient use of existing space, and to respond dynamically to the growing demand for convenience and local neighbourhood stores. The Group has a vision to be the retailer for every South African and that means bringing Pick n Pay and Boxer stores to more communities. We are now in a better position to do so, ensuring that each new store adds real value to customers and a sustainable return for shareholders."

Lerena Olivier, CFO

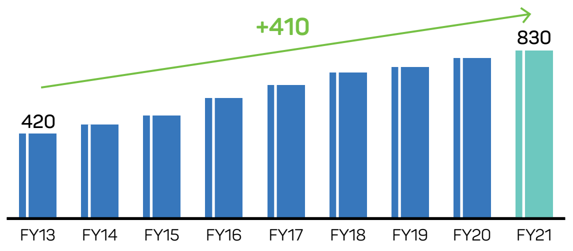
Geographic footprint

Close to 2 000 stores
across all formats

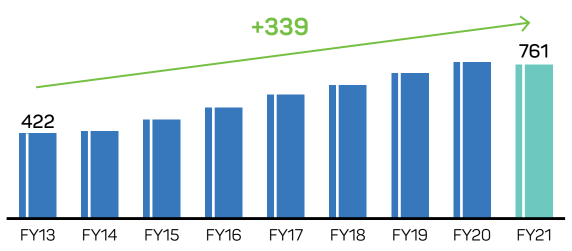
8 countries
including our investment in TM Supermarkets in Zimbabwe



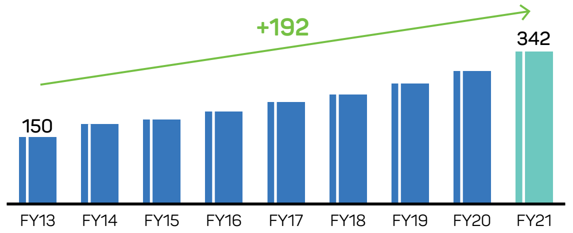
Pick n Pay – company-owned stores



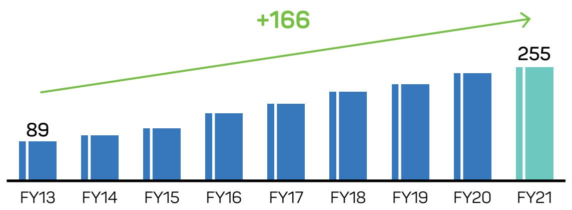
Pick n Pay – franchise stores



Boxer – company-owned stores



Clothing – company-owned and franchise stores



OUR STORE FORMATS

Pick n Pay

Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores. Pick n Pay operates on an owned and franchise basis and provides a wide range of products and value-added services that includes an online offer.

Pick n Pay is an inclusive brand focused on being the retailer for all – from the most affluent in society to those who are less fortunate and for whom price is of the utmost importance. Pick n Pay has structured its store operations into three segments: Value, Core and Select, enabling the team to optimise product range, promotions and engagement for each customer segment served.

Pick n Pay has a strong growth plan that benefits from flexible formats and a leaner operating model – and the business is focused on bringing its offer to communities where it is not yet well represented, including through small convenience stores.

Pick n Pay's long-term strategic plan remains focused on delivering an exceptional customer offer, including through sustained improvements in range, quality, price, availability and service.

8 Countries	1 591 Stores
8 Store formats (including online)	830 Company-owned stores
761 Franchise stores	

Pick n Pay Supermarkets

Pick n Pay company-owned and franchise supermarkets serve a wide range of communities, from lower- and middle-income families to the most affluent households. Our supermarkets offer a wide range of groceries and a targeted range of clothing, general merchandise and value-added services. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Customers can buy everything they need, from a daily top-up to a larger weekly or monthly bulk shop, and product ranges are tailored to meet customers' needs. Some stores focus on basic necessities and local produce while certain Select stores also provide speciality service counters, wine rooms, flower markets and sushi bars.

Pick n Pay's store segmentation and range optimisation programme has strengthened the offer for customers through greater clarity, relevance and availability.

- 530 Stores in South Africa
- 92 Stores in Rest of Africa*
- 3 000 Average m²
- 18 Stores opened in FY21

	287 Company-owned stores	243 Franchise stores
Value	97	47
Core	120	176
Select	70	20

South Africa

Pick n Pay Hypermarkets

A Pick n Pay hypermarket is our largest format store, providing customers with an expanded range of groceries, clothing, liquor and general merchandise. Essentially a "one-stop shop", hypermarkets offer fresh produce, a butchery, deli, bakery and hot food counter, plus specialist general merchandise categories not always available in our smaller supermarkets.

60% of our hypermarket estate has been refurbished over the past five years, delivering improved profitability through a stronger fresh offer, more relevant general merchandise, targeted promotional campaigns and competitive pricing, with multi-pack and bulk-buy items. Our hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders.

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

Pick n Pay Clothing

Pick n Pay Clothing provides quality, fashionable clothing and footwear at exceptional prices. Our clothing offer is broad, from baby and childrens wear to ladies and mens fashion, and includes casual wear, sleepwear, active wear and more formal attire. Our standalone clothing stores provide the same quality and value-for-money clothing merchandise as our hypermarkets and supermarkets, but with an extended range. The sale of clothing was prohibited in South Africa under the government's Covid-19 Level 5 lockdown, with some continuing restrictions under Level 4.

3 Countries	450 Average m²
255 Standalone stores	22 Stores opened in FY21
235 Company-owned stores	20 Franchise stores

Including the 28 Pick n Pay branded stores operated by TM. Refer to page 18.

Pick n Pay Liquor

Our 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. The Group lost 209 liquor trading days over FY21 under the South African government's Covid-19 risk adjusted strategy.

6 Countries	506 Stores
23 Stores opened in FY21	200 Average m²
264 Company-owned stores	242 Franchise stores

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 located in high-traffic-flow areas, including high-density residential areas and public transport intersections.

Pick n Pay's Smart Shopper loyalty customers are able to buy fuel with accumulated Smart Shopper points.

South Africa Country	300 Average m²
174 Forecourt franchise stores	8 Stores opened in FY21

Pick n Pay Market stores

Pick n Pay's "Spaza-to-Market Store" partnership with South Africa's Department of Economic Development aims to revitalise and modernise market (spaza) stores to drive growth. This partnership provides spaza shop owners with access to Pick n Pay's procurement and distribution channel, business systems, technology, and management advice and mentoring.

South Africa Country	250 Average m²
38 Partner stores	10 Stores opened in FY21

Pick n Pay Pharmacy

In May 2021, the Group announced the sale of its small pharmacy business, including 25 in-store pharmacies, to Clicks Group Limited. The transaction allows the Group to exit a non-core part of the business and focus on its strategic priorities. The pharmacies will be rebranded as Clicks pharmacies and, given the strength of the Clicks pharmacy network, we believe our customers will be well-served in respect of their pharmacy needs. The transaction is subject to Competition Commission approval in South Africa.

- South Africa Country
- 25 In-store pharmacies
- 3 Stand-alone franchise pharmacies

Pick n Pay Online

Our online shopping platform – picknpay.com – is the largest and most developed online grocery business in sub-Saharan Africa. The platform provides online convenience, good availability and on-time delivery. The online offer in the Western Cape and Gauteng is supported by two dedicated warehouses.

Pick n Pay online is a small part of the overall Pick n Pay business; however, the growth in demand for online grocery sales has significantly accelerated as a result of the Covid-19 outbreak. The Pick n Pay team rapidly increased its online capacity and reach, including through the acquisition of the on-demand delivery service Bottles, which was re-engineered during the nationwide lockdown from an on-demand liquor service, to deliver same-day grocery essentials to customers. We have also rolled-out our Click n Collect service across many of our Pick n Pay stores, and many of our franchise stores now encourage customers to email or WhatsApp their orders directly to the store, for collection or delivery.

- South Africa Country
- Integrated Online Platform: Scheduled deliveries within 24 hours
- Click n Collect service
- On-demand Bottles app

Boxer

Boxer is South Africa's leading limited-range discount supermarket.

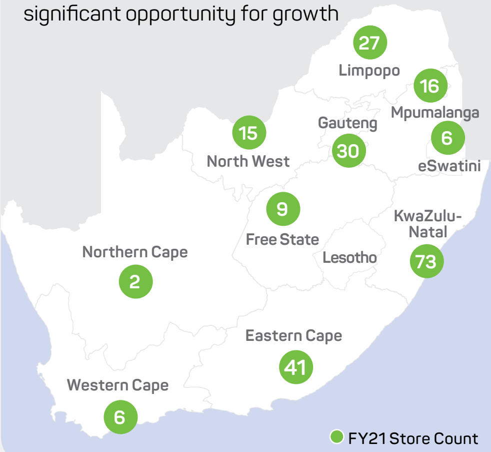
Boxer offers a tight range of quality products and services at affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, as well as perishables, health and beauty products, general merchandise and bulk-buy offers. Butcheries, bakeries and deli sections provide a choice of prepared convenience meals.

Boxer delivered industry-leading sales growth in FY21 with exceptional quality and value, and a tight range of 3 000 products, driving positive volume growth for the Group in this important section of the market.

There are no franchise stores under this brand. While Boxer has reach across all nine provinces in South Africa, its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its focused product range, affordable prices and community-rooted staff.

Boxer Supermarkets and Boxer Punch

Boxer is under-represented in many parts of South Africa and eSwatini, providing significant opportunity for growth



Boxer Supermarkets

Boxer supermarkets are full-service supermarkets offering a focused range of groceries. The fresh meat and produce offer is complemented by an in-store bakery and hot foods counter. The target markets are middle- to lower-income urban, peri-urban and rural communities of South Africa and eSwatini. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.

South Africa and eSwatini Countries	1 900 Average m²
208 Company-owned stores	28 Stores opened in FY21

Boxer Punch

Boxer Punch is a smaller-sized supermarket located in compact sites with considerable customer foot traffic. The store has a lower-cost operating model, enabling lower prices, including on key commodity lines. Boxer Punch stores offer a limited but specific range of convenience products that include basic commodities, pre-packed frozen and fresh meat, and breads and confectionery.

South Africa Country	
17 Company-owned stores	400 Average m²

Boxer Build

Boxer Build stocks a diversified 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. Boxer Build delivered strong sales growth this year notwithstanding complete closure during Level 5 lock-down in South Africa, benefiting from increased customer investment in home improvements.

South Africa and eSwatini Countries	
30 Company-owned stores	450 Average m²

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.

As with our Pick n Pay liquor stores, there were just three weeks of the financial year that our Boxer liquor stores in South Africa did not trade under any trading restrictions.

South Africa and eSwatini Countries	185 Average m²
87 Company-owned stores	17 Stores opened in FY21

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. The hard work of the TM team over the past few years to build customer and supplier loyalty has paid off under exceptionally difficult trading conditions in Zimbabwe. TM has kept its shelves stocked, and has been rewarded with sustained market share growth.

With its payoff line, "Real Value Always", customers are offered a wide range of groceries and perishables and a limited range of general merchandise. The fresh offering caters specifically for the communities they serve, at competitive prices. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

61 Supermarkets in Zimbabwe
33 Trading as TM
28 Trading as Pick n Pay

CREATING VALUE THROUGH OUR BUSINESS MODEL

Our business model describes how we create and preserve long-term sustainable value, and minimise value erosion, for all our stakeholders – through the effective and balanced use of our capitals – while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique and enduring values at its core.

Our management teams devoted much of their energy and focus this year to navigating significant economic and operational disruption brought by the Covid-19 pandemic. The effectiveness of the Group's operating model has been tested many times over more than five decades, but never more so than during the current crisis. The Group, through extraordinary teamwork, decisive and responsible action, and an unwavering commitment to the principles and objectives of its long-term plan, has preserved the stakeholder value under its care.

Capitals as inputs into our business model

Financial

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

Capital inputs at the beginning of the year included:
- R3.0 billion of shareholders' equity
- R3.0 billion of short-term borrowings
- R1.9 billion of cash balances

Constraints and challenges faced during the year included:
- Worsening macro- and socio-economic conditions and constrained consumer spending, exacerbated by the economic impact of Covid-19
- Volatility and illiquidity in local debt markets as a result of the pandemic
- Currency weakness and hyperinflation in the Rest of Africa segment

Relevant material issue: "Consumer environment", "Funding liquidity" and "Foreign investment returns" – refer pages 35, 37 and 38

Intellectual

The Group's experience, data, systems and processes 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 evolving information technology infrastructure. Our growing range of own brand products suit every customer's budget.

Capital inputs at the beginning of the year included:
- 3 strong brands: Pick n Pay, Boxer and TM Supermarkets
- Smart Shopper loyalty programme
- Enterprise-wide SAP operating and reporting system
- Food technicians and product developers

Constraints and challenges faced during the year included:
- Remote working to meet physical distancing requirements in support offices
- Increased cybersecurity concerns
- Supply chain disruption and demand planning under Covid-19

Relevant material issue: "Security of supply" and "Digital security" – refer pages 36 and 38

Social and relationship

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.

Capital inputs at the beginning of the year included:
- Customer-led long-term strategy
- Meaningful corporate social investment programme
- Strong platforms for stakeholder engagement
- 10 000 local suppliers and service providers

Constraints and challenges faced during the year included:
- Low economic growth and high unemployment impacting the socio-economic welfare of the communities and customers we serve
- Community protests in response to a lack of local municipal service delivery led to store closures in our more vulnerable communities

Relevant material issue: "Consumer environment" – refer page 35

Manufactured

We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms. We rely on this manufactured 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.

Capital inputs at the beginning of the year included:
- 1 925 stores
- Strong support offices
- 15 distribution centres and two online distribution centres
- Valued partnerships with transport logistics providers

Constraints and challenges faced during the year included:
- Store closures and reduced trading hours as a result of Covid-19
- Reinforced health and hygiene standards to keep our stores and operations safe for customers and staff
- Extended periods of load shedding in South Africa, Zambia and Zimbabwe
- Escalating cost of energy, fuel, water and other utility costs

Relevant material issue: "Health and safety", "Security of supply", "Digital security" and "Climate change" – refer pages 36, 38 and 39

Human

Valued colleagues across Pick n Pay, Boxer and TM provide critical skills, talent, ambition and diversity that underpin a winning team. We rely on and invest in our human capital to provide our customers with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, with great service in outstanding stores.

Capital inputs at the beginning of the year included:
- 54 900 employees in our company-owned businesses
- 35 100 employees across our franchise stores

Constraints and challenges faced during the year included:
- The physical and mental well-being of our staff throughout the Covid-19 crisis
- The Group's transition towards a more formal, functional outsourced model in its supply chain
- Voluntary and other severance programmes to improve productivity and efficiency

Relevant material issue: "Talent management" – refer page 39

Natural

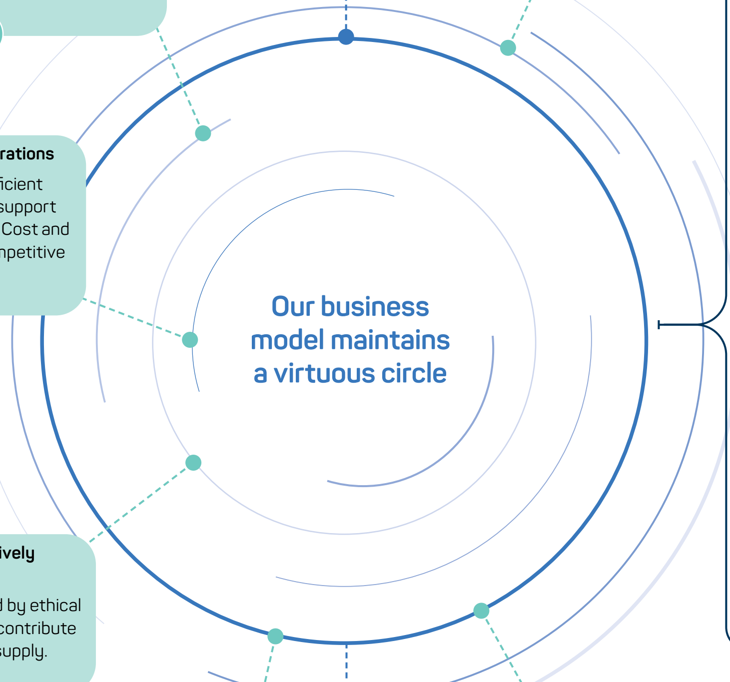
We utilise environmental resources during production, distribution and the sale of consumer products. We are committed to reducing our consumption of natural and scarce resources in our operations and, with thousands of suppliers and millions of customers, we are extremely mindful of our broad reach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

Key environmental impacts last year:
- Carbon footprint – 987 229.8 tonnes CO_2e
- Water consumed – 1 117 megalitres
- Waste diverted from landfill – 60%

Constraints and challenges faced during the year included:
- Drought in the northern and eastern parts of South Africa, and in Zambia and Zimbabwe
- The impact of water scarcity on hydro-electricity in Zambia and Zimbabwe, and sustained and prolonged power outages in these regions

Relevant material issue: "Climate change" – refer page 39

Our operating 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. Our business model maintains a virtuous circle which balances the needs of our stakeholders in a fair and equitable manner, while effectively managing the trade-offs between our capitals. The balance and stability provided by the Group's operating model – guided at all times by the underlying principle that doing good is good business – has underpinned the strength of the business throughout the Covid-19 crisis and has safeguarded the interests of all stakeholders at a time of unprecedented disruption.



We provide a competitive customer offer

We provide a leading product range, including value-added services, at competitive prices through high-quality stores that are conveniently located within customer reach.

Through our business activities, we serve customers across the diverse spectrum of southern African communities – and we are South Africa's most inclusive retailer.

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 a competitive customer offer.

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 a team of retail specialists 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 successful strategy supports investment in our communities, in line with our ethos of doing good is good business, as captured in our enduring values and our mission statement as set out on pages 3 and 10.

- **Governance**: the Board influences the strategic direction of the Group and oversees remuneration and incentives linked to the capitals
- **Material risks and opportunities**: external conditions, trends and internal factors influence business activities and performance, creating a growth environment or restricting ability to create value
- **Strategy and resource allocation**: business activities support and drive resource allocation plans to achieve short, medium and long-term strategy
- **Stakeholders**: participate in our shared value creation through a range of engagements and relationships
- **Performance**: business activities have financial and non-financial implications that can impact the capitals available to the Group

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, Boxer and TM brands, 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, our 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 license to operate in the short, medium and long term. Read more in our 2021 Sustainable Living Report, available online from end June 2021.

Our capital outcomes

Our business activities and capital outputs transform the capitals during the year. Our capital outcomes include a range of internal and external consequences for our stakeholders, which are outlined in more detail on the following pages of this report.

Action taken to enhance positive outcomes, minimise negative outcomes, and manage our capital trade-offs

Financial

- Covid-19 trading restrictions – constrained sales growth at 4.3%
- Covid-19 operational response – additional costs of R200 million
- Strengthened customer offer – market-leading food and grocery performance, up 10.0% year-on-year
- Effective and targeted promotions – selling price inflation kept to 3.8%
- Supply chain productivity and efficiency – gross profit margin expansion to 19.8%
- Staff restructuring – once-off severance costs of R200 million
- Strong cash and working capital management – comparable net cash position up R500 million year-on-year
- Uninterrupted dividend cycle – R900 million paid to shareholders
- Leaner operating model in Rest of Africa – mitigating difficult economic conditions and currency weakness

Intellectual

- Covid-19 restrictions over non-essential value-added services – all related commission and other income down 0.5% year-on-year
- Met customer demand for contactless payment solution – over 13 billion contactless payments processed
- Strengthened partnership with TymeBank – 3 million accounts now open
- Launched mobile virtual network operator – low-cost airtime and data through PnP Mobile and Boxercom
- Value and innovation through Pick n Pay own brand – 1 500 new products launched; sales participation now at 25%; insourced product development
- Sustained investment in Smart Shopper loyalty programme – R3.5 billion provided in loyalty savings; 300% growth in redemption of personalised discounts; 75% sales participation
- Sustained investment in digital innovation – online customers tripled; 700% growth in on-demand online service

Social and relationship

- Feed the Nation Covid-19 relief campaign – raised R136 million, provided 28 million meals to vulnerable families in South Africa
- Business development – 10 new entrepreneurs in our Spaza-to-Market store programme
- Pick n Pay is a member of leading ethical trade membership organisation SEDEX (Supplier Ethical Data Exchange) and SIZA (Sustainability Initiative of South Africa)
- Low prices on fresh produce and Live Well products, providing our customers with greater access to healthy choices
- The Pick n Pay School Club supports 2.3 million learners at 3 155 schools

Manufactured

- Covid-19 response – store closures, reduced trading hours, physical distancing measures
- Expanded digital shopping platform to meet accelerated online demand – including through the purchase of on-demand app Bottles and the launch of online clothing sales
- R1.6 billion of capital investment – programme scaled back as a result of Covid-19
- Capital spend well balanced – new stores (50%); refurbishments (20%); infrastructure (30%)
- Property reset to maximise investment returns – 112 new stores; 34 conversions; 43 closures
- Boxer centralised supply increased to 55% – new distribution centre in Polokwane
- Collaboration with suppliers minimised Covid-19 supply chain disruption – product availability maintained at 95%
- Improved efficiency of transport model – fewer trucks, fewer kilometres, lower costs

Human

- Staff appreciation – bonus paid to essential staff working at the frontline of the Covid-19 crisis
- Staff recognition – performance bonuses for outstanding performances under challenging conditions
- Strengthened health and wellness programmes – addressed physical and emotional impact of Covid-19
- Greater productivity – voluntary severance programme right-sized our operational teams
- Administrative efficiency – targeted severance programme addressed support structures
- Growing business – 2 000 new jobs created through store opening programme
- Appointed two functional outsource partners in our supply chain – providing greater skill, efficiency, stability
- Achieved disability targets, including through learnership programmes
- Ongoing progress in meeting diversity targets in senior management – with significant improvement in junior and middle management roles

Natural

- 43.6% reduction in energy intensity from a 2008 baseline
- 8 465.6MWh of solar energy generated, reducing our carbon footprint by almost 8 000 tonnes CO_2e
- We consumed an estimated 1 006 megalitres of water, a reduction on last year's consumption (2020: 1 117 megalitres)
- Local sourcing: our clothing division increased its local sourcing by close to 40%
- 4 500 duplicate and uneconomic lines discontinued – contributing to significant reductions in food waste
- 1.6 million reusable shopping bags sold
- We recycled/recovered 61% of total waste generated, including 17 576 tonnes of cardboard and paper, 2 234 tonnes of plastic and 10 tonnes of metal
- Organised community clean-ups in adherence with Covid-19 regulations, with 1 426 volunteers collecting 2.7 tonnes of waste

- Annual strategic targets met
- Satisfactory progress
- More to do

Unpacking the significant capital trade-offs we made during the year

Our capitals are transformed by our business activities and strategic business decisions. As part of this, we prioritise certain resources and stakeholder requirements above others. Our strong and experienced management team operates within a sound risk management framework that considers the social and environmental impact of our decisions and operations. Read more about our risk management from page 33.

Our capital trade-offs are further informed by our corporate governance framework, which ensures that we align our interests with those of our stakeholders and create and preserve sustainable value and a leading customer offer. Our ethical value system further guides our everyday decision-making. Read more in our governance section from page 85.

Management's judgement in prioritising stakeholder needs and capital resources was particularly significant this year. Many difficult decisions were made in the face of the unprecedented circumstances of the Covid-19 virus. Our management team led with distinction, acting decisively, pragmatically and primarily in best interests of our staff and customers. This ensured that our business continued to grow, adapt and innovate, without placing stakeholders under undue risk.

Covid-19 response:
Reduced trading hours; physical distancing; health and hygiene costs; and some store closures

The Covid-19 crisis necessitated an effective response that would keep our operations safe and working, provide customers with essential food and groceries, and assist government efforts to slow the spread of the virus. The Group understood that our response would come at a financial cost. However, as an essential service during the crisis, our efforts to stay open and working were a social imperative.

We reinforced our health and hygiene standards, reduced our trading hours to support government-imposed curfews, reduced the number of customers allowed in store at any one time, and closed stores for sanitising where positive cases of the virus were identified among staff. These combined measures incurred additional operating costs of R200 million in FY21, and caused some disruption and inconvenience to stakeholders. However, they were essential to deliver business continuity and safeguard our staff and customers' well-being.

Capitals impacted – Short term

Capitals impacted – Long term

Working capital investment:
Maintaining the availability of essential food and groceries

Our Group, alongside other retailers, has played a significant role in providing customers with confidence in the supply of essential food and groceries throughout the crisis. The Group recognised the importance of maintaining consistently high levels of on-shelf product availability to allay any public concerns around food security. We understood that this would come at a cost, and would impact the Group's short-term working capital targets.

The Group worked closely with suppliers to minimise disruption across the supply chain. We invested significantly in our core food and grocery lines to maintain product availability at 95% over the year, and particularly over our busy month-end trading periods. The Group's range optimisation initiatives removed 4 500 slow moving and uneconomic lines from the business, which mitigated the cost impact of this strategic investment into fast moving essential lines.

Capitals impacted – Short term

Capitals impacted – Long term

Property reset:
Store closures and conversions to drive investment returns

The Group has a broad, multi-format store estate, operated on an owned and franchise basis, and trading through the Pick n Pay, Boxer and TM brands. The Group maintains the overall quality of its estate through new stores, an ongoing refurbishment programme, store closures where necessary, and conversions between formats and brands. Store closures and conversions can be difficult decisions to make, and the long-term impact on divisional performance, store staff and franchise partners is always considered.

The Group closed 43 stores this year, across all formats, and converted 34 franchise stores to company-owned Pick n Pay and Boxer stores, including 22 supermarkets. While there was some limited short-term disruption, the converted stores are all delivering stronger sales performances and improved profitability, and the Group has reduced the risk on its franchise debtor's book. The Group remains committed to harnessing the flexibility of its estate and operating model to secure the right format for each site and generate the greatest investment return.

Capitals impacted – Short term

Capitals impacted – Long term

Project Future:
Staff restructuring programmes to improve productivity and efficiency

Project Future is the Group's long-term modernisation programme. It is aimed at accelerating the Group's growth and efficiency objectives to ensure it maintains its momentum in an increasingly challenging economic environment. Employee costs are the Group's largest operating expense. As such, several Project Future initiatives have focused on improving staff productivity and efficiency across the business. Staff restructuring and severance programmes add short-term once-off costs, and can bring anxiety and uncertainty for those affected. However, they are necessary for the business to build a modern, efficient and agile workforce, better able to serve our customers over the longer term.

The Group incurred R200 million in once-off compensation costs related to voluntary and structured employee severance programmes undertaken during the year. This resulted in the removal of approximately 1 600 roles from the business, targeting improvements in store and support office efficiency. Half of these costs were recouped through cost savings in the second half of FY21, with the balance to be recouped over FY22. Notwithstanding these initiatives, the Group created over 2 000 new roles through its store opening programme this year.

Capitals impacted – Short term

Capitals impacted – Long term

Rest of Africa:
Developing the right operating model

Difficult trading conditions persist in our Rest of Africa operations, including local currency weakness, high-levels of inflation and escalating unemployment. The Group is cognisant of the real risks of trading in emerging market economies in the Rest of Africa, including complex political, economic and operational challenges. However, these markets provide significant growth opportunities, driven by young and growing working-age populations and the rapid formalisation of informal retail markets.

The Group is repositioning its Rest of Africa store operations, most notably in Zambia, into an increasingly cost-effective and efficient limited range discount model. This provides customers with a tighter range of targeted products (including more own brand) at unbeatable value. The Group has taken decisive action to close under-performing stores, to reduce the size of others, and to eliminate US dollar-based leases and other expenses. While short-term prospects remain constrained, the Group is committed to driving long-term sustainable growth in the Rest of Africa, at acceptable levels of risk, and without comprising core South African operations.

Capitals impacted – Short term

Capitals impacted – Long term

Outlook for 2022

Notwithstanding the considerable progress delivered over the past eight years, it is the Group's FY21 performance that will stand out for its extraordinary resilience under the most challenging of circumstances.

The Group grew its market share over the year, accelerated its momentum on improving the efficiency and productivity of its operations and was able to provide its customers with ever greater value, including through a growing own brand offer and a highly personalised loyalty programme.

The Group has a strong plan to deliver long-term sustainable value creation, anchored by a strong balance sheet, low gearing levels, and strategic funding partners who continue to demonstrate ongoing support for the Group and its long-term growth strategy.

The Group recognises the growing risks around climate change and the need for responsible, ethical business practices that support the well-being of the communities we serve. We continue to place a strong focus on being an environmentally and socially conscious retailer that is responsive to the needs of our customers and the regions within which we operate. Our efforts in this regard are driven by our People n Planet initiative, which is the umbrella under which all our sustainable development programmes fall.

Through the actions taken during the year, we have strengthened our capital inputs and supported our strategic growth engines going into FY22.

FY22 investment plans include a strong store pipeline across our Pick n Pay and Boxer formats, ongoing store refurbishments, further investment in expanding the reach of the Group's central supply chain, and ongoing investment in the Group's modern and flexible system infrastructure. Read more in our CFO report on page 72.

We remain confident that the actions taken during the year both in our response to the Covid-19 crisis, and in our commitment to modernising the business through Project Future, have positioned us well for long-term growth. The Group remains confident that it will succeed in funding future capability requirements with available capital inputs, notwithstanding the difficult economic conditions in the countries in which we trade.

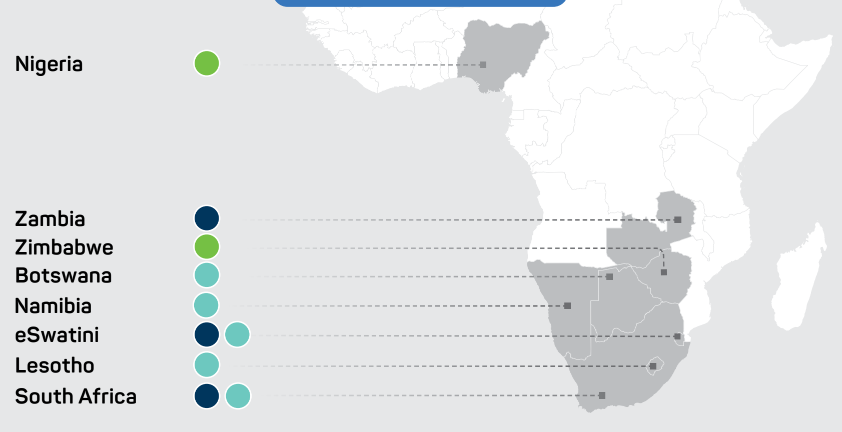
03 OUR BUSINESS IN CONTEXT

THE ENVIRONMENT WE OPERATE IN

The Pick n Pay Group operates close to 2 000 stores across multiple formats in eight countries across southern Africa, including a 49% investment in TM Supermarkets in Zimbabwe. With a 54-year history, we benefit from strong brand loyalty and broad socio-economic appeal within the regions we serve. 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.

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

Geographic footprint



	Turnover Rbn	% of Group	Comparable Profit before Tax* Rm	% of Group	Stores	Employees
South Africa	89.9	96.6	1 635.3	91.7	1 831	80 000
Rest of Africa	3.2	3.4	148.1#	8.3	163	10 000
Group	**93.1**		**1 783.4**		**1 994**	**90 000**

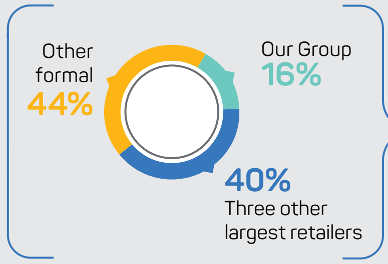
* *Excluding R200 million of once-off staff compensation costs.*

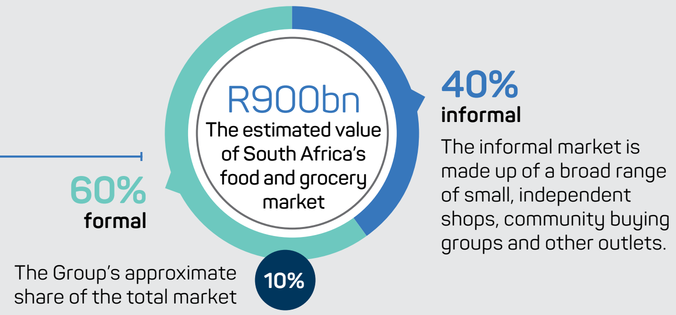
\# *Trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

An overview of the South African market

South Africa's retail market is diverse and disparate in geography and income. The food and grocery sector comprises a modern formal sector and a large informal sector. The total market had an estimated value of R900 billion in our FY21 year, with approximately 60% of the market 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 50% of sales. With turnover of R90 billion from its South African segment in FY21, it is estimated that our Group has an almost 10% share of the total market, and around 16% of the formal market.





South Africa – the year in review

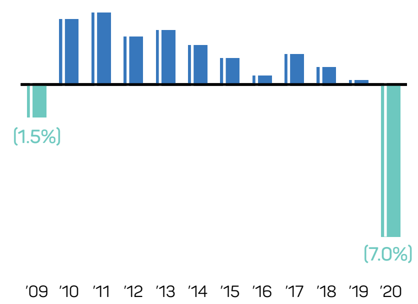
Increasingly tough local market conditions

The Covid-19 pandemic has had a profound impact on the global and local economy. South African GDP contracted 7% over the 2020 calendar year - the country's worst economic performance in a century. The South African government imposed a stringent and lengthy lockdown from 27 March 2020 to combat the spread of the virus, which resulted in a contraction of approximately 4% in grocery volumes over the balance of 2020. At the time of publication, South Africa remains under a National State of Disaster, as concerns over a third wave of Covid-19 infections persist.

