



**Pick n Play**

**CORPORATE GOVERNANCE REPORT  
2017**



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# OUR CORPORATE GOVERNANCE

PICK N PAY STORES LIMITED

(Stores/the Company)

## INTRODUCTION

The Board of directors takes overall responsibility for the performance and sustainable value creation of the Group, ensuring that it is managed in a transparent, equitable and responsible manner to the benefit of all of its stakeholders. As part of Pick n Pay's intellectual capital, members of the Board operate as a resource for executives in directing, finalising and overseeing the implementation of the Group's strategy and policy.

The Board and the Group are committed to upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable value creation. The Board, assisted by senior management, is ultimately accountable for the ethical leadership, sustainability and good corporate citizenship of the Group, in line with its core values as set out on page 11 of the 2017 integrated annual report. The Group's commitment to good corporate governance permeates every aspect of the management structure.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times. The Board supports the materiality approach, which emphasises integrated reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short-, medium- and long-term. The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Details of the Group's material issues and related risks, and how they are identified as such, are set out on page 32 of the 2017 integrated annual report.

The Board is supported by the audit, risk and compliance, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that implementation of the Group's strategy is managed in a manner that is consistent with the values of the Group.

The Board believes that the Group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The Group has not breached any regulatory requirements and has complied with all its statutory obligations.

## APPLICATION OF THE KING CODE

The King Code of Governance Principles underpins the Group's corporate governance framework.

An assessment of the King IV Report on Corporate Governance for South Africa 2016 (King IV) was undertaken following its publication in November 2016. The Group is in full support of the voluntary principles and leading practices of King IV and will apply its recommendations leading up to its effective date. Work is underway to integrate King IV into the Group's internal controls and policies, as well as the Board's corporate governance charter.

The Board confirms that the Group complied with the Code of Governance Principles as set out in King III for the 2017 financial period. A full review of the application of the King Codes is available on our website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za). The table opposite sets out the King III recommendations that are applied differently by the Board.

## SUMMARY OF APPLICATION OF KING III PRINCIPLES

CHAPTER AND PRINCIPLE	COMMENTS FOR 2017
<b>CHAPTER 2 – BOARD AND DIRECTORS</b>	
<p><b>Principle 2:16</b> The Board should elect a Chairman of the Board who is an independent non-executive director</p>	<p>King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise.</p> <p>Chairman, Gareth Ackerman, is not independent by virtue of his indirect shareholding in the Group. Refer to the directors’ interests in shares section of the remuneration report on pages 29 and 30. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders.</p> <p>Hugh Herman has been appointed as Lead Independent Director (“LID”). The main function of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The LID 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. All members of the Board have unfettered access to the LID when required.</p> <p>In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors.</p> <p>Consistent with the King III guidelines, Gareth Ackerman:</p> <ul style="list-style-type: none"> <li>• Is not a member of the audit, risk and compliance committee;</li> <li>• Does not chair the remuneration committee, but is a member; and</li> <li>• Is not a member of the social and ethics committee.</li> </ul>
<p><b>Principle 2.22</b> The evaluation of the Board, its committees and the individual directors should be performed every year</p>	<p>Individual performance evaluations of directors and evaluations of the effectiveness of the Board are undertaken annually by the Chairman of the Board. The evaluation of the effectiveness of the Board’s committees is undertaken regularly, but not necessarily annually. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances, the Board’s overall efficiency and each director’s individual contribution to the Board. If improvements are indicated, the necessary measures are implemented. Refer to page 5 for more detail on the annual independence assessment process.</p>
<b>CHAPTER 3 – AUDIT COMMITTEES</b>	
<p><b>Principle 3.5</b> The audit, risk and compliance committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities</p>	<p>The Board and audit, risk and compliance committee continue to develop and implement a comprehensive combined assurance approach. Refer to “About Our Report” on page 4 for the assurances obtained for information contained in the 2017 integrated annual report.</p>
<b>CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE</b>	
<p><b>Principle 9.3</b> Sustainability reporting and disclosures should be independently assured</p>	<p>The Board and audit, risk and compliance committee continue to develop and implement a comprehensive combined assurance approach to ensure the integrity of reported financial and non-financial data. Refer to “About Our Report” on page 4 for the assurances obtained for information contained in the 2017 integrated annual report.</p>

# OUR CORPORATE GOVERNANCE continued

## BOARD GOVERNANCE

### BOARD FUNCTION

**Directors are encouraged to promote rigorous debate with the aim of promoting direction, governance and effective control of the Group. Decisions are usually made by consensus. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.**

During the reporting period the Board adopted a gender diversity policy to guide its future appointments of directors in accordance with the amended JSE Listings Requirements on the promotion of gender diversity (paragraph 3.84(k)). The Board is committed to proactively monitoring the Group's performance in meeting the requirements outlined in the policy.

The Board process is managed by the Company Secretary, who is supported by the risk, legal, compliance and governance functions. The Board meets on a quarterly basis in line with the financial and strategic processes of the Group and engages on a quarterly basis with management to examine progress made in the implementation of the Group's strategic objectives.

The Board annually performs a formal review of the Group's ability to continue trading as a going concern in the foreseeable future. The Board has performed this review for the 2017 financial period and confirms the Group's going-concern status.

### BOARD COMPOSITION

The Board consisted of twelve directors during most of the 2017 financial period, increasing to thirteen with the reappointment of Alex Mathole to the Board in October 2016. As at the end of the 2017 financial period, six of the eight non-executive directors were independent. The remaining five directors were executive directors. As the Chairman was not independent, Hugh Herman was appointed as LID.

The non-executive directors are diverse in their academic qualifications and business experience, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgement in directing the Group's value creation processes to ensure the sustainability thereof for all stakeholders. All directors are formally inducted upon joining the Board and receive ongoing briefings on changes in risks, laws and the business environment.

Curricula vitae of all directors are set out on page 42.

### CHANGES TO BOARD COMPOSITION DURING THE 2017 FINANCIAL PERIOD

Alex Mathole was appointed to the Board in October 2016. Being eligible, she will offer herself for election to shareholders at the AGM to be held on 31 July 2017.

An admitted attorney, Alex was previously a non-executive director of Pick n Pay. She resigned in 2013 when she took up a position with a major supplier to Pick n Pay so as to avoid any perception of a conflict of interests arising. Alex is now employed by FirstRand Limited where she holds the position of regulatory risk management executive. We are pleased to welcome her back to Pick n Pay.

### CONTROLLING SHAREHOLDER REPRESENTATION ON THE BOARD

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholders, and were elected by shareholders to the Board. Between them, they have 70 years' executive experience in the Group. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

### EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), who are all executive directors of the Company.

### ANNUAL ASSESSMENT OF INDEPENDENCE

The Board's corporate governance charter requires an annual assessment of the independence of non-executive directors to be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and competitor companies; and
- Material contracts with the Group, if any.

The annual internal assessment of the independence of non-executive directors was undertaken by the Chairman. Following this assessment, the Chairman made recommendations to the Board as to independence. The Board interrogated the recommendations before a final decision was made regarding the independence or otherwise of each non-executive director.

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

All the Board's independent non-executive directors met the criteria for independence as established by the King Codes, the Companies Act and the JSE Listings Requirements.