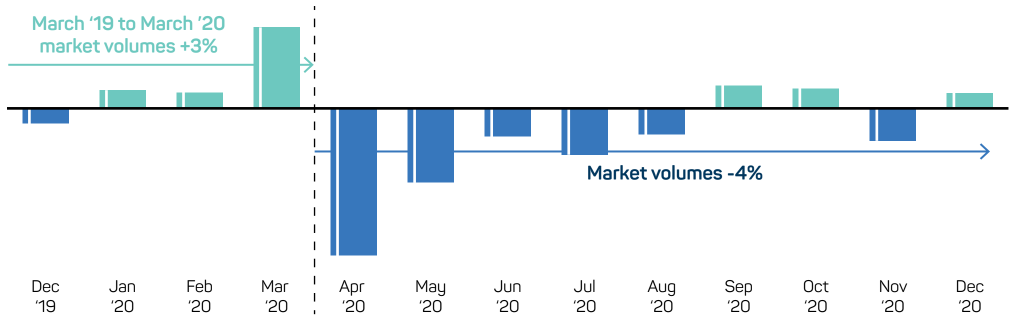
Food and grocery retailers have benefited from some switch in spend from the discretionary consumer economy (travel and entertainment) into non-discretionary food and grocery categories. The value of the uplift is difficult to quantify, and has not been sufficient to mitigate the negative impact of trading restrictions and other Covid-19 disruptions, including the unprecedented economic impact of the pandemic.

The less-affluent consumers in the South African retail market have been supported by additional government support, for example through Covid-19 Social Relief grants of R350 per month. This has been important in assisting the most vulnerable in South Africa, but has not provided full protection from the significant economic and social impact of the crisis.

South African real GDP 2009 – 2020



Covid-19 impact on our market and business



South African retail environment 2020 calendar year

-7.0%
GDP growth

+1.1%
Annual grocery retail sales growth

7.0%
Prime interest rate

4.8%
CPI Food

29.2%
Unemployment

-5.4%
Household expenditure growth

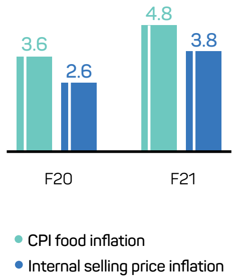
How this impacted our business

Sales and earnings were negatively impacted by Covid-19 and the measures taken by government to contain it. Trading restrictions affected up to 20% of revenue at different stages of the lockdown and sales were further impacted by reduced trading hours, limits on the number of customers in stores, and temporary store closures. This had a significant impact on revenue, with an estimated R4 billion in lost sales over the year, a 0.3% points impact on gross profit margin, and R200 million in additional operating costs related to the Group's operational response.

Our strategic response

The Group responded quickly to meet our customers' changing needs throughout the crisis, including through maintaining a safe and secure shopping experience, strengthening our range of core food and grocery essentials, and upholding consistently high levels of on-shelf availability. Customers are facing increasing financial pressure and are rewarding retailers who can provide ever greater value. The Group accelerated its efforts on cost and efficiency under Project Future this year (page 12) – providing meaningful savings to invest in lower prices, including through an integrated and personalised Smart Shopper loyalty programme, and a programme of deep value promotions in Boxer. Refer to page 49 for more on our strategic response.

The Group's agile response to the Covid-19 crisis, supported by strong collaboration with suppliers and other key business partners, delivered 95% on-shelf availability and market leading sales growth of 10.0% in core food and grocery categories in South Africa. The Group delivered this strong sales growth consistently across the year, even as the more discretionary areas of the consumer economy were opening up.



Strategic growth engines

Read more from page 50.

Relevant material issues

Consumer environment, regulatory landscape, health and safety, security of supply, stability of value chain, digital security, competitive landscape

Read more from page 35.

Rest of Africa – the year in review

The Group's Rest of Africa segment contributed R4.3 billion of segmental revenue, down 8.6% on last year. Removing the impact of currency weakness, segmental revenue was down 2.5% in constant currency terms. Government responses to the Covid-19 pandemic differed in severity across the regions in which the Group traded. However, most markets experienced trading and border restrictions, which – due to their reliance on imported stock – led to stock shortages and inconsistent on-shelf availability. Group operations outside South Africa mitigated the impact of Covid-19 measures with exceptional cost discipline and working capital management.

The Group's franchise operations remained resilient across Namibia, Botswana, eSwatini and Lesotho, notwithstanding economic and societal challenges across those southern African regions. Difficult trading conditions remain in Zambia (company-owned) and Zimbabwe (investment in TM Supermarkets), the Group's two largest business units in its Rest of Africa segment. The Rest of Africa division delivered profit before tax of R148.1 million, before the application of hyperinflation accounting, up R58.0 million on last year - underpinned by the underlying resilience of TM Supermarkets in Zimbabwe.

Difficult trading conditions in Zambia

The Group's business in Zambia has been under strain for a number of years, with the region battling the economic impact of a severe and prolonged drought. The country's dependence on hydro-electric power has resulted in an erratic power supply. Alongside these challenges, the persistently low copper price has led to economic stagnation and higher levels of unemployment.

How this impacted our business

Challenging trading conditions in Zambia persisted over FY21, with local currency weakness driving up US-dollar based operating costs, and fuelling inflation. Power outages were extremely disruptive, with constrained local manufacturing capacity impacting in-store stock availability. Additional operating expenses related to power outages include diesel costs, higher levels of waste of perishable items, and escalating repair and maintenance costs.

Our strategic response

The Group is repositioning its Zambian store operations into an efficient limited range discount model better able to respond to the demands of the recessionary environment. The team delivered strong cost control, anchored by a reduction in occupancy costs through the elimination and renegotiation of US dollar-based rentals. The team remained focused on its range optimisation initiatives, re-invigorating key categories during the year, and delivering strong growth in several produce, bakery and liquor lines under difficult trading conditions. The Group acquired four stores from another retailer this year, all of which are delivering stronger trade and earnings performances under the Group's discount model.

Strategic growth engines	Relevant material issues
	Foreign investment returns
Read more from page 50.	*Read more from page 38.*

Zimbabwe – market share growth in a tough environment

Zimbabwe continues to operate under severe currency weakness and illiquidity, escalating levels of hyperinflation and a resultant shortage in fuel and other staple goods. In addition, persistent drought across the southern African region has led to ongoing water shortages and power outages. The Group's estimate of the fair market value of the local Zimbabwean dollar has fallen from 30.8 Zimbabwe dollars to 1.0 US dollar last year, to 115.0 Zimbabwe dollars to 1.0 US dollar at the end of FY21.

How this impacted our business

TM Supermarkets (TM), delivered a solid trading and earnings performance under extremely challenging economic conditions. The Group's share of TM's earnings increased to R109.2 million this year (FY20: R23.1 million) - with the concerted effort of the team to repay all foreign debt protecting the business from the significant foreign currency losses incurred last year. The Group accounts for its investment in TM under the provisions of hyperinflationary accounting, with a resultant impairment loss of R81.6 million this year (FY20: R173.6 million).

Our strategic response

TM grew its market share this year, underpinned by an outstanding shopping experience in fresh and modern stores, and consistent on-shelf availability (subject to the reliability of local supply) driven by strong and valuable partnerships with local suppliers. TM is entirely self-funding, and does not require any additional capital investment from Pick n Pay South Africa in order to operate and grow the business in Zimbabwe. The Group re-assessed the fair value of its investment in TM at R69.7 million (FY20: R50.4 million), recognising its strong underlying operating performance over the period, and the repayment of its foreign-currency denominated debt. TM added three new stores during the year taking its store footprint to 61 stores in Zimbabwe, with 28 stores trading under the Pick n Pay banner.

Strategic growth engines	Relevant material issues
	Foreign investment returns
Read more from page 50.	*Read more from page 38.*

Our response to consumer needs and trends in the time of Covid-19

Lower prices and more value

The majority of our customers, in South Africa and across the southern Africa communities we serve, subsist on limited incomes in difficult economic times. Covid-19 has brought further financial pressure and economic dislocation, and our customers need lower prices on essential food and groceries more than ever before.

Our response

- Optimised business efficiency, with savings invested into lower every day prices
- Greater personalised reward under Smart Shopper and low Smart Prices
- Strong promotions in Boxer – including multi-buys
- Increase own brand penetration – with greater control over production cost and sales margin

Strong range of essential products

Customers are shopping less often for bigger baskets – choosing supermarkets with a broad range and consistent levels of availability to meet all their needs in a single-destination shop.

Our response

- Greater customisation across Value, Core and Select Pick n Pay supermarkets, offering a strengthened range with greater quality, value and availability
- Boxer provides a tightly managed range of core food and grocery essentials tailored to meet the needs of our value customers, complemented by a strong meat offer

Customer safety

Customers have heightened concern for their personal health and safety as a result of the Covid-19 pandemic. Customers need a shopping environment that is safe, and upholds rigorous hygiene and social distancing standards in order to minimise the risk of person-to-person transmission.

Our response

- Reinforced stringent personal hygiene standards across our operations, including regular handwashing
- Rigorous cleaning and sanitising – including trolleys, shelving and till points
- Cloth masks for all our staff and Perspex screens at till points
- Sanitising wipes and sprays for our customers
- Social distancing in stores – with floor markings and, when applicable, limits on the number of customers in store
- Effective sickness and isolation protocols for our staff as required

Online shopping

The demand for online grocery shopping has significantly accelerated as a result of the Covid-19 pandemic. Many customers feel safer shopping online during the lockdown period, particularly elderly or more vulnerable customers with health concerns.

Our response

- Ongoing investment and innovation in an integrated online retail platform
- Increased our online capacity and reach with our Bottles on-demand delivery app
- Rolled-out Click and Collect services across more stores
- Strengthened our community engagement with many franchise owners encouraging customers to email or WhatsApp their orders for safe collection or delivery

Convenience

The global trend in retail is for greater customer convenience. Time-pressed customers are looking to shop in smaller stores that are closer to home, work and transport. Customers are also demanding more value-added options, including pre-prepared convenience meals, and financial services at till, including banking, bill payments and the purchase of prepaid electricity.

Our response

- Our more efficient operating model has enabled Pick n Pay to successfully operate a smaller supermarket on a leaner cost base
- Accelerated the roll-out of our Boxer limited-range format – bringing a quality retail offer to more informal communities across South Africa
- Express and Spaza-to-Market formats are bringing Pick n Pay closer to customers in smaller communities and neighbourhoods
- Our strong own brand offer includes ready-meal options for customers
- A growing value-added services platform at till point, including a fully digital partnership with TymeBank

Growing demand for casualwear

Remote and more flexible working arrangements has meant an increased demand for high-quality casual and leisurewear.

Our response

- Pick n Pay Clothing remains focused on high-quality, affordable basic wardrobe items
- Greater levels of local procurement (up almost 40% year-on-year) and collaboration with innovative local designers has ensured consistent availability, mitigating the impact of disrupted foreign supply
- Pick n Pay Clothing consistently outperformed the apparel market in South Africa this year with outstanding performances in its ladieswear, kidswear and babywear categories

Our outlook for FY22

The Covid-19 crisis is not yet behind us. At the time of the publication of this report, we are facing into the threat of a third wave of infections across South Africa and beyond, with far reaching implications for consumer confidence and consumer spend. Retail markets will continue to be at risk of disruption, at least until vaccination programmes can make sufficient progress to support a transition to a less-disrupted and more open economy.

The Group expects to trade in a difficult economic and social climate in South Africa over the medium term – with low levels of economic growth, high unemployment, rising household costs and constrained consumer spending. The increased risk of social instability remains, including community protests against levels of government service delivery.

Investor concerns around the macro-economic environment in South Africa focus on the government's growing fiscal deficit, its limited room for economic stimulus measures, high levels of public spending, an unreliable national electricity supply; and the government's inability to prosecute corruption.

The Group also expects trading conditions across its southern African operations to remain challenging, with the complex economic and operational challenges associated with emerging market economies, including local currency weakness and high-levels of inflation. Notwithstanding challenging environments, the Group is confident that its strategy of providing a value-focused, modern and innovative offer across its operating divisions and formats will provide meaningful opportunities for growth.

Next one to two years

Short-term outlook

- Low consumer confidence and restrained spend
- High unemployment
- Consumers looking for more value
- Inflationary pressure from rising input costs, in particular fuel and energy costs
- Stable South African rand; weaker and volatile currencies in Zambia and Zimbabwe

Next three to five years

Long-term outlook

- The long-term consumer outlook is more positive, supported by:
  - » Improved outlook for economic transformation and growth
  - » Young working age populations
  - » A growing consumer base across changing demographics
  - » Good infrastructure in South Africa, with robust and enduring institutions with strong corporate governance

3.9% South African GDP growth

5% – 6% South African annual grocery retail sales growth

7.0% South African prime lending rate

4.2% South African headline CPI

High unemployment – remaining over 30%

3.8% South African household expenditure growth

Covid-19 risk adjusted strategies remain: Increased trade and social restrictions in response to rising infections

Zimbabwean GDP projected to **grow 3.1%**, and Zambia's to **grow 0.6%** (IMF) in 2021

Capturing growth: our response to the challenges and uncertainties that are likely to arise

Our wide range of company-owned and franchise supermarkets are supplemented by a strong clothing, liquor, general merchandise, health and beauty and value-added services offer.
The flexibility of our operating model allows for a best-fit approach to growing our footprint. The Group will expand in the growing lower and middle-income segments of the market through our smaller Pick n Pay and Boxer formats, and with the valued support of franchise partners.

The Group remains committed to its Rest of Africa division as a key engine of growth.
The ongoing formalisation of food and grocery retail across Africa will provide the Group with opportunities in coming years, and we will continue to look for opportunities to expand our footprint outside South Africa, that will provide the prospect of strategic scale and sustainable return, without placing the Group at undue risk. Expansion will be through a limited-range discount format - with a lower cost, more flexible operating model attuned to the needs of local customers.

The Group will be focused and measured in our capital allocation.
We will expand our store network into areas where the Pick n Pay and Boxer brands are currently under-represented, and will continue to refurbish stores to ensure we optimise our existing footprint and drive higher trading densities. There are many communities across the country that would benefit from the Pick n Pay and Boxer offer, and present an opportunity for expansion, be it in urban, peri-urban or rural areas, across the socio-economic spectrum. With this expansion comes the prospect of higher employment opportunities and corporate social investment for the communities in which we operate.

The Group will invest in its digital infrastructure to further develop as a forward-looking omni-channel retailer.
The Covid-19 outbreak has provided a catalyst for a rapid acceleration in online grocery shopping in South Africa, and we intend to build on our position as one of the largest and most reliable players in the market, alongside ongoing investment in the integration and digitisation of our data and systems.

MATERIAL RISKS AND OPPORTUNITIES

We apply materiality to improve internal and external decision-making and to focus our Board and management discussions on the core issues the Group manages. We believe this not only improves the quality of information available to our stakeholders but also enables a more efficient and productive allocation of capital.

The Group's material matters are reflected in the material risks and opportunities table provided alongside, and represent the key issues identified by the Group as having the potential to significantly impact the performance of the Group and on our ability to create sustainable value for our stakeholders over the longer term. Our process for determining materiality and material risks and opportunities (including emerging risks):

To determine materiality, the Board considers:

- The macro-economic environment
  Read more from page 27.
- Changing industry and consumer trends
  Read more from page 30.
- The expectations and concerns of stakeholders
  Read more from page 41.
- Material risks and opportunities that could impact value creation
  Read more from page 33.
- The Group's underlying capitals
  Read more from page 19.

Our 2021 Integrated Annual Report focuses on information that the Board believes is material to our stakeholders' understanding of our business.

Material risks and opportunities are reviewed annually by senior management, the audit, risk and compliance committee, and the Board.

The Group's risk management process involves a formal and structured system to identify and assess material risks, both at a strategic and at an operational level – including all environmental, social and governance related risks.

The day-to-day responsibility for identifying, evaluating and managing risk resides with senior management.

The audit, risk and compliance committee monitors the risk management process across all divisions in the Group.

This review forms part of the Group's comprehensive, enterprise-wide risk management and combined assurance programme.

Material matters change over time, influenced by many factors, including changes in our economic, natural and social environments, evolving consumer needs and trends, advancements in operating systems and technology, disruptions in our competitive landscape.

As an outcome of the Group's annual risk review, the Board agreed that all material risks and opportunities identified and presented to stakeholders last year remain relevant for 2021.

Our material risks and opportunities continue to reflect the significant impact that the Covid-19 pandemic has had on the South African economy, our business, and on the customers and communities that we serve.

The Group responded quickly and effectively to manage the material risks heightened by the pandemic, and to identify opportunities where we could best meet our customers' changing needs, particularly for safety, convenience, availability and online shopping. The Group has successfully navigated the crisis to date, and has remained open, safe and working, and through a strengthened customer offer has grown its market share over a difficult year.

The Group's material risks and opportunities:

Consumer environment	Increased economic pressure on consumer spend
Regulatory landscape	Trading restrictions under Covid-19 lockdown regulations
Health and safety	Increased health and safety concerns under Covid-19
Security of supply	Particularly of essential food and grocery items
Stability of value chain	Covid-19 disruption on business partners
Funding liquidity	Impact of Covid-19 on local debt market
Digital security	Safe and secure online, loyalty and other digital platforms
Foreign investment returns	Earnings volatility within the Group's Rest of Africa division
Talent management	Building and retaining a talented, diverse and motivated retail team
Climate change	Impact of environmental degradation on food and grocery retail
Competitor landscape	The competitiveness of the domestic retail market

Governance at work

The Board acknowledges that the strength of its strategy, the accurate and timely identification of material risks and opportunities, the effectiveness of its governance and risk management, its commitment to social and environmental sustainability and its financial performance 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 unpacked in more detail on pages 35 to 40 and reflect the risks and opportunities identified as material by the Group in FY21, how these are being mitigated, and where possible are viewed as growth opportunities for the Group through its long-term strategic plan.

Consumer environment – increased economic pressure on consumer spend

South Africa's economic environment remains challenged, with GDP growth falling 7.0% over the 2020 calendar year, and unemployment reaching 29.2%.

The Covid-19 crisis has added significant economic strain and consumer confidence remains low, with many of our customers grappling with high levels of debt, and escalating transport, energy, rent and other household costs.

The Group expects customers to experience greater financial pressure over the short to medium term, particularly those customers who were dependent on Covid-19 social grants and other government stimulus measures.

As such we expect consumers to prioritise their spend on non-discretionary essential food and groceries.

Risks to value creation

- Worsening macro- and socio-economic conditions will further constrain consumer spending
- Higher electricity, utility and other operating costs may drive cost inflation and put pressure on sales volumes

Risk management and opportunities to create value

- The Group is South Africa's most inclusive retailer – well positioned through our Pick n Pay and Boxer brands to meet customers' needs across all socio-economic demographics
- Pick n Pay's repositioned Value, Core and Select supermarkets are providing greater relevance in product range and promotion
- Increased supply chain and operational efficiency supports greater value for customers – with selling price inflation restricted to 3.8% in FY21
- Smart Shopper is providing more personalised value than ever before – giving loyalty customers confidence that our Smart Price is the Best Price
- More than 90% of our offer is local – reducing the impact of currency weakness on our value chain
- Our growing own brand offer provides trusted quality and better value

Capitals **Stakeholders** **Strategic growth engines**

Risk to value creation
Increased and uncertain

Regulatory landscape – trading restrictions under Covid-19 lockdown regulations

The South African government's risk adjusted strategy in response to Covid-19 makes use of five different levels of risk management to slow the spread of the virus.

Level 5 and Level 4 are the most severe in terms of economic and societal restrictions, including significant regulation of retail and wholesale trade, and social movement.

South Africa is currently operating under Level 1 lockdown and some social restrictions still apply; however, the economy is now largely open, until possible government actions ahead of a third wave of increased Covid-19 infections.

The government has guided that it will continue to adjust the risk levels as appropriate, in response to any acceleration or concentration in the spread of the disease. This has been particularly significant for the liquor industry in South Africa, which has borne the brunt of trading restrictions over the past year.

Risks to value creation

- The inability to trade in certain high-margin product lines deemed unessential under severe lockdown regulations, including clothing, general merchandise, alcohol and tobacco products
- Shortened trading hours
- Movement restrictions for staff and customers
- Working capital impact from excess stock in trade restricted categories

Risk management and opportunities to create value

- A Covid-19 steering committee guides our operational response, engagements with affected stakeholders, and external and internal communication
- Engage actively with government in order to trade effectively and in the best interests of our customers
- Work closely with suppliers to maintain high levels of availability in essential items and reduce the stockholdings in restricted lines
- Work closely with health and safety regulators to ensure we provide a safe and secure environment for our staff and customers
- Redirect our staff from closed stores and departments into essential areas to bolster service levels and health and safety standards

Capitals **Stakeholders** **Strategic growth engines**

Risk to value creation
Increased and uncertain

Health and safety – increased health and safety concerns under Covid-19

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

We are protecting the health of our staff and customers by upholding rigorous hygiene standards across our stores, offices and supply chain, and the Group supports the national imperative of minimising person-to-person transmission through clear and appropriate physical distancing measures.

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 (NICD).

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 and support offices, putting our customers or staff at the 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 and distribution centres, including regular handwashing, rigorous in-store cleaning and sanitising, cloth face masks for our staff, Perspex screens at till points, clear sickness and isolation protocols and freely available sanitising sprays and wipes for our customers
- 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 termination of supply agreements until compliance is restored
- All stores undergo regular stringent food safety audits, undertaken by independent service providers and internal audit teams
- Customer engagement through dedicated call centre and other social media channels
- Product recall standards and procedures are in place

Capitals **Stakeholders** **Strategic growth engines**

Risk to value creation
Stable

Security of supply – particularly of essential food and grocery items

The Covid-19 crisis resulted in heightened demand in March 2020 for certain essential products – including cleaning and personal hygiene products and tinned and packaged non-perishable food items – which resulted in temporary shortages in some stores.

The Group has since worked tirelessly with our supplier base to ensure steady production and distribution of key products, and has invested in higher levels of essential food and grocery stocks to maintain on-shelf availability at 95%.

The Group is reliant on its own central supply chain channel, with close to 80% of Pick n Pay's and 55% of Boxer's inventory distributed through central distribution centres.

The Group's central supply infrastructure is increasingly efficient and cost effective, with mature and responsive forecast and replenishment systems.

Risks to value creation

- Inefficient stockholdings – holding too little stock of what customers need (particularly in a time of crisis) or too much stock of products that are not selling
- Disrupted cross border trade in our Rest of Africa operations as a result of Covid-19 trading restrictions
- Poor quality or shortened shelf life of fresh produce
- Increased waste and cost of distribution, including the consumption of scarce resources
- The catastrophic loss or temporary disruption of a major distribution centre
- Unstable and inconsistent power supply (load shedding)
- Labour disruption in supply chain impacting product distribution

Risk management and opportunities to create value

- Improved efficiencies from:
  - A single warehouse management system
  - An enterprise-wide automatic forecast and replenishment system
  - Simplified logistics and effective route planning
  - "Green" distribution centres, with solar-driven and water-efficient operations
- Experienced and skilled team of procurement and distribution experts maintain strong relationships with our suppliers, logistics providers and warehouse managers – in accordance with detailed service level agreements and performance score cards
- More than 95% of food sold in our South African stores is procured domestically, and overall production and distribution remains resilient
- Business continuity and disaster recovery plans are in place, including generators in all our stores and distribution centres
- Strengthened functional outsource arrangements, and constructive engagements with labour unions

Capitals **Stakeholders** **Strategic growth engines**

Risk to value creation
Stable

Stability of value chain – disruption of Covid-19 on business partners, including suppliers and franchisees

The Covid-19 pandemic has had a profound impact on the South African economy with many businesses and consumers experiencing a material loss of earnings during the most restrictive levels of the national lockdown, alongside the significant cost of heightened health safety standards and personal protection requirements.

Many businesses have also experienced disruption as a result of increased staff absences, and now follow robust sanitisation and employee isolation protocols.

The Group is mindful of the substantive financial and operational impact of the virus across its value chain, including for its valued suppliers, service providers and franchise partners.

Risks to value creation

- Suppliers or service providers are unable to provide goods or services to the Group
- Suppliers or service providers require financial assistance or changes in payment terms, with an impact on the Group's working capital
- Franchise partners require financial assistance or are unable to settle franchise debt, with an impact on the Group's working capital

Risk management and opportunities to create value

- The Group has built strong and strategic partnerships with suppliers and service providers with terms that are fair and reasonable
- The Group operates a cost-effective supply chain finance programme (Pick n Pay Fast Pay) which allows for immediate settlement of supplier invoices through a strategic funding partner
- Flexible and responsive terms with franchise partners – including extended terms on non-essential and other restricted product lines
- The Group has carefully managed its liquidity to ensure it is able to pay all suppliers and service providers in line with agreed terms throughout the volatile and changing circumstances of the pandemic

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Stable

Funding liquidity – impact of Covid-19 on local debt market, and availability of cost-effective funding

The Group was well positioned into the Covid-19 crisis, with a stable funding platform and high levels of liquidity.

Covid-19 trading restrictions had a significant impact on Group sales and earnings in FY21 – and the Group managed its net cash position extremely carefully to ensure we could meet all our working capital and operational needs, particularly during the most stringent levels of the national lockdown.

The Group exercised strong discipline in the management of working capital and operating costs, and in the prioritisation of capital spend.

In addition, the Group actively engaged with all its funding partners to increase available facilities over the year, at extremely cost-effective funding rates.

Risks to value creation

- The impact of further Covid-19 trade restrictions on cash flow
- Increased volatility and risk of illiquidity in debt markets – reducing the Group's access short-term working capital facilities, or increasing the cost thereof
- Illiquidity in local debts markets increases the Group's cost of working capital facilities

Risk management and opportunities to create value

- Conservative gearing strategy with low levels of structured debt on the balance sheet
- Cost-effective mix of overnight and three to 12-month funding to meet working capital needs
- Strong strategic partnerships with local and international funders delivers competitive funding costs

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Stable

Digital security – safe and secure online retail platform, and secure IT platforms

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 and real-time financial reporting.

Online grocery sales have significantly accelerated as a result of the Covid-19 outbreak, with many customers placing significant reliance on our online sales and delivery systems in order to avoid leaving their homes to do grocery shopping.

Many of our support staff are now working remotely, to uphold physical distancing requirements in our support offices.

Risks to value creation

- System disruption that impacts our ability to serve customers and run our business effectively
- Cyberattacks 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
- Ongoing systems innovation:
  - Drives growth of value-added services at point of sale
  - Creates an engaged and personalised Smart Shopper loyalty programme
  - Facilitates the Group's modern and innovative online offering
- Customer-centric, forward-thinking mobile technology drives convenience and customer service
- Pick n Pay Online has expanded its capacity and reach, with its on-demand Bottles app, an expanded scheduled delivery and Click and Collect service, and the online launch of Pick n Pay Clothing

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Increased

Foreign investment returns – earnings volatility within the Group's Rest of Africa division

The Group is building its operations across the African continent, and views this diversification as an important long-term engine of growth. At the close of FY21, the Group operated in six countries outside South Africa. In March 2021 it opened its first small store in Nigeria, through a partnership with AG Leventis in the region.

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 increases 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 strengthened its operating models in Zambia and Zimbabwe this year in response to increasingly challenging market conditions, with strong discipline in capital and operating spend and tighter working capital management.
- The Group's associate in Zimbabwe settled its outstanding trade debt with Pick n Pay in full over the year, and trade through the Pick n Pay supply chain in South Africa has resumed, on an upfront cash basis.

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Uncertain

Talent management – building and retaining a talented, diverse and motivated retail team

Our long-term strategic turnaround plan 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 and ensure strong succession
- 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
- Increased absenteeism as a result of Covid-19, with greater concern around the physical and mental well-being of staff

Risk management and opportunities to create value

- Remuneration policies advance diversity, career advancement, training and incentivisation
- Business-wide performance management system drives a high-performance culture and rewards performance
- Remuneration approach is benchmarked across the industry
- Open and constructive relationships with labour unions, with formal processes to proactively manage critical issues
- Ongoing investment in training and education

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Stable

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, working with suppliers to reduce food waste by 50% by 2030
- Our Chair, Gareth Ackerman, co-chaired the international Consumer Goods Forum for two years (2016 – 2017) and remains the chair of the Consumer Goods Council of South Africa. The international 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
- 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
- Since starting our energy-efficiency journey, Pick n Pay has reduced our energy use per square metre by 43.6% against a 2008 baseline
- Pick n Pay has increased our percentage of waste diverted from landfill from 43% in 2014 to 61% in 2021

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Increased

Competitor landscape – the competitiveness of the domestic retail market

South Africa's retail space is strongly contested, with established and emerging retailers operating across the formal and informal markets.

The South African formal retail market has an estimated value of R595 billion, and comprises approximately 60% of the total retail market in South Africa (40% informal).

The formal South African food and grocery market is highly competitive, with four large retailers, including the Pick n Pay Group, accounting for approximately half of all formal retail sales.

Risks to value creation

- The impact of a strategic competitive move against a major product category or store format
- Increased price competitiveness and promotional intensity resulting in uncompetitive pricing
- Opening or refurbishing stores that do not deliver sustainable returns, or cannibalise existing revenues
- Missing out on the best locations for new stores
- Not attracting or retaining the best franchisees

Risk management and opportunities to create value

- Pick n Pay's strong brand loyalty gives the Group a unique competitive advantage
- Boxer is building customer advocacy in South Africa's lower-income and more rural areas
- Flexible formats and an increasingly lean operating model enable the Group to respond quickly to changing consumer needs, including through smaller, convenience formats
- Our strong property reset programme is focused on driving sustainable investment returns through strategic openings, conversions and refurbishments
- We maintain open and constructive engagement with developers and landlords
- Pick n Pay operates one of the most successful and mutually beneficial franchise models in the retail industry – with regular and open engagement with our franchisees to ensure value creation for all

Capitals	Stakeholders	Strategic growth engines	Risk to value creation
			Stable

ENGAGING WITH OUR STAKEHOLDERS

Our ability to create long-term sustainable value depends on open and constructive engagement with our key stakeholders.

The Group identifies key stakeholders through ongoing engagement with individuals, groups and organisations. We focus our engagement efforts on those stakeholders that have a significant interest in the operations of the Group or significant influence over the way we do business and create value.

Engagement enables us to:

- Gain insight into the nature and quality of our relationships with our key stakeholders
- Identify and respond to issues affecting our stakeholders and our business
- Improve our understanding of stakeholders' legitimate expectations, aspirations and interests
- Strengthen the transparency and accountability through which we have established valued relationships
- Consider the needs and interests of stakeholders when determining our material risks and opportunities (from page 33) and strategic response (from page 49)

Governance at work

Board oversight

The Board, led by its social and ethics committee, takes overall accountability for the Group's relationships with its key stakeholders. The Board is committed to stakeholder engagement that is constructive, fair, transparent and is conducted at all times in a manner that is aligned with the Group's enduring values.

The Board, in formulating Group strategy and monitoring strategic progress, seeks to ensure that the Group's long-term plan balances the needs, interests and expectations of all key stakeholders in the best long-term interests of the business. Furthermore, in identifying the Group's material risks and opportunities, the Board considers those matters which are most material to its key stakeholders.

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

- Remains accessible to all key stakeholders
- Engages regularly on material matters
- Reports to the Board on all material stakeholder engagements, including any potential risks or opportunities facing the business

Stakeholder	Responsible executive
Customers	Customer Director
Communities	Transformation Director
Employees	Chief Strategy Officer and Head: Human Resources
Suppliers	Head: Commercial
Franchisees	Head: Franchise
Shareholders	Chief Strategy Officer and Head: Investor Relations

Customers

We are accountable to those we serve. We engage with customers to quickly respond to their changing needs, to strengthen the relevance of our offer and to drive long-term sustainable volume growth. We provide an inclusive and diverse spectrum of customers in southern Africa with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, in outstanding stores, underpinned by great service.

How we engage:

- Smart Shopper loyalty programme
- Daily engagements in-store
- Customer care line
- One-on-one meetings, forums and panel discussions – now held online
- Regular customer surveys
- Social media platforms
- Dedicated customer director

What our customers tell us is most important to them:

- Strong health and hygiene standards
- Appropriate physical distancing measures
- Low prices, good value
- Rewards for loyalty
- Convenience
- Consistently good product availability
- Product quality, traceability, food safety
- Great stores and service
- Community involvement
- Environmental sustainability, including less waste and less plastic
- The privacy and the protection of their personal information

Customers are at the heart of our long-term strategy

Getting "Better for Customers" has been one of the cornerstones of the Group's strategic progress over the past eight years, and informs all long-term strategic thinking.

How our strategy responds to customers' needs:

- Robust Covid-19 operational response
- Operational efficiency – cost savings invested into lower prices and deeper promotions
- Greater relevance – Pick n Pay supermarkets re-organised into Value, Core and Select formats
- Optimised product range, with more own brand
- Effective supply chain
- Convenient store locations
- Modern stores through a strong refurbishment programme
- Customer-focused staff training
- South Africa's favourite loyalty programme – Smart Shopper
- More value-added services, including a competitive financial services offer
- The introduction of nude fruit and vegetable displays in certain stores to reduce plastic packaging
- Being a "force for good" in the communities we serve

Key value measures we track include:

- Turnover and volume growth
- Growth in customers and basket value
- Internal selling price inflation
- The redemption of personalised Smart Shopper loyalty vouchers, alongside the effectiveness of Smart Prices and Boxer discounts
- Growth in income from value-added services
- Number and nature of customer complaints – and the resolution thereof
- The results of all health and safety audits

Our response and actions in 2021

Customers have been anxious about their health and wellness this year, driven by serious concerns around the spread of the Covid-19 virus. We have communicated extensively with customers around our reinforced health, hygiene and physical distancing measures, in order to provide customers with confidence in the safety of our stores. In addition, many customers are battling with reduced household income as a result of the pandemic, and require lower prices and greater value. The Group leveraged the strength of its Smart Shopper loyalty programme to provide R3.5 billion in personalised savings this year – and introduced Smart Prices alongside a strengthened promotional calendar, to ensure our loyalty customers always get the best price.

Communities

Our success depends on the well-being of the communities we serve. We engage with our local communities to provide meaningful socio-economic support and create opportunities for sustainable economic growth. This includes education and literacy programmes, housing, 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. Our community engagement is underpinned by the seven SDGs most relevant to our business (refer to page 57).

How we engage:

- Feed the Nation Foundation
- Forums such as township co-operatives, university partnerships and the Pick n Pay School Club
- Individual stores' varied social responsibility programmes
- Small-business development initiatives
- Collaboration with the Ackerman Pick n Pay Enterprise Development Fund
- Engagement with customers in respect of their environmental concerns, including reducing plastic in our business

What our communities tell us is most important to them:

- Health and safety
- Food security – access to quality food at low prices
- Job creation
- Economic development and opportunity
- Poverty relief, feeding schemes and community outreach programmes
- Investment in schools and other educational initiatives
- Environmental consciousness

Doing good is good business remains a strategic imperative

The Group as a "force for good" in the communities it serves is a strategic engine for long-term sustainable growth, recognising that our business will grow hand in hand with our contribution to society.

How our strategy responds to communities' needs:

- Environmentally and socially responsible business practices
- Source from and develop diverse and ethical suppliers
- Job creation through long-term sustainable growth
- Promote healthy and sustainable living

Key value measures we track include:

- Value of corporate social investment, including our contribution to the Feed the Nation Foundation
- Volume of food donated to FoodForward SA
- Value of clothing donated to Clothing Bank
- Value of contributions to Jobs Fund
- Number of schools in the Pick n Pay School Club
- Volume of waste collected in community and beach clean-ups
- Volume of recycling including tonnes of cardboard, paper, plastic and metal
- Varied metrics which measure our environmental impact including – our energy usage, our energy intensity, water usage, fuel consumption and carbon emissions

Our response and actions in 2021

In response to the Covid-19 crisis this year, and its severe impact on South Africa's poorest communities, the Group launched its Feed the Nation campaign, and through effective collaborations with valued charity partners raised R136 million in hunger relief efforts, providing over 28 million meals to vulnerable families. In addition, Pick n Pay remains FoodForward SA's largest retail partner. During FY21, we contributed 840 tonnes of edible surplus food from our stores for distribution to 800 beneficiary organisations that collectively feed 250 000 people every year.

Employees

We are committed to building a diverse and winning team. We engage with our staff 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.

How we engage:

- Regular management updates
- Employee surveys
- Monthly internal publications
- Internal social media and interactive app
- Skills development and training
- Bi-annual performance appraisals and goal setting
- Ongoing constructive engagement with labour unions

What our employees tell us is most important to them:

- Job security
- Safe working environment
- Competitive remuneration and benefits
- Training and career development
- Fair and reasonable working hours, with certainty of hours and shifts
- Sustainable business performance
- Wellness programmes and work-life balance
- Working for a responsible and ethical corporate citizen

Our team is the key to the successful execution of our long-term strategy

Becoming the employer of choice in a highly competitive retail environment is a strategic advantage for the Group. Our remuneration policies are committed to the development and reward of a diverse, high-performance team that delivers on our strategic objectives and creates sustainable value for all stakeholders.

How our strategy responds to employees' needs:

- Our Covid-19 operational response, including all rigorous hygiene and sanitisation protocols, and, where appropriate, our remote working policies, have protected the health and safety of our employees
- Various health and mental wellness programmes
- Our strategy includes a focus on building South Africa's most talented retail business
- Our remuneration policy drives fair and competitive remuneration and the recognition and development of talent; refer to pages 104 to 109 for more detail
- We provide numerous training and development programmes to upskill our staff
- We are building a lean and effective organisational structure for the benefit of all
- We advance employee opportunity and diversity

Key value measures we track include:

- Employee costs – including all short-term and long-term incentives
- Individual store employee costs as a percentage of sales – and other relevant productivity measures
- Picking rates in our distribution centres – and other relevant productivity measures
- Number of new jobs created through the opening of new stores
- Stability of employee turnover across fixed time and variable time employees
- Value of investment in training, including bursaries
- Number of employees participating in training interventions
- Number of promotions
- Number of learners in internships, apprenticeships and graduate programmes

Our response and actions in 2021

The Group expanded its health and wellness programmes over the year, providing staff with greater support during the Covid-19 pandemic. The Group also engaged extensively with its store, supply chain and support office staff this year in order to adequately deliver on its Project Future ambitions for a more productive and efficient workforce. The Group concluded a voluntary severance programme this year, alongside more targeted restructuring. Our modernised and optimised staff structures, including the removal of duplicate and inefficient processes, will deliver R200 million in annual cost and efficiency savings going forward, and allow for greater individual accountability and more personalised reward. The decisions taken were difficult at times, but extensive and effective engagement ensured stability throughout the process.

Suppliers

We procure goods and services from a broad network of approximately 10 000 suppliers and service providers. This includes many small to medium-sized businesses that have been 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.

How we engage:

- Fact-based negotiation as part of our Buy Better programme
- Regular meetings in line with merchandise cycle timelines, with increased engagement as a result of Covid-19
- Direct engagement at an executive level
- Dedicated supplier portal
- Regular food safety audits at production facilities
- Joint business planning sessions
- Dedicated enterprise development programme

What our suppliers tell us is most important to them:

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

Long-term strategy is focused on greater business efficiency, including centralised supply

The Group has developed a centralised, and increasingly effective, procurement and distribution channel – unlocking value across its supply chain and providing greater opportunity for local supplier development.

How our strategy responds to suppliers' needs:

- Commitment to fair, efficient and mutually beneficial business relationships
- Building a cost-effective and efficient supply chain
- Product innovation to meet evolving customer needs
- Development of small businesses and diverse and ethical suppliers, including through more own brand products
- Pick n Pay Fast Pay – key banking partners provide competitive funding to participating suppliers for the early settlement of invoices

Key value measures we track include:

- Relative product performance within category
- Value unlocked through our Buy Better programme
- Effectiveness of targeted promotions, including volume uplift
- Growth in own brand products and own brand participation
- Number of suppliers mentored through our enterprise development programme
- Spend on black-owned and women-owned businesses

Our response and actions in 2021

In response to the Covid-19 crisis, the Group co-ordinated extensive and effective collaborations with its largest suppliers to minimise disruption across its value chain and to maintain on-shelf availability of 95% of all essential food and grocery lines. The Group's Boxer business opened up a new distribution centre in Polokwane this year, taking its level of centralised supply to 55%, delivering further benefits in supply chain efficiency and supplier incentive income.

Franchisees

Our 761 franchise stores are an integral part of the Group, and the success of the franchise model depends on the success of our franchise partners. We support our franchisees and market store partners 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 engage to find sustainable growth opportunities, build our scale and extend our reach.

How we engage:

- Store visits by franchise management team and service area consultants
- Regular meetings with regional operational teams and national franchise representatives
- CSI programmes in the communities in which our franchisees operate
- Virtual franchise conferences and trade shows

What our franchisees tell us is most important to them:

- The opportunity to build a profitable and sustainable business
- Security and sustainability of supply
- Timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety
- Opportunities for cost reduction
- Resource efficiency (energy, water, waste, logistics)
- Transformation and enterprise development

A flexible and winning estate underpins long-term strategic growth

The Group has improved its customer reach through smaller, flexible store formats in increasingly convenient community-based locations. Our franchise partners continue to provide the Group with sustainable opportunities for growth, and are often a benchmark for innovation and operational excellence.

How our strategy responds to franchisees' needs:

- Pick n Pay offers one of the most successful and mutually beneficial franchise models in the retail industry
- Operating as a sustainable franchisor of choice for over 25 years
- Flexible franchise model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support

Key value measures we track include:

- Growth in franchise point of sale turnover
- Growth in franchise wholesale turnover and franchise fees
- Improvements in order and delivery strike rates from Pick n Pay distribution centres to franchise stores
- Number of new franchise stores across all formats, including market stores
- Stability and recoverability of franchise debt

Our response and actions in 2021

The Group opened 43 new franchise stores this year, including six supermarkets, 10 market stores, eight express stores and a number of clothing and liquor outlets. The Group also converted 34 franchise supermarket and liquor stores to company-owned Pick n Pay and Boxer stores. The acquisition and conversion of these stores were on an arm's length basis and support the Group's strategy of strengthening its position in the value-end of the market through targeted Boxer and Pick n Pay value formats.

Shareholders

We engage with the 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 our shareholders can make informed investment decisions and that our share trades at a fair value.

How we engage:

- At least four formal engagements a year: two financial results presentations, one AGM and an investor day/strategic update
- Regular meetings with investors, analysts and fund managers
- Direct engagement on proposed resolutions prior to annual and general meetings
- Dedicated investor relations team and investor website at www.picknpayinvestor.co.za

What our shareholders tell us is most important to them:

- Improved and sustainable return on investment
- Understanding our business model, strategic direction and profit drivers
- Access to timely, accurate, transparent and relevant information
- Sufficient free float of shares for trade
- Good corporate governance – including a robust and independent Board
- A socially responsible and ethical corporate citizen
- Expanded financial disclosure and disclosures on key environmental and social concerns in line with recognised frameworks, including the Group's key ESG focus areas and plans to reduce its negative impacts over time

Successful execution of long-term strategy delivers sustainable earnings growth

The Group has followed a strong long-term plan and has consistently communicated its progress to investors against clear objectives. In so doing, the Group has delivered compound annual growth in comparable headline earnings per share of 16% over the past eight years, and has paid out R7 billion in dividends to shareholders.

How our strategy responds to shareholders' needs:

- Generate consistent returns in a sustainable manner
- Operate according to the highest corporate governance principles
- Follow innovative business practices at acceptable levels of risk
- Capital efficiency
- Provide attractive returns on investment

Key value measures we track include:

- The Group's relative market performance – including sales and volume growth in key categories
- Gross profit margin and comparable profit before tax margin
- Expense growths and ratios
- Growth in comparable profit before tax and comparable headline earnings per share
- Return on capital employed (ROCE) against the weighted average cost of capital (WACC)
- Dividend cover and dividend yield
- Long-term share price appreciation and market capitalisation

Our response and actions in 2021

The Group provided expanded disclosures in respect of the sales performance of its clothing, liquor and core food and grocery product categories this year. The Group's executive management team expanded its programme of shareholder engagement this year, including regular one-on-one meetings with institutional shareholders and retail analysts, and a number of local and international investor conferences. The Group engaged extensively with major shareholders before and after its 2020 AGM, and made certain changes to its Board and remuneration policies as a result. Please refer to page 101 for further information.

As at May 2021, 14 retail analysts cover our stock, with investment recommendations split as follows:

Buy/Overweight	Hold/Neutral	Sell/Underweight
7	6	1

Government engagement

As a national grocery retailer and major employer, the Group also has extensive engagements with government departments and regulatory authorities in all the markets in which we operate. Key issues include maintaining food safety and product integrity, maximising opportunities for investment, employment, and training, and ensuring safe places for our staff and customers.

The interface with government has been particularly important during the COVID-19 pandemic, given the Group's major responsibility as an essential service to help maintain a stable supply of food and groceries.

The Group also maintains a productive dialogue with regulatory authorities, and was pleased this year to conclude a voluntary agreement with South Africa's Competition Commission to phase out lease exclusivity in the coming years. The Group has been mindful not to apply exclusivity to small traders and those from historically-disadvantaged groups, and was pleased to make this position very clear in the agreement.

04
OUR STRATEGY

STRATEGIC FOCUS

To restore the business to a position of long-term sustainable growth, the Group formulated a strategic, three-stage turnaround plan in 2013.

The Group recognised that a sustainable recovery would require a planned, considered and balanced approach over several years, and it continues to avoid short-term thinking that might weaken the business over the longer term.

The Group's long-term strategic plan seeks to achieve three broad objectives:

Grow sales in line with, or ahead of, the market, by providing great value, service and innovation for customers

The Group is intent on delivering a first-class grocery, fresh and convenience offer, which gives customers unbeatable prices, value and service. The business is developing a strong multi-platform and multi-channel retail offer in South Africa, including building Boxer into a thriving, national limited-range discounter. In addition, the Group is carefully growing its footprint outside South Africa.

Achieve high levels of operating efficiency and lower costs to enable maximum re-investment in the customer offer

The Group will optimise the effectiveness of its central supply chain, with improved efficiencies and lower costs across its distribution channel. The Group further aims to improve the productivity and cost effectiveness of its store operations and support offices, while minimising increases in rentals, rates, electricity, water and other charges. The Group introduced its Project Future modernisation programme in November 2019 to accelerate the delivery of the efficiency objectives of the long-term plan, in response to an increasingly difficult macro-economic environment.

Restore the underlying profit before tax (PBT) margin to a historically sustainable level

The Group regards a sustained improvement in its underlying profit margin as a lead indicator of progress in achieving a balanced turnaround, characterised by consistent sales growth and greater operating efficiency. The Group's FY21 comparable profit before tax margin of 1.9% (FY20 2.1%) reflects the significant impact of the Covid-19 pandemic on Group sales and earnings. The Group targets a comparable PBT margin at or above 3% over the medium to long term.

2013 to 2015 Looking back on what the Group achieved under Stage 1 of its plan

2016 to 2020 Positioning the Group for long-term growth

Stage 1: Stabilise the business

Stage 1 focused on stabilising the Group's operations and its financial position, while developing a solid foundation and plan for growth. Critical building blocks included faster progress towards a centralised supply chain, the development of a more efficient Next Generation supermarket, and restructuring the Boxer business model to enable it to become South Africa's leading limited-range discounter.

The Group's refocused sustainability initiatives across its ESG landscape also contributed to the successful completion of Stage 1 in 2015, in particular the Group's sustained efforts to reduce resource consumption and increase resource efficiency across its operations.

The greater strength and the stability of the business has never been more apparent than over the course of the Covid-19 pandemic. The Group delivered a resilient performance in FY21 under the most challenging of circumstances – growing its market share, accelerating its momentum on efficiency and productivity, and strengthening its net cash balances by R500 million year-on-year, while maintaining an uninterrupted dividend cycle for shareholders.

Stage 2: Change the trajectory

Throughout Stage 2, the Group has focused on strengthening its customer offer through optimised product ranges, lower prices, more attractive promotions, better and more innovative products, compelling value-added services, and brighter and more modern stores. This has been achieved by reducing operating costs and increasing productivity across all operations, enabling the Group to invest more in its customer offer, and drive volume growth.

ESG sustainability initiatives remain an important cornerstone of the Group's efforts to build a long-term sustainable business, including greater resource efficiency, a reduced carbon and plastic footprint and lower levels of food waste. Initiatives such as the Pick n Pay market store partnership with independent traders seek to differentiate our proposition and advance economic traction in lower income areas. Our development of smaller suppliers, including through our expanding own brand product range, is promoting food security and building economic growth across our value chain.

The Group delivered a market-leading performance in its core food and grocery offer, with sales in South Africa up 10.0% year-on-year, demonstrating a business closely attuned to the changing needs of its customers. Customers are increasingly choosing Pick n Pay and Boxer supermarkets with the assurance of safety, convenience, quality and value.

The Group's sustained and consistent execution of its strong and customer-centric long-term strategy over the past eight years has successfully built six clear engines of growth for sustainable long-term value creation.

Pick n Pay: South Africa's most trusted retailer
The Group will continue to strengthen the Pick n Pay customer offer, and earn customer loyalty across the broad range of communities served, through sustained investment in range, quality, value, innovation and service. Pick n Pay will always operate as a responsible retailer, dedicated to the upliftment of our communities, always mindful of the socio-economic needs of our stakeholders and of our impact on the environment.

Boxer: Africa's favourite discount supermarket
The Group will build Boxer into the leading limited-range discounter in southern Africa, through a strong network of community-based stores and an efficient and cost-effective operating model, specifically tailored to meet the value needs of the middle to lower-income communities of southern Africa, and with the Group's enduring values at its core.

Bearing down on costs: Building a leaner and more effective operating model
The Group will strengthen its profit margins through greater business efficiency and financial cost discipline, including through: a resource-efficient, fully centralised procurement and distribution channel, more cost-effective store operations, and streamlined support services that support sustained investment in our customer offer.

Value-added customer services: Convenience, innovation and personalisation
The Group will harness the strength of its store and systems infrastructure to offer customers innovative and low cost, value-added services that increasingly contribute to revenue growth.

Expansion in Africa: Growing returns at acceptable risk
The Group will leverage our established presence in Botswana, Lesotho, Namibia, eSwatini, Zambia and Zimbabwe and actively seek profitable opportunities to grow our footprint in countries outside South Africa that offer political stability, economic growth, ease of business and the prospect of strategic scale.

Force for good: Responsible retailing
Building a better South Africa through a focus on more jobs, entrepreneurs and support for our schools. We believe that doing good is good business – and as such, our business will grow hand in hand with our contribution to society.

An effective strategy

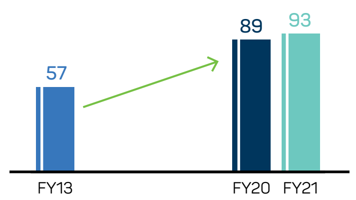
The Group has successfully executed its long-term plan over the past eight years, initially focused on stabilising the Group's balance sheet and its financial performance, followed by decisive action to accelerate the growth trajectory of the business.

Long-term achievements include:

- **Modern and convenient Next Generation stores** have transformed the shopping trip for Pick n Pay and Boxer customers, and now account for well over half of our estate
- **The fundamental step-change in our fresh meat and produce offer**, which we believe provides the best combination of quality and value in the market
- **Our increasingly centralised supply chain** is delivering exceptional availability, freshness and reliability to company-owned and franchise stores
- **Our rapidly growing Boxer business** which has become the best limited-range discounter in sub-Saharan Africa
- **An increasingly integrated and personalised Smart Shopper loyalty programme** is providing greater rewards for customers – with 75% of Pick n Pay sales going through its loyalty card
- **A modern online and retail services** offer across Pick n Pay and Boxer stores which provides an exciting engine of growth within the Group

Despite operating in increasingly difficult economies, these and other steps have enabled the Group to deliver a track record of consistent sales growth and consistent improvements in profit margins over time, with a clear ambition to deliver more.

Group turnover – Rbn



Why this is important

Turnover growth is an important measure of the quality of the Group's overall financial and operating performance, particularly when viewed within the context of the trading environment, and against the comparable performance of its peers.

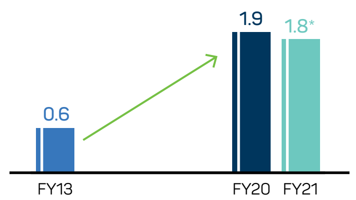
Measurement and performance

The Group sets annual turnover targets (including same store and new store sales growth) which seek to maintain trading momentum, and meet the strategic goal of growing ahead of the retail markets in which it trades. FY21 turnover of R93.1 billion – growth of 4.3% – reflects the significant impact of Covid-19 trade restrictions over the year. Core food and grocery categories grew at 10%, a market-leading sales performance in South Africa.

How this links to our remuneration strategy

Sales growth at a Group or divisional level (as appropriate) is a primary performance target set by the remuneration committee to incentivise and evaluate the performance of the management team as part of the Group's annual short-term bonus scheme. Sales targets were met in FY21 and an annual performance bonus was paid to qualifying staff. Refer to pages 110 and 111.

Comparable profit before tax (PBT) – Rbn



Why this is important

Comparable PBT provides a balanced view of the Group's financial performance – including the combined impact of the Group's sales performance, gross profit margin management, and the control of operating expenses and finance costs.

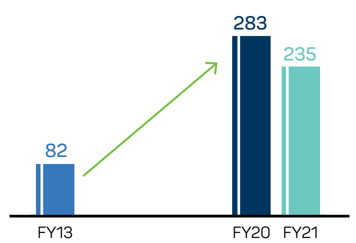
Measurement and performance

FY21 comparable PBT reflects the significant impact of the Covid-19 pandemic on Group sales and earnings, with the comparable PBT margin falling from 2.1% in FY20 to 1.9% in FY21.

How this links to our remuneration strategy

Comparable PBT (before any capital and extraordinary items) at a Group or divisional level (as appropriate) is the gate-keeper performance target set by the remuneration committee to incentivise and evaluate the performance of the management team as part of the Group's annual short-term bonus scheme. If the target is not met, no performance bonus is paid. Comparable PBT targets were met in FY21 and an annual performance bonus was paid to qualifying staff. Refer to pages 110 and 111.

Comparable HEPS – cents



Why this is important

Comparable headline earnings per share is the Group's dividend cover driver.

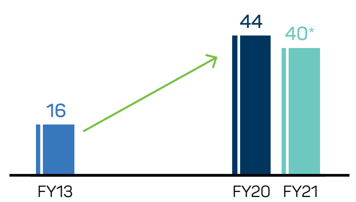
Measurement and performance

The Group's total FY21 dividend of 179.74 cents per share was down 16.7% on last year, in line with the decrease in comparable headline earnings per share, with the dividend cover of 1.3 times comparable headline earnings per share maintained.

How this links to our remuneration strategy

The Group's restricted share plan (RSP) incentivises executive and top management employees who have a significant role to play in the successful execution of Group strategy. The RSP incentivises participants to deliver long-term earnings growth in line with the Group's long-term plan, with performance conditions linked to the Group's growth in comparable HEPS over a three-year period, aligning management interests with those of shareholders. Refer to page 108. The Group achieved the performance conditions required for the successful vesting and delivery of its 2018 award. Refer to page 112.

Return on capital employed – %



Why this is important

The Group's return on capital employed (ROCE) is an important measure of the Group's ability to invest its capital effectively and efficiently in order to generate long-term sustainable returns for shareholders.

Measurement and performance

Notwithstanding the significant impact of Covid-19 on Group sales and earnings in FY21, the Group delivered ROCE of 40%, well ahead of its weighted average cost of capital (WACC) of 10.3%.

How this links to our remuneration strategy

To ensure that the Group's restricted share plan is aligned with the best interests of the Group and its shareholders, the scheme is subject to an overarching gate-keeper performance condition that the Group's ROCE must be greater than its WACC (excluding any impact from IFRS 16 liabilities) over the vesting period before any RSP shares can vest in participants. Refer to page 108.

* *Comparable PBT and ROCE in FY21 excludes R200 million of once-off compensation costs in respect of staff severance programmes undertaken as part of the Group's Project Future modernisation programme.*

Sustained progress against our six engines of sustainable long-term growth:

	1 Pick n Pay	2 Boxer	3 Bearing down on costs	4 Value-added customer services	5 Expansion in Africa	6 Force for good
	South Africa's most trusted retailer	Africa's favourite discount supermarket	Building a leaner and more effective operating model	Convenience, innovation and personalisation	Growing returns at acceptable risk	Responsible retailing
Key performance measures linked to our remuneration strategy (Page 106)	• Sales growth • Margin expansion • Investment returns • Working capital targets • Customer service improvements	• Sales growth • Margin expansion • Investment returns • Working capital targets • Customer service improvements	• Lower costs • Lower cost ratios • Reduced waste • Improved productivity	• Growth in value-added services • Growth in online sales • Improved online availability and other relevant online service metrics • Expanded loyalty programme • Increase in commissions and other income	• Sales growth • Low cost operating model • Range and working capital targets • Currency risk mitigation	• Social investment • Reduction in food and other waste • B-BBEE performance • Resource efficiency
What we achieved in FY21	• Outperformed the market in core food and grocery • Market share gains: clothing and liquor • Competitive prices: internal selling price inflation restricted to 3.8% • Strengthened health and hygiene measures: business continuity and 95% product availability maintained over Covid-19 crisis • Stronger promotions: Smart Prices, multi-buys and daily deals • Own brand: 25% penetration of participating categories, with 1 500 new products • Expansion: 82 new Pick n Pay stores across all formats, including 43 franchise stores • Flexibility: 16 strategic conversions between franchise and owned operations • Range optimised: removed 4 500 uneconomic products, unlocked R450 million of value • Expanded customer care centre: complaints down year-on-year	• Boxer supermarkets delivered the Group's strongest sales and volume performance • Competitive pricing and strong promotions • Tailored range – carefully selected to meet needs of value customers • Expansion: 15 new supermarkets and 12 new liquor stores • Flexibility: 13 supermarkets and five liquor stores converted from Pick n Pay franchise stores • Market share growth in many staple products including maize, sugar and oil • Own brand products penetration increased to 23% of participating categories • Acceleration of centralised supply to 55%, with new Polokwane distribution centre	• Gross profit margin: increased from 19.7% to 19.8% • Highly efficient supply chain: » Reduction in labour costs » Improved picking productivity » Greater labour flexibility and stability » Transport costs down 5% » Lower waste • Project Future: delivered R600 million in savings against two-year R1.0 billion target • Covid-19: R200 million additional operating costs • Staff severance programmes: R200 million once-off compensation costs • Trading expenses up 5.6%, excluding additional Covid-19 and once-off compensation costs • Cost pressures remain across rates, electricity, water, security, insurance • Net cash balances: up R500 million on a like-for-like basis • Low gearing: net bank interest down 51% • Energy usage: down 43.6% against 2008 baseline	• Commissions and other income down 0.5%: reflecting impact of Covid-19 restrictions • Smart Shopper: » South Africa's favourite loyalty programme of past decade » Grown to 8.5 million active customers » Provided R3.5 billion in savings this year » Redemptions of personalised discounts up 300% this year » Sales participation grew from 65% to 75% of Pick n Pay sales • Online customers tripled over Covid-19 lockdown • 700% increase in on-demand Bottles online service • Launched online clothing offer: over 1 million visits to website • TymeBank: reaches 3 million customers • Processed over R13 billion in contactless payments • Launched MVNO: PnP Mobile and Boxercom providing greater value in data and airtime	• Difficult economic conditions persist across Rest of Africa operations • Currency weakness, high levels of inflation and hyperinflation, growing unemployment, stock shortages • Segmental revenue of R4.3 billion: down 2.5% in constant currency terms • Segmental profit of R148 million: up 64.4% due to improved performance from TM Supermarkets in Zimbabwe • Stronger working capital management and cost discipline • More efficient operating model in Zambia: tailored to local market • Market share growth in Zimbabwe • Nine net new stores	• The Feed the Nation Foundation raised R136 million, providing 28 million meals to vulnerable families • Pick n Pay Clothing: local sourcing increased close to 40% • Advanced our People n Planet initiatives – Read from page 57 • Donated 840 tonnes of food with a value of R39 million to FoodForward SA • Directed 61% of waste from landfill • We achieved a B rating on CDP Climate and an A- rating on CDP Water – positioning Pick n Pay as one of South Africa's best performing retailers • Over 200 suppliers in our enterprise development programme and over 3 000 schools in our schools club

Governance at work

There are well-entrenched structures within the Group to ensure that proper assurance and oversight are given to strategic and operational performance. During the year, the Board assessed the effectiveness of the Group's strategy in responding to changing customer needs, with a focus on maintaining trade and finding growth in a tough economic climate. The Board monitored management's efforts to improve the cost effectiveness and efficiency of the business. The Board continued to monitor the impact of the increasingly difficult economic environment in South Africa on consumer confidence and consumer spend.

"The Group has followed a clear and customer-led plan for eight years. While the Covid-19 pandemic tested our teams with unprecedented operational challenges, we only had to turn to our plan to know how to respond quickly and effectively to the needs of our stakeholders."

David North, Chief Strategy Officer

A journey towards

Stage 3: Positioning the Group for sustainable, long-term growth

The Group has entirely transformed its performance and relevance to customers over the course of the past eight years. The Group's effective execution of its clear long-term plan, under the leadership of CEO Richard Brasher, has built a strong and agile multi-format and multi-channel retail business providing an increasingly tailored customer offer across a broad socio-demographic reach. The Group's modern and flexible store estate is generating enhanced investment returns, by providing customers with greater convenience, quality and value-added services. Our stores are supported by increasingly efficient and effective central distribution and support functions, allowing for the investment of ongoing cost savings into lower prices for customers.

The business is well placed for the next chapter of its growth, under the leadership of new CEO Pieter Boone. Pieter joins the Group with a successful and diverse career in retail, most recently with the Metro AG group. Pieter has significant expertise and global experience in the retail, food service and wholesale sectors, and has a strong record of delivering retail growth in challenging and emerging market economies.

The Group has a solid platform from which to deliver long-term sustainable growth. Pieter has communicated to key stakeholders a clear intent to combine evolution with acceleration: to maintain momentum against a winning plan, and to accelerate in areas where we identify new or enhanced opportunities for long-term sustainable growth.

Food and grocery retail is undergoing major change across the globe. Customers are demanding higher quality and traceability in the products they buy, a seamless offer across online and physical stores, greater convenience in the location and size of stores, and a broad range of services which enable them to fulfil many of their needs under one roof. Above all, customers continue to demand better value from their retailers. Pick n Pay and Boxer will deliver long-term value creation for all stakeholders by being at the forefront of modernisation and change across the retail markets we serve, and through an unwavering commitment to provide lower prices and greater value for all our customers.

New CEO Pieter Boone and the senior management team are busy developing the plan for the next chapter of the Group's journey. The first five strategic priorities are:

Strategic priority	Strategic objective
Ensuring Pick n Pay is the first choice for customers	Greater customisation across our Pick n Pay Value, Core and Select supermarkets, with tailored: • Product range • Store layout • Price and promotion • Communication
Accelerating the growth of our Boxer business	The expansion of our Boxer business to benefit more communities with a great quality and deep value offer: • Accelerated investment in new stores and conversions
Building our omni-channel proposition	To leverage the strength of our IT infrastructure, to drive innovation in: • Online • Loyalty • Convenience • Integration and data-led decision-making
Sustainable growth in the Rest of Africa	The development of a flexible, efficient and low-cost operating model that: • Is for the benefit of many, rather than a few • Provides greater convenience and value • Delivers stronger investment returns with lower risk
Winning with our people	To lead through people, and to play to the strengths of our experienced and skilled management team: • Trust and respect • Training and development • Clear targets and accountability • High-performance culture

Stage 3: Sustainable long-term growth

Our greater strength and dexterity reflects the progress we have made throughout the execution of our long-term plan, and the substantive steps we have already taken to reach Stage 3, and succeed as a sustainable retail business over the long term.

The following markers are reflective of a future fit business:

- A track record of consistent sales and profit growth over a number of years
- Strong customer loyalty and advocacy
- An optimised, digitised and resource-efficient business that is a positive force for good in the countries in which it trades
- An effective omni-channel operating model that benchmarks internationally
- An employer of choice that delivers opportunity for all, with gender and race diversity that adequately reflects the communities it serves
- Collaborative and enduring relations with a strong and diverse supplier base
- A continuing growth strategy, including in under-served communities
- Ongoing innovation in store and in the customer offer, including through healthier products with greater traceability
- Values which reflect corporate accountability, transparency and care

There is more to do on our journey, and the Group is well positioned to deliver on the expectations of customers, colleagues, shareholders and other stakeholders – not just in the current crisis, but in the better years to come.

Sustainability as a strategic imperative

Sustainability at Pick n Pay is about People n Planet. Our sustainable living strategy informs the decisions we make at every interface with society and the environment. Our sustainability goals and commitments seek to provide clarity in a highly complex space. This makes it easier for our employees to align behind our ambition to be a force for good.

We launched our People n Planet initiative in 2019. This is the umbrella framework under which all our sustainable development programmes fall.

In short, People n Planet is our commitment to partner with our employees, customers, suppliers and many other stakeholders to increase the positive impact we have on every life we touch and to reduce the negative impact we have on the environment. It is our promise to take bigger steps and leave smaller footprints. People n Planet isn't just a part of our business – it is our business. It is a journey we have been on since the 1970s.

The seven United Nations Sustainable Development Goals identified as most relevant to the Group

We comply with all relevant codes and regulations, including codes of good governance.

We retained our listing on the FTSE/JSE Responsible Investment Index Series.

We support and uphold the Ten Principles of the United Nations Global Compact.

Our sustainable living strategy

As our formal sustainability journey enters its fifth decade, our sustainable living strategy has evolved to enhance co-ordination of our efforts.

The global pandemic highlighted the need for balance between a more proactive role and our ongoing work behind-the-scenes. The critical need to feed the nation demanded immediate outreach and activism. At the same time, we continued ongoing engagements to reduce plastic across the value chain and deepen our alignment with the global Sustainable Development Goals. These challenges and opportunities prompted the latest revision of our strategic sustainability framework and will increasingly inform our Group efforts in the years ahead. Three high-level goals focus our resource investment, while allowing a flexible response to a dynamic range of material matters and priorities. These are presented in our revised strategic framework, outlined below and unpacked in more detail in our Sustainable Living Report, available on our website.

Partner to shift the food system	Waste less, share more	Help our people make a difference

Previous focus areas aligned with our high-level goals

Building an inclusive and ethical value chain	Advancing employee opportunity and diversity
Promoting healthy living	Doing good in the local community
Being environmentally sustainable	

Material matters: key sustainability commitments that informed our decision-making in FY21

SOIL TO SHELF
- Support small businesses
- Promote local products with passion
- Ensure ethical supply chains
- Support climate adaptation
- Offer sustainable products

WASTE LESS
- Think circular
- Reduce food waste
- Innovate to minimise packaging
- Improve energy and water efficiency

HEALTHIER FOOD AND LIFESTYLES
- Encourage healthy, balanced lifestyles
- Promote healthier food choices
- Ensure food safety and quality
- Innovate for customer convenience and value

SHARE AND CARE
- Feed the Nation: supports vulnerable families
- Pick n Pay School Club: supports education
- Distribute excess food
- Grow community through food gardens

HEALTH, SAFETY AND WELL-BEING
- Guard against Covid-19 infection
- Support mental and physical well-being
- Ensure a safe and healthy work environment

STABILITY AMID UNCERTAINTY
- Transition to highly resilient structures
- Maintain connection and develop capabilities
- Grow a diverse and inclusive culture

These important matters are presented in our revised strategic framework and unpacked in more detail in our 2021 Sustainable Living Report, available online from end June 2021.

Alignment with our business strategy

Our business is focused on six engines for long-term strategic growth. One of these engines defines our sustainability ambition: to be a force for good.

This year, our business turnaround plan entered its third and final stage: a transition to sustainable, long-term growth. This marks a significant milestone in the integration of environmental, social and governance (ESG) factors in our strategic and operational decision-making.