## LENGTH OF SERVICE AND RETIREMENT BY ROTATION

The Board has found that length of service does not automatically preclude a director from exercising independence in decision making. The longer-serving non-executive directors vigorously exercise their duty to act in the best interests of all stakeholders of the Group. All our independent non-executive directors are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Group values the balance achieved between the fresh insights from new directors and the experience of longer-serving directors.

In terms of the Company's Memorandum of Incorporation (MOI), one-third of the non-executive directors retire by rotation and, should they wish and if they are eligible, may stand for re-election to the Board at the following annual general meeting.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving non-executive directors, and in terms of the corporate governance charter, all independent non-executive directors who have served on the Board for more than nine years serve one-year terms of office, instead of the standard three-year term. At the end of each term, the director and the Chairman jointly evaluate the director's contribution and independence. 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 for a further period of one year.

## BOARD COMMITTEES

The Board committees report to the Board on their activities. The corporate governance charter governing the committees is reviewed annually to ensure that the mandates remain current and effective. The corporate governance charter, containing the terms of reference of each committee, is available on the investor relations section of our website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za). Each committee reviews its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. The chairman of each committee reports back to the Board on the assessment. All committees, after review, were satisfied that they carried out their responsibilities during the period.

## COMPANY SECRETARY

The Board is aware of the duties the Company Secretary is required to perform 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 a director of the Company, and the directors have unlimited access to the advice and services of the Company Secretary.

Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. The Board is satisfied that the Company Secretary meets the necessary requirements. The Company Secretary's qualifications are outlined on page 8. The Board is satisfied that the Company Secretary has maintained an arms-length relationship with the Board. The Company Secretary acted as secretary for all Board committees other than the remuneration committee, where the CFO acted as secretary.

## RISK GOVERNANCE

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

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

The overall risk profile of the Group has not changed materially in the period under review. For detail on the material issues and related risks facing the Group, and how that informs the Group's strategy, please refer to page 42 of the 2017 integrated annual report.

## INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board takes responsibility for IT governance. An IT governance function has been established within the IT division. IT governance is monitored by the audit, risk and compliance committee, which considers the efficiency of IT controls, policies and processes.

# OUR CORPORATE GOVERNANCE continued

## OPERATIONAL GOVERNANCE

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

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

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

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

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

## Honorary Life Presidents



WENDY ACKERMAN AND RAYMOND ACKERMAN

## UNBUNDLING

During the 2017 financial period, at the General Meeting held on 25 July 2016, shareholders approved the unbundling of the Pick n Pay Holdings Limited RF Group, in order to remove the pyramid control structure. Independent boards were constituted, following a rigorous corporate governance process to ensure that the directors of both Pick n Pay Holdings Limited RF and Pick n Pay Stores Limited acted in the best interests of the companies to which they owed a fiduciary duty. The independent boards concluded that the unbundling would be in the best interests of shareholders of the respective companies. Directors who were members of the Ackerman family, as controlling shareholders, recused themselves from discussing and from voting on the proposal at every level of its consideration, including at the shareholder meetings. The proposal was put to shareholders, who voted in favour of the resolutions required to implement the unbundling.

Subsequent to the elimination of the pyramid control structure, Pick n Pay Holdings Limited RF was de-listed from the JSE and purchased as a wholly-owned subsidiary by Stores. Its only asset, being its shareholding in Stores, was distributed to its shareholders. Stores created and issued a new class of unlisted voting shares (B shares) to the existing controlling shareholders of the Pick n Pay Holdings Limited RF Group, so as to retain the control structure of the Group as it was prior to the unbundling. The holders of the 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 benefit.

Raymond Ackerman, Wendy Ackerman, René de Wet, Hugh Herman and Jeff van Rooyen have all resigned as directors of Pick n Pay Holdings Limited RF, and David Robins, Suzanne Ackerman-Berman and Jonathan Ackerman have resigned as alternate directors. We thank them for their valued contribution to Pick n Pay Holdings Limited RF. We are happy to note that Mr and Mrs Ackerman remain integral to the Pick n Pay Group in their capacity as Honorary Life Presidents. Hugh Herman and Jeff van Rooyen continue to serve on the Board of the Company. David Robins, Suzanne Ackerman-Berman and Jonathan Ackerman continue to serve on the Board of the Company as representatives of the controlling shareholder.

## GOVERNANCE STRUCTURE

The diagram below is a summary of the governance structure of the Group:



**1** Refer to the Board of directors on pages 8 and 9.

COMMITTEE	ROLE	Page
<b>2</b> Audit, risk and compliance committee	Provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, internal and external audit processes and acts as a liaison between the Board and external and internal auditors.	11
<b>3</b> Remuneration committee	Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.	16
<b>4</b> Nominations committee	Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.	15
<b>5</b> Corporate finance committee	Assists the Board in assessing investment opportunities for the Group.	14
<b>6</b> Corporate governance committee	Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.	14
<b>7</b> Social and ethics committee	Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.	31
<b>8</b> Group executive committee	Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.	

# BOARD OF DIRECTORS

## CHAIRMAN



**GARETH ACKERMAN (59)**  
BSocSci, CMS (Oxon)  
Chairman

- Appointed 1990
- Corporate governance committee and nominations committee chairman

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Company before being appointed to the Board in 1990. He became a non-executive director in 1999, and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited RF. In 2010, he was appointed Chairman of Pick n Pay Stores Limited. Amongst his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa, and serves as co-chair of the international Consumer Goods Forum. He is also a Trustee of Masisizane and a member of the international board of YPO. He chairs the Ackerman Family interests.

## EXECUTIVE DIRECTORS



**RICHARD BRASHER (55)**  
Bsc (Hons)  
Chief Executive Officer

- Appointed 2013
- Years of service: 4

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



**ABOUBAKAR (BAKAR) JAKOET (61)**  
CA(SA)  
Chief Finance Officer

- Appointed 2011
- Years of service: 31

Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed divisional director in 1993 and served on the retail board as chief finance controller since its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council and Deputy Chairman of the UCT Finance Committee. He is a director of the Sports Science Institute of South Africa, and chairs their audit, risk and compliance committee.



**RICHARD VAN RENSBURG (56)**  
CA(SA)  
Deputy Chief Executive Officer

- Appointed 2009
- Years of service: 8

Richard has extensive experience in retail and information technology, with Woolworths, Massmart and Affinity Logic. In 2009, he joined the board of Pick n Pay as an independent non-executive director. In 2011, Richard became deputy CEO. In this role, Richard takes responsibility for the e-commerce portfolio of the Group.



**SUZANNE ACKERMAN-BERMAN (54)**  
BA, Fellow: Aspen Business Institute; First Movers

- Appointed 2010
- Years of service: 22
- Social and ethics committee chairman

Following broad executive experience in the Company, Suzanne was appointed Director of Transformation on the Group Executive in 2007. In addition to her executive contribution to the Company, in March 2010 she was appointed to the Board as a representative of the controlling shareholder.

Suzanne is very active philanthropically and is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Foundation, and head of the Pick n Pay Small Business Incubator.