2013 to 2015 — **Stage 1: Stabilise the business**

from 2016 — **Stage 2: Change the trajectory**

Stage 3: Sustainable long-term growth — A journey towards

Stage 3 will reflect a future-fit business, characterised by:
- Strong customer loyalty and advocacy
- A resource-efficient business that is a positive force for good in the countries in which it trades
- An employer of choice that delivers opportunity for all, with gender and race diversity that adequately reflects the communities it serves
- Ongoing innovation in store and in the customer offer, including through healthier products with greater traceability
- Values which reflect corporate accountability, transparency and care

Governance and management of our sustainable living strategy

Our Board is accountable for the Group's sustainability performance. To facilitate this oversight role, the social and ethics committee provides strategic guidance and recommendations in respect of the sustainable living strategy. The Board reviews the Group's strategic performance annually and is updated on the progress against key performance indicators every quarter.

Executive leadership is undertaken by the executive committee, with direct responsibility held by the Transformation Director. Cross-functional leadership is facilitated by an executive sustainability steering committee which meets quarterly. The sustainability team co-ordinates and implements the sustainability efforts across the Group. It is supported by a quarterly operational sustainability steering committee.

Material matters: identifying our key sustainability commitments

The Group's interface with society and the environment is dynamic and complex. Ongoing reflection on material issues and topics helps to ensure our day-to-day decision-making keeps abreast of this changing context. The sustainability team interrogates the sustainability landscape through constant review of publications and reports, stakeholder inputs, industry engagements and on-the-ground experiences.

Periodic engagement with external experts allows for deeper reflection on particular challenges and opportunities. Key issues and developments are taken to the executive sustainability steering committee quarterly for review and oversight. Read more about our approach to materiality on page 33.

As a retailer with thousands of suppliers and millions of customers, we are mindful of our reach and the environmental impact we have across our value chain. We are working on a broad set of solutions and targets to reduce our impact, with a particular focus on energy, refrigerants, water, waste and packaging. Climate change poses considerable challenges to developing a sustainable food system. Building on our submissions to the CDP, we are taking steps to identify climate-related risks and opportunities to build our resilience to climate change in the long term.

In 2010, we implemented an energy management programme. Since then, we have implemented several initiatives and rolled out various energy efficient technologies as part of our energy management journey.

Key initiatives implemented in Pick n Pay:

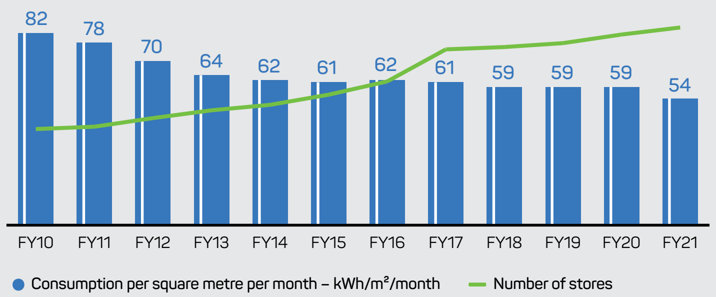
- Online electricity main meters in all stores and more than 1 300 sub-meters, enabling us to measure real-time consumption
- Daily and monthly dashboards and alert notifications, enabling us to proactively manage consumption and reduce waste

Energy efficient technologies rolled out in Pick n Pay:

- LED lighting roll-out to stores continues, including back of house and trading floors, with 11% of our estate now on full LED lighting
- Solar at six company-owned sites with 5.6MWp installed, producing 7.8GWh annually
- 34% of our stores use some form of natural refrigerants
- 74% of our stores have electronically commutated (EC) fans; 70% have plant rooms with variable speed drives; 66% of stores have electronic expansion valves; and 10% of our estate has doors on most refrigeration cabinets

Overall impact of our energy management programme in Pick n Pay to date:

- We consume 10% less energy than in 2010 despite a 76% increase in stores and a 38% increase in gross lettable area
- We have reduced our energy intensity by 43.6% (kWh per trading floor area)



Looking forward:

- Continue to drive behaviour change and real-time monitoring
- Roll out energy efficient technologies, including LED lighting and refrigeration doors
- Optimise existing equipment through sensors and building management systems
- Expand our renewable solar energy programme to all owned and leased stores
- Continue to switch to full natural refrigerants and install EC fans

Our environmental commitments seek to provide clarity in a highly complex space. This makes it easier for all Pick n Pay employees to align behind our ambition to be a force for good.

Pick n Pay's 2025 commitments

100% of Pick n Pay packaging will be re-usable or recyclable

100% of cardboard and paper used for Pick n Pay packaging will be sourced from responsibly managed forests

30% average recycled content across all Pick n Pay packaging

30% reduction in average packaging weight of Pick n Pay branded products

30% increase in sales of Pick n Pay re-usable bags

50% reduction in our food waste

We have taken a leadership role in demonstrating our commitment to improving our environmental performance. Pick n Pay was the first South African retailer to sign up to the 10x20x30 Food Waste Initiative and was a founding member of the SA Plastics Pact and the Consumer Goods Council Voluntary Food Waste initiative.

We continually look at how we monitor, manage and use water.

In 2018, Pick n Pay installed online water meters with real-time alerts in all our Western Cape stores. This allowed us to pick up leaks (the biggest cause of water loss in any system) and fix them immediately – thereby achieving a water intensity reduction of 20%.

Pick n Pay changed its store specifications introducing a dual feed water system that optimises the use of grey water. This resulted in a 12% reduction of consumption.

In 2021 we added water to our active energy management programme to enhance how we manage and report on water consumption.

Progress to date

86% of stores with real-time metering

12% reduction in water consumption in stores with dual feed water systems

We are developing an ESG data management system to enhance our ability to respond to the increasing disclosure expectations of our stakeholders, including our investors. In addition to our current reporting commitments to the SDGs and CDP, among others, we are taking steps to strengthen our reporting in line with global best practice. This includes future plans to align our reporting with leading standards and frameworks, such as the Task Force on Climate-related Financial Disclosures Framework.

KEY ESG METRICS TRACKED AS PART OF OUR DEVELOPING ESG DATA MANAGEMENT SYSTEM*	FY21	FY20
Environmental metrics		
Carbon footprint – scope 1 and 2 (CO_2e tonnes)**	**934 165**	987 230
Water used (megalitres)	**1 006**	1 117
Energy usage per square metre reduction (2008 baseline) (%)	**43.6**	37.4
Renewable energy generated (MWh)	**8 465.6**	7 726.3
Waste diverted from landfill (%)	**61.0**	60.0
Total waste recycled (tonnes)	**19 943.2**	20 813.0
CDP Climate**	**B**	A-
CDP Water	**A-**	B
Social metrics		
Total CSI spend (Rm)	**41.3**	34.0
Enterprise and supplier development programme spend (Rm)	**15.5**	15.0
Feed the Nation Foundation (Rm)	**136**	–
Training spend on female employees trained (% of total spend)	**67.0**	63.5
Training spend on HDSA employees trained (% of total spend)	**98.0**	96.1
HDSA learners in learnerships, internships and apprenticeship programmes (%)	**95.0**	99.7
Fatal accidents (employees)	**–**	–
Governance metrics		
Monetary losses as a result of legal proceedings associated with marketing and/or labelling practices	**–**	–

* *All metrics contained within our developing ESG data management system are available in our Sustainable Living Report, available online from end June 2021. Please refer to our five-year review on page 81 for an indication of our reporting boundary.*

** *Our increased carbon footprint reflects our expanded reporting boundary. We are in the process of setting long-term environmental targets to enhance this disclosure.*

Supporting our employees

All employees receive health and safety training as part of their induction. Specific training is provided where required.

Recognising the need to innovate to deliver on our training objectives, we are adopting digitally enabled learning delivery channels.

Our strategy is aligned with the implementation of our five-year employment equity (EE) plan developed in 2019, which sets progressive EE targets through to 2024 as well as commitments and interventions to advance progress in specific areas.

Currently, historically disadvantaged South Africans (HDSA) represent 96% (2020: 96%) of total Pick n Pay permanent employees, of which 6.5% (2020: 6%) are in middle to top management positions.

We subscribe to freedom of association and the effective recognition of the right to collective bargaining. In South Africa, 69% of our employees are members of a trade union.

Feed the Nation Foundation

In FY21, Pick n Pay and Boxer's partnership with the Feed the Nation Foundation raised R136 million in hunger relief efforts, enabling the distribution of more than 150 000 hampers and 28 million meals to vulnerable families across South Africa.

Supporting small businesses

We invested over R380 million through our enterprise and supplier development initiatives this year, including through preferential procurement from participating small businesses, and mentorship and training initiatives.

Promoting ethical and environmental standards

We promote ethical standards across our supplier base through initiatives like WWF-SASSI and GLOBALG.A.P. and localg.a.p. certification, an internationally recognised set of farming standards linked to Good Agricultural Practice. Our technical division's auditing process ensures that animal welfare standards are met, that suppliers comply with labour legislation and that organic suppliers are correctly certified.

"We recognise the need to minimise our impact on the environment, while being a force for good in communities. Beyond this, we must be held accountable through accurate, transparent and balanced reporting. Enhancing our ESG disclosures is the next critical stage of our sustainability journey and we commit to continuously improving our ESG reporting in the years ahead, against relevant and credible international frameworks."

Gareth Ackerman, Chair

05 OUR PERFORMANCE

CEO STATEMENT

> Through skill, determination and a dedication to customers we have kept our stores open, safe and working. Our teams on the frontline have been magnificent, and it has been an outstanding response to an unprecedented challenge.
>
> *Richard Brasher*

MESSAGE FROM RICHARD BRASHER

It has been a privilege to lead the Group over the past eight years. My goal at the outset was to leave the business stronger than I found it – and to leave it confident and ready to win the loyalty of more customers in the coming years. In pursuing this goal, I have been determined to follow a simple and consistent strategy, providing clarity and direction for my team.

It will be for others to judge the extent to which I have succeeded. But as I reach the end of my tenure, I look with pride on the stability of the business, the transformation in our stores and customer offer, the efficiency and resilience of our operations, and our development of new engines of growth which will stand the Group in good stead in the future.

This final year has provided the toughest possible test of the progress we have made. I believe we have stood up to the test in a remarkable way, which should give all stakeholders confidence in the strength and momentum of the Group.

Conditions over the past 14 months have been exceptionally difficult across the world – for countries, companies and above all for individuals and their families. We have been crystal clear on our responsibility during the Covid-19 pandemic: to feed the nation by keeping our colleagues safe, our stores open, and our shelves stocked with the products that customers need to sustain themselves and their families.

My colleagues across Pick n Pay and Boxer – together with our valued franchise partners – have risen to this task magnificently. Our teams have maintained an uninterrupted, high-quality service to customers throughout the various lockdown levels and restrictions imposed by government.

Tragically, we have to date lost over 50 colleagues to this devastating virus across our stores, offices and distribution network. We mourn each and every loss, as well as those among the family and friends of our colleagues.

My sincere thanks go to everyone in our business for your dedication and unstinting support throughout the past year. In the toughest of times, your indomitable spirit and true teamwork have come to the fore, and have made this a year on which we can all look back with real pride.

The pandemic, and government restrictions and other measures to contain it, inevitably had a significant impact on our financial performance. As detailed elsewhere in this Integrated Annual Report, the Group lost an estimated R4 billion in sales of higher-margin products as a result of Covid-19 trading restrictions. It also incurred significant extra costs in additional safety measures, payments to frontline colleagues, and related measures.

Once these specific Covid-19 impacts are taken into account, it was an excellent result for the Group, demonstrating a very strong performance in many key areas. I am particularly pleased that our South African business delivered a market-leading performance in core food and groceries, growing at 10% across the year. We also outperformed the market in other areas, for example growing our market share in clothing and liquor. Our Smart Shopper loyalty scheme now has 8.5 million active members, and was recognised by the Sunday Times as South Africa's favourite retail loyalty programme of the past decade.

A crucial contributor to this performance has been the good work we have done over a number of years to improve our efficiency and effectiveness – in our stores, commercial operation, offices and supply chain. We launched Project Future at the beginning of 2020 to accelerate this work – with a target to save R1 billion in costs over two years. We have made strong progress, saving over R600 million in the first year of the programme, with a clear line of sight to deliver the full R1 billion over two years.

This is not simply about improving the finances of the Group. The more efficient we are, the more rands we save, means more rands we can give back to customers in lower prices. In this most difficult year for customers, we were able to invest a significant amount in better value for customers – restricting our internal selling price inflation to 3.8% compared to CPI Food of 4.8%. I am particularly pleased with the performance of our Boxer and Pick n Pay Value stores, which serve customers in the toughest part of the market, where customers reward those who provide exceptional value.

The Group has delivered step change for customers in other areas. The Covid-19 lockdown resulted in an explosion in demand for online grocery shopping. Our online division responded very quickly and effectively, doubling its scheduled deliveries and working to launch a quick and responsive on-demand food and grocery app through Bottles. Our franchisees also rose to the challenge, rapidly expanding their click n collect services for customers in very difficult times. The Group has subsequently acquired the Bottles business, and is now integrating our various online channels under the banner of picknpay.com. Customers will in future be able to shop seamlessly with Pick n Pay anytime, anywhere and in whichever way they choose.

Our businesses outside South Africa also performed well, demonstrating exceptional cost discipline and working capital management in a very difficult year. The Group's company-owned and franchise operations remain resilient across Zambia, Zimbabwe, Namibia, Botswana, eSwatini and Lesotho.

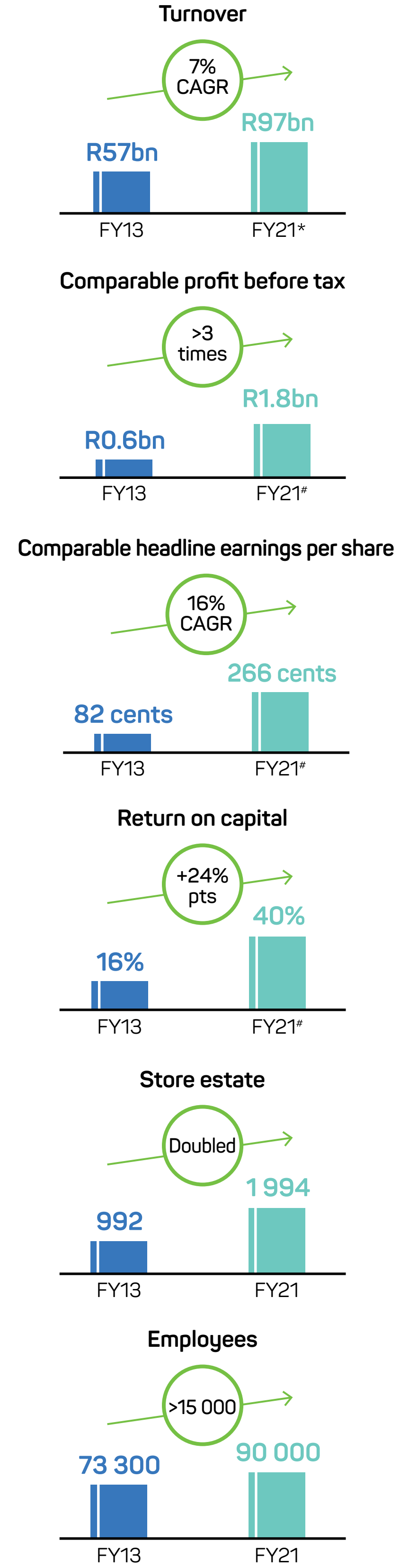
In these and many other areas, I believe that I leave the Group much stronger than I found it when I joined in 2013. My thanks go to my Chair, Gareth Ackerman, the Ackerman family, and the Board, for giving me the opportunity in the first place, and for their valuable support over the years.

Most of all I want to thank my thousands of colleagues for walking every step of the way with me.

I offer my very best wishes to Pieter Boone, who now has the privilege of leading the Group. Pieter is an outstanding retailer, and will have the full support of the Pick n Pay and Boxer family. The future of the Group is bright, and I very much look forward to cheering on your progress in the years to come.

Richard Brasher
Chief Executive Officer: 2013 – 2021
April 2021

Over the past eight years, the Group has changed beyond recognition, altering the trajectory of its performance and prospects. This includes delivering a track record of consistent sales and earnings growth.



* *Normalised for the impact of Covid-19.*

\# *Excluding once-off staff compensation costs.*

INCOMING CEO STATEMENT

Retail is changing throughout the world and my job is to ensure that the Pick n Pay Group is at the forefront of change, by giving customers more, better and new ways to shop with Pick n Pay and Boxer.

Pieter Boone

MESSAGE FROM PIETER BOONE

I am incredibly proud and humbled to be the new CEO of the Pick n Pay Group. Pick n Pay is a loved brand in South Africa – and beyond. The business is admired worldwide for the values instilled in it from the outset by founder Raymond Ackerman and his wife Wendy. The Ackermans put the customer at the centre of the business, and the community in its heart, long before this approach became fashionable in business school textbooks. They were invariably on the right side of the argument when South Africa approached its defining era of change. They and their company have remained true to their principles and their values for over half a century.

I have worked in retail for over 25 years across three – and now four – continents, and I can tell you that this level of commitment is unprecedented. I am committed to upholding the heritage and values of the Group throughout my tenure as its CEO.

A business must be successful if is to maximise the benefits it delivers to customers and society. A well-functioning business will operate in a lean way which ensures that less is wasted and more value can be enjoyed by its customers and ultimately its shareholders. A successful retail business can grow sustainably, ensuring that more customers and more communities benefit from what it has to offer.

I commend Richard Brasher and his leadership team for the excellent work they have led over the past eight years to deliver a substantial turnaround of the business and its operations. The Group is stable and well-run. It is people-centric, understanding that people are its most important asset. As the latest set of full-year results demonstrate, the Group has become more efficient and competitive – not only responding to the challenge of Covid-19 in a remarkable way, but actually leading the market in its core food and grocery sales. Richard and his team have built an excellent platform for future growth.

My task in the coming years is to build on this strong platform. My goal will be to combine evolution with acceleration: maintaining momentum where we have a winning plan, and driving forward with clarity and determination where we identify new or enhanced opportunities for sustainable growth.

My initial five priorities can be summarised as follows:

- **Ensuring that Pick n Pay is the first choice for customers.** Organising Pick n Pay's operations into its Value, Core and Select segments is providing greater customer focus and clarity. The opportunity now is to further develop our offer at each point in the market, so that every customer has the Pick n Pay that they want.
- **Accelerating the growth of our Boxer business.** I believe that Boxer is Africa's premier limited-range food and grocery discount retailer. It is deeply in tune with its customers, understanding that all families – whether affluent or less-affluent – are in search of unbeatable value and a great shopping experience. More communities deserve to benefit from a Boxer store in their neighbourhood, and this will be a priority in the coming years.
- **Building our omni-channel proposition.** South Africa has historically been viewed as slow in waking up to the potential of online grocery sales. However, the past year has brought the future closer, and has shown very clearly that the grocery retailer of the coming decade must be an omni-channel retailer – as strong in the digital world as it is in its physical footprint. Pick n Pay and Boxer have an excellent platform for growth in this area and we intend to build on it.
- **Sustainable growth in the Rest of Africa.** The Group has a strong and stable business outside South Africa, and I commend our corporate and franchise teams for their sterling work in supporting customers in very tough times. Although conditions have been difficult, the potential of the African continent remains undimmed. My goal is to develop a successful format – building on the success of our Boxer business model – which delivers low-cost, unbeatable value, benefiting the many not the few.
- **Winning with our people.** Our business is a people business. We can only succeed in our strategic goals through our people. Across Pick n Pay and Boxer, my commitment is to develop, train and motivate the best team in the retail industry, driving a culture of performance and accountability through the organisation. I believe in leading through people, and having the trust of our thousands of employees, franchise partners, labour partners, communities and wider stakeholders.

I have no doubt that the coming years will present their challenges. Having led retail companies in South-East Asia, Latin America and central and Eastern Europe, I am no stranger to challenges. I particularly enjoy leading businesses in emerging markets – the challenges may be great but the opportunities are greater. I am very optimistic about the opportunity for South Africa and for the Pick n Pay Group within and beyond South Africa.

The goal of our Group and our people must be to grow in line with the hopes and expectations of the South African people – to help more and more people meet their aspirations for a better life for themselves and for their children.

I am very excited about the challenge, and even more excited about the opportunities.

Pieter Boone
Chief Executive Officer: from April 2021

27 May 2021

The retirement of CEO Richard Brasher was planned well in advance, and allowed the Group to conduct a thorough search, over an 18-month period, for the right candidate to take over as CEO of the Pick n Pay Group.

The Board considered many skilled and experienced candidates, both locally and internationally, including strong candidates from within the organisation. The Board knew when it met Pieter Boone that it had found the right person to build on the solid growth platform developed by Richard Brasher over the course of his tenure.

Career highlights

Pieter Boone is the former Chief Operating Officer of Metro AG. A Dutch national, Pieter has extensive and diverse global experience in the retail, food service and wholesale sectors and exceptional experience in delivering retail growth, including through greenfield development.

Pieter spent the majority of his career in senior roles in Metro AG, a leading international business in the food and hospitality sector, and SHV Holdings NV, one of the world's largest private trading groups, which includes the major Makro Cash & Carry wholesale business. The Makro business was acquired by Metro and Pieter moved across to Metro.

Pieter was Chief Executive Officer of Metro Cash & Carry in Russia, one of Metro's largest business units, before being appointed as COO and Member of the Management Board of Metro AG, based out of Germany.

Earlier in his career, Pieter held various senior international managerial and Board positions for Makro Cash & Carry in Asia and Latin America.

I am delighted that we have succeeded in the appointment of Pieter Boone as the next CEO of the Group. Pieter has consistently demonstrated the ability to lead and deliver sustainable growth in tough and emerging market economies. His wide-ranging experience will stand him in very good stead across all areas of the Group's business, including Pick n Pay, Boxer, franchise, our growing online offer, and our value-added services platform.

Gareth Ackerman, Chair

OUR CFO'S REPORT

The Group's executive management team met with a number of its large South African institutional shareholders in April 2021, following the publication of its FY21 result (a summary is presented on pages 73 to 79). These shareholder meetings are an important part of the Group's annual investor relations engagement calendar, and provide shareholders with the opportunity to ask management questions on the Group's strategy and financial result, and to highlight any concerns about the Group's performance and future prospects.

Shareholder discussions largely centred on the following key themes:

- The significant impact of the Covid-19 pandemic on Group sales and earnings
- The Group's strong performance in core food and grocery lines
- The Group's improved gross profit margin and the potential for further margin expansion
- The Group's Project Future modernisation programme – and the structural improvements it generates
- Cash and liquidity management and the strength of the Group's balance sheet
- Working capital management – specifically the potential to reduce stockholdings, and the quality of the Group's franchise debtors' book
- The Group's property reset programme and the strategic intent around the conversion of certain franchise stores to company-owned stores
- The profitability of the Rest of Africa division and the risks associated with pursuing a growth strategy outside South Africa
- The Group's capital investment plans for FY22

"The Group's strengthened cash and liquidity position is testament to the careful management of operating expenses, working capital and capital investment over the period."

Lerena Olivier

Group CFO, Lerena Olivier, explores these themes as she responds to the most frequently asked questions posed by shareholders during the investor engagements:

The significant impact of the Covid-19 pandemic on Group sales and earnings

The Group's senior management team described the FY21 financial result as an "outstanding performance in extraordinary times". What makes this result so outstanding?

The Group's FY21 performance was delivered almost entirely under the unprecedented conditions of Covid-19, including stringent lockdown restrictions and disruption across the countries in which we trade. Our primary role has been to feed the nation by keeping our stores open, safe and fully stocked of essential food and groceries. I am extremely proud to say that our Pick n Pay and Boxer teams have fulfilled this responsibility with distinction.

In many respects, we have been a business operating in crisis mode over the past year. Led by our Covid-19 steering committee, our teams have responded effectively to the considerable operational challenges of government-imposed trading restrictions, physical distancing measures, and stringent health and safety protocols.

The underlying resilience of the FY21 result is an outstanding example of effective and collaborative teamwork, and is testament to the determination of so many of our selfless colleagues who put our customers first, throughout a difficult time.

Comparable earnings were down 16.8% this year, and yet you have spoken about the underlying resilience of the result. What factors had the most material impact on the FY21 result?

Government-imposed trading restrictions affected up to 20% of the Group's sales during Level 5 of the lockdown, and sales were further impacted by reduced trading hours, limits on the number of customers in stores, and temporary store closures. These challenges all had a significant impact on Group turnover, with an estimated R4 billion in lost sales over the year. Earnings reflect the gross profit margin impact of these lost sales, which were primarily in our higher-margin categories of clothing, liquor, general merchandise and value-added hot foods, deli and bakery products. Furthermore, the Group incurred R200 million of additional costs related to its Covid-19 operational response, largely driven by the implementation of rigorous hygiene and physical distancing measures, and appreciation bonuses paid to our frontline staff.

Group earnings also reflect R200 million of compensation costs related to voluntary and other staff retrenchments under the Group's Project Future programme. Excluding these once-off costs, Group earnings were down just 6.1% year-on-year, an extraordinary achievement under very challenging circumstances.

What areas of the FY21 result do you believe best demonstrate the Group's operational resilience?

Shareholders should take confidence from the Group's market-leading core food and grocery performance, its exceptional gross profit margin management, and the discipline it has exercised in managing its operating costs, working capital and cash resources. Despite Covid-19, the Group continued its turnaround, becoming a more modern, efficient and customer-focused retailer.

The Group's strong performance in core food and grocery lines

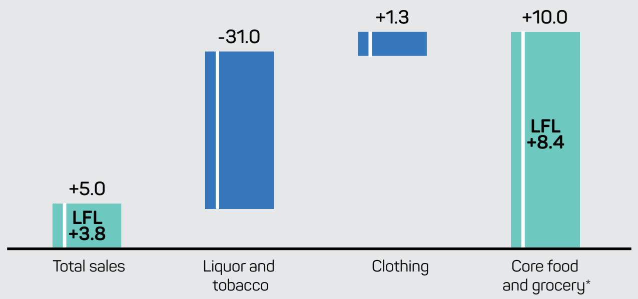
The Group expanded its disclosure in respect of its sales performance this year, with a specific focus on core food and grocery lines. Why have you enhanced your reporting this year?

More detailed sales disclosure this year was essential in providing our stakeholders with a comprehensive assessment of the impact of Covid-19 on our results, as well as our comparable performance on largely unrestricted core food and grocery lines.

Quite simply, the Group's overall FY21 sales growth of 4.3% – and 5.0% in South Africa – is not an accurate reflection of our comparable performance against our peers. Meaningful comparability this year has been distorted by the timing of each retailer's reporting calendar, and by the extent to which each has been impacted by Covid-19 trading restrictions.

Our Group's FY21 year included just three trading weeks which were not subject to disrupted conditions under the Covid-19 pandemic, and further reflects our higher participation of products subject to trading restrictions relative to peers – including clothing, general merchandise and liquor and tobacco categories.

SA sales growth analysis per category – %



* *Food, grocery and general merchandise categories (including categories impacted by trading restrictions, such as hot foods, deli and bakery products, but excluding liquor and tobacco and clothing).*

The Group delivered market-leading sales growth of 10.0% in its core food and grocery offer in South Africa this year. Sales growth strengthened from 9.9% (7.6% like-for-like) in the first half of the year to 10.1% (9.3% like-for-like) in the second half of the year, even as more discretionary areas of the consumer economy were opening up.

The Group's clothing division consistently outperformed the overall apparel market over the year. Clothing sales grew 1.3% year-on-year, with 6.7% growth in the second half of the year.

FY21 Highlights

Market-leading core food and grocery performance – sales up 10.0% in South Africa

Solid market share gains over second half – led by an outstanding Boxer performance

Stronger core retail offer – improved trading densities through tighter and more tailored ranges

Resilient infrastructure – ensuring business continuity and high levels of product availability

Pick n Pay Clothing extends market share gains – with increased demand for its high-quality, affordable offer

Rapid expansion of Pick n Pay online grocery platform – Bottles on-demand App extends Pick n Pay's scheduled delivery, and Click n Collect services

Gross profit margin expansion – cost savings and efficiency gains across supply chain

Competitive prices and value – internal selling price inflation kept to just 3.8% below CPI Food of 4.8%

Smart Shopper recognised as South Africa's favourite retail loyalty programme of the past decade

Project Future driving a culture of cost discipline – building leaner and more cost-effective operations

Positive net cash funding position – R500 million stronger than last year on a like-for-like basis

Improved store estate – 112 new stores across all Pick n Pay and Boxer formats, with targeted investment in smaller community-based stores

Uninterrupted dividend cycle – supported by effective cash and liquidity management

Feed the Nation campaign raised R136 million in hunger relief efforts – providing more than 28 million meals to vulnerable families

What were the drivers behind the strong sales growth in core food and grocery, and do you believe that the Group will be able to sustain this momentum?

The core food and grocery performance reflects the Group's strengthened customer offer – led by double-digit sales growth and sustained market share gains in our Boxer business, and the benefits of range optimisation and customisation in our repositioned Pick n Pay Value, Core and Select stores. The Group has improved on all the basics of good retailing, meeting our customers' needs for safe, modern and convenient stores, strong product ranges with consistently high levels of availability, a high-quality fresh meat and produce offer and increasingly competitive prices, alongside an effective programme of deep-value promotions.

We remain confident that we can maintain momentum in an increasingly difficult economic environment, including through the support of our strong franchise partners, by remaining agile and responsive to changing customer needs. While we are determined to meet the needs of all our customers, including those served through our premium Pick n Pay Select supermarkets, our growth strategy is increasingly focused on the lower to middle-income communities of South Africa. We remain confident that this area of the South African retail market will deliver the greatest growth over the medium to long-term, driven by an expanding working-age population, urbanisation, and the ongoing formalisation of the informal market. The Group is under-represented in this area, which provides a strong growth opportunity for its Pick n Pay Value and Boxer supermarkets.

To what extent has your online platform contributed to your strong food and grocery performance in FY21 – and to what extent does investment in data and systems capability differentiate Pick n Pay from its peers?

Pick n Pay has led online grocery retailing in South Africa for two decades. Its mature grocery platform was able to respond quickly and effectively to meet the surge in demand during the Covid-19 crisis. In addition to expanding its scheduled delivery service, Pick n Pay extended its Click n Collect offer, and repositioned its one-hour liquor delivery partnership with Bottles into an on-demand essential grocery service. The Group's franchise partners also moved quickly to serve their customers through safe and convenient home deliveries.

The importance of digital innovation is demonstrated by the success of Pick n Pay's Smart Shopper loyalty programme, which is a key point of differentiation for the Group. The programme has 8.5 million active customers, and provides invaluable information for Pick n Pay and its suppliers. Pick n Pay extended its value proposition through its personalised Smart Shopper loyalty programme, providing Smart Shoppers with R3.5 billion in savings this year. Everyday low Smart Prices, alongside bi-weekly personalised discounts, have driven loyalty participation to 75% of sales, from 65% last year. The Smart Shopper programme was recently recognised by the Sunday Times as South Africa's favourite retail loyalty programme over the past decade.

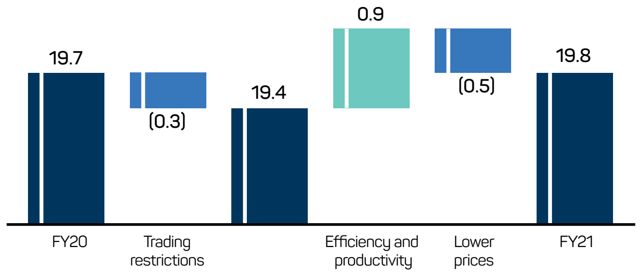
The Group's improved gross profit margin and the potential for further margin expansion

The Group delivered gross profit margin expansion to 19.8% of turnover (from 19.7% in FY20) – a highlight for retail analysts and shareholders, considering the significant impact of Covid-19 trading restrictions on a number of higher-margin product categories. How was this achieved?

The Group's tight gross profit margin management is a particular highlight of the result. Firstly, I have to give the credit to the Group's supply chain, commercial and store operations teams, who were highly effective in responding to the Covid-19 crisis – working closely with suppliers and service providers to maintain an uninterrupted supply of goods and services in the face of severe disruption.

The Group mitigated the gross profit impact of Covid-19 trading restrictions through cost savings, efficiency gains and increased centralisation across its supply chain, while providing greater value for customers.

Gross profit margin – %



Pick n Pay, with centralised supply now close to 80%, delivered substantive progress in the optimisation of its distribution channel, meeting accelerated cost and efficiency targets. Pick n Pay rationalised its distribution centre operational management through the appointment of two functional outsource partners. These strategic partnerships deliver greater skill and efficiency in operations, as well as stability in labour relations across our distribution facilities. The supply chain team also continued to improve the efficiency of its fleet, with fewer trucks on the road and fewer kilometres travelled, despite growing volumes being transported. The improvements in labour productivity and transport efficiency reduced Pick n Pay's cost of distribution across grocery and perishable lines, and delivered an outstanding reduction in waste and shrink.

Boxer made further progress in centralising its supply chain. The opening of its new Polokwane distribution centre in September 2020 took its centralised supply to 55%. As Boxer centralises more of its supply chain, stores increasingly benefit from improvements in forecasting and replenishment, leading to even better on-shelf availability. Boxer's centralisation strategy has also delivered sustainable gross profit margin improvements for the Group through increases in supplier incentive income, and meaningful working capital improvements.

The Group invested 50 basis points of gross profit margin into lower prices for customers – is there opportunity to deliver meaningful gross profit margin accretion for the benefit of shareholders?

Our strategy has been consistently communicated to shareholders – the Group is committed to becoming a leaner and more cost-effective organisation, in order to invest in a stronger customer offer, including through lower prices. The Group's ambition is to deliver long-term sustainable value creation, through a balanced combination of margin improvement and volume growth. Greater supply chain efficiency and cost-effectiveness provides headroom on gross profit margin – after which the decision on how much to invest in lower prices is a matter of keen judgement in a highly competitive market.

Our FY21 gross profit margin performance should provide comfort to shareholders that we continue to deliver solid progress against our strategy, and have been able to deliver structural and sustainable gross profit margin improvement, notwithstanding significant challenges over the year.

How important has the Group's own brand strategy been in driving gross profit margin improvement?