**JONATHAN ACKERMAN (50)**  
BA Marketing

- Appointed 2010
- Years of service: 24

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 wellbeing of Pick n Pay's customers is the primary motivating factor for any strategic decision taken in the Company in his current role as Customer Director on the Group Executive. In March 2010, he was appointed to the Board as a representative of the controlling shareholder.

## NON-EXECUTIVE DIRECTOR



**DAVID ROBINS (63)**  
BBusSci

- Appointed 2002

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

## COMPANY SECRETARY



**DEBRA MULLER (55)**  
BA LLB

- Appointed 2010
- Years of service: 11

Debra was appointed as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant and was appointed in 2006 as in-house legal advisor, working with contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra also heads 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS



**HUGH HERMAN (76)**  
BA LLB, LLD (hc)

- Appointed 1976
- Lead independent non-executive director
- Remuneration committee chairman

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

**Other listed company directorships:** Growthpoint Properties Limited



**ALEX MATHOLE (44)**  
Bluris LLB

- Appointed 2016
- Admitted as an attorney in 1997, Alex is currently the regulatory risk management executive at FirstRand, taking responsibility for prudential regulatory compliance, market conduct, ethics and business conduct.
- Alex started her career practising in commercial, corporate law and litigation for two years, before joining Gray Security (subsequently merged with Securicor) in 1999 where she worked in the employment law field for five years. In 2006, Alex joined Siemens where she achieved the position of General Counsel for Siemens in Africa and subsequently executive director for sustainability and corporate affairs until 2012.



**AUDREY MOTHUPI (46)**  
BA (Hons)

- Appointed 2013
- Audrey is the Chief Executive Officer of the SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the Chief Executive of Strategic Services at the Liberty Group of companies. Whilst at Standard Bank, her division was awarded the 2013 BAI-Finacle Global Banking Innovation Award for innovation in societal and community impact. Audrey was also responsible for migrating 3.5 million Standard Bank customers onto a consolidated SAP platform during her former position as Director of Banking and Lending Products.



**LORATO PHALATSE (55)**  
BA (Hons), MA

- Appointed 2010
- Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedper in the retail banking sector, she was seconded to the Women's Development Bank. One of the founders, and the first CEO of Nozala Investments Proprietary Limited, she sat on the boards of companies such as Tsebo/Fedics, Kyocera and Afripack. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato is Chairman of the Bidvest Group and is on the board of Masisizane.

**Other listed company directorships:** The Bidvest Group Limited



**JEFF VAN ROOYEN (67)**  
BCom (SA), Hons BCompt SA, CA(SA)

- Appointed 2007
  - Audit, risk and compliance committee chairman and corporate finance committee chairman
- 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, Chairman 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 Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria and member of the Standing Advisory Committee on Company Law.
- Other listed company directorships:** MTN Group Limited, Exxaro Resources Limited



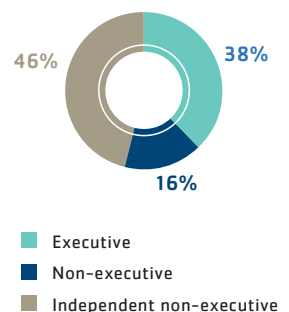
**DAVID FRIEDLAND (63)**  
CA(SA)

- Appointed 2013
- David was the audit engagement partner and lead/relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David was associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 – 2007.
- Other listed company directorships:** Investec Limited, Investec plc, The Foschini Group Limited

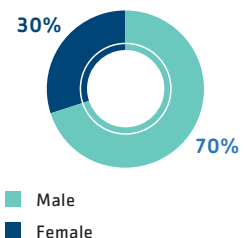
Member of the:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee

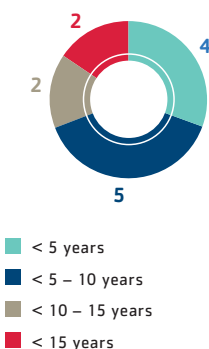
DIRECTOR CLASSIFICATION



GENDER DIVERSITY



DIRECTOR TENURE



# DIRECTORS' ATTENDANCE AT BOARD MEETINGS

The Board convenes a minimum of four times per year for formal meetings, with additional meetings scheduled when necessary.

With reference to the elimination of the pyramid control structure (refer to page 6), an independent Board was constituted to ensure that directors' independence was in place for the duration of the proposal.

The table below details each director's Board meeting attendance during the 2017 annual financial period (FY17), including Board meetings and the AGM, as well as meetings of the independent Board and the EGM held to consider the proposal to eliminate the pyramid control structure:

DIRECTOR	BOARD AND AGM	INDEPENDENT BOARD AND EGM	ACTIVITIES FY17
Gareth Ackerman (Chairman)	5/5	#	<ul style="list-style-type: none"> <li>Reviewed and approved the Group strategy</li> <li>Reviewed progress on the three-year financial plan</li> <li>Reviewed and approved the FY18 budget</li> <li>Approved the half-year and year-end financial results, and the JSE announcements</li> <li>Reviewed and approved the integrated annual report</li> <li>Discussed and considered material issues relating to execution of strategy</li> <li>Reviewed and approved the cash flow reports</li> <li>Reviewed and approved the capital expenditure budget</li> <li>Adopted the gender diversity policy</li> <li>Reviewed and approved the property strategy</li> <li>Approved the operating model strategy</li> <li>Approved the extension of tenure for current non-executive directors</li> <li>Approved the non-executive directors' fees for tabling at the annual general meeting</li> <li>Considered the declaration of directors' personal financial interests at each meeting</li> <li>Reviewed and approved the corporate governance charter</li> <li>Independent Board discussed, considered, approved, and proposed to shareholders at the EGM, the elimination of the pyramid control structure</li> </ul>
Richard Brasher (CEO)	5/5	2/2	
Richard van Rensburg (deputy CEO)	3/5	1/2	
Bakar Jakoet (CFO)	5/5	2/2	
Suzanne Ackerman-Berman	5/5	#	
Jonathan Ackerman	5/5	#	
Hugh Herman (LID)	4/5	2/2	
David Friedland	3/5	1/2	
Alex Mathole*	1/1	#	
Audrey Mothupi	5/5	2/2	
Lorato Phalatse	4/5	2/2	
David Robins	5/5	#	
Jeff van Rooyen	5/5	2/2	

\* Alex Mathole was appointed in October 2016 and attended the Board meeting in February 2017

# Directors were not members of the independent Board that was constituted to consider the proposal to eliminate the pyramid control structure

## BOARD COMMITTEES

The role and responsibility of each Board committee is set out in the corporate governance charter, which is reviewed on an annual basis and approved by the Board. The full terms of reference of each committee can be found on our website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

In line with the delegated powers and authorities, the committees report to the Board on how they carried out their responsibilities. All committees reviewed their responsibilities and were satisfied that they had carried these out during the year.

# AUDIT, RISK AND COMPLIANCE COMMITTEE

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

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit, risk and compliance committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls. The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit, risk and compliance committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant managers. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

The audit, risk and compliance committee is a statutory committee, as required by the Companies Act, and functions within a charter that is reviewed and approved annually by the Board.

## ROLE OF THE COMMITTEE

The audit, risk and compliance committee has an independent role with accountability both to the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

### Integrated and financial reporting

- Review the financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and consider factors and risks that could impact on the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure that it is consistent with financial information reported; and
- Recommend the integrated annual report, annual financial statements and corporate governance report to the Board for approval.

### Finance function

- Consider the expertise and experience of the Chief Finance Officer; and
- Consider the expertise, experience and resources of the Group's finance function.

### Internal audit

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

### External audit

- Act as a liaison between the external auditors and the Board;
- Nominate the external auditor for appointment by shareholders;
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

# AUDIT, RISK AND COMPLIANCE COMMITTEE continued

## Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

## General

- Receive and deal appropriately with any complaint relating to the accounting practise and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

## COMPOSITION OF THE COMMITTEE

The audit, risk and compliance committee is chaired by and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial year and in compliance with King III are elected by shareholders at the annual general meeting.

## Composition of the committee, frequency of meetings, activities in the period under review

MEMBERS	ATTENDANCE	ACTIVITIES 2017
Jeff van Rooyen (Chairman)	2/2	<ul style="list-style-type: none"> <li>• Reviewed and recommended the half-year and full-year financial results, annual financial statements and integrated annual report to the Board for approval</li> <li>• Reviewed the internal audit coverage plan and ensured continued progress in integrating with the combined assurance model</li> <li>• Reviewed and approved the accounting and disclosure policies and the effectiveness of internal financial controls</li> <li>• Reviewed the external audit coverage plan</li> </ul>
Hugh Herman	2/2	<ul style="list-style-type: none"> <li>• Pre-approved all non-audit services provided by the Group's external auditors</li> <li>• Met separately with the internal auditors and the external auditors to confirm that they received the full co-operation of management</li> <li>• Met with management to review their progress on identifying and addressing material risk areas within the business</li> <li>• Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported</li> </ul>
David Friedland	2/2	<ul style="list-style-type: none"> <li>• Chairman met regularly with key management to keep abreast of relevant emerging issues</li> <li>• Discharged all audit, risk and compliance committee responsibilities to all the subsidiary companies within the Group</li> <li>• Reviewed the findings of the financial review committees of all the material operating divisions. The financial review committees were chaired by the CFO and, together with the external auditors and management of the respective operations, reviewed the results of the material operating divisions</li> </ul>
Audrey Mothupi	2/2	<ul style="list-style-type: none"> <li>• Reviewed and considered representations by management on the going-concern statement for the Group and recommended the adoption of the going-concern concept to the Board</li> <li>• Recommended approval of the reappointment of Ernst &amp; Young Inc. as external auditors</li> </ul>

## INDEPENDENCE OF EXTERNAL AUDITORS

The committee met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function. The committee was satisfied as to the independence of the Group's external auditors, Ernst & Young Inc. and its respective audit partners.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor, Ernst & Young Inc., for the 2017 financial period.

## POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors, Ernst & Young Inc., were pre-approved by the audit, risk and compliance committee. The total fee for non-audit services provided did not exceed 50% of the total auditors' remuneration.

## EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

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

## APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2017 financial year and that its report to shareholders was approved by the Board.

### **Jeff van Rooyen**

*Chairman: audit, risk and compliance committee*

18 April 2017

# CORPORATE FINANCE COMMITTEE

The corporate finance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

## ROLE OF THE COMMITTEE

The committee assists the Board in assessing investment opportunities for the Pick n Pay Group. The committee was formed to ensure that the interests of all shareholders are taken into account when investment decisions are made. The authority to accept or reject investment opportunities remains with the Board.

## COMPOSITION OF THE COMMITTEE

Chaired by Jeff van Rooyen, the committee comprises all independent non-executive directors.

## FREQUENCY OF MEETINGS

Given the proposal received from the Controlling Shareholder to eliminate the Pick n Pay Group's pyramid control structure, non-conflicted members of the corporate finance committee constituted the independent board of the Company together with non-conflicted executive directors in order to evaluate the proposal. Refer to the table on page 10 for membership of the independent board and a record of attendance at meetings in FY17.

# CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee operates in accordance with the corporate governance charter, which is reviewed and approved annually by the Board.

## ROLE OF THE COMMITTEE

The corporate governance committee reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision. The focus is currently on implementing King IV's recommendations and ensuring that the Group complies with the code of corporate practices and conduct. International standards of corporate governance are considered alongside local practices to ensure that the Group adopts best practice.

## COMPOSITION OF THE COMMITTEE, FREQUENCY OF MEETINGS, OBJECTIVES AND ACTIVITIES IN THE PERIOD UNDER REVIEW

MEMBERS	ATTENDANCE	OBJECTIVES AND ACTIVITIES 2017
Gareth Ackerman (Chairman)	Informal ad hoc meetings held as required	<ul style="list-style-type: none"> <li>Reviewed remuneration committee charter</li> <li>Reviewed share trust charter</li> <li>Reviewed treasury charter</li> <li>Reviewed corporate governance charter and recommended amendments for adoption by the Board</li> <li>Reviewed Companies Act section 45 requirements</li> <li>Evaluated survey used to establish independence of non-executive directors</li> <li>Evaluated survey used to establish competence of Company Secretary</li> <li>Reviewed and evaluated company policies in light of King IV</li> </ul>
Jeff van Rooyen		

# NOMINATIONS COMMITTEE

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

## ROLE OF THE COMMITTEE

The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions as recommended by the King Codes. The committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability.

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

## COMPOSITION OF THE COMMITTEE, FREQUENCY OF MEETINGS, OBJECTIVES AND ACTIVITIES IN THE PERIOD UNDER REVIEW

MEMBERS	ATTENDANCE	OBJECTIVES AND ACTIVITIES 2017
Gareth Ackerman (Chairman)	Informal ad hoc meetings held as required	<ul style="list-style-type: none"> <li>• Ensure proper succession planning for the Board, the CEO and the senior executive positions, so that the Group's long-term strategy can be well executed</li> <li>• Evaluate those non-executive directors who had served for more than nine years as regards independence and recommended that they continue on the Board for continuity and experience for a further term of one year</li> <li>• Reviewed the key performance indicators and objectives of the Group Chief Executive Officer</li> <li>• Assessed and confirmed the competence and expertise of the Company Secretary</li> <li>• Assessed and confirmed the independence of a non-executive director who had been a member of the external audit firm of the Group more than three years prior to date of assessment</li> <li>• Assessed and proposed to the Board the reappointment of an independent non-executive director</li> <li>• Assessed the balance of the Board and concluded that the Board retained an appropriate balance of skills, knowledge, diversity, independence and experience</li> <li>• Reviewed and approved the gender diversity policy to be presented to the Board for adoption, in accordance with amended JSE Listings Requirements on the promotion of gender diversity at Board level</li> </ul>
Lorato Phalatse		
David Friedland		

# REMUNERATION COMMITTEE

## Section 1: Chairman's statement

The Group has delivered solid progress against its strategic long-term plan, under the leadership of Richard Brasher and his senior management team. The business has improved its profit margin, strengthened its balance sheet and delivered compound annual growth in headline earnings per share of 24% over the past four years. The Group has invested more in skills development and training, improved its staff engagement and performance management, created more diversity in the workplace and continued to play an important role in job creation in South Africa.