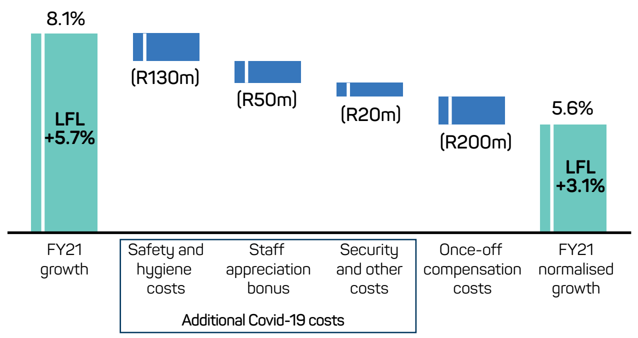
The Group's gross profit margin improvement has been driven by supply chain centralisation and supply chain optimisation. However, accelerating the growth of our own brand offer to provide our customers with more choice and greater value remains a strategic priority for the Group. Our growing own brand offer, with sales penetration of around 25% of participating categories, provides meaningful opportunity for small business development, product innovation, and cost and value savings across the supply chain. Pick n Pay has recently insourced the research and development of its own brand offer within its central commercial and procurement team, to leverage the skill and experience of its buyers and product developers to drive the strategy forward.

The Group's Project Future modernisation programme – and the structural improvements that flow from it

The Group's operating costs are up 8.1% year-on-year. What are the main cost drivers – and is this a disappointing outcome for the Group in the context of your efficiency efforts under Project Future?

The Group's trading expenses include R200 million of additional costs directly related to the Group's Covid-19 operational response, with a portion of these operating costs expected to persist into next year, as a result of the Group's strengthened health, safety and security protocols. Trading expenses further reflect R200 million once-off compensation costs related to voluntary and structured employee severance programmes undertaken during the year. R100 million of these compensation costs were recouped through productivity savings in the second half of the year, with the balance to be recouped during FY22.

Trading expenses analysis



Trading expenses excluding these additional Covid-19 costs and once-off compensation costs were up 5.6% year-on-year (3.1% like-for-like). The increase reflects sustained pressure in security, insurance, electricity and other regulated utility costs. In addition, our bank charges and related commissions are up almost 10% year-on-year, as many of our customers have switched to contactless card payments as a result of the Covid-19 virus. We acknowledge that there is still significant opportunity to take further costs out of the business, and remain committed to our objective of restricting like-for-like expense growth below that of like-for-like sales growth.

The Group's employee costs at 8.6% of turnover were higher than expected. Is this largely as a result of the once-off compensation costs related to the staff severance programmes, and frontline appreciation bonuses, or are there other underlying pressures?

Employee costs were up 4.6% year on-year on a comparable basis – excluding the once-off compensation costs and additional Covid-19-related costs – and, at 8.3% of turnover, were in line with last year.

Comparable growth is primarily driven by increased staff costs in Boxer as it took over a number of Pick n Pay franchise stores this year, as well as retirement gratuities and performance bonuses paid to senior management for an outstanding performance in a difficult year (FY20: nil).

The increase also reflects a substantively reduced base in FY20, which benefited from a net R100 million reversal of share incentive costs related to the forfeit of long-term executive share awards.

The management team has indicated that it is pleased with the progress delivered against its Project Future ambitions – but these benefits and cost savings are not immediately apparent in the FY21 result because of the disruption of Covid-19. Is the Group on track to deliver its cost saving ambition of R1 billion over two years?

Project Future was launched over a year ago to drive modernisation and efficiency across the business, enabling the Group to invest in lower prices, better value and improved service for customers. In FY21 the Group simplified its store, supply chain and support office infrastructure, drove productivity and efficiency gains across its operations and improved the overall quality and relevance of its store estate. The benefit of this work is evidenced in the FY21 result through the Group's exceptional gross profit margin management, strong cost discipline and tight working capital management.

Rm	FY21
Modernising our workforce roles and structures across operations, supply chain and offices	350
Outstanding control of shrink and waste and gross profit optimisation	150
Strict control of property cost escalations and energy usage	50
Improved working capital management	50
Project Future gross savings	**600**
Once-off compensation costs	(200)
Project Future net savings	**400**

The Group delivered R600 million of cost savings in the first year of Project Future, allowing for significant investment in the customer offer. The Group is on track to deliver the target of R1 billion over two years.

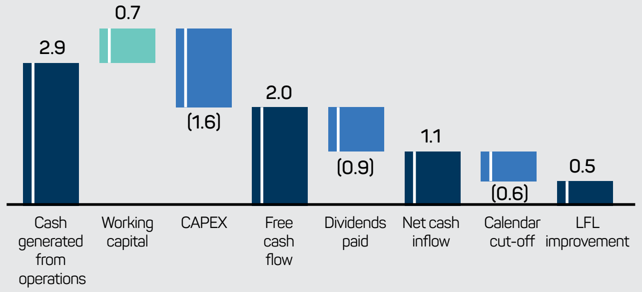
Cash and liquidity management and the strength of the Group's balance sheet

The Group generated R2.0 billion in free cash flow over the year, notwithstanding the sales and earnings impact of Covid-19, and reported a positive net cash position at year-end for the first time in many years. Is this one of your highlights of the FY21 result?

The Group's careful management of cash resources has been a singular stand-out performance for me personally. In the early months of the Covid-19 crisis, under Levels 5 and 4 of the nationwide lockdown, stringent trading prohibitions had a significant impact on Group sales, earnings and cash balances. As you would expect, our local debt market came under strain as businesses sought to protect their liquidity. We were determined to meet all our working capital and operating commitments in line with our standard contractual terms, and to provide support across our value chain where necessary. The Group showed tremendous resolve in protecting its liquidity and cash resources, by exercising strong discipline over operating costs and working capital, and great care when prioritising capital spend.

The Board took the difficult decision to defer the payment of our FY20 final dividend last year, until the full impact on the Group's capital resources could be fully understood. I am extremely proud that the Group was able to pay the full FY20 final dividend just six months later, in December 2020, alongside a FY21 interim dividend – effectively maintaining an uninterrupted dividend cycle. Notwithstanding these dividend payments of R900 million, and capital investment of R1.6 billion, the Group improved its like-for-like net cash position by R500 million year-on-year.

FY21 cash generation and utilisation – Rbn*



* *Excluding the impact of IFRS 16 Leases*

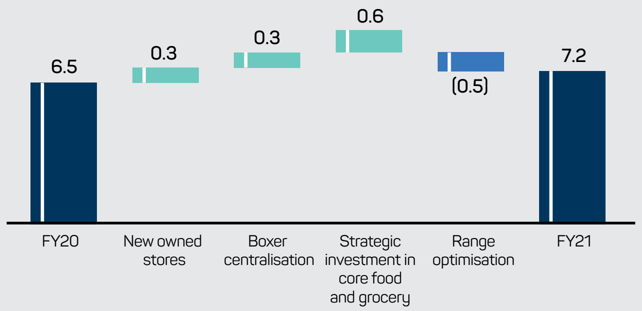
We extend our sincere thanks to our strategic debt funders who played such an integral part in protecting the Group's available liquidity during a time of crisis, and who continue to provide the Group with funding at some of the most competitive borrowing rates available in the market.

Working capital management – specifically the potential to reduce stockholdings, and the quality of the Group's franchise debtors' book

The Group generated R700 million from working capital this year – but almost all of the benefit came from the timing your financial calendar cut-off on supplier payments (R600 million). The Group was targeting reduced inventory days as part of its Project Future initiatives – have these been achieved?

Inventory at R7.2 billion was up 10.3% on last year, reflecting the addition of 80 net new company-owned stores and increased centralisation in Boxer over the past 12 months. The year-end inventory position also reflects the impact of trading restrictions in January and February on liquor stocks, alongside the Group's significant strategic investment into essential food and grocery lines ahead of the month-end trading period. Notwithstanding these investments, the Group's inventory days on hand improved on last year, on a rolling quarterly basis, as a result of its success in removing R450 million of duplicate and uneconomic products during the year as part of its range optimisation initiatives. Further improvements are targeted for FY22.

Inventory investment analysis – Rbn



The Group has increased its doubtful debt provision to 4.1% of its franchise debtors' book, from 2.9% last year – is this an indication that the Group is concerned about the health of some of its franchisees?

Trade and other receivables (current and non-current) decreased by 8.3% on last year to R3.9 billion. The decrease reflects decisive and strategic action by the Group to improve the quality of its debtors' book, including through the closure of 22 franchise stores over the period, and the conversion of a further 34 franchise stores (22 supermarkets and 12 liquor stores) to company-owned stores during the year, targeting overall improved store profitability going forward.

The Group exercised prudence in its assessment of the fair value of its debtors' book at year-end, particularly in the context of the more difficult trading environment. The Group wrote off R195.6 million in overdue debt during the year (FY20: R106.7 million) and holds an impairment provision of 4.1% of the value of the trade debtors' book. The Group is confident with the quality of its debtors' book at year-end, with the majority of its franchisees demonstrating resilience over the course of the Covid-19 crisis, and benefiting from tremendous customer loyalty for their convenient, community-based stores.

The Group's property reset programme and the strategic intent around the conversion of certain franchise stores to company-owned stores

The Group has always exercised some flexibility in the composition of its store estate, and we are accustomed to seeing a small number of store conversions between brands and formats in any given year. However, under the Group's property reset programme this year, the Group converted 34 franchise stores to company-owned Pick n Pay and Boxer stores. This feels like a significant move – does this signal a change in Group strategy towards franchise?

Our franchise partners are a valuable and strategically important part of the Group. There is no strategic move away from franchise, and the Group does not have a specific target for conversion. We have a large and valuable franchise estate comprising 761 stores – and many of our franchise stores remain among the strongest performers in our Group – with solid plans for future expansion.

The conversions from franchise stores to company-owned Pick n Pay and Boxer stores this year were part of our flexibility strategy and not a strategy to reduce franchise. Conversions are identified through a review process undertaken by the Group's central property and capital committees. The franchise stores converted to company-owned Boxer and Pick n Pay Value supermarkets this year were identified before the Covid-19 crisis hit, as part of the Group's Project Future programme. The stores were under-performing against sales and earnings expectations, and some had growing trade debtor balances. The stores earmarked for conversion all traded in the value end of the market, where it can be more challenging to run a profitable franchise model due to tighter operating margins. The conversions required limited capital investment, and are delivering higher investment returns.

The profitability of the Rest of Africa division and the risks associated with pursuing a growth strategy outside South Africa

The Group's Rest of Africa operations remain profitable, but do the returns justify the risk? We are seeing other South African retailers discontinuing their operations in the Rest of Africa – why does the Rest of Africa still form part of your long-term growth strategy?

The Group's Rest of Africa segment is an important contributor of revenue and profits – with R4.3 billion of revenue this year (down 2.5% in constant currency terms) and profit before tax of R148.1 million, up R58.0 million on last year (before the application of hyperinflation accounting). The Group's measured investment outside South Africa has always been at an acceptable level of risk, without compromising the stability of the Group's core South African operations. Markets outside South Africa provide a long-term growth engine for the Group, driven by growing working-age populations and the rapid formalisation of informal retail markets.

The Group continues to optimise returns outside South Africa through the development of an efficient and effective limited range discount model – better able to withstand the difficult socio-economic conditions which persist across southern Africa – and its balance sheet exposure to its foreign investments remains limited.

The Group's capital investment plans for FY22

Capital spend is targeted at R2.5 billion in FY22 – this is significantly ahead of the Group's historical annual spend (between R1.7 billion and R2.0 billion). What investments are targeted and how will the spend be funded?

The Group invested R1.6 billion in capital projects this year (FY20: R1.7 billion) – with more than half of the spend directed to new stores, ensuring that the Covid-19 disruptions did not impact the Group's strong store opening pipeline. Capital spend included investment related to the Group's highly effective store conversion programme, initiated under Project Future, which leverages the flexibility of the Group's estate by tailoring store formats and models to better serve the needs of customers.

FY22 investment plans include a strong store pipeline across our Pick n Pay and Boxer formats, ongoing store refurbishments, further investment in expanding the reach of the Group's central supply chain, and ongoing investment in the Group's integrated systems infrastructure, including its online, loyalty and forecast and replenishment platforms. Our FY22 investment plans include an element of catch-up spend, as our FY21 capital investment programme was pared back as a result of the Covid-19 pandemic – specifically during the first half of the year, where we delayed all non-critical spend in order to preserve cash. The investment will largely be funded through internally generated cash flow – although the Group will raise long-term cost-effective borrowings to fund the development of a new strategic distribution in Gauteng, to cater for the Group's long-term distribution needs from FY23 onwards.

> The Group has, and will continue to, deliver significant value for its stakeholders over the course of its long-term plan, building a strong and agile multi-format and omni-channel retail business, providing an increasingly tailored customer offer across a broad socio-demographic reach. The Group has targeted clear and consistent investment returns, within measured and considered risk parameters. The Group has funded sustained investment into its growing store portfolio and increasingly efficient operating infrastructure through strong free cash flow, and has maintained low levels of gearing for a number of years, with no long-term debt.

Lerena Olivier
Chief Finance Officer

27 May 2021

SUMMARY OF FY21 ANNUAL FINANCIAL RESULT

The summarised financial result has been extracted from the Group's audited annual financial statements for the 52-week period ended 28 February 2021, and includes additional unaudited information. The audited annual financial statements and all related appendices are available on the Group's website: www.picknpayinvestor.co.za and should be referred to for a comprehensive understanding of the financial affairs of the Group in terms of International Financial Reporting Standards.

SUMMARY OF FINANCIAL PERFORMANCE

The financial table provided presents the Group's earnings performance for the current and previous period on a comparable basis. Comparable earnings exclude hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). Comparable earnings metrics excluding once-off costs further removes the impact of once-off employee compensation costs of R200 million (R144 million net of 28% South African tax) relating to the Group's severance programmes undertaken under Project Future. The costs will not recur, and will be fully recouped through labour efficiency savings next year. The Group's FY21 sales and earnings performance reflects the extraordinary disruption of the Covid-19 pandemic and all measures taken to stop the spread of the virus.

	52 weeks to 28 February 2021 Rm	Once-off costs 52 weeks to 28 February 2021 Rm	Earnings excluding once-off costs 52 weeks to 28 February 2021 Rm	% of turnover	% change	Restated 52 weeks to 1 March 2020 Rm	% of turnover
Turnover	93 078.8		93 078.8		4.3	89 281.5	
Cost of merchandise sold	(74 657.1)		(74 657.1)			(71 679.8)	
Gross profit	18 421.7		18 421.7	19.8	4.7	17 601.7	19.7
Other income	1 580.9		1 580.9	1.7	0.7	1 570.2	1.8
Franchise fee income	412.7		412.7	0.4	3.6	398.3	0.4
Operating lease income	142.5		142.5	0.2	1.3	140.7	0.2
Commissions and other income	1 025.7		1 025.7	1.1	(0.5)	1 031.2	1.2
Trading expenses	(17 294.8)	200.0	(17 094.8)	18.4	6.9	(15 997.4)	17.9
Employee costs	(7 959.0)	200.0	(7 759.0)	8.3	5.3	(7 368.2)	8.3
Occupancy	(2 427.1)		(2 427.1)	2.6	8.1	(2 245.0)	2.5
Operations	(4 144.4)		(4 144.4)	4.5	8.0	(3 836.0)	4.3
Merchandising and administration	(2 764.3)		(2 764.3)	3.0	8.5	(2 548.2)	2.9
Trading profit	2 707.8	200.0	2 907.8	3.1	(8.4)	3 174.5	3.6
Net finance costs	(1 233.6)		(1 233.6)	1.3	(5.1)	(1 300.4)	1.5
Net funding	(55.9)		(55.9)	0.1	(51.0)	(114.0)	0.1
Leases	(1 177.7)		(1 177.7)	1.3	(0.7)	(1 186.4)	1.3
Share of associate's earnings excluding net monetary adjustments	109.2		109.2			23.1	
Comparable profit before tax before capital items	1 583.4	200.0	1 783.4	1.9	(6.0)	1 897.2	2.1
Share of associate's hyperinflation net monetary (loss)/gain	(29.2)		(29.2)			43.2	
Profit before tax before capital items	1 554.2	200.0	1 754.2			1 940.4	
Loss on capital items	(145.9)		(145.9)			(204.4)	
Loss on sale of assets	(21.4)		(21.4)			(18.8)	
Impairment loss on assets	(124.5)		(124.5)			(185.6)	
Profit before tax	1 408.3	200.0	1 608.3	1.7	(7.4)	1 736.0	1.9
Tax	(441.2)	(56.0)	(497.2)	0.5	(8.1)	(541.3)	0.6
Profit for the period	967.1	144.0	1 111.1	1.2	(7.0)	1 194.7	1.3
Comparable headline earnings	1 124.2	144.0	1 268.2		(5.8)	1 346.7	
South Africa operating segment							
Turnover	89 919.2		89 919.2		5.0	85 628.3	
Profit before tax before capital items	1 435.3	200.0	1 635.3		(9.5)	1 807.1	
Rest of Africa operating segment							
Total segmental revenue	4 264.1		4 264.1		(8.6)	4 666.1	
Comparable profit before tax before capital items	148.1		148.1		64.4	90.1	
Earnings per share	**Cents**		**Cents**			**Cents**	
Basic earnings per share	202.52		202.52		(19.3)	250.90	
Diluted earnings per share	200.93		200.93		(19.5)	249.60	
Headline earnings per share	229.31		229.31		(21.4)	291.90	
Diluted headline earnings per share	227.51		227.51		(21.7)	290.38	
Comparable headline earnings per share	**Cents**		**Cents**			**Cents**	
Headline earnings per share	235.42		235.42		(16.8)	282.82	
Diluted headline earnings per share	233.57		233.57		(17.0)	281.35	
Comparable headline earnings per share excluding once-off costs	**Cents**	**Cents**	**Cents**			**Cents**	
Headline earnings per share	235.42	30.16	265.58		(6.1)	282.82	
Diluted headline earnings per share	233.57	29.92	263.49		(6.3)	281.35	

Turnover
Turnover growth of 4.3% reflects Covid-19 disruptions, with FY21 lost sales estimated at R4 billion. Market-leading growth in core food and grocery sales in South Africa, up 10.0%.

Gross profit
Margin improvement to 19.8% of turnover. Cost savings across the supply chain fully mitigated the impact of Covid-19 trading restrictions over higher-margin categories.

Other income
All categories reflect the impact of Covid-19 disruption, with the additional impact of franchise store closures and conversions on franchise fee income earned over the period.

Trading expenses
Trading expenses up 6.9%, with additional costs related to the Group's Covid-19 operational response:

- Safety and hygiene costs R130 million
- Frontline staff appreciation bonus R50 million
- Security and other costs R20 million

Cost pressures remain across regulated rates, electricity, water and other utility costs, mitigated by greater resource efficiency across the Group.

Net funding costs
Strong cash and liquidity management, alongside lower interest rates over the year, drives net bank interest down 51.0%.

Share of associate's earnings
Strong trading performance from TM Supermarkets in Zimbabwe – driving a 64% increase in the Rest of Africa segment's comparable profit before tax (before the application of hyperinflation).

Comparable profit before tax (PBT)
Down 6.0% year-on-year, just excluding the once-off costs of staff severance programmes, an exceptional performance in the face of significant economic and operational disruption.

Impairment loss on assets
Includes a R81.6 million impairment (FY20: R173.6 million) of the Group's investment in its associate in Zimbabwe, due to the application of hyperinflation accounting in the region. Other capital losses relate to the sale, closure or impairment of a small number of under-performing stores.

Tax
Effective tax rate at 31.3%, in line with last year, reflecting lower levels of profitability in operations outside of South Africa. The tax rate is expected to remain above South Africa's statutory tax rate of 28.0% for the foreseeable future, driven by hyperinflation in Zimbabwe and difficult trading conditions in Zambia.

Comparable headline earnings per share
Comparable headline and diluted headline earnings per share exclude the impact of hyperinflation in Zimbabwe.

Comparable headline earnings per share excluding once-off costs
Comparable HEPS excluding the R200 million once-off cost of staff severance programmes (R144 million net of SA tax at 28%) is down 6.1% year-on-year, to 265.58 cents per share, reflecting the Group's outstanding performance in extraordinary times.

SUMMARY OF FINANCIAL POSITION

	As at 28 February 2021 Rm	As at 1 March 2020 Rm
ASSETS		
Non-current assets		
Intangible assets	**1 006.0**	865.4
Property, plant and equipment	**6 642.6**	6 622.4
Right-of-use assets	**10 050.6**	9 880.6
Net investment in lease receivables	**2 134.1**	2 129.9
Deferred tax assets	**912.7**	753.1
Investment in associate	**69.7**	50.4
Loans	**59.2**	86.6
Retirement scheme assets	**82.7**	68.7
Investment in insurance cell captive	**32.7**	54.9
Operating lease assets	**11.0**	13.0
Trade and other receivables	**166.7**	93.6
	21 168.0	20 618.6
Current assets		
Inventory	**7 193.3**	6 519.8
Trade and other receivables	**3 743.7**	4 168.5
Cash and cash equivalents	**5 415.1**	1 947.3
Net investment in lease receivables	**277.1**	221.0
Right-of-return assets	**19.3**	20.7
Derivative financial instruments	**–**	9.4
	16 648.5	12 886.7
Total assets	**37 816.5**	33 505.3
EQUITY AND LIABILITIES		
Equity		
Share capital	**6.0**	6.0
Treasury shares	**(873.4)**	(961.7)
Retained earnings	**4 573.5**	4 303.2
Other reserves	**(6.6)**	5.3
Foreign currency translation reserve	**(313.3)**	(342.7)
Total equity	**3 386.2**	3 010.1
Non-current liabilities		
Lease liabilities	**14 312.6**	14 188.5
Deferred tax liabilities	**10.1**	3.1
	14 322.7	14 191.6
Current liabilities		
Trade and other payables	**12 198.8**	11 255.2
Lease liabilities	**2 046.8**	1 716.7
Deferred revenue	**353.3**	298.8
Bank overdraft and overnight borrowings	**1 951.4**	2 050.0
Borrowings	**3 331.2**	935.0
Current tax liabilities	**218.6**	47.9
Derivative financial instruments	**7.5**	–
	20 107.6	16 303.6
Total equity and liabilities	**37 816.5**	33 505.3
Number of ordinary shares in issue – thousands	**493 450.3**	493 450.3
Weighted average number of ordinary shares in issue – thousands	**477 524.8**	476 161.6
Diluted weighted average number of ordinary shares in issue – thousands	**481 304.5**	478 647.8
Net asset value (property value based on directors' valuation) – cents per share	**769.9**	776.2

Intangible assets
The increase reflects goodwill on the acquisition and conversion of franchise stores, and the purchase of the Bottles on-demand shopping application and all related intellectual property.

Property, plant and equipment
All non-critical capital spend delayed in order to preserve cash in a year disrupted by Covid-19.

Investment in associate
TM Supermarkets revalued at R69.7 million, recognising its strong underlying operating performance over the period and the reduction in its foreign-currency denominated debt.

Inventory
Inventory increased 10.3% on last year, reflecting the addition of 80 net new company-owned stores and increased centralisation in Boxer.

Trade and other receivables
The decrease reflects strategic action by the Group to improve the quality of its debtors' book, including through the conversion of 34 franchise stores to company-owned stores during the year, targeting overall improved store profitability going forward.

Cash and cash equivalents
Approximately 50% of available facilities were drawn to mitigate against any short-term market liquidity risks as a result of Covid-19. All surplus funds are invested in high-yield, low-risk money market accounts. Please refer to short-term borrowings below.

Lease liabilities
The total lease liability of R16.4 billion (non-current and current) is up 2.9% year-on-year, with implied interest charges up 0.7%, reflecting annual stability in the Group's broad lease portfolio.

Trade and other payables
Trade and other payables increased by 8.4% on last year to R12.2 billion, reflecting timing benefits of over R600 million in respect of the Group's financial calendar cut-off.

Short-term borrowings
The Group manages its operating and working capital needs through short-term and cost-effective, ZAR-denominated funding. On a net cash basis, and removing the positive impact of financial calendar cut-off on supplier payments, the Group strengthened its net funding position by R500 million year-on-year.

SUMMARY OF CHANGES IN EQUITY

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 3 March 2019	6.0	(993.7)	4 331.9	(6.0)	(303.2)	3 035.0
Total comprehensive income for the period	–	–	1 190.2	6.3	(39.5)	1 157.0
Profit for the period	–	–	1 194.7	–	–	1 194.7
Foreign currency translations	–	–	–	–	(39.5)	(39.5)
Movement in cash flow hedge	–	–	–	6.3	–	6.3
Remeasurement in retirement scheme assets	–	–	(4.5)	–	–	(4.5)
Other reserve movements	–	–	–	5.0	–	5.0
Transactions with owners	–	32.0	(1 218.9)	–	–	(1 186.9)
Dividends paid	–	–	(1 125.7)	–	–	(1 125.7)
Share purchases	–	(87.6)	–	–	–	(87.6)
Net effect of settlement of employee share awards	–	119.6	(118.9)	–	–	0.7
Share-based payments expense	–	–	25.7	–	–	25.7
At 1 March 2020	**6.0**	**(961.7)**	**4 303.2**	**5.3**	**(342.7)**	**3 010.1**
Total comprehensive income for the period	**–**	**–**	**974.9**	**(16.9)**	**29.4**	**987.4**
Profit for the period	**–**	**–**	**967.1**	**–**	**–**	**967.1**
Foreign currency translations	**–**	**–**	**–**	**–**	**29.4**	**29.4**
Movement in cash flow hedge	**–**	**–**	**–**	**(16.9)**	**–**	**(16.9)**
Remeasurement in retirement scheme assets	**–**	**–**	**7.8**	**–**	**–**	**7.8**
Other reserve movements	**–**	**–**	**–**	**5.0**	**–**	**5.0**
Transactions with owners	**–**	**88.3**	**(704.6)**	**–**	**–**	**(616.3)**
Dividends paid	**–**	**–**	**(934.7)**	**–**	**–**	**(934.7)**
Net effect of settlement of employee share awards	**–**	**88.3**	**(88.3)**	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**318.4**	**–**	**–**	**318.4**
At 28 February 2021	**6.0**	**(873.4)**	**4 573.5**	**(6.6)**	**(313.3)**	**3 386.2**

Foreign currency translations
The positive movement in the foreign currency translation reserve of R29.4 million relates to the translation of the Group's foreign assets and liabilities into ZAR, and includes a R20.9 million gain related to our TM investment in Zimbabwe, as a result of hyperinflation in the region.

Dividends paid
The Group paid its FY20 final dividend, alongside its FY21 interim dividend, in December 2020 – effectively maintaining an uninterrupted dividend cycle over the Covd-19 crisis.

The Group's total FY21 dividend of 179.74 cents per share is down 16.7% on last year in line with the decrease in comparable headline earnings per share, maintaining a dividend cover of 1.3 times comparable headline earnings per share.

SUMMARY OF CASH FLOWS

	52 weeks to 28 February 2021 Rm	Restated 52 weeks to 1 March 2020 Rm
Cash flows from operating activities		
Trading profit	2 707.8	3 174.5
Adjusted for dividend income	(40.0)	–
Adjusted for non-cash items	3 404.7	2 941.0
Depreciation on property, plant and equipment	1 187.3	1 132.9
Depreciation on right-of-use assets	1 793.0	1 646.9
Amortisation on intangible assets	131.9	151.0
Share-based payments expense	318.4	25.7
Profit on termination of leases	(36.3)	(26.5)
Movement in operating lease assets	2.0	(0.2)
Rent concessions	(54.9)	–
Movement in retirement scheme assets	(3.1)	(2.7)
Fair value and foreign exchange adjustments	66.4	13.9
Cash generated before movements in working capital	6 072.5	6 115.5
Movements in working capital	591.5	249.9
Movements in trade and other payables and deferred revenue	998.1	951.5
Movements in inventory and right-of-return assets	(645.9)	(821.2)
Movements in trade and other receivables	239.3	119.6
Cash generated from trading activities	6 664.0	6 365.4
Other interest received	240.4	275.6
Other interest paid	(296.3)	(389.6)
Interest received on net investment in lease receivables	205.9	183.3
Interest paid on lease liabilities	(1 519.4)	(1 312.1)
Cash generated from operations	5 294.6	5 122.6
Dividends received	57.1	–
Dividends paid	(934.7)	(1 125.7)
Tax paid	(425.2)	(487.1)
Cash generated from operating activities	3 991.8	3 509.8
Cash flows from investing activities		
Investment in intangible assets	(81.2)	(91.5)
Investment in property, plant and equipment	(1 204.0)	(1 653.7)
Purchase of operations	(199.5)	(22.8)
Proceeds on disposal of intangible assets	0.7	0.3
Proceeds on disposal of property, plant and equipment	14.7	61.2
Principal net investment in lease receipts	254.4	220.0
Lease incentives received	42.8	121.0
Loans repaid	34.9	15.4
Loans advanced	(7.5)	–
Cash utilised in investing activities	(1 144.7)	(1 350.1)
Cash flows from financing activities		
Principal lease liability payments	(1 677.0)	(1 487.4)
Borrowings raised	7 540.3	12 760.0
Repayment of borrowings	(5 144.1)	(13 150.0)
Share purchases	–	(87.6)
Proceeds from employees on settlement of share awards	–	0.7
Cash generated from/(utilised in) financing activities	719.2	(1 964.3)
Net increase in cash and cash equivalents	3 566.3	195.4
Net cash and cash equivalents at beginning of period	(102.7)	(296.8)
Foreign currency translations	0.1	(1.3)
Net cash and cash equivalents at end of period	3 463.7	(102.7)
Consisting of:		
Cash and cash equivalents	5 415.1	1 947.3
Overnight borrowings	(1 951.4)	(2 050.0)

Share-based payment expense
The increase in the Group's share-based expense reflects the reversal of material share-based payments costs in FY20 in respect of the forfeit of executive share awards in the prior year, and the award of executive share incentives in the current year to incentivise performance, alongside the acceleration of certain awards on the retirement of key executives. Refer to pages 112 and 113.

Rent concessions
The Group received rent concessions from landlords in respect of its clothing and liquor stores that were closed as a result of trading prohibitions and restrictions during the Covid-19 lockdown. A portion of these concessions were passed on to franchisees and other third-party tenants as appropriate.

Cash generated before movements in working capital
The Group generated R6.1 billion from operations this year, in line with last year, notwithstanding the impact of the Covid-19 pandemic on Group sales and earnings. The Group remains highly cash generative, generating R2.0 billion in free cash flow this year, before the payment of dividends of R0.9 billion to shareholders.

Movements in working capital
The improved working capital contribution is largely attributable to R0.6 billion of timing benefits related to supplier payments made ahead of financial year-end last year.

Capital investment
The Group invested R1.6 billion in capital projects this year, with more than half of the spend directed to new stores.

Loans repaid
The Group reduced its financial assistance to employees this year, with the stringent management of responsible lending requirements. Refer to page 101.

Borrowings raised and repaid
The Group took advantage of the low interest rate environment to term out shorter-dated overnight and three-month debt into six-month and 12-month funding, reducing the frequency of the advance and repayment of funding.