Hugh Herman  
*Chairman: remuneration committee*



The Group's long-term plan is organised around seven key business acceleration pillars, one of which sets out the plan for building a winning team. This recognises the pivotal role the Pick n Pay team will play in the effective execution of Group strategy and ultimately in the long-term sustainable success of Pick n Pay. The Group's remuneration philosophy and underlying policies support its ambition to build the most skilled and talented South African retail business, and is aimed at attracting, retaining and motivating employees, while aligning remuneration with shareholder interests and best practice.

The tough consumer environment has put increasing pressure on sales volumes. The team delivered positive profit growth in this tough environment, strengthening the trading profit margin from 2.1% of turnover to 2.3%, with headline earnings per share up 18.0% year-on-year. However, the 2017 financial result fell short of certain key internal performance indicators set for the team, particularly in respect of turnover growth and working capital targets. Accordingly, the remuneration committee has not awarded a short-term bonus to its senior group executive team this year. Discretionary bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

In addition to the short-term bonus decision, other key considerations for the remuneration committee during the year included:

- The third allocation of shares to senior management in terms of the Group's forfeitable share plan in August 2016
- Setting the remuneration packages of new key senior executives in line with market-related benefits
- Agreeing the overall salary increase for all personnel
- Ongoing talent management and succession planning

A highlight of the year was the securing of a three-year wage agreement with the Group's main labour partner. This demonstrated a commitment from both sides to establish a fair and competitive long-term wage rate for members, and to secure improvements in productivity, efficiency and flexibility to assure the long-term success of the Group. The agreement introduced a new starting level category of staff, with basic pay linked to the Government's minimum pay levels, clear progression in terms of annual increases and a comprehensive package of additional benefits. The agreement also introduced a minimum guarantee of 85 hours work per month for all employees, bringing an end to the insecurity of zero-hour contracts. The Group is confident of the opportunity to reduce labour costs as a percentage of sales over time, while providing employees with the dignity of a living wage, competitive benefits and certainty of work.

The Group purchased shares to the value of R345.4 million under its share incentive schemes, and delivered substantial wealth creation for 9 250 employees at all levels, who realised their share awards during the year. The increased take-up of share options was driven by the higher share price over the year, as well as increased engagement with employees over the time of the unbundling of Pick n Pay Holdings Limited RF Group.

It gives us enormous pride to have contributed so substantially to long-term wealth creation for employees. The success of the Group's employee share incentive schemes and the value shared with employees is testament to the unique values of Pick n Pay and the positive role the Group has played as a significant employer in South Africa.

The Group created 4 500 new positions this year and is committed to creating quality jobs across South Africa and beyond. The modernisation of the Group is key to achieving this goal, and to ensure that our job creation is sustainable. Improvements in productivity and cost-effectiveness enable the Group to be more competitive, offer better value, attract more customers and grow its footprint sustainably. It is against this background that Pick n Pay finalised a voluntary severance programme (VSP) in May 2017. Participation in the scheme was entirely voluntary, and acceptance of

applications was at the Group's discretion. The programme enabled Pick n Pay to remove positions that were no longer required as a result of improved ways of working. By becoming more efficient and offering better value, the Group will sell more products and open more stores, creating more sustainable jobs in a strong and forward-looking business.

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

Sections 2 and 3 of the remuneration report (remuneration policy and the implementation thereof) will be tabled at the Group's 2017 AGM, on 31 July 2017 for a separate, non-binding advisory vote by shareholders.

The directors' fees for the 2017 financial period were approved by shareholders at the AGM held on 25 July 2016.

The shareholder votes received in respect of the directors' fees and remuneration report were as follows:

	FOR	AGAINST	ABSTAIN
<b>Advisory vote</b>	364 370 069	66 439 442	2 821 397
Remuneration report for the 2016 annual financial period	84.6%	15.4%	0.6%
<b>Special resolution number 1</b>	401 468 892	29 340 619	2 821 397
Directors' fees for the 2017 and 2018 annual financial periods	93.2%	6.8%	0.6%

The proposed directors' fees for the 2018 financial period will be submitted to shareholders for approval at the AGM to be held on 31 July 2017. Please refer to page 26 for further information.

Future areas of focus for the remuneration committee include talent management, succession planning and appropriate and effective long-term incentives to retain key skill over the long term. The remuneration committee looks forward to 2018, and is optimistic of the positive role Pick n Pay will play in the lives of its employees, and more broadly across all the communities it serves.

### Hugh Herman

*Chairman: remuneration committee*

23 June 2017

## Section 2: Overview of remuneration policy

### ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group’s remuneration philosophy reflects the following principles:

**Meritocracy** – staff are recognised and advanced based on merit

**Most talented SA retail business** – we will attract, retain and develop the most talented staff in the retail industry

**Effective lean organisation structure** – we will create and reward a culture of productivity and efficiency

**Diversity management** – we will offer equal opportunities to people from all walks of life, and our team will reflect the communities we serve

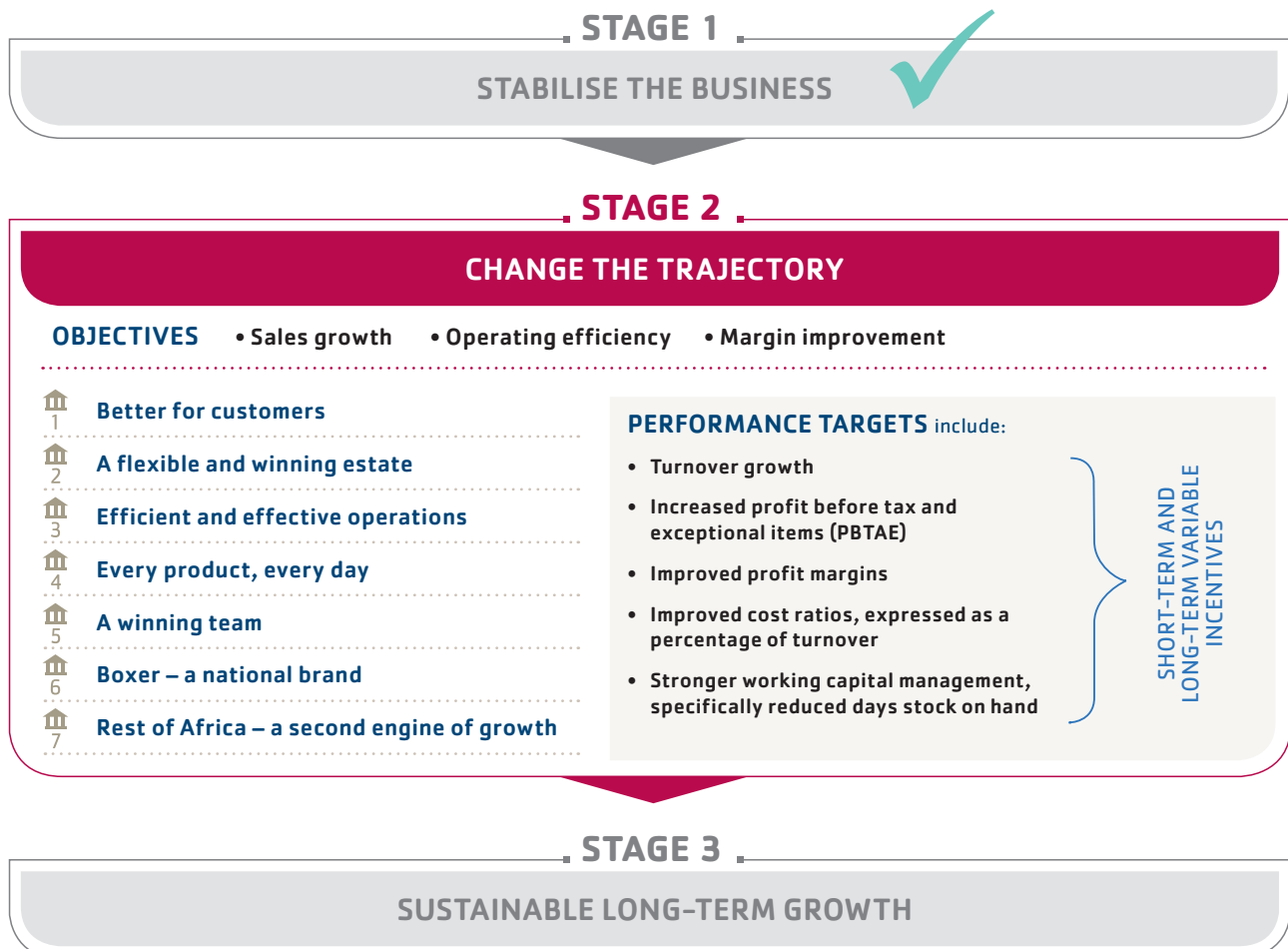
Underlying remuneration policies support the development and retention of top talent, while attracting critical skills and experience in the retail industry:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile
- An independent expert assists the remuneration committee with benchmarking

- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives – applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management
- Compliance with all applicable legislation
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

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

- The Group remuneration philosophy and underlying policies are aligned with the long-term strategic objectives of the Group, as set out in Stage 2 of the long-term turnaround plan
- Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business



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

The composition of the remuneration committee and meeting attendance is as follows:

Director	Attendance
Hugh Herman (Chairman)	2/2
Gareth Ackerman	2/2
Audrey Mothupi*	2/2
Jeff van Rooyen*	2/2

\* Audrey Mothupi and Jeff van Rooyen were appointed to the remuneration committee in April 2016, to replace John Gildersleeve and Ben van der Ross who retired during the 2016 financial year.

## OBJECTIVES AND ACTIVITIES 2017

- Reviewed the Group's remuneration philosophy and underlying policies to ensure alignment with the strategic objectives of the Group, and best practice in the market.
- Determined the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees.
- Proposed fees for non-executive directors, for shareholder approval.
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives.
- Determined the overall salary increase for salaried staff across the Group.
- Reviewed the principle and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner.
- Considered talent management and succession planning.

## REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES

### Remuneration structure

- Fixed base salary and benefits
- Short-term variable incentives
- Long-term variable incentives

### Remuneration objectives

- To ensure employees are fairly awarded for services rendered
- To recognise and reward outstanding individual performance
- To incentivise employees to meet short-term and long-term strategic objectives
- To encourage employees to grow and remain with the Group over the long term

### 1. FIXED BASED SALARY AND BENEFITS

EMPLOYEES		SALARY	FIXED BENEFITS					
GRADES	CATEGORY	FIXED BASE	13TH CHEQUE	RETIREMENT FUNDING	MEDICAL AID	MOTOR VEHICLE BENEFIT	LOW-INTEREST LOANS	LEAVE
A & B	Senior management	✓	-	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	✓	✓	✓
E & F	Junior management	✓	✓	✓	✓	-	✓	✓
G	Entry level, clerical and administration	✓	✓	✓	✓	-	✓	✓
NMBU	Permanent staff with non-management bargaining unit	✓	✓	✓	✓	-	✓	✓

# REMUNERATION COMMITTEE continued

## FIXED BASE SALARY

Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base salary is set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives. Remuneration is directly linked to annual performance assessments. Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

## FIXED BENEFITS

### 13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees<sup>3</sup> participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

### Retirement funding

It is a condition of employment that all employees, including variable-time employees<sup>3</sup>, are required to join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

### Medical aid

Medical aid provisions are in place for all full-time<sup>1</sup>, part-time<sup>2</sup> and variable-time employees<sup>3</sup>. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU<sup>4</sup> employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

**The Group is committed to furthering the economic empowerment and wellbeing of its employees and as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.**

## Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

## Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted, to ensure the employee does not experience financial strain. All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details please refer to note 15 of the 2017 audited Group annual financial statements where employee loans are disclosed.

## Leave

Annual leave accumulates from the date of starting employment for all employees and varies between three and four weeks per annum depending on the terms, conditions and length of employment. Variable-time employees<sup>3</sup> accumulate leave based on ordinary hours worked. The Group recognises long service with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

## Long-service awards

The Group has replaced its long-service share option scheme with a long-service cash award scheme where employees can redeem their award in Pick n Pay stores.

1. Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week
2. Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week
3. Variable time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week
4. NMBU refers to our non-management bargaining unit

## 2. SHORT-TERM AND LONG-TERM VARIABLE INCENTIVES

EMPLOYEES		SHORT-TERM	LONG-TERM			
GRADES	CATEGORY	INCENTIVE BONUS	STATUS	PERFORMANCE	RETENTION AND BINARY	FORFEITABLE SHARES
A & B	Senior management	✓	✓	✓	✓	✓
C & D	Middle management	✓	✓	✓	✓	-
E & F	Junior management	-	✓	-	-	-
G	Entry level, clerical and administration	-	-	-	-	-
NMBU	Permanent staff with non-management bargaining unit	-	-	-	-	-

## SHORT-TERM VARIABLE INCENTIVE

The short-term incentive bonus is discretionary and is linked to the achievement of targets based on profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review in the 2017 integrated annual report for further detail on the calculation of PBTAE. The bonus pool is self-funding and is created after the achievement of pre-defined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

GRADES	CATEGORY	BONUS CAP
A	CEO	24 x basic monthly salary
A	Group Executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C & D	Middle management	4 x basic monthly salary

All bonuses paid are subject to approval by the remuneration committee and no bonuses are paid if the Group's PBTAE threshold target is not met. The bonus paid to middle management is reduced by the value of the fixed 13th cheque which is paid annually in November.

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, and shortages and waste.

## LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share option scheme for employees. This is an integral part of our remuneration philosophy and ensures that the interests of staff are aligned with those of shareholders. It gives all levels of management the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

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

1. The 1997 Employee Share Option Scheme; and
2. The forfeitable share plan (FSP).

## Funding of share plans and dilutions

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

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new

shares that can be issued to cover obligations under the employee share schemes. The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2017 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

## The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

During the 2017 financial year, 3.4 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 32.1 million PIK share options were held by employees at year-end, amounting to 6.6% of shares in issue. Please refer to note 5 of the 2017 audited Group annual financial statements for further information.

## Status share options – service conditions attached

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

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

There are no other performance conditions attached to these share options. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

## Performance share options – service conditions attached

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

## Retention share options – extended service conditions attached

These share options specifically encourage the retention of key individuals and have varying vesting periods that can be up to 10 years.

## REMUNERATION COMMITTEE continued

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

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

#### (a) Binary share options issued to deputy CEO Richard van Rensburg

In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55, under the following terms:

If the 20-day VWAP up to and including 23 May 2016 was R73.11 or greater, the options could be exercised at the full grant price of R36.55. Should this 20-day VWAP be less than R73.11, then the options would lapse. Thereafter, if further performance hurdles were met, discounted grant prices would apply on exercise.

The salient features of the issue are summarised below:

Hurdles	Share price May 2016	Annual compound growth rate	Exercise price May 2016
Eligibility hurdle	R73.11	16%	R36.55
Performance hurdle 1	R93.07	23%	R18.28
Performance hurdle 2	R121.56	30%	R1.00

The 20-day VWAP up to and including 23 May 2016 was R73.79. As such the eligibility hurdle was met and the binary share options vested. Richard van Rensburg took up these shares at the grant price of R36.55, and elected to sell.

#### (b) Binary share options issued to CEO Richard Brasher

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day VWAP up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Hurdles	Share price November 2017	Annual compound growth rate	Exercise price November 2017
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2017 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

### The future net realisable value of all outstanding share options for all participating Group employees:

	Average grant price 2017 R	52 weeks 26 February 2017 Number of options 000's	Net realisable value Rm
Outstanding share options may be taken up during this following financial periods:			
<b>Year</b>			
2018	32.78	17 249.6	405.7
2019	40.72	5 255.9	81.9
2020	42.05	3 518.5	50.1
2021	54.19	2 315.9	4.9
2022 and after	59.18	3 786.5	–
		<b>32 126.4</b>	<b>542.6</b>

The net realisable value of outstanding share options was calculated using the prevailing market share price at the time of publication of R56.30 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.

## The forfeitable share plan (FSP)

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

An important feature of the FSP is that before employees are eligible to participate, they must first meet their annual individual key performance indicators, as set out in the strategic long-term plan. If an employee does not meet his or her individual performance targets and therefore is not awarded a short-term incentive bonus, the employee will not be eligible to receive an award of forfeitable shares.

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

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

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account

recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements. The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) the preferred performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

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

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

There have been three share issues under the FSP:

### FSP 1

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There have been some forfeitures in terms of the scheme and currently 6.4 million shares are held by a CSDP on behalf of 134 participants.

### The following performance conditions apply for FSP 1:

52 WEEKS TO 2 MARCH 2014 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 26 FEBRUARY 2017 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
138.51	< 10%	< 184.36	All forfeited	–	–
138.51	10%	184.36	30%	1 927.5	108.5
138.51	12%	194.60	65%	4 176.3	235.1
138.51	15%	210.66	100%	6 425.0	361.7

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

The Group delivered HEPS growth of 18.0% in 2017 to 264.35 cents per share, with cumulative HEPS growth over the last three years of 24.0%. The stretch HEPS growth target has been met. The total number of outstanding FSP 1 shares will fully vest in August 2017, provided that the three-year service requirement is met.

# REMUNERATION COMMITTEE continued

## FSP 2

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.2 million shares are currently held by a CSDP on behalf of 107 participants.

The following performance conditions apply for FSP 2:

52 WEEKS TO 1 MARCH 2015 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 25 FEBRUARY 2018 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
177.26	< 10%	< 235.93	All forfeited	–	–
177.26	10%	235.93	30%	350.4	19.7
177.26	11%	242.43	65%	759.2	42.7
177.26	12%	249.04	100%	1 168.0	65.8

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

The strong compound annual growth in HEPS of 22% over the past two years has put the Group in a strong position to deliver the FSP 2 shares to participants in 2018.

## FSP 3

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 117 participants.

The following performance conditions apply for FSP 3:

52 WEEKS TO 28 FEBRUARY 2016 BASELINE HEPS cents	THREE-YEAR COMPOUND ANNUAL GROWTH RATE %	52 WEEKS TO 3 MARCH 2019 HEPS cents	PORTION OF SHARES WHICH VEST %	NUMBER OF SHARES WHICH VEST 000's	NET REALISABLE VALUE* Rm
224.04	< 10%	< 298.20	All forfeited	–	–
224.04	10%	298.20	30%	523.1	29.5
224.04	12%	314.76	65%	1 133.3	63.8
224.04	14%	331.92	100%	1 743.5	98.2

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at the time of publication of R56.30.

## 3. SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The retirement age of the Group is 60 years, which applies to all employees. Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

The Group's Chief Finance Officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

## REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period, please refer to page 26 for more detail on the proposed fees for 2018. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards.

When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an *ad hoc* basis, taking into account the nature and scope of the services rendered.

## Section 3: Implementation of remuneration policy

### WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2017 financial period were as follows:

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

The remuneration committee reviewed the fixed remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

#### ***Reviewing and setting the annual compensation for the CEO***

In setting Richard Brasher's annual base salary at R8.9 million, the remuneration committee considered his extensive experience in the retail industry and the progress he has delivered against the Group's long-term strategic plan. The Group has delivered strong and consistent profit growth over the last four years under Richard's stewardship. The remuneration committee benchmarked Richard's base salary against similar-sized South African companies and his salary is considered fair in relation to the market, his expertise and his contribution to date.

#### ***Annual increases in fixed remuneration for executive directors***

The increase in total fixed base salary and benefits paid to executive directors is 6.7%, against an average for the Group of 7.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7.0% and 8.0%. Increases are determined after detailed performance reviews undertaken in April each year. Annual increases are determined with reference to the scope of executives' roles, their performance against key performance indicators, as well as comparable increases in the general and retail market and the projected consumer price index.

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

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

The Group delivered PBTAE of R1 761.5 million, a 17.0% increase on the prior period. This exceeds the remuneration committee's threshold target of 10.0%, but was short of its target and stretch ambitions of 20.0% and 25.0% respectively. The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. While the target PBTAE was met, the 2017 financial result fell short of certain key internal performance indicators set for the team, particularly in respect of turnover growth and working capital targets. The remuneration committee therefore elected not to award a short-term bonus to its senior management team. Discretionary bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2018 financial period.

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

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

#### ***Reviewing the Group's forfeitable share plan – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management***

The remuneration committee set the financial performance conditions to be attached to the third issue under the Group's forfeitable share plan and agreed on the 117 participants and the level at which each would participate, with particular focus on the allocations to executive directors.

For further information refer to pages 23 and 24 of this report.

## REMUNERATION COMMITTEE continued

### *Reviewing and recommending non-executive directors' fees for the 2018 financial period, for final approval by shareholders at the AGM*

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

	Proposed 2018 R	Actual 2017 R	% change
Chairman of the Board	4 187 000	3 913 000	7.0
Lead independent non-executive director of the Board	130 000	122 000	6.6
Non-executive director of the Board	390 000	364 000	7.1
Chairman of the audit, risk and compliance committee	321 000	300 000	7.0
Member of the audit, risk and compliance committee	130 000	122 000	6.6
Chairman of the remuneration committee	171 000	160 000	6.9
Member of the remuneration committee	85 000	80 000	6.3
Member of the nominations committee <sup>1</sup>	80 000	75 000	6.6
Member of the social and ethics committee <sup>2</sup>	85 000	80 000	6.3
Chairman of the corporate finance committee <sup>3</sup>	182 000	170 000	7.1
Member of the corporate finance committee <sup>3</sup>	123 000	115 000	7.0
Trustee of the employee share purchase trust	38 000	35 500	7.0

1. The chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

2. The chairman 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. Two formal meetings were held during the 2017 financial period.