ADDITIONAL FINANCIAL INFORMATION

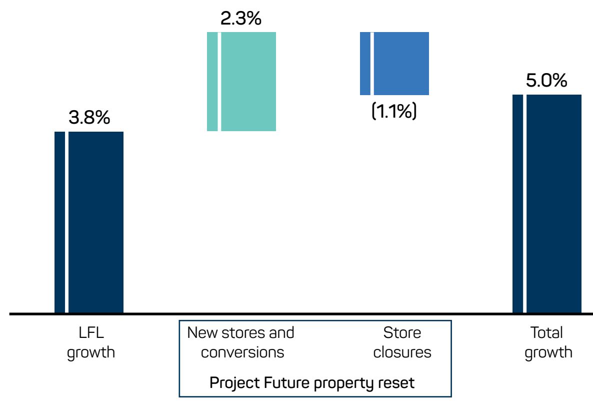
Detailed analysis of sales growth

SALES GROWTH %	H1 FY21	H2 FY21	FY21
Group	**2.6**	**6.0**	**4.3**
Like-for-like	1.0	5.0	3.1
Group constant currency	**2.8**	**6.4**	**4.6**
South Africa:			
Total	**3.4**	**6.8**	**5.0**
Like-for-like	1.7	5.9	3.8
Core food & grocery	**9.9**	**10.1**	**10.0**
Like-for-like	7.6	9.3	8.4
Clothing	**(4.2)**	**6.7**	**1.3**
Liquor & tobacco	**(47.5)**	**(17.3)**	**(31.0)**

- Group sales up 4.3% year-on-year (LFL 3.1%)
- Group sales up 4.6% excluding local currency weakness in Rest of Africa
- SA sales up 5.0% (LFL 3.8%)
- Market-leading growth in core food and grocery – increasing from 9.9% in H1 to 10.1% in H2 at a time when the more discretionary areas of the consumer economy were opening up
- Clothing sales severely impacted by trading restrictions under Level 5 and Level 4 lockdown – but strong market share gains in key categories, including ladieswear and childrenswear
- Liquor and tobacco significantly affected by government trading restrictions, with prohibitions and reduced trading hours for all but three weeks of the financial year

- Investment in 112 new stores across all formats
  - continued strong new store pipeline
  - impact of Covid-19 delays offset by conversion programme
  - focused investment in value end of the market
  - smaller, community-based convenience stores
- Flexibility of estate driving investment returns
  - 28 Boxer and 21 Pick n Pay new owned supermarkets
  - supported by conversion of 34 franchise stores (22 supermarkets) to owned Pick n Pay and Boxer stores
  - targeted action to improve quality of estate with 43 closures
- Strong franchise partners
  - 43 new franchise stores over the year
  - franchise estate now at 761 stores
  - plans to open 40 more stores in FY22

SA sales growth analysis



Reconciling EPS to comparable HEPS

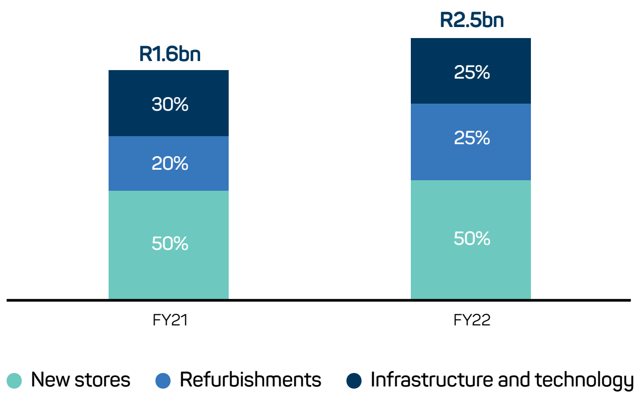
CENTS PER SHARE	FY21	FY20	% change
EPS	**202.52**	**250.90**	**(19.3)**
Capital items	26.79	41.00	
HEPS	**229.31**	**291.90**	**(21.4)**
Hyperinflation net monetary adjustments	6.11	(9.08)	
Comparable HEPS	**235.42**	**282.82**	**(16.8)**
Once-off compensation costs	30.16	–	
Comparable HEPS, excl. once-off compensation costs	**265.58**	**282.82**	**(6.1)**

- Reported EPS includes the impact of hyperinflation in Zimbabwe and all items of a capital nature
- Reported HEPS, excludes all capital items, but specifically includes hyperinflation net monetary adjustments in Zimbabwe
- Comparable HEPS excludes a R29.2m non-cash hyperinflation net monetary loss recognised in Zimbabwe over the period (FY20: R43.2m gain)
- Comparable HEPS, excluding the R200m once-off cost (R144m net of tax) of the Group's staff severance programmes, is down 6.1% year-on-year
- Additional Covid-19 related costs of R200m have not been removed from comparable HEPS when assessing underlying performance, as a portion of these operating costs are expected to persist as a result of the Group's strengthened health, safety and security protocols

FY22 Capital commitments

- R1.6bn of capital investments in FY21
  - 50% targeted at new stores
- Investment in broad multi-format proposition during FY21
  - 55 new supermarkets
  - 22 new clothing stores
  - 47 new liquor stores
  - on-demand grocery acquisition
- Strong store pipeline, with 130 owned and franchise stores planned for FY22, including
  - 20 Pick n Pay supermarkets
  - 25 Boxer supermarkets
  - 30 clothing stores and 40 liquor stores
- Further investment in centralised supply chain
- Digitisation
  - ongoing investment in modern and flexible systems infrastructure
  - driving business efficiency and customer innovation
  - expanding the online contribution

Capital investment focused on growth



FIVE-YEAR REVIEW

		FY21	FY20	FY19	FY18	FY17
Performance measures						
Comparable turnover growth	%	**4.3**	4.7	7.1	5.1	7.0
Gross profit margin	%	**19.8**	19.7	19.1	19.0	18.9
Other trading income margin	%	**1.7**	1.8	1.7	1.8	1.7
Trading expenses margin*	%	**18.6**	17.9	17.5	17.2	17.4
Comparable PBT growth	%	**(16.5)****	6.8**	12.3	1.9***	26.2
Comparable PBT growth – excluding once-off compensation costs in FY21	%	**(6.0)**	6.8	12.3	1.9	26.2
Comparable PBT margin – excluding once-off compensation costs in FY21	%	**1.9****	2.1**	2.1	2.0	2.0
Profit before tax growth	%	**(18.9)**	(2.6)	4.4	13.3	37.6
EBITDA (before capital items) growth*	%	**(3.3)**	5.5	14.5	16.5	21.1
Headline earnings growth*	%	**(21.2)**	3.2	6.2	12.0	42.6
Headline earnings per share (HEPS)*	cents	**229.3**	291.9	283.6	267.8	234.8
HEPS growth*	%	**(21.4)**	2.9	5.9	14.1	41.6
Comparable HEPS	cents	**235.4****	282.8**	283.6	245.5	234.8
Comparable HEPS growth	%	**(16.8)**	(0.3)	15.5	4.6	25.4
Comparable HEPS – excluding once-off compensation costs in FY21	cents	**265.6**	282.8	283.6	245.5	234.8
Comparable HEPS growth – excluding once-off compensation growth in FY21	%	**(6.1)**	(0.3)	15.5	4.6	25.4
Return on capital employed (ROCE)*	%	**35.2#**	44.6	44.1	38.8	36.5
Net asset value per share	cents	**769.9**	776.2	786.7	738.1	698.3
WACC	%	**10.3**	12.0	12.4	12.0	13.1
Consolidated statement of comprehensive income						
Turnover	Rm	**93 078.8**	89 281.5	86 271.2	80 523.5	76 596.3
Comparable turnover	Rm	**93 078.8**	89 186.5	85 190.8	79 616.4	75 753.7
Other trading income	Rm	**1 580.9**	1 570.2	1 474.8	1 451.1	1 301.0
Trading expenses*	Rm	**17 294.8**	15 997.4	15 058.9	13 875.9	13 346.9
Profit before tax	Rm	**1 408.3**	1 736.0	1 781.8	1 707.1	1 506.1
Comparable PBT	Rm	**1 583.4****	1 897.2**	1 776.1	1 581.2	1 552.4
Comparable PBT – excluding once-off compensation costs in FY21	Rm	**1 783.4**	1 897.2	1 776.1	1 581.2	1 552.4
Profit for the period	Rm	**967.1**	1 194.7	1 349.7	1 252.8	1 100.9
Comparable profit for the period	Rm	**996.3****	1 151.5**	1 349.7	1 252.8	1 100.9
EBITDA (before capital items)*	Rm	**5 929.2**	6 128.5	5 807.6	5 072.6	4 352.8
Headline earnings*	Rm	**1 095.0**	1 389.9	1 347.4	1 268.6	1 132.2
Comparable headline earnings	Rm	**1 124.2****	1 346.7**	1 347.4	1 162.8	1 132.2
Consolidated statement of financial position						
Assets	Rm	**37 816.5**	33 505.3	32 107.7	30 880.1	27 488.5
Ordinary shareholders' equity	Rm	**3 386.2**	3 010.1	3 035.0	2 940.1	2 798.3
Liabilities	Rm	**34 430.3**	30 495.2	29 072.7	27 940.0	24 690.3

* *Headline earnings and headline earnings per share (HEPS) have been restated to reflect the adoption of SAICA Circular 1/2019: Headline Earnings, related to IFRS 16 Leases. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. As a result, gains or losses on the partial or full termination of leases have been reclassified from capital items to trading expenses on the statement of comprehensive income. The capital items section now solely reflects remeasurements as defined by the circular.*

** *Comparable PBT, and comparable profit for the period, excludes the impact of hyperinflation accounting recognised in respect of the Group's investment in associate.*

*** *Reflects the impact of the voluntary severance programme undertaken in the 2018 financial year.*

\# *Excluding once-off compensation costs in respect of staff severance programmes undertaken in FY21, comparable return on capital employed for FY21 is 40%.*

		FY21	FY20	FY19	FY18	FY17
Stock exchange (JSE Limited) performance						
Number of shares in issue	millions	**493.5**	493.5	493.5	488.5	488.5
Weighted average number of shares in issue	millions	**477.5**	476.2	475.1	473.7	482.2
Total market capitalisation	Rbn	**25.5**	27.3	34.1	36.3	34.0
Market capitalisation net of treasury shares	Rbn	**24.7**	26.4	32.9	35.3	32.9
Price:earnings ratio	times	**21.9**	19.5	24.4	30.3	29.7
Dividend per share	cents	**179.7**	215.9	231.1	188.8	176.3
Interim dividend per share	cents	**18.7**	42.8	39.1	33.4	29.9
Final dividend per share	cents	**161.0**	173.1@	192.0	155.4	146.4
Comparable dividend cover	times	**1.3**	1.3	1.3	1.3	1.3
Dividend yield	%	**3.5**	3.9	3.3	2.5	2.5
Volume of shares traded	millions	**261.6**	275.8	362.8	360.1	345.7
Percentage of shares traded	%	**53.0**	55.9	73.5	73.7	70.8
Market price per share						
– close at year-end	cents	**5 167**	5 524	6 913	7 428	6 969
– high for the year	cents	**6 778**	7 412	8 209	7 606	8 424
– low for the year	cents	**4 515**	5 155	6 228	5 460	5 525

@ *During the prior period, as a result of economic upheaval from the COVID-19 pandemic, the Board decided that it would be prudent not to declare a dividend at the end of the 2020 financial year, but rather to preserve cash. During October 2020, once the full impact of the COVID-19 pandemic was reasonably known, the Board declared a final dividend of 173.1 cents per share relating to the 2020 financial year.*

Definitions

Exceptional items	Exceptional items are determined by the remuneration committee and are non-recurring items of an exceptional size and nature.
Comparable turnover	Presented on a comparable basis, now excluding turnover earned from the sale of airtime, data and related purchases on a principal basis.
Comparable profit before tax (PBT)	Profit for the period, before tax and before capital items, and before exceptional items.
EBITDA	Comparable profit for the period, before net interest, tax, depreciation, amortisation and capital items.
Headline earnings	Net profit for the period adjusted for the after tax effect of certain capital items.
Headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of shares in issue for the period.
Comparable headline earnings	Headline earnings before exceptional items and its related tax effect.
Comparable HEPS	HEPS before exceptional items and its related tax effect.
Return on capital employed (ROCE)	Comparable 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)	WACC is the average after tax cost of the Group's debt funding (excluding IFRS 16 leases), which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.
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 comparable headline earnings per share.
Comparable dividend cover	Comparable headline earnings per share divided by the dividends per share which 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.

		FY21	FY20	FY19	FY18	FY17
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000's	**55.2**	54.9	53.6	51.9	54.4
Permanent employee turnover	%	**15.0**	17.0	17.4	24.9	19.9
Employment Equity**						
Top management	%	**49.7**	48.5	44.0	40.9	35.0
Senior management	%	**79.1**	76.8	74.2	71.3	63.0
Professionally qualified middle management	%	**95.3**	93.8	93.5	92.8	87.0
Skilled technical and junior management	%	**98.4**	98.2	98.0	97.8	97.0
Semi-skilled and discretionary decision-making	%	**99.9**	99.8	99.8	99.8	99.8
Unskilled and defined decision-making	%	**99.8**	99.8	99.7	99.7	99.6
SOCIAL AND ENVIRONMENTAL MEASURES						
Carbon footprint (Scope 1 and 2)#	CO_2e tonnes	**934 164.9**	987 229.8	827 663.4	860 947.9	843 232.9
Energy usage per square metre reduction (2008 baseline)*	%	**43.6**	37.4	36.9	37.0	34.1
CO_2e emissions per square metre reduction (2013 baseline)*	%	**7.6**	1.9	3.7	2.5	3.5
Waste diverted from landfill*	%	**61.0**	60.0	53.5	54.3	48.4
Water used*	megalitres	**1 006**	1 117	1 128	1 161	1 332
Total CSI spend#	Rm	**41.3**	34.0	34.1	30.5	38.7
Schools in Pick n Pay Schools club#		**3 155**	3 025	3 025	3 025	3 025
BBBEE Level***		**Level 7**	Level 7	Level 8	Level 8	Level 8
OPERATIONAL STATISTICS						
Total number of stores		**1 994**	1 925	1 795	1 685	1 560
Group – excluding associate		**1 933**	1 866	1 738	1 628	1 504
Pick n Pay – Owned		**830**	794	749	722	661
Pick n Pay – Franchise		**761**	774	719	660	614
Boxer – Owned		**342**	298	270	246	229
Associate						
TM Supermarkets		**61**	59	57	57	56
Total square metres	m² – millions	**2.7**	2.6	2.6	2.5	2.4
Owned	m² – millions	**1.9**	1.8	1.8	1.8	1.7
Franchise	m² – millions	**0.8**	0.8	0.8	0.7	0.7

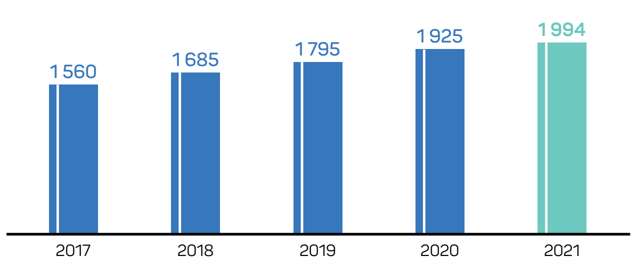
* *Information relates to our South African Pick n Pay owned stores only.*

** *These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories.*

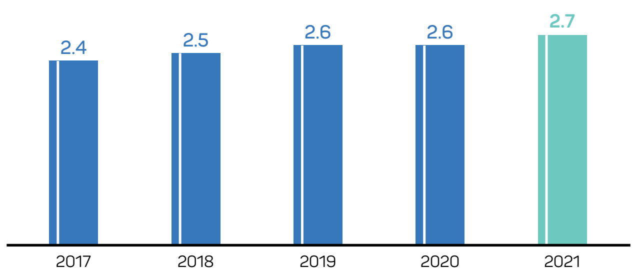
*** *Valid until end June 2021. Updated verification currently underway.*

Information relates to our South African Pick n Pay and Boxer owned stores.

Number of stores



Square metres – m² million



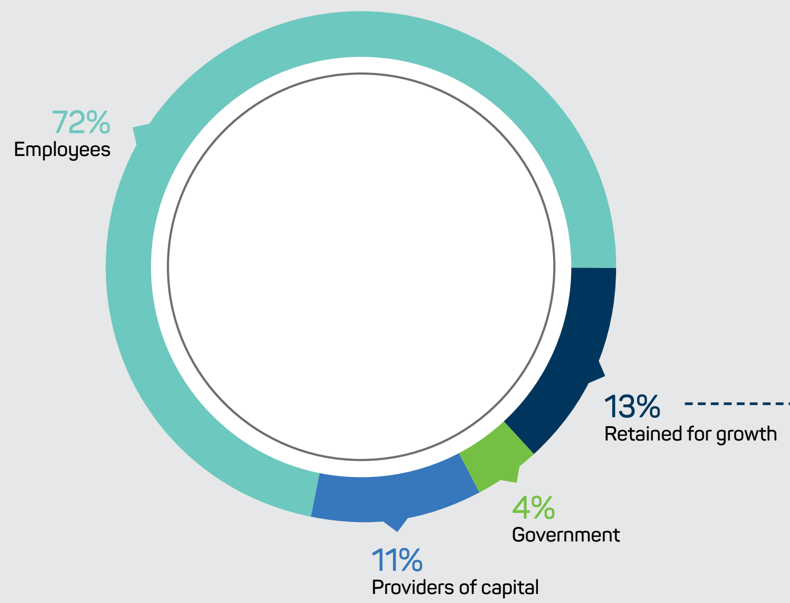
The modernisation of the Group's store estate reflects the global retail trend of convenience. Our new Pick n Pay Supermarkets are, on average, 30% smaller than the equivalent store five years ago, and we are accelerating the roll-out of our smaller Boxer and Pick n Pay Express and Market stores, meeting our customer needs for local convenience.

VALUE-ADDED STATEMENT

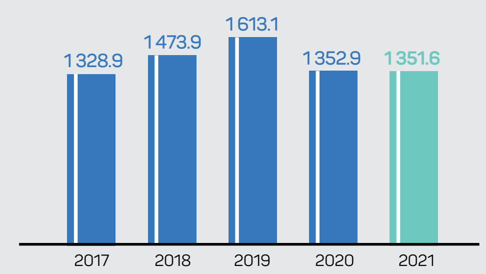
The Group has created financial value of R11.0 billion (2020: R10.9 billion) during the financial period. The value-added statement illustrates how we have distributed this value to our stakeholders.

	52 weeks to 28 February 2021 Rm
Turnover	93 078.8
Other income	1 580.9
Amounts paid for merchandise and expenses	(83 917.3)
Finance income*	240.4
Total value created	10 982.8
Distributed as follows:	
Employees	
Salaries, wages and other benefits	7 959.0
To providers of capital	1 231.0
Distributions to shareholders	934.7
Finance costs*	296.3
Government	
Taxation expense	441.2
Retained for growth	1 351.6
Total value distributed	10 982.8

* *Excluding implied finance income and finance costs in respect of IFRS 16 Leases.*



Retained for growth – Rm



06 OUR GOVERNANCE

AN OVERVIEW BY OUR LEAD INDEPENDENT DIRECTOR

"The Board is satisfied that it has fulfilled its responsibilities in accordance with its corporate governance charter, King IV, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for the financial period ended 28 February 2021."

Jeff van Rooyen

The Board ultimately endorses and accepts responsibility for achieving the values that underpin good governance, as advocated by King IV. These include integrity, competence, fairness, responsibility, transparency and accountability.

Our approach to corporate governance

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over 54 years. The Board of directors (Board) provides effective and ethical leadership and is committed to a governance framework that is built on the principles of honesty, integrity and accountability.

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. 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 our values of integrity, competence, fairness, responsibility, transparency and accountability, as captured by our enduring values set out on page 3.

The Board is elected by shareholders and accepts overall accountability for the Group's performance, and in ensuring that the business is adequately positioned to create sustainable value over the long term for all stakeholders, taking into account the material issues, risks and opportunities of the Group. 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 strategy, and with reference to the effective management of our capitals and the balanced and appropriate management of stakeholder needs.

Impact of Covid-19

In the 2021 financial period, efforts to curb the spread of the Covid-19 global pandemic led to significant impacts on people and economies. On 15 March 2020, a National State of Disaster was declared in South Africa, with a nationwide lockdown imposed from 27 March 2020. Countries in which the Group operates in the rest of Africa implemented similar measures. As an essential service provider, the Group remains proud to support consumers with vital access to essential consumer goods. The regulatory environment in which businesses operated evolved continually as governments grappled with the best means of enforcing social distancing and other measures to protect against the spread of the pandemic. The advantage of the Group's established corporate governance policies became increasingly clear in the context of the lockdown as the business implemented the various regulatory measures governing operations while ensuring that our customers had access to quality products at fair prices in a safe store environment.

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

Ethical culture

An ethical culture builds support structures that underpin our core purpose, values and strategy.

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

- The Board conducted its annual review of the corporate governance charter, ensuring it was updated to align with best practice.
- The Board conducted its annual review of the Group's Code of Ethics, which outlines the key behaviours and actions expected by employees, suppliers and business partners. A Group-wide ethics communications campaign continues, with different illustrations of ethical behaviour being communicated to employees every month.
- The Board oversaw the Group's response to the State of Disaster declared as a result of the Covid-19 pandemic:
  - The Group worked tirelessly with suppliers and staff to ensure that its stores remained open to provide essential products to consumers and a safe environment for staff and customers
  - The Group established the Feed the Nation Foundation to assist in poverty alleviation
  - The Group actively monitored the implementation of its policy of not seeking to profit from unjustifiable increases in prices of goods in demand
  - The Group has offered to do whatever it can to assist in the efficient distribution of the Covid-19 vaccine when it becomes available

Effective control

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

- Areas of governance are delegated to the Board's various committees. Read more from page 90.
- The Board's delegation of authority within its governance framework contributes to role clarity and the effective exercise of responsibilities across the Board's various committees and within the broader business. Read more from page 89.
- The Group's corporate 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 mandate of the Chief Executive Officer (CEO) was reviewed and found to be up-to-date and relevant, in light of the transition in leadership from Richard Brasher to Pieter Boone.
- 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. Read more from page 92.

Legitimacy

The Board retains overall responsibility for the concept of integrated thinking encapsulated in King IV, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

- The Board ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its longer-term prospects.
- As part of its succession planning strategy and to enable a seamless transition in key leadership roles, the Board, in collaboration with the nominations committee:
  - Worked on the succession planning, oversaw the selection process and the transition to the recently appointed CEO of the Group, Pieter Boone, following the retirement of Richard Brasher after the close of the 2021 financial period
  - Continued to review and work on the succession planning for the senior executive positions in the Group
  - Ensured that the independent non-executive directors appointed in 2020, Haroon Bhorat, Mariam Cassim and Annamarie van der Merwe were inducted and effectively incorporated into Board debates and contributed to the Group's value creation, with the Board welcoming their fresh perspectives and relevant strategic input
  - Adjusted committee membership to ensure that all directors contributed in accordance with their strengths and diverse experience
- 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 the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the boards of the various companies in the Group.

Good performance

There are well-entrenched structures within the Group to ensure that proper assurance and oversight are given to strategic and operational performance. The Board undertook a number of discussions during the year related to strategy, performance, governance and risk management. The details of material issues under discussion by the Board, as well as the decisions and actions arising, are set out in more detail in this overview.

OUR GOVERNANCE STRUCTURE

The Board is confident that the Group's governance framework, supported by its Board committees and related administrative structures and compliance processes, contributes 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 the Board 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. In the 2021 financial period, the Board approved the separation of the risk and the internal audit services, that previously had been provided by one department. With effect from the 2022 financial period, the Board decided to combine the nominations committee with the corporate governance committee, given the alignment between identifying appropriate directors and ensuring 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.

Board committees

The Board is supported by the executive, audit, risk and compliance, remuneration, nominations and corporate governance, corporate finance, and social and ethics 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 on our website at www.picknpayinvestor.co.za. The charter is reviewed annually to ensure that the committee mandates remain current and effective and that the requirements of King IV are met. Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority.

Pick n Pay Stores Limited Board

Attendance

- Five Board meetings were held during the 2021 financial period
- Directors' attendance was 100%.
- All directors attended the annual general meeting held on 4 August 2020

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

In addition to the scheduled four Board meetings, an additional Board meeting was called in April 2020 to discuss the Group's response to the Covid-19 pandemic.

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

Jeff van Rooyen, lead independent director

Audit, risk and compliance committee

Members and attendance

J van Rooyen (Chair)Δ	2/2
M CassimΔ#	1/1
D FriedlandΔ	2/2
H HermanΔ*	2/2
A MothupiΔ	2/2

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 and acts as a liaison between the Board and external and internal auditors.

Mariam Cassim was appointed to the committee at the 2020 annual general meeting. Hugh Herman retired from the committee at the close of the 2021 financial period on 28 February 2021. Haroon Bhorat was appointed to the committee with effect from 1 March 2021 and will be presented to shareholders for election at the 2021 annual general meeting.

Read from page 33 for more detail of the role this committee plays in determining the material issues faced by the Group and in assessing the adequacy of the Group's risk management processes.

Corporate finance committee

Members and attendance

J van Rooyen (Chair)Δ	✓
H BhoratΔ	✓
M CassimΔ	✓
D FriedlandΔ	✓
H HermanΔ	✓
A MothupiΔ	✓
A van der MerweΔ	✓

The committee consists of all independent non-executive directors. It assists the Board in assessing material investment opportunities for the Group, as identified in Stage 2 of the Group's long-term strategy. No formal meetings were held in the 2021 financial period.

Read from page 49 for more detail on the Group's strategic focus.

Remuneration committee

Members and attendance

A Mothupi (Chair)Δ	5/5
G Ackerman^	5/5
H BhoratΔ#	1/1
H HermanΔ*	5/5
A Jakoet^	5/5
J van RooyenΔ	5/5

The remuneration 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.

Audrey Mothupi was appointed as Chair of the remuneration committee on 1 March 2021. Hugh Herman was Chair during the 2021 financial period and resigned from the committee on 28 February 2021. Haroon Bhorat was appointed to the committee in August 2020.

Read more in our remuneration report from page 99.

Social and ethics committee

Members and attendance

S Ackerman-Berman (Chair)	3/3
A Jakoet^	3/3
D Robins^	3/3
A van der MerweΔ	3/3

The committee, supported by key management personnel, is tasked with ensuring that the Group's enduring values as set out on page 3 underpin the Group's long-term strategy and are applied daily in all areas of the business, and that our sustainability strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business (refer to page 57 for more information).

Nominations and corporate governance committee

Members and attendance

G Ackerman (Chair)^	1/1
S Ackerman-Berman	1/1
H Bhorat Δ	1/1
D FriedlandΔ	1/1
A MothupiΔ	1/1
A van der MerweΔ	1/1
J van RooyenΔ	1/1

The nominations committee held frequent ad hoc meetings with all the non-executive directors during the financial period to discuss and guide the CEO succession plans, as well as committee membership.

In October 2020, the Board combined the nominations committee with the corporate governance committee, and the inaugural meeting of the combined committee was held in February 2021.

The combined committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board and its committees, and ensuring 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.

Executive committee

Members and attendance

R Brasher*
L Olivier
P Boone*
R van Rensburg#

The executive committee is tasked with implementing the strategy of the Board. It serves as the Chief Operating Decision Maker (CODM) of the Group, managing the day to day operations of the Group, to ensure sustainable value creation for all stakeholders. The executive committee meets regularly.

Richard van Rensburg (CISO) retired end March 2021. His position on the executive committee and the Board will not be filled.

* *Richard Brasher (CEO) retired end April 2021. His successor, Pieter Boone, joined the executive committee in January 2021.*

Employee share incentive trust

Members and attendance

G Ackerman (Chair)^	2/2
H HermanΔ*	2/2
A Jakoet^	2/2
A MothupiΔ	2/2
J van RooyenΔ	2/2

The Group's employee share incentive schemes remain a key part of the Group's remuneration philosophy, aiming to align the interests of employees with shareholders and to ensure that employees share in the stakeholder value that they help to create.

The trustees ensure that the employee share incentive schemes are managed in a responsible and appropriate manner, with fair, market-related rewards aimed at attracting and retaining skilled employees who will deliver the objectives of the Group's long-term strategy.

Hugh Herman retired from the trust at the close of the 2021 financial period on 28 February 2021.

✓ *Available for all ad hoc meetings.*
\# *Appointed to committee during the year.*
^ *Non-executive director.*
Δ *Independent non-executive director.*
* *Resigned from committee at end of financial period.*

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, legal and regulatory knowledge to the Board, and add value through wisdom and practical business acumen.

February 2021

7	+	3	+	5	=	15
Independent non-executive directors		Non-executive directors (including our Chair)		Executive directors		**Directors at the end of the 2020 financial period**

May 2021

7	+	3	+	4	=	14
Independent non-executive directors		Non-executive directors (including our Chair)		Executive directors		**Directors as 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. Read more from page 96.

Gareth Ackerman and David Robins are not considered independent owing to their relationship with the controlling shareholder. Aboubakar (Bakar) Jakoet is not considered independent as he was an executive director until his retirement as Chief Finance Officer (CFO) during the 2019 financial period. As our Chair is not considered independent, Jeff van Rooyen was appointed as lead independent director. Read more under "Controlling shareholder representation on the Board" overleaf.

The executive committee (refer to page 90 for further information) performs the CODM role within the Group. With the retirement of Richard van Rensburg (CISO) on 31 March 2021, and Richard Brasher (CEO) on 21 April 2021, the CODM now comprises Pieter Boone (CEO) and Lerena Olivier (CFO). They are tasked with the day-to-day executive management of the Group including the CISO portfolio. Suzanne Ackerman-Berman and Jonathan Ackerman perform valuable ancillary executive roles alongside the executive committee, focused on corporate social investment, transformation and customer relations.

The Board is satisfied that during the 2021 financial period its balanced composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence.

The Board announced that:

- Richard van Rensburg retired from the Board as an executive director end March 2021
- Richard Brasher retired from the Board as an executive director end April 2021
- Pieter Boone was appointed to the Board as an executive director in April 2021 and will be presented to shareholders for election at the 2021 annual general meeting

Our directors' sector experience

A competitive advantage for the Board

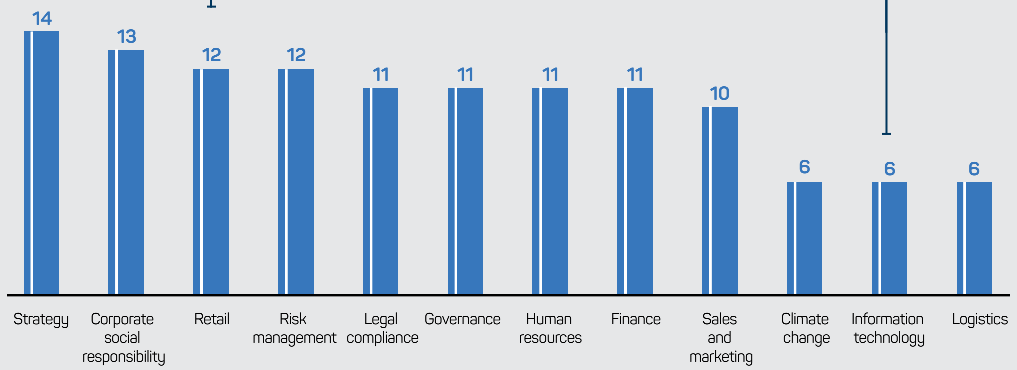
The Board has broad local and international retail experience. We see this as a strong competitive advantage and a unique strength.

Board development focus areas for the 2022 financial period

- Risk management in general, with a specific focus on cyber security
- The effectiveness of information technology particularly in effectively serving customers
- ESG reporting

These focus areas are multi-faceted aspects of our business that could have a broad impact on our operational performance and our ability to create sustainable value over the longer term.

The Board will continue to build its proficiency in these areas, supported by a skilled management team. The Board believes it has sufficient expertise in specialised information technology and will continue to closely monitor climate change and supply chain logistics.



The graph indicates the number of directors on the Board who possess the relevant sector experience. All directors receive regular briefings on changes in the Group's consumer and competitive environment, including relevant updates on regulatory compliance, which focus on the material opportunities and risks facing the Group that could impact on successful execution of the Group's long-term plan.

Controlling shareholder representation on the Board

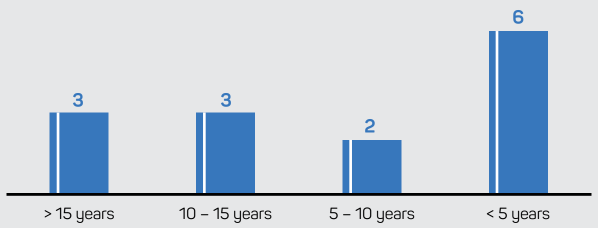
The non-executive Chair of the Group, Gareth Ackerman; non-executive director, David Robins; and two executive directors, Suzanne Ackerman-Berman and Jonathan Ackerman, were nominated as representatives of the controlling shareholder and were elected by shareholders to the Board. All are members of the Ackerman family, and are not considered independent by virtue of their indirect shareholdings in the Company. Between them they have over 92 years' experience in the Group. Their wealth of retail knowledge assists the Group in making decisions for the benefit of all stakeholders.

To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as lead independent director (LID). The role of the LID is to provide leadership and advice to the Board when the Chair has a conflict of interest, without detracting from the authority of the Chair. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest. Jeff van Rooyen was appointed as LID on 2 March 2020.

Non-executive director tenure

King IV does not consider the length of a non-executive director's term in office as a determinant of independence. However, the Group's policy remains that all independent non-executive directors who have served on the Board for more than nine years retire by rotation at the end of every year, instead of the standard three-year term of office.

Board director tenure



The Board has established a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors. Our long-standing non-executive directors are highly respected in the industry and corporate South Africa. They provide the Board with valuable insight and perspective across the South African economic environment, and more particularly across the retail, property and financial sectors. We believe our longer-serving directors continue to act with objectivity and integrity. The Board is strengthened by the depth of their experience and their commitment to robust and meaningful debate.

The Board assesses its composition and its performance on an annual basis, and where it is felt that the Board needs to increase its independence, skill and experience in any way, the appropriate changes are made.

Director appointment and rotation

At least a third of non-executive directors resign at each annual general meeting, including long-serving directors who serve one-year terms.

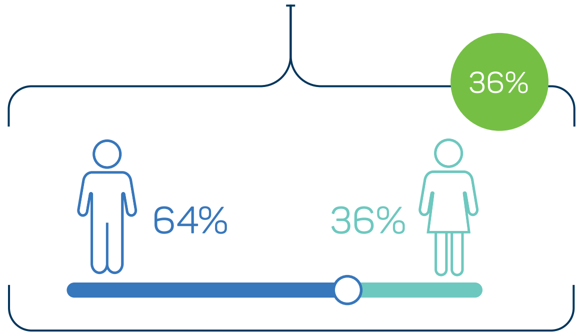
This enables shareholders to hold directors to account and to appoint directors to the Board who shareholders believe will ensure long-term sustainable value creation for all stakeholders.

Long-serving independent non-executive directors Hugh Herman and Jeff van Rooyen have indicated their intention to retire from the Board at the 2022 annual general meeting. While the Board will miss their wisdom and experience, succession planning has ensured that, following recent appointments to the Board, there will remain sufficient capacity to fulfil all Board functions, including that of the LID.

When filling vacancies, the Board seeks and appoints qualified individuals who reflect a diverse range of skills and professional backgrounds and who represent the gender, race and ethnic diversity of the communities we serve. This is guided by the Group's diversity policies, as well as ensuring that the Board enjoys representation across all elements of sector experience.

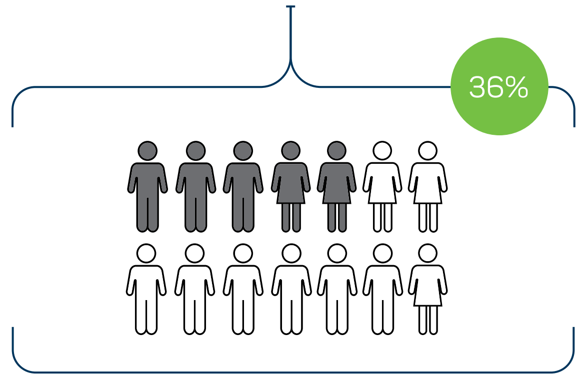
Gender diversity – %

At least 25% of our Board should comprise women.



Racial diversity – %

At least 25% of our Board should comprise South African citizens who are African, coloured or Indian.



The Board has achieved its gender and race diversity targets. Consideration will be given to raising the diversity percentages in the coming year.

Independence of non-executive directors

At the end of each term of office, whether one year or three years, the independent non-executive directors and the Chair jointly evaluate directors' independence.

1 year

3 years

The Company Secretary distributes an annual questionnaire, which gauges the independence of each non-executive director.

The questionnaire is completed by each non-executive director and submitted to the Chair for consideration.

We consider factors such as:

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

Following a discussion between the Chair and each director, the Chair reports to the nominations and corporate governance committee as to independence.

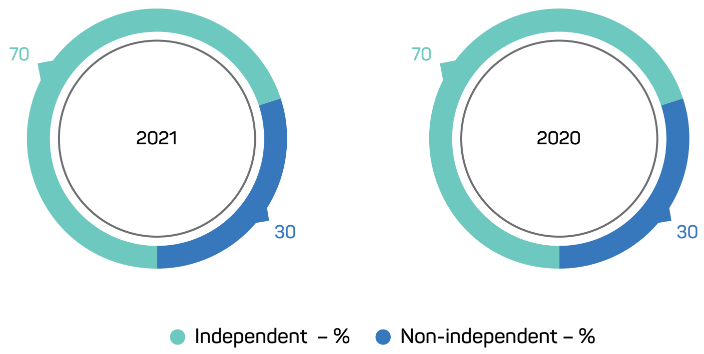
The committee interrogates the Chair's report before making a recommendation to the Board for a final decision regarding the independence of each non-executive director.

By mutual consent the director may be considered for re-election.

If so agreed, that director will be nominated for re-election by shareholders at the Company's annual general meeting.

Non-executive directors

All directors regularly declare their directorships and commercial interests to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with his or her capacity to act in an independent manner.



What the Board focused on during the year

The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that the strength of its strategy, the identification of material issues, the effectiveness of its risk management, its commitment to social and environmental sustainability and its 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 of the Group. For detail on Board reaction to some shareholder concerns, please read from page 101. All Board members are conscious of their obligation to act with integrity and as representatives of all our stakeholders.

The Board supports the materiality approach, which emphasises integrated reporting based on the issues, risks and opportunities that can have a material impact on the sustainable performance of the Group over the short, medium and longer term. It ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance and longer prospects.

Please refer to the message from our Chair on page 7 and our Corporate Governance Report for further information on the Board's key focus areas this year.

OUR BOARD OF DIRECTORS

Non-Executive Chair

Gareth Ackerman (63)
Chair
BSocSci, CMS and AMP (Oxon)

- Appointed 1990
- Years of service to the Group: 37
- Years of service on the Board: 31
- Chair of the nominations and corporate governance committee and the Employee Share Incentive Trust

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. He 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.

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

Executive directors

Pieter Boone (53)
Chief Executive Officer (CEO)
BBA

- Appointed 2021

A Dutch national, Pieter became CEO of the Pick n Pay 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 Pick n Pay 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.

C SM G H L IT R LC F RM S

Lerena Olivier (45)
Chief Finance Officer (CFO)
CA(SA)

- Appointed September 2019
- Years of service to the Group: 10

Lerena joined the Group ten years ago, taking responsibility for financial reporting and the finance team in the Pick n Pay Group finance division. During her 19 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise in finance, risk management, strategy, accounting and tax.

C R H F LC S RM IT G

Suzanne Ackerman-Berman (58)
Executive Director
BA, Fellow: Aspen Business Institute; First Movers

- Appointed 2010
- Years of service to the Group: 26
- Years of service on the Board: 11
- Chair of the social and ethics committee

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 is active in many areas of philanthropy across different sectors of society. In particular, she is a passionate proponent of enterprise development. She formed the Feed the Nation Foundation in response to the Covid-19 pandemic, is chair of the Ackerman Pick n Pay Foundation and heads the Pick n Pay Enterprise Development Division. Suzanne is a trustee of the SMILE Foundation.

C SM CC R H S

Jonathan Ackerman (54)
Executive Director
BA Marketing

- Appointed 2010
- Years of service to the Group: 28
- Years of service on the Board: 11

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

C SM CC R H S L

Non-executive directors

David Robins (67)
BBusSci

- Appointed 2002
- Years of service to the Group: 27
- Years of service on the Board: 19

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.

C R RM F SM S G

Aboubakar (Bakar) Jakoet (65)
CA(SA)

- Appointed 2019 as a non-executive director
- Years of service on the Board as non-executive director: 1
- Other listed company directorships: Oceana Group Limited

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.

C G H L IT R LC F RM S SM

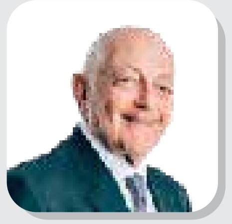
Independent non-executive directors

David Friedland (67)
CA(SA)

- Appointed 2013
- Years of service on the Board: 8
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

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.

C G LC R RM F H S SM



Hugh Herman (80)
BA LLB, LLD (hc)

- Appointed 1976
- Years of service on the Board: 45

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining the Group in 1976. He was managing director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chair of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh remains chair of Ninety One Africa (previously Investec Asset Management Limited).

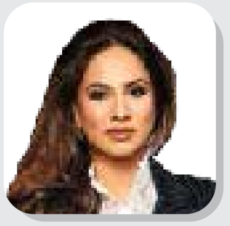
LC R RM F SM S G

Audrey Mothupi (51)
BA (Hons)

- Appointed 2013
- Years of service on the Board: 8
- Other listed company directorships: Life Healthcare Group, Altona plc (listed on the Aquis Stock Exchange)

Audrey is the CEO of SystemicLogic Group, a global financial innovation, data and technology disruptor, specialising in emergent business models. Audrey's extensive knowledge of the African and global markets 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. She is the Chair of Roedean School (SA) and was Chair of Orange Babies of South Africa. Audrey also sits 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, a member of the International Women's Forum and has been named one of Africa's 1 000 most powerful women.

C RM CC SM H G IT R LC S



Mariam Cassim (39)
CA(SA), MBA

- Appointed 2020
- Years of service on the Board: 1

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, which 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.

C SM CC L IT R LC F RM S

Independent non-executive directors (continued)

Haroon Bhorat (52)
PhD in Economics

- Appointed 2020
- Years of service on the Board: 1
- Other listed company directorships: Sygnia Asset Management (independent non-executive Chair)

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 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 was a member of the World Bank's Advisory Board of the Commission on Global Poverty and is a member of the Programme Committee of the 2021 International Economic Association World Congress. 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.

C F CC S LC H RM L G

Jeff van Rooyen (71)
BCom (SA), Hons BCompt, CA(SA)

- Appointed 2007
- Years of service on the Board: 14
- Lead independent director (LID)
- Chair of the audit, risk and compliance committee and corporate finance committee
- Other listed company directorships: Exxaro Resources Limited (independent non-executive Chair)

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 at the AGM held in May 2021.

C G H R LC RM F S

Annamarie van der Merwe (57)
B.Juris, LLB, LLM, EMP

- Appointed 2020

Annamarie is the Executive Chair of the FluidRock Governance Group, a business that she co-founded approximately 16 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 recently 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. 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).

C G H LC RM F S

Company Secretary

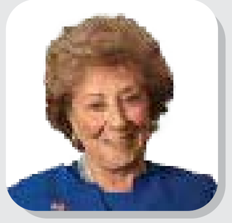
Debra Muller (59)
Company Secretary
BA LLB

- Appointed 2010
- Years of service to the Group: 15

Debra was admitted as an attorney in 1988. From 1994 she assisted the Group as a legal consultant, taking a permanent position as in-house legal advisor in 2006, working with contracts, compliance and disputes. Appointed as Company Secretary to the Group in 2010, Debra continues to head up the legal department. In 2016 Debra was appointed to the board of directors of the Consumer Goods and Services Ombud (RF) NPC, where she also serves as a member of the CGSO audit and risk committee.

Honorary life presidents

Raymond Ackerman
Years of service: 54



Wendy Ackerman
Years of service: 54

Sector experience

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

Refer to page 91 for insight into the Board's overall sector experience.

Members of:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations and corporate governance committee
- Corporate finance committee
- Social and ethics committee
- Executive committee
- Employee Share Incentive Trust

REMUNERATION REPORT

"It has been a year of unprecedented disruption, resilience and resolve. The role of the remuneration committee to balance the interests of the business, its staff and its shareholders has never been more important."

Audrey Mothupi
Chair: Remuneration committee

The Group has an ambition to build the most skilled and talented retail business in southern Africa. In order to do so, we need to be the employer of choice for anyone looking to build a career in the retail industry.

We attract staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

In accordance with the requirements of King IV, the remuneration report is divided into the following three sections:

Section 1: Committee Chair's report

Chair's background statement in respect of the remuneration committee's focus areas, deliberations and decisions taken during the year

Read more below

Section 2: Overview of remuneration policy

The Group's remuneration philosophy, policy and framework

Read more from page 104

Section 3: Implementation of remuneration policy

Implementation of the Group's remuneration policies during the year, and remuneration paid to executive and non-executive directors

Read more from page 110

SECTION 1

Committee Chair's report

On behalf of the Board, I am pleased to present the FY21 remuneration report for the Group. I extend my sincere thanks to Hugh Herman, who retired as Chair of the remuneration committee this year and I am looking forward to serving the Group and its shareholders in the role of remuneration committee Chair.

The remuneration report provides stakeholders with an overview of our Group's remuneration philosophy, highlights our key underlying remuneration policies, and sets out how these policies have been implemented during the 2021 financial year (FY21), with a specific focus on payments made to executive and non-executive directors.

The report reflects the ongoing progress the Group is making in aligning its remuneration policies and disclosures with best practice in the market, and our commitment to ongoing constructive shareholder engagement, including the changes we have made to address shareholder concerns raised over the course of the year.

The year in review

The Board is exceptionally proud of the dedication and hard work of our Pick n Pay and Boxer colleagues across the country, and in the rest of Africa, who have embraced their responsibility as frontline essential workers throughout the Covid-19 crisis. Our teams, under the stewardship of Richard Brasher and his senior executive team, have not only kept our stores open, safe, and fully stocked of essential food and groceries, but have remained keenly focused on delivering progress against the Group's long-term strategic objectives.

It has been a year of unprecedented disruption, resilience and resolve. The FY21 financial results reflect the significant impact of the Covid-19 pandemic on Group sales and earnings, mitigated by the actions of a strong and agile management team. The remuneration committee's role to balance the interests of the business, its staff and its shareholders has never been more important. The committee has exercised careful and considered judgment in its remuneration decisions throughout the year, ensuring that its policies have remained fair and relevant under exceptional circumstances.

The remuneration committee met more regularly during the year to understand the short and longer term impact of the Covid-19 pandemic on Group earnings, and to deliberate the significance of the earnings impact for the Group's remuneration policies. The following issues were addressed:

- **Appreciation bonuses:** frontline employees
- **Pay freezes:** non-executive and executive directors, and all senior and middle management employees
- **Salary increases:** recognising the more vulnerable employees at lower income levels
- **Reward:** setting short-term and long-term performance targets which appropriately reflect the earnings impact of Covid-19 trading restrictions and all related costs
- **Retention:** ensuring variable incentives are adequate to achieve the retention of key personnel under exceptional circumstances

The role and responsibility of the remuneration committee

The remuneration committee assists the Board to formulate and administer an effective remuneration strategy that:

- meets all legislative and regulatory requirements
- delivers on the Group's commitment to fair, transparent and responsible remuneration
- is balanced in the best short- and long-term interests of the Group and its stakeholders
- is aligned with the Group's long-term strategic objectives

The remuneration committee is mandated by the Board to ensure that the Group's remuneration policy achieves its key objective of sustainable value creation over the short-, medium- and long-term.

The Group's remuneration policy incentivises performance that delivers on the Group's strategic plan. Performance is measured against clear individual and Group performance targets. Remuneration paid to executive directors and senior management must be appropriate, fair and responsible, designed to attract, motivate and retain a diverse and high-performance team in a manner that is aligned with the interests of our shareholders.

The committee considers and recommends the remuneration policy for all levels of staff in the Group, with specific focus on executive directors, senior management and non-executive directors.

Members and attendance at meetings

The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

	Attendance
Audrey Mothupi (Chair)*	5/5
Hugh Herman (Retired Chair)*	5/5
Gareth Ackerman	5/5
Haroon Bhorat**	1/1
Aboubakar Jakoet	5/5
Jeff van Rooyen	5/5

* *Audrey Mothupi was appointed as Chair of the remuneration committee on 1 March 2021, replacing Hugh Herman who resigned from the committee effective 28 February 2021.*

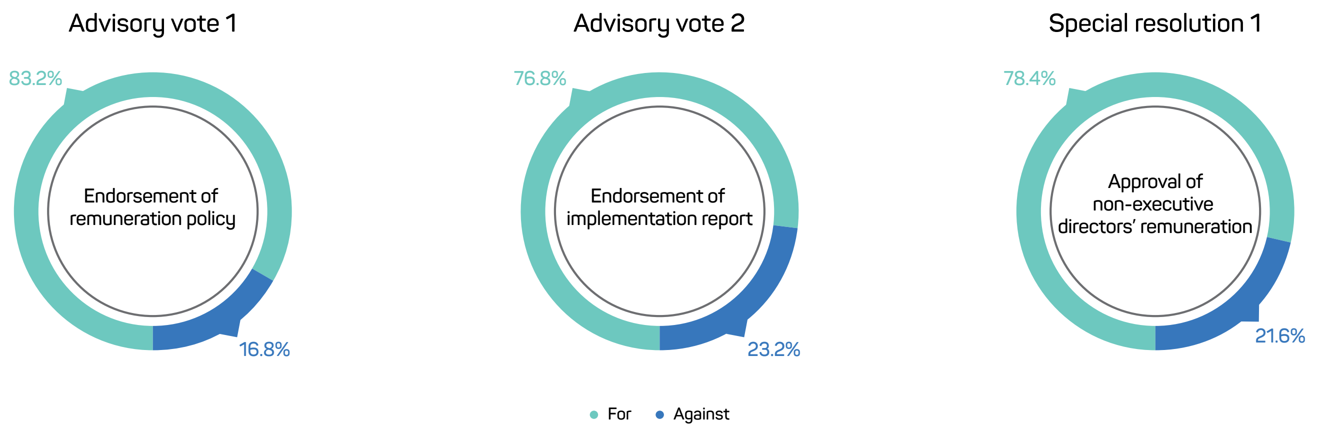
** *Haroon Bhorat was appointed to the remuneration committee in August 2020.*

Independent external advisors

The remuneration 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.

AGM and shareholder engagement

The Group's FY20 remuneration policy, remuneration implementation and directors' fees were approved by shareholders at the AGM held on 4 August 2020 as follows:



A small number of shareholders engaged with the remuneration committee before and after the AGM held on 4 August 2020 around the following issues:

Shareholder concerns raised	Committee response
Chair's fee The value of the non-executive Chair's fee relative to other listed companies in South Africa	The Chair's fee reflects the active role the Chair plays in formulating and steering the Group's overarching corporate governance framework, with a particular focus on environmental and social responsibility. Please refer to page 113 for further information.
The tenure of long-serving directors Concerns around the independence of the Group's longer serving directors	The Group has established a good balance between the wisdom and experience of long-standing directors, and the fresh insights from more recent appointees. However, the Board acknowledges that long tenures can create concerns around director independence. Hugh Herman retired as remuneration committee Chair at the end of the year, and relinquished all other committee memberships. Hugh remains as a highly skilled and valued member of the Board.
Disclosure of variable incentive scheme performance targets Shareholders asked for the disclosure of FY21 short-term and long-term performance targets	The remuneration committee could not disclose FY21 short-term and long-term management performance targets in its report to shareholders last year, as the sales and earnings impact of the Covid-19 pandemic was not reasonably known at the time of the publication of the report. Performance targets have since been determined and are disclosed from page 110.
Minimum shareholding requirement (MSR) for executive directors	The Group's long-term share incentive schemes have been effective to date in aligning the interests of executive directors with those of shareholders. An MSR has been included in the CEO contract for Pieter Boone, requiring Pieter to retain 50% of the shares delivered to him under the Group's share incentive schemes, after the settlement of tax. The Group is currently considering an appropriate MSR policy for its broader executive team.
Employee loans Some shareholders voted against the provision of financial assistance to employees	The Group provides employees with access to low-interest loans from the Group, under specific responsible lending requirements, primarily to assist with the acquisition of residential property. The Group acknowledges the governance concerns around the provision of loans to employees; however, this broad-based incentive reflects the Group's commitment to the economic upliftment of its employees.

In the below instances, engagement resulted in changes to the remuneration policy in 2021:

Shareholder concerns raised	Committee response and rationale for change
Executive share option awards Share option awards do not contain performance conditions and, as such, should not be awarded to executive directors	The remuneration committee replaced the share option scheme with a cash retention scheme (CRI) during the year. There will be no further share option awards. The CRI is targeted at the retention of key middle-management personnel with a specific focus on transformation, and no awards will be made to executive or senior management. Please refer to page 107 for further information.
Dividend rights under the forfeitable share plan (FSP) Shareholders indicated a preference for dividend rights to be deferred under long-term incentive schemes, ensuring executives do not receive dividends on shares that do not vest.	The Group received shareholder approval at the 2020 AGM to amend the rules of the Group's forfeitable share plan (now referred to as the restricted share plan), to allow for greater discretion around participant dividend rights. The remuneration committee used this discretion in its 2020 award of long-term incentives, deferring all dividend rights until the successful vesting of the scheme. Please refer to page 108 for further information.

Key focus areas for the remuneration committee this year

The remuneration committee's deliberations this year were dominated by the financial and operational impacts of the Covid-19 pandemic, and the committee's clear objective of providing staff at all levels of the business with fair and responsible remuneration under difficult circumstances, with a keen focus on the retention of key talent over the longer term.

The following were the key focus areas of the remuneration committee during the year:

- The fair and considered application of voluntary and structured severance programmes, implemented to further the Group's productivity and efficiency objectives under the Group's modernisation programme, Project Future
- The review of the Group's performance against its employment equity and gender targets, including an analysis of underlying statistical data to ensure race and gender pay parity across all levels of the business
- Reviewed and approved FY21 salary freezes for executive and senior management, and fair and responsible increases for staff at lower income levels
- Reviewed and approved the FY21 short-term incentive targets
- Reviewed and approved the Group's 2020 cash retention scheme (CRI) award to key members of middle-management
- Revised the long-term incentive targets for the Group's outstanding forfeitable share plan awards, as a consequence of the financial impact of the Covid-19 pandemic
- Reviewed and approved the 2020 award of long-term share incentives to executive and senior management under the Group's restricted share plan, with deferred dividend rights, and appropriate long-term performance targets
- Formulated appropriate retirement packages for CEO Richard Brasher and CISO Richard van Rensburg, including the early delivery of long-term share incentives and the payment of retirement gratuities. The remuneration committee extends its sincere thanks to Richard Brasher and Richard van Rensburg for their valuable contributions, and particularly to CEO Richard Brasher for his incredible leadership over the Covid-19 crisis. The committee wishes them well in their retirement.
- Reviewed and approved the remuneration package for new CEO Pieter Boone, in line with industry benchmarks, and in consultation with independent and objective executive remuneration experts. Read more about the Group's use of remuneration experts on page 104.

Please refer to the implementation report from page 110 for details on all the key decisions reached.

The remuneration committee is satisfied that it has met its responsibilities in terms of its Board charter, and that the remuneration policies it has applied have fulfilled the objective of fair and responsible remuneration in a difficult environment and under complex circumstances.

Looking ahead

The remuneration committee remains confident that its remuneration policies are aligned with the Group's strategic objectives, and are effective in incentivising and retaining key senior talent over the longer term. The remuneration 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.

Future focus areas

We will continue to **differentiate reward in terms of performance and address under-performance** – this includes undertaking a thorough review of our performance appraisal process

Our **focus on the development and retention of key successors** will continue, as emphasised by the CRI

Diversity among senior leaderships remains critical, with a **focus on gender and race**

We will continue to ensure **fair and equitable remuneration practices**

Audrey Mothupi
Chair: Remuneration committee

27 May 2021

As required by King IV and the JSE Listings Requirements, Section 2 and Section 3 will be presented separately to our shareholders for non-binding votes at the AGM on 28 June 2021. In the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, the Group will take the following steps:

1. **Issue a SENS announcement regarding the outcome of the AGM voting results**
2. **Invite our dissenting shareholders to engage formally with the Group's remuneration committee**
3. **Schedule collective and/or individual shareholder engagements as appropriate to determine the reasons for the dissenting votes, and take all reasonable steps to resolve legitimate shareholder concerns**
4. **Provide participating shareholders with a formal response, noting all the concerns raised and providing detailed responses where changes will be made to address concerns**

The remuneration committee values open and constructive engagement with shareholders. We encourage shareholders to engage with management and the committee on all material remuneration concerns to ensure that shareholders are fully 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 demuller@pnp.co.za.

SECTION 2 Overview of remuneration policy

Remuneration philosophy

The Group's remuneration philosophy is 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.

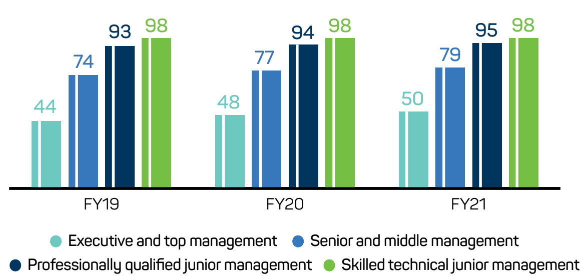
The Group's framework of remuneration policies is designed to provide our employees with fair and balanced reward that recognises the attainment of short-term goals, while incentivising long-term sustainable value creation.

The interests of our team are aligned with those of our shareholders through governance practices, which include the following key principles:

Developing diversity and 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 at all levels are designed to attract, develop, motivate and retain the most talented staff in the retail industry.

Employment equity participation – %



Efficient and productive workforce

- The Group is committed to building a high-performance culture that rewards efficiency and productivity.
- Regular reviews are undertaken to ensure operational efficiency and cost discipline is achieved through ongoing improvements in employee structures, employee scheduling and the centralisation of support services.
- Group and individual performance targets increasingly focus on key measures of employee efficiency and productivity.

Responsible executive remuneration

- Executive directors 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 interest and promote a culture of executive share ownership.

Fair and equitable remuneration

- The Group provides a fair wage for all members of staff to help our people succeed both in and outside of work.
- Guaranteed pay and variable benefits are benchmarked against industry norms to ensure our staff are rewarded competitively in relation to the broader employment market, and the retail industry specifically.
- Independent experts assist with remuneration benchmarking to ensure that decisions are objective and fair. Advisors include PWC, REMchannel and DG Capital. Remuneration is generally positioned at the market median, with key or scarce skills remunerated in the upper quartile of the market.
- The Group is committed to furthering the economic empowerment and well-being of employees and as such the provision of retirement and health care benefits is a key part of our employee value proposition, alongside opportunities for ongoing skills development, bursaries and study grants.
- Comprehensive statistical analysis is performed on an ongoing basis at all levels of staff (with reference to the scale of each role and the experience and tenure of each staff member) to identify and correct any differential pay rates based on either race or gender, and to ensure employees are always rewarded fairly in relation to their peers, in adherence to the principle of equal pay for equal value.
- There is equal opportunity across the Group for growth and development and staff are recognised and advanced based on merit.

As a responsible corporate citizen, proud of our history and commitment to all our employees and being an ambassador for employment equity, we devote the necessary focus to important issues of employment equity, gender equity and pay parity.

Our commitment to employees:

- 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

Remuneration framework

The Group's remuneration framework, for management employees, is designed to develop and retain a high-performance team – providing 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 shareholders.

Guaranteed pay

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 contribution of each employee
- Remuneration is directly linked to formal annual performance assessments
- Annual increases reflect the projected consumer price index and comparable increases in the general and retail market

Benefits

- Vehicle allowances
- Healthcare benefits
- Retirement funding
- Leave
- Training
- Bursaries and study grants
- Long-service awards

The Group benchmarks its guaranteed pay and benefits against a broad list of listed and unlisted comparator companies. These include Shoprite Holdings, Woolworths Holdings, Massmart Holdings, The Foschini Group, Clicks Group, and Pepkor Holdings.

Variable pay

Variable incentives are designed to reward and incentivise performance over one to three-year periods. Variable benefits are closely linked to the achievement of Group, divisional operating units and individual performance objectives.

Short-term incentives (STI)

- Annual cash bonus – rewards qualifying employees based on the attainment of key performance targets
- Other, more frequent bonuses are paid to qualifying staff at store level

Long-term incentives (LTI)

- Cash retention scheme (CRI) – retention and reward aimed at talented middle-management
- Restricted share plan (RSP) – retention and reward aimed at key top and senior management

RSP CRI

The basis for calculating STIs and LTIs are formulaic in nature. However, participation in variable incentive schemes is always at the discretion of the remuneration committee. The committee may exercise discretion to award ex gratia payments where extraordinary value has been created or elect to withhold incentives where individual performance does not warrant award.

Category

- Executive
- Top management
- Senior and middle management
- Junior management

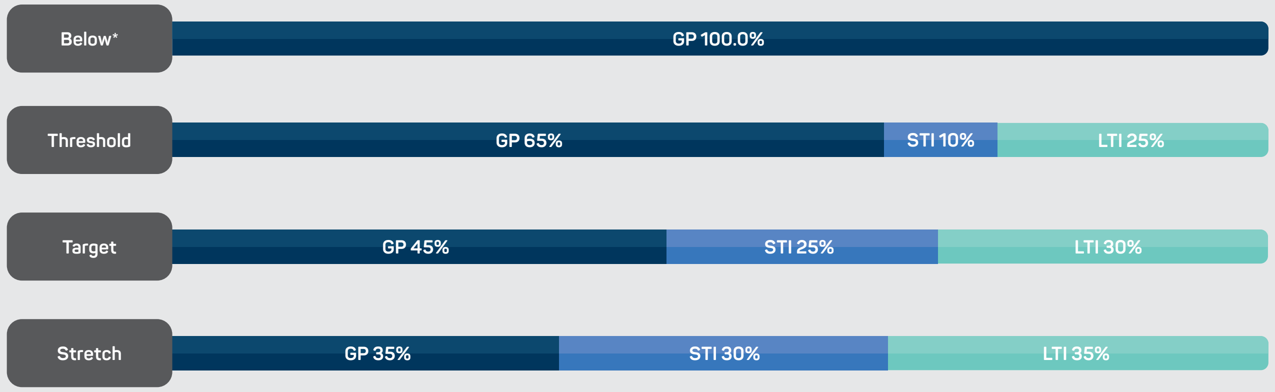
Remuneration mix

Remuneration is balanced between guaranteed remuneration and variable short- and long-term incentives in order to align employee and shareholder interests over the long term.

In order 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 guaranteed pay (GP) 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 the attainment of 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 within 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, in order to encourage the attainment of stretch targets.

The table below presents the potential remuneration mix for the Group's executive and top management (including CEO and CFO) against agreed performance targets, based on a multiple of basic cash monthly salary:



* *Assumes the threshold target is not met and no STI cash bonus is awarded and no LTI shares are allocated.*

Variable pay – aligned with the delivery of 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. The Group's progress against its long-term strategy has been clearly and consistently reported against six strategic pillars. Please refer to page 50 for further information.

Primary targets – sales, profit before tax and exceptional items (PTAE) and comparable headline earnings per share – contained within the short-term bonus scheme and long-term executive share plan align management interests with those of shareholders.

Secondary targets drive management performance against a balanced score-card of financial, operational, transformation and good business targets (linked to the long-term environmental, social and governance objectives of the business), and include:

Pick n Pay – SA's most trusted retailer
- Sales growth
- Margin expansion
- Investment returns
- Working capital targets
- Customer service improvements

Boxer – Africa's favourite discounter
- Sales growth
- Margin expansion
- Investment returns
- Working capital targets
- Customer service improvements

Efficiency – Bearing down on costs
- Lower costs
- Lower cost ratios
- Reduced waste
- Improved productivity

Innovation – Value-added services
- Growth in online sales, and improved availability
- Expanded loyalty programme
- Increase in commissions and other income

African Expansion – Profitable footprint in the rest of Africa
- Sales growth
- Low cost operating model
- Range and working capital targets
- Currency risk mitigation

Force for Good – Doing good is good business
- Social investment
- Reduction in food and other waste
- B-BBEE performance
- Resource efficiency

Short-term incentives (STI)

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 one-year plan, while retaining key skill and talent over the longer term.

The Group follows a formulaic approach to the calculation of the short-term bonus:

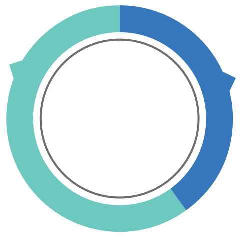
- The Group must first attain the threshold target set by the remuneration committee for profit before tax and exceptional items (PBTAE) before any bonus is payable to the management team. This gatekeeper PBTAE target is applied at Group or divisional level as appropriate
- The PBTAE target determines the maximum value of the short-term bonus pool based on a formal and transparent pay-out multiple linked to participants' basic monthly salary
- The bonus pool increases as threshold, target and stretch PBTAE hurdles are met
- The value of the short-term bonus paid to each participant is determined through a balanced score card of Group performance and individual key performance indicators (KPIs). Performance targets are determined and communicated to participants annually in advance.

Group or divisional performance weighting 60%

60% of the pay-out multiple is subject to the attainment of PBTAE and sales targets as set by the Group's remuneration committee on an annual basis. Focus on both earnings and top-line trade performance is important to ensure that the Group delivers growth in a sustainable manner.

Weighting:

Group or divisional performance targets	
PBTAE	**60%**
Sales	**40%**



40% **Individual 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, as agreed with their line manager on an annual basis and monitored through the formal performance appraisal process. The executive team are subject to a third good business key performance target linked directly to the Group's environmental, social or governance (ESG) objectives, as appropriate.

Weighting:

Individual performance targets	
Individual KPI	**40%**
Individual KPI	**40%**
Relevant ESG KPI	**20%**

The following criteria apply to participation in the short-term bonus scheme:

- Approximately 1 000 management employees are eligible to participate in the short-term bonus scheme
- Employees must have been in the employ of the Group for at least 4 months of the financial year measured, with the bonus applied on a pro-rata basis
- Employees cannot have resigned prior to the bonus payment date (annually in May) or be completing a resignation notice period
- Employees must have achieved the prescribed minimum performance level on their annual performance appraisal

Other short-term bonuses

Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

Long-term incentives (LTI)

The Group maintains a long-term cash retention scheme for middle-management employees and a long-term cash incentive scheme for our senior management team. 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 align the interests of senior executives with those of shareholders.

Cash retention incentive scheme (CRI)

The Group introduced the CRI scheme during the year, which replaced the historic share option scheme. Please refer to page 112 for further information. The objective of the scheme is the recognition and retention of 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 the employ of the Group before the end of the vesting period, all unvested cash awards will lapse (subject to good leaver provisions). 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.

Restricted share plan (RSP)

The Group's RSP plan recognises executive and top management employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the Group. Through the attachment of performance conditions, the RSP incentivises participating employees to deliver long-term earnings growth in line with the objectives set out in the Group's long-term strategic plan. An award of shares may also be used to attract talented prospective employees, and progress the Group's transformation strategy.

The RSP is a modernisation of the Group's (previously named) forfeitable share plan, following shareholder approval received at the AGM in August 2020 for the remuneration committee to utilise greater discretion in respect of dividend rights granted to participants. Please refer to page 112 for further information.

Eligibility	• The remuneration committee awards zero-strike RSP shares to participants. The value of the award is calculated as a multiple of each participant's basic salary. • The number 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 (CSDP) on behalf of participants over the time of the vesting period. • 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 are forfeited (subject to good leaver provisions).
Performance conditions	• Performance conditions are linked to the Group's financial performance, with growth in comparable headline earnings per share, adjusted for exceptional items as appropriate, as the primary performance measure. • 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.
Gatekeeper clause	• To ensure that the RSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding gatekeeper condition: • ROCE must be greater than WACC (excluding any impact from IFRS 16 liabilities) over the vesting period before any RSP shares can vest. This ensures that the Group generates a real return for shareholders before rewarding its management team.
Ownership rights	• Participants have full voting rights over the vesting period. • Dividend rights are at the discretion of the remuneration committee, and are currently deferred until vesting date.

Legacy share option scheme

The Group's legacy share option scheme (the 1997 employee share option scheme) was replaced by the cash retention incentive scheme (CRI) in the year under review. Please refer to page 111 for further information. The scheme remains in operation and all outstanding share options previously awarded under the scheme will vest in participants over the next 3, 5 and 7 years, under the original terms and conditions of the awards. No further share options will be awarded under this scheme.

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.

Outstanding share incentives held by employees:

	Millions
Share options	**21.9**
Restricted and forfeitable shares	**9.0**
FSP 2018	2.2
FSP 2019	1.9
FSP 2020	1.2
RSP 2020	3.7

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 further constrained by an aggregate limit of 5% of the issued share capital of PIK.

Limits applied to variable incentives

Variable incentives are capped at the following multiples, on the achievement of stretch targets:

	Annual incentive cap – multiple of basic monthly salary**			
Category	**Short-term bonus**	**CRI scheme**	**RSP scheme**	**Total**
CEO*	12 times	n/a	12 times	24 times
Executive	8 times	n/a	12 times	20 times
Top management	4 times	n/a	6 times	10 times
Senior management	2 times	2 times	n/a	4 times
Middle management	1.5 times	1.5 times	n/a	3 times

* *During the year, the CEO short-term bonus multiple (at stretch) was amended from 24 times to 12 times for FY22 onwards.*

** *Individual super stretch targets may be set under extraordinary circumstances, to incentivise out-performance. Where these super stretch targets are achieved, an additional bonus multiple may be awarded at the discretion of the remuneration committee - limited to an additional 12 times monthly salary for the CEO and 2 times monthly salary for all other members of management.*

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.

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 in this regard at the discretion of the remuneration committee.

Malus and claw-back

In the event of a material misstatement of the financial statements of the Group, or of any subsidiary company within the Group, 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, as a result of their fraud, dishonesty or negligence.

Non-executive director remuneration

The table below sets out the remuneration policies applied by the Group for the FY21 financial year for non-executive directors. These policies are applicable for the FY22 financial year and form the underlying basis for the directors' fees tabled for shareholder approval at the AGM to be held on 28 June 2021. Please refer to page 113 of Section 3 for the proposed fees for FY22.

Non-executive director remuneration framework

Directors' fees

Chair
- The Chair's fee reflects the active role the Chair currently plays in the corporate governance of the Group and in formulating overarching strategy

Lead independent director and other directors
- Directors' fees are market-related, based on relevant benchmarks, commensurate with the time required for directors to fulfil their duties, and are approved by the Board and shareholders on an annual basis
- Annual fees are not subject to attendance at meetings, as attendance at meetings is generally very good

Consultancy fees
- Should non-executive directors provide additional consultancy services to the Board and its committees, the related fees are determined and approved by the remuneration committee on an ad hoc basis, considering the nature and scope of the services rendered

Other
- All travel and accommodation expenses related to the work of the Board are settled by the Group

Committee membership
- Non-executive director fees reflect the additional responsibilities taken through the chairpersonship and membership of Board committees

Approval
- 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 in turn recommends the fees to the Board for final approval from shareholders
- Fees paid quarterly in arrears

Service contracts
- Non-executive directors do not have service contracts
- Non-executive directors serve under a formal letter of appointment from the Board and are re-elected by shareholders on rotational basis. Please refer to page 92
- Non-executive director services may be terminated without liability for compensation

Other benefits
- Non-executive remuneration is not linked to the performance of the Group or to the Group's share price performance
- Non-executive directors do not receive performance-related bonuses and are not granted any share awards

SECTION 3

Implementation of remuneration policy

The implementation report details the key focus areas of the remuneration committee this year, including the important decisions taken to provide fair and balanced remuneration to staff across the business in a year severely disrupted by the Covid-19 pandemic. The remuneration policies applied are consistent with the prior year, with the exception of changes made to the Group's long-term share incentive schemes as a result of engagement with shareholders. Please refer to page 101 for further information. No deviations were made in applying the remuneration policy during the year, with the exception of the accelerated vesting of certain share awards on the retirement of executive directors, as detailed on page 113. Tables are provided at the close of this section for a summary of the remuneration packages paid to executive and non-executive directors.

Executive directors and senior management

Benchmarking

The remuneration committee evaluated the overall value and composition of guaranteed pay and variable incentives in respect of the CEO, CFO and all other executive directors and 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 salary – Richard Brasher

The CEO base salary of R10.8 million is unchanged from last year, in line with the pay freeze taken by all members of executive and senior management in FY21. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, and fairly reflects his extensive retail expertise and his exceptional contribution to the Group to date. Richard Brasher retired from the Group at the end of April, after a thorough and structured 4-month handover period with new CEO Pieter Boone.

CEO salary – Pieter Boone

Following a comprehensive local and international search, Pieter Boone was appointed as CEO-designate in January 2021 and took over as CEO in May 2021. Pieter is the former Chief Operating Officer of international retail Group Metro AG. A Dutch national, Pieter has broad global experience in the retail, food service and wholesale sectors, and has a strong record of delivering retail growth in challenging and emerging market economies. The remuneration committee has set Pieter Boone's base salary at R10.8 million for the FY22 financial year and is confident that this is an appropriate market-related salary and a fair reflection of the extensive skill and experience that Pieter brings to the Board and to the Group. The remuneration committee has agreed to award Pieter Boone the following RSP shares as part of his sign-on remuneration package, and to further align his interests with shareholders:

Award date	Shares	Vesting date
June 2021	500 000	June 2024
June 2023	500 000	June 2026

The shares are in addition to the Group's annual programme of incentivisation. Performance conditions will apply linked to growth in comparable headline earnings per share – which will align with the conditions contained within the annual awards to top management.

Annual salary increases

In light of the economic disruption of Covid-19, the remuneration committee agreed a salary freeze for executive directors and all members of the Group's senior and middle management team in the FY21 financial year. The savings were directed towards increases for frontline staff and colleagues at more junior employment grades.

Looking forward to FY22, the Group will continue to provide junior, entry level and non-management staff with higher salary increases relative to more senior colleagues, in recognition of the impact the tough economic climate has on many of our employees.

Category	FY22 annual salary % increase	FY21 annual salary % increase	FY20 annual salary % increase
Executive	4.0%	–	5.0%
Top management	4.0%	–	5.0%
Senior and middle management	4.5%	–	6.0%
Junior management	5.5%	5.5%	7.0%
Entry level and non-management	5.5%	7.0%	7.0%

The average increase for NMBU employees in FY21, as governed by labour union agreements was between 4% and 8% (FY20: 7% – 10%).

Short-term incentive:
FY21 annual performance bonus

The remuneration committee determines annual financial performance targets in advance of the Group's short-term incentive bonus scheme for the coming financial year. As a result of the unprecedented disruption caused by the Covid-19 pandemic at the beginning of the FY21 financial year, the committee postponed its deliberations on short-term performance targets until the full impact of the pandemic on FY21 Group sales and earnings could reasonably be known.

The remuneration committee's assessment of appropriate short-term performance targets for the FY21 financial year took place over July to October 2020, and took the following material factors into account:

- The government's risk adjusted strategy to slow the spread of the Covid-19 virus, including the duration and extent of trading restrictions over the sale of non-essential goods and services
- The direct sales and margin impact of those trading restrictions, which impacted up to 20% of the Group's turnover during the more severe levels of lock-down
- The impact of additional measures taken by the Group to protect the safety of its staff and customers, including reduced trading hours, limits on the numbers of customers in-store, and temporary store closures

- Additional operational costs incurred to strengthen hygiene, safety and security protocols
- Once-off costs related to the Group's voluntary and structured severance programmes under Project Future
- Targets required for the Group to maintain its momentum in a difficult trading environment

In setting fair and appropriate targets for the FY21 financial year, the remuneration committee remained cognisant of the exceptional work and remarkable commitment from teams across the Group to keep our stores open, safe and fully stocked during the crisis.

The remuneration committee set its primary performance target as growth in profit before tax and exceptional items, inclusive of the cost of the performance bonus

As described in Section 2 of this report, the Group's formal methodology in determining the value of the short-term bonuses paid to participating executives, is based on a balanced score-card of Group and individual performance. The Group's primary PBTAE threshold target must be met for a short-term bonus to be considered. Thereafter, the short-term bonus (expressed as a multiple of the executive's monthly salary) is allocated on a formulaic basis, based on each executive's delivery of relevant secondary performance targets as evaluated through a formal performance appraisal process. Please refer to page 107 for further information.

The remuneration committee carefully deliberated appropriate short-term incentive targets for the Group's management team, within the context of the significant financial impact of Covid-19, and particularly the government-imposed trading restrictions which affected up to 20% of the Group's revenue in hard lock-down.

The Group delivered PBTAE of R1 583.4 million in FY21, a 16.5% decrease on the prior year, and ahead of the required stretch target of -45%. As a result, a short-term bonus was awarded to all qualifying management personnel, in recognition of the dedication shown in managing and mitigating the impact of the Covid-19 pandemic, and enabling the Group to deliver significant progress in a very difficult year.

Short-term bonuses were allocated to executive directors as follows:

Executive director	Designation	Bonus multiple	FY21 Rm	FY20 Rm[1]
Richard Brasher	CEO	24 times monthly salary	20.0	–
Lerena Olivier	CFO[2]	10 times monthly salary	4.0	–
Richard van Rensburg	CISO	8 times monthly salary	3.4	–
Suzanne Ackerman-Berman	Transformation director	8 times monthly salary	2.0	–
Jonathan Ackerman	Customer director	8 times monthly salary	1.0	–

[1] *The Group did not meet its primary PBTAE performance target in FY20 and as such no short-term bonuses were paid.*
[2] *Lerena Olivier met her individual super stretch targets for the year, and was awarded an additional 2 times monthly salary in recognition of her performance in respect of funding and liquidity management.*

Short-term incentive:
FY22 annual performance bonus

The remuneration committee will set new and appropriate short-term performance targets for the FY22, which will take into account all relevant macro-economic conditions, including ongoing uncertainty and volatility related to Covid-19.

Long-term incentives:
Share option scheme

The remuneration committee agreed to discontinue the Group's long-standing employee share option scheme, following a detailed evaluation of the effectiveness of the scheme, which highlighted the following concerns:

- Alignment with shareholder interests – shareholders expressed concern at the inclusion of senior and executive management in the broad-based retention scheme, without performance conditions attached to the share options awarded
- Reduced value of the scheme – the sustained under-performance of the South African equity market over the past five years had led to 65% or 15 million of the outstanding share options held by employees having little or no value at the end of FY20, notwithstanding the solid earnings performance delivered by the Group over the same period. The lack of value within the scheme rendered it ineffective as a retention mechanism
- Simplicity – employees at lower levels of management have demonstrated a preference for cash incentives over more complex share-based incentives
- Cost of the scheme – the scheme was more costly for the Group than a cash-incentive scheme, without delivering the commensurate value to participants
- Volatility in the Group's tax rate – the significant reduction in the value of the Group's employee share option obligations over recent years had resulted in the reversal of related deferred tax assets, and a material increase in the Group's tax rate

The introduction of a more modern and cost-effective cash retention scheme, aimed at the retention of key members of middle management, addresses the issues highlighted above.

No further share options will be awarded. Outstanding share options previously awarded under the Group's employee share option scheme will vest in participants over the next 3, 5 and 7 years, under the original terms and conditions of the scheme.

The future net realisable value of outstanding share options held by employees at 28 February 2021:

Year	Average grant price R	Number of options 000s	Net realisable value[1] Rm
Outstanding share options may be taken up during the following financial years:			
2022	50.12	13 284.6	20.6
2023	63.66	2 426.4	–
2024	69.09	2 170.3	–
2025	64.59	1 675.9	–
2026 and thereafter	67.82	2 370.3	–
Total		21 927.5	20.6

[1] *The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R51.67, less the average grant price per award*

Long-term incentives:
Cash retention incentive scheme (CRI)

As detailed above, the remuneration committee introduced a cash retention scheme this year, aimed at the retention of key members of middle-management. The remuneration committee approved the inaugural award under the scheme as follows:

Award date	26 November 2020
Vesting date	26 June 2023
Retention period	31 months
Number of participants	191
Employment equity participation	72%
Female participation	35%

Long-term incentives:
Forfeitable share plan (FSP) awards – revision of performance hurdles

The remuneration committee utilised the discretion provided in terms of Section 8 of the FSP scheme rules, as approved by shareholders, to revise the original three-year comparable headline earnings per share (HEPS) performance targets under each scheme, to reflect the Group's changed circumstances as a result of the Covid-19 pandemic, including the longer-term impact of the pandemic on Group sales and earnings. In light of the Group's FY21 earnings performance, with comparable HEPS growth down 16.8% year-on-year, the revised targets are considered stretching, but attainable and are aligned to the Group's long-term plan.

				Revised three-year comparable HEPS growth target			
Scheme	Number of shares	Number of participants	Base year	Threshold	Target	Stretch	Vesting date
FSP 2018	2.2m	107	FY18	(4%)	(3%)	(2%)	June 2021
FSP 2019[1]	1.9m	115	FY19	(3%)	2%	4%	June 2022
FSP 2020[2]	1.2m	1	FY19	(3%)	2%	4%	March 2022

[1] *The 150 000 shares awarded to Richard van Rensburg under FSP 2019 will early vest on 25 June 2021, as part of his agreed retirement package. Further detail provided overleaf.*
[2] *The 1.2 million shares awarded to Richard Brasher under FSP 2020 will early vest on 25 June 2021 as part of his agreed retirement package. Further detail provided overleaf.*

The Group delivered comparable HEPS of 235.42 cents in FY21, and 265.58 cents excluding once-off staff compensation costs, exceeding the stretch target set for the 2018 FSP award. As such, 2.2 million shares will be delivered to participants at the end of June 2021.

Long-term incentives:
Executive award under the Group's restricted share plan (RSP)

At the AGM in August 2020, shareholders approved an amendment to the rules of the Group's forfeitable share plan (FSP), allowing the remuneration committee discretion to defer the participants' rights to dividends under the scheme. The scheme is now referred to as the Group's restricted share plan (RSP). In issuing RSP 2020, the remuneration committee exercised its discretion and dividends will only be paid to participants on the successful vesting of the scheme, in direct proportion to the number of shares which vest. Going forward, the remuneration committee will annually consider if dividends will be withheld on shares which ultimately do not vest.

The remuneration committee awarded the following RSP shares to executive directors and senior management during the FY21 financial year. The shares are held by a CSDP on behalf of the participants, and delivery is dependent on the attainment of performance targets linked to the growth in headline earnings per share.

				Three-year comparable HEPS growth target			
Scheme	Number of shares	Number of participants	Base year	Threshold	Target	Stretch	Vesting date
RSP 2020	3.7m	142	FY20	2%	4%	6%	June 2023

Executive retirement – CEO Richard Brasher

Acceleration of share incentives

CEO Richard Brasher did not participate in the Group's FSP 2019 award as a result of his planned retirement. Given Richard's unwavering commitment to the Group in the postponement of his retirement, and his exceptional leadership throughout the Covid-19 crisis, the remuneration committee awarded him 1.2 million FSP shares in 2020. Following the appointment of his successor, allowing Richard to retire in April 2021, the remuneration committee accelerated the vesting of FSP 2020. The shares will vest in full in June 2021.

Retirement gratuity

The remuneration committee awarded Richard Brasher an award of R5.0 million on his retirement in April 2021. The award is in recognition of the key role Richard Brasher has played in formulating and delivering Group strategy over the past eight years, his guidance in developing and executing Project Future, and his effective operational response to the Covid-19 crisis.

Executive retirement – CISO Richard van Rensburg

Acceleration of share incentives

The remuneration committee accelerated the vesting of the 150 000 FSP shares awarded to CISO Richard van Rensburg in 2019. The shares will vest in full in June 2021. The 2019 award, and the early delivery thereof, recognises Richard's significant contribution over the past 11 years in building the Group's efficient, effective and modern systems infrastructure.

Retirement gratuity

The remuneration committee awarded Richard van Rensburg an award of R5.0 million on his retirement in March 2021. The award recognises Richard van Rensburg's management of a number of the Group's growth initiatives over recent years, including the expansion of the Group's value-added services business, the development and roll-out of the Group's market stores, and the expansion of the Group's online offer.

Malus and claw-back

No incidents were identified in the FY21 financial year.

Non-executive directors

The remuneration committee reviewed and recommended non-executive director remuneration to the Board, for shareholder approval at the AGM on 28 June 2021.

In light of the impact that Government measures, implemented to contain the spread of the Covid-19 pandemic, had on the Group's trading environment, coupled with the significant financial impact of the pandemic on customers and staff, the Chair of the Board and all non-executive directors waived their right to CPI-linked and shareholder-approved fee increases in the FY21 year. All FY21 non-executive director remuneration was left unchanged from that received in FY20.

Chair of the Board

In setting the Chair's proposed annual fee of R4.9 million in respect of FY22, the remuneration committee considered the active role the Chair plays in the corporate governance of the Group and in formulating overarching strategy for the individual subsidiary companies within the Group. The Chair does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity. Gareth Ackerman is recused from all discussions in respect of his annual remuneration.

Non-executive directors

Shareholders approved the FY22 directors' fees at the AGM held in August 2020, agreeing that the FY21 fees be increased by CPI for the 2022 annual financial period.

Non-executive director fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2022 R	Actual 2021 R	% change
Chair of the Board	4 893 000	4 660 000	5.0%
Lead independent non-executive director	152 000	145 000	4.8%
Non-executive director	457 000	435 000	5.1%
Chair of the audit, risk and compliance committee	394 000	375 000	5.1%
Member of the audit, risk and compliance committee	152 000	145 000	4.8%
Chair of the remuneration committee	210 000	200 000	5.0%
Member of the remuneration committee	99 000	94 500	4.8%
Member of the nominations and corporate governance committee[1]	94 500	90 000	5.0%
Member of the social and ethics committee[2]	99 000	94 500	4.8%
Chair of the corporate finance committee[3]	210 000	200 000	5.0%
Member of the corporate finance committee[3]	142 000	135 000	5.2%
Trustee of the employee share purchase trust	44 000	42 000	4.8%

[1] *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.*

[2] *The Chair of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.*

[3] *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.*

Total remuneration of executive directors and prescribed officer

Director	Designation	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[4] R'000	Retirement gratuity[5] R'000	Total remuneration R'000	Long-term share awards – current year[6] R'000	Long-term share awards accelerated on retirement[6] R'000
FY21										
Richard Brasher[1]	CEO	10 836.0	981.6	310.9	12 128.5	20 000.0	5 000.0	37 128.5	74 611.1	41 251.4
Lerena Olivier	CFO	4 160.0	398.4	337.2	4 895.6	4 000.0	–	8 895.6	4 822.8	–
Richard van Rensburg[5]	CISO	5 040.0	436.5	327.6	5 804.1	3 360.0	5 000.0	14 164.1	5 310.9	5 324.5
Suzanne Ackerman-Berman	Transformation director	3 024.0	281.0	285.7	3 590.7	2 000.0	–	5 590.7	1 451.7	–
Jonathan Ackerman	Customer director	1 512.0	270.7	278.6	2 061.3	1 000.0	–	3 061.3	759.0	–
Total remuneration		24 572.0	2 368.2	1 540.0	28 480.2	30 360.0	10 000.0	68 840.2	86 955.5	46 575.9
Prescribed officer	**Designation**									
FY21										
Pieter Boone[1]	CEO-designate	1 784.5	154.5	506.5	2 445.5	–	–	2 445.5	–	–
Director	**Designation**									
FY20										
Richard Brasher	CEO	10 707.0	968.0	742.5	12 417.5	–	–	12 417.5	4 551.7	–
Aboubakar Jakoet[2]	CFO – retired	2 711.3	52.8	1 348.4	4 112.5	–	–	4 112.5	1 813.4	860.2
Lerena Olivier[3]	CFO	1 896.2	182.4	169.7	2 248.3	–	–	2 248.3	285.2	–
Richard van Rensburg	CISO	4 980.0	431.3	327.6	5 738.9	–	–	5 738.9	(637.8)	–
Suzanne Ackerman-Berman	Transformation director	2 922.3	276.8	289.6	3 488.7	–	–	3 488.7	(791.6)	–
Jonathan Ackerman	Customer director	1 494.0	271.6	298.1	2 063.7	–	–	2 063.7	(234.7)	–
Total remuneration		24 710.8	2 182.9	3 175.9	30 069.6	–	–	30 069.6	4 986.2	860.2

[1] *Richard Brasher retired at the end of April 2021 and was succeeded by Pieter Boone who was appointed as CEO designate in January 2021.*

[2] *Aboubakar Jakoet retired as an executive director and was appointed as a non-executive director of Pick n Pay Stores Limited on 6 September 2019. On retirement, outstanding leave encashment and the settlement of outstanding employee loans resulted in additional fringe and other benefits received during the year.*

[3] *Lerena Olivier was appointed as an executive director of Pick n Pay Stores Limited on 6 September 2019.*

[4] *The Group achieved its performance target for the FY21 financial year, and a bonus was paid to all participating employees. Please refer to page 111. The short-term performance targets were not met in FY20 and no bonus was paid in the prior year.*

[5] *Richard Brasher and Richard van Rensburg have retired from the Group, effective end April 2021 and end March 2021 respectively. Retirement gratuities were paid in recognition of their exemplary service to the Group. Please refer to page 113.*

[6] *The long-term share awards expense or recoupment 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 value 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) 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. During the prior year, certain vesting criteria relating to FSP awards with a vesting date of 25 June 2020 were not met. As a result, approximately 70% of the cumulative long-term share awards were forfeited and the expense relating to this FSP allocation was recouped by the Group.*

Total remuneration of non-executive directors

Director	Directors' fees R'000	Lead independent director R'000	Audit committee R'000	Remuneration committee R'000	Nomination and corporate governance committees R'000	Social and ethics committee R'000	Employee share trust R'000	Total remuneration R'000
FY21								
Gareth Ackerman	4 660.0	–	–	–	–	–	–	4 660.0
Haroon Bhorat[1]	362.5	–	–	55.1	52.5	–	–	470.1
Mariam Cassim[1]	362.5	–	120.8	–	–	–	–	483.3
David Friedland	435.0	–	145.0	–	90.0	–	–	670.0
Hugh Herman[2]	435.0	–	145.0	200.0	–	–	42.0	822.0
Aboubakar Jakoet	435.0	–	–	94.5	–	94.5	42.0	666.0
Alex Mathole[3]	181.3	–	–	–	37.5	39.4	–	258.2
Audrey Mothupi[4]	435.0	–	145.0	94.5	90.0	–	42.0	806.5
David Robins	435.0	–	–	–	–	94.5	–	529.5
Annamarie van der Merwe[5]	253.8	–	–	–	52.5	55.1	–	361.4
Jeff van Rooyen	435.0	145.0	375.0	94.5	90.0	–	42.0	1 181.5
Total remuneration	8 430.1	145.0	930.8	538.6	412.5	283.5	168.0	10 908.5
FY20								
Gareth Ackerman	4 660.0	–	–	–	–	–	–	4 660.0
David Friedland	435.0	–	145.0	–	90.0	–	–	670.0
Hugh Herman	435.0	145.0	145.0	200.0	–	–	42.0	967.0
Alex Mathole	435.0	–	–	–	90.0	94.5	–	619.5
Audrey Mothupi	435.0	–	145.0	94.5	90.0	–	42.0	806.5
Aboubakar Jakoet[6]	217.5	–	–	47.3	–	47.2	21.0	333.0
David Robins	435.0	–	–	–	–	94.5	–	529.5
Jeff van Rooyen	435.0	–	375.0	94.5	90.0	–	42.0	1 036.5
Total remuneration	7 487.5	145.0	810.0	436.3	360.0	236.2	147.0	9 622.0

[1] *Appointed May 2020*
[2] *Retired as Chair of the remuneration committee effective 28 February 2021*
[3] *Retired August 2020*
[4] *Appointed as Chair of the remuneration committee effective 1 March 2021*
[5] *Appointed August 2020*
[6] *Appointed September 2019*

Share awards held by executive directors

FY21	Calendar year granted	Award grant price R	Balance held at 1 March 2020	Forfeits[1]	Granted/ (exercised)	Exercise price R	Balance held at 28 February 2021	Shares and share options to be delivered post 28 February 2021[2]	Available for take-up
Richard Brasher									
Forfeitable share plan	2017	nil	400 000	(280 000)	(120 000)	51.81	–	–	n/a
	2018	nil	1 000 000	–	–	–	1 000 000	(1 000 000)	June 2021
	2020	nil	–	–	1 200 000	–	1 200 000	(1 200 000)	June 2021
			1 400 000	(280 000)	1 080 000		2 200 000	(2 200 000)	
Lerena Olivier									
Share options	2019	58.05	80 000	–	–	–	80 000	–	September 2022
	2019	58.05	60 000	–	–	–	60 000	–	September 2024
	2019	58.05	60 000	–	–	–	60 000	–	September 2026
Forfeitable share plan	2017	nil	60 000	–	(60 000)	51.81	–	–	
	2018	nil	20 000	–	–	–	20 000	(20 000)	June 2021
	2019	nil	100 000	–	–	–	100 000	–	June 2022
Restricted share plan	2020	nil	–	–	120 000	–	120 000	–	June 2023
			380 000	–	60 000		440 000	(20 000)	
Richard van Rensburg									
Share options	2016	31.14	487 464	–	–	–	487 464	(487 464)	n/a
Forfeitable share plan	2017	nil	140 000	(98 000)	(42 000)	51.81	–	–	n/a
	2018	nil	30 000	–	–	–	30 000	(30 000)	June 2021
	2019	nil	150 000	–	–	–	150 000	(150 000)	June 2021
			807 464	(98 000)	(42 000)		667 464	(667 464)	
Suzanne Ackerman-Berman									
Forfeitable share plan	2017	nil	80 000	(56 000)	(24 000)	51.81	–	–	n/a
	2018	nil	15 000	–	–	–	15 000	(15 000)	June 2021
	2019	nil	15 000	–	–	–	15 000	–	June 2022
Restricted share plan	2020	nil	–	–	60 000	–	60 000	–	June 2023
			110 000	(56 000)	36 000		90 000	(15 000)	
Jonathan Ackerman									
Forfeitable share plan	2017	nil	40 000	(28 000)	(12 000)	51.81	–	–	n/a
	2018	nil	8 000	–	–	–	8 000	(8 000)	June 2021
	2019	nil	8 000	–	–	–	8 000	–	June 2022
Restricted share plan	2020	nil	–	–	30 000	–	30 000	–	June 2023
			56 000	(28 000)	18 000		46 000	(8 000)	

[1] *The Group did not meet its three-year comparable HEPS target required for the full vesting of the 2017 FSP award, and as such a portion of the outstanding shares were forfeited at the discretion of the remuneration committee.*

[2] *The Group delivered its three-year performance target for the successful delivery of the 2018 FSP award. All shares will be delivered to participants at the end of June 2021. Please refer to page 112 for further information. Furthermore, the 2019 and 2020 share awards held by Richard Brasher and Richard van Rensburg will be early delivered in June 2021 as part of their agreed retirement package. Please refer to page 113 for further information.*

Directors' interest in ordinary shares

Director	How held[1]	Balance held at 1 March 2020	Additions/ grants	Disposals	Forfeits[5]	Balance held at 28 February 2021[8]	Beneficial/ non-beneficial interest[2]
FY21							
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 704 200	8 906	–	–	1 713 106	Beneficial
	indirect	19 762	–	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation[3]	indirect	101 900	–	–	–	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited[3]	indirect	1	–	–	–	1	Non-beneficial
Newshelf 1321 Proprietary Limited[4]	indirect	124 677 237	–	–	–	124 677 237	Non-beneficial
Mistral Trust[6]	indirect	2 768 000	32 000	–	–	2 800 000	Non-beneficial
Richard Brasher	direct	–	64 800	–	–	64 800	Beneficial
	direct – FSP	1 400 000	1 200 000	(120 000)	(280 000)	2 200 000	Beneficial
Lerena Olivier	direct	8 100	32 400	–	–	40 500	Beneficial
	direct – FSP/RSP	180 000	120 000	(60 000)	–	240 000	Beneficial
Richard van Rensburg	direct – FSP	320 000	–	(42 000)	(98 000)	180 000	Beneficial
Jonathan Ackerman	direct	122 888	–	–	–	122 888	Beneficial
	direct – FSP/RSP	56 000	30 000	(12 000)	(28 000)	46 000	Beneficial
	indirect	765 886	33 533	–	–	799 419	Beneficial
	indirect	14 495	–	(12 334)[7]	–	2 161	Non-beneficial
Suzanne Ackerman-Berman	direct	120 528	–	–	–	120 528	Beneficial
	direct – FSP/RSP	110 000	60 000	(24 000)	(56 000)	90 000	Beneficial
	indirect	612 109	12 960	–	–	625 069	Beneficial
Aboubakar Jakoet	direct	758 764	–	–	–	758 764	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	41 688	10 000	–	–	51 688	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
Hugh Herman	direct	30 000	–	–	–	30 000	Beneficial
	indirect	256	–	–	–	256	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-Berman in their capacities as trustees.*
4 *The indirect non-beneficial interest in Newshelf 1321 Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*
5 *The Group did not meet its three-year comparable HEPS target required for the full vesting of the 2017 FSP award, and as such a portion of the outstanding shares were forfeited at the discretion of the remuneration committee.*
6 *The indirect non-beneficial interest in the Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
7 *This disposal of shares relates to minor children of the director achieving the age of majority. These shares are therefore no longer held indirectly by the director.*
8 *There have been no changes in the directors' interests in ordinary shares since 28 February 2021 up to the date of the approval of this report.*

Directors' interest in B shares

Director	How held[1]	Balance held at 1 March 2020	Disposals	Balance held at 28 February 2021[6]	Beneficial/ non-beneficial interest[2]
FY21					
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Newshelf 1321 Proprietary Limited[3]	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral Trust[4]	indirect	5 349 559	–	5 349 559	Non-beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	(17 582)[5]	4 280	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	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 Newshelf 1321 Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*
4 *The indirect non-beneficial interest in the Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*
5 *This disposal of shares relates to minor children of the director achieving the age of majority. These shares are therefore no longer held indirectly by the director.*
6 *There have been no changes in the directors' interests in B shares since 28 February 2021 up to the date of the approval of this report.*

07 SHAREHOLDERS' INFORMATION

ANALYSIS OF ORDINARY SHAREHOLDERS

as at 28 February 2021

Pick n Pay Stores Limited

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	11 857	68.6	2 589 635	0.5
1 001 – 10 000 shares	4 046	23.4	12 943 599	2.6
10 001 – 100 000 shares	1 030	6.0	33 956 180	6.9
100 001 – 1 000 000 shares	279	1.6	78 137 276	15.8
1 000 001 shares and over	62	0.4	365 823 631	74.2
Total	17 274	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	19	0.1	147 301 550	29.9
Newshelf 1321 Proprietary Limited	1	0.0	124 677 237	25.3
Ackerman Investment Holdings Proprietary Limited	1	0.0	1	0.0
Ackerman Pick n Pay Foundation	2	0.0	101 900	0.0
Mistral Trust	1	0.0	2 800 000	0.6
Directors of Pick n Pay Stores Limited	10	0.1	4 453 720	0.9
Shares held on behalf of FSP/RSP participants	1	0.0	9 004 500	1.8
Pick n Pay Retailers Proprietary Limited	1	0.0	29 669	0.0
Boxer Holdings Proprietary Limited	1	0.0	4 400	0.0
Pick n Pay Employee Share Purchase Trust	1	0.0	6 230 123	1.3
Public shareholders	17 255	99.9	346 148 771	70.1
Total	17 274	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Newshelf 1321 Proprietary Limited	124 677 237	25.3
Government Employees Pension Fund	69 897 440	14.2
Fidelity Series Emerging Markets Opportunities Fund	30 960 844	6.3
Alexander Forbes Investments	14 369 648	2.9
Shares held on behalf of FSP/RSP participants	9 004 500	1.8
Pick n Pay Employee Share Purchase Trust	6 230 123	1.3
Old Mutual Life Assurance Company SA	6 197 659	1.3
FIAM Group Trust For Employee Benefit Plans	6 052 756	1.2
Prudential SA Equity Fund	5 289 563	1.1
Allan Gray Balanced Fund	5 025 846	1.0

ANALYSIS OF B SHAREHOLDERS

as at 28 February 2021

Pick n Pay Stores Limited

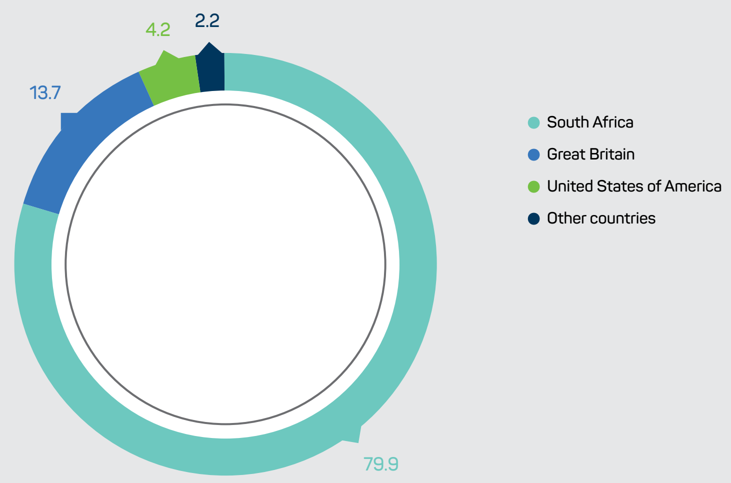
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	3.9	1 100	0.0
1 001 – 10 000 shares	7	26.9	52 868	0.0
10 001 – 100 000 shares	8	30.8	223 670	0.1
100 001 – 1 000 000 shares	5	19.2	1 582 276	0.6
1 000 001 shares and over	5	19.2	257 822 955	99.3
Total	26	100.0	259 682 869	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	23.1	258 277 425	99.5
Newshelf 1321 Proprietary Limited	1	3.9	246 936 847	95.1
Directors of Pick n Pay Stores Limited	4	15.3	5 991 019	2.3
The Mistral trust	1	3.9	5 349 559	2.1
Public shareholders	20	76.9	1 405 444	0.5
Total	26	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Newshelf 1321 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

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.

Geographical spread of ordinary shareholders – %



SHAREHOLDERS' INFORMATION

Annual general meeting – 28 June 2021

The 53rd annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) 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 28 June 2021, through the following link – www.smartagm.co.za

The minutes of the previous year's AGM held on 4 August 2020 are available on our investor relations website at www.picknpayinvestor.co.za.

FY22 results announcements

Interim to 29 August 2021	October 2021
Final to 27 February 2022	April/May 2022

Publication of annual financial statements

2021	May 2021
2022	June 2022

Publication of Integrated Annual Report and Corporate Governance Report

2021	May 2021
2022	June 2022

Publication of Sustainable Living Report (every two years)

2021	June 2021
2023	June 2023

CORPORATE INFORMATION

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

Board of directors
Executive directors
Pieter Boone (CEO)
Lerena Olivier (CFO)
Suzanne Ackerman-Berman
Jonathan Ackerman

Non-executive
Gareth Ackerman (Chair)
Aboubakar Jakoet
David Robins

Independent non-executive
Haroon Bhorat
Mariam Cassim
David Friedland
Hugh Herman
Audrey Mothupi
Annamarie van der Merwe
Jeff van Rooyen

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Fax +27 21 797 0314

Postal address
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Claremont
Cape Town 7735

Registrar
Computershare Investor Services Proprietary Limited
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Rosebank 2196
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Fax +27 11 688 5248

Postal address
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Saxonwold 2132

JSE Limited sponsor
Investec Bank Limited
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Sandton 2196

Auditors
Ernst & Young Inc.

Attorneys
Edward Nathan Sonnenbergs

Principal transactional bankers
Absa Limited
First National Bank

Company Secretary
Debra Muller
Email address: demuller@pnp.co.za

Promotion of Access to Information Act
informationofficer@pnp.co.za

Investor relations
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Investor relations: www.picknpayinvestor.co.za

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www.picknpay.com

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