### *Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM*

In setting the Chairman's proposed annual fee of R4.2 million, the remuneration committee (Gareth Ackerman recused himself from discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth 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.

### *Reviewing and approving of the Group's remuneration policy and report*

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 31 July 2017.

## PAYMENTS, ACCRUALS AND AWARDS TO EXECUTIVE DIRECTORS

The Board is wholly responsible for the formulation, development and effective execution of Group strategy.

In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors are identified as prescribed officers, and their remuneration is detailed in note 4 of the 2017 audited Group annual financial statements.

The remuneration committee does not target an optimum level of fixed versus variable remuneration, although the scope and breadth of the strategic role performed by each executive director is considered when allocating long-term incentive share awards. The remuneration committee is in the process of developing formal guidelines in this regard.

Total fixed benefits include payments made and costs accrued in the current year, and variable incentives include the related cost of share awards issued in current and prior periods.

## Total remuneration of executive directors

	Fees for board meetings R'000	Base salary <sup>†</sup> R'000	Retirement and medical contributions <sup>†</sup> R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term annual bonus <sup>^</sup> R'000	Total remuneration R'000	Long-term share awards expense <sup>#</sup> R'000
<b>2017</b>								
<b>Executive directors</b>								
Richard Brasher	1.5	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
<b>Total remuneration</b>	<b>7.5</b>	<b>21 656.5</b>	<b>2 345.5</b>	<b>1 514.4</b>	<b>25 523.9</b>	<b>–</b>	<b>25 523.9</b>	<b>43 679.6</b>
<b>2016</b>								
<b>Executive directors</b>								
Richard Brasher	1.5	7 863.0	1 303.4	287.5	9 455.4	15 000.0	24 455.4	20 233.6
Richard van Rensburg	1.5	3 709.4	600.3	312.0	4 623.2	2 500.0	7 123.2	8 448.9
Bakar Jakoet	1.5	3 213.0	552.0	302.9	4 069.4	2 500.0	6 569.4	5 436.2
Suzanne Ackerman-Berman	1.5	2 221.5	376.8	267.2	2 867.0	1 700.0	4 567.0	3 055.4
Jonathan Ackerman	1.5	2 221.5	401.5	272.5	2 897.0	1 700.0	4 597.0	3 055.4
<b>Total remuneration</b>	<b>7.5</b>	<b>19 228.4</b>	<b>3 234.0</b>	<b>1 442.1</b>	<b>23 912.0</b>	<b>23 400.0</b>	<b>47 312.0</b>	<b>40 229.5</b>

<sup>^</sup> No short-term annual bonus was paid to executive directors in respect of the 2017 financial year. Refer to page 25 for more detail.

<sup>†</sup> The structure of remuneration packages were adjusted during the year, and the year-on-year increase in base salary and decrease in retirement and medical contributions should be viewed together.

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

## Total remuneration of non-executive directors

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
<b>2017</b>									
<b>Non-executive directors</b>									
Gareth Ackerman	3 913.0	–	–	–	–	–	–	–	3 913.0
David Friedland	364.0	–	122.0	–	75.0	115.0	–	–	676.0
Hugh Herman	364.0	122.0	122.0	160.0	–	115.0	–	35.5	918.5
Alex Mathole*	125.0	–	–	–	–	–	–	–	125.0
Audrey Mothupi	364.0	–	122.0	80.0	–	115.0	–	35.5	716.5
Lorato Phalatse	364.0	–	–	–	75.0	115.0	80.0	–	634.0
David Robins	364.0	–	–	–	–	–	–	–	364.0
Jeff van Rooyen	364.0	–	300.0	80.0	–	170.0	–	35.5	949.5
<b>Total remuneration</b>	<b>6 222.0</b>	<b>122.0</b>	<b>666.0</b>	<b>320.0</b>	<b>150.0</b>	<b>630.0</b>	<b>80.0</b>	<b>106.5</b>	<b>8 296.5</b>
<b>2016</b>									
<b>Non-executive directors</b>									
Gareth Ackerman	3 657.0	–	–	–	–	–	–	–	3 657.0
David Friedland***	340.0	–	–	–	70.0	107.0	–	–	517.0
John Gildersleeve****	340.0	–	–	75.0	–	107.0	–	–	522.0
Hugh Herman	340.0	114.0	114.0	150.0	–	107.0	–	33.0	858.0
Audrey Mothupi	340.0	–	114.0	–	–	107.0	–	–	561.0
Lorato Phalatse	340.0	–	–	–	70.0	107.0	75.0	–	592.0
David Robins	340.0	–	–	–	–	–	–	–	340.0
Jeff van Rooyen	340.0	–	280.0	–	–	160.0	–	–	780.0
Ben van der Ross**	170.0	–	57.0	37.5	35.0	–	–	16.5	316.0
<b>Total remuneration</b>	<b>6 207.0</b>	<b>114.0</b>	<b>565.0</b>	<b>262.5</b>	<b>175.0</b>	<b>695.0</b>	<b>75.0</b>	<b>49.5</b>	<b>8 143.0</b>

\* Alex Mathole was appointed on 24 October 2016.

\*\* Ben van der Ross resigned on 27 July 2015.

\*\*\* During the prior period David Friedland received consultancy fees of R114 000 for services rendered to the audit, risk and compliance committee.

\*\*\*\* John Gildersleeve resigned on 28 February 2016.

# REMUNERATION COMMITTEE continued

## Share awards granted to executive directors

	Calendar year granted	Award grant price R	Balance held at 28 February 2016	Granted/ (exercised) during the period	Converted on unbundling ***	Balance held at 26 February 2017	Available for take-up
<b>2017</b>							
<b>Richard Brasher</b>							
Share options	2012	42.24	1 000 000	–	–	<b>1 000 000</b>	Nov 2017
	2012	42.24	1 000 000*	–	–	<b>1 000 000*</b>	Nov 2017
Forfeitable shares	2014	Nil	800 000	–	–	<b>800 000</b>	Aug 2017
	2015	Nil	220 000	–	–	<b>220 000</b>	Aug 2018
	2016	Nil	–	230 000	–	<b>230 000</b>	Aug 2019
			3 020 000	230 000	–	<b>3 250 000</b>	
<b>Richard van Rensburg</b>							
Share options	2011	36.55	400 000**	(400 000)	–	–	n/a
	2016	31.14	–	–	487 464	<b>487 464</b>	Now
Forfeitable shares	2014	Nil	250 000	–	–	<b>250 000</b>	Aug 2017
	2015	Nil	35 000	–	–	<b>35 000</b>	Aug 2018
	2016	Nil	–	45 000	–	<b>45 000</b>	Aug 2019
			685 000	(355 000)	487 464	<b>817 464</b>	
<b>Bakar Jakoet</b>							
Share options	2003	12.00	250 000	–	–	<b>250 000</b>	Now
	2005	23.59	–	–	195	<b>195</b>	Now
	2007	31.15	5 779	–	–	<b>5 779</b>	Now
	2008	23.24	–	–	293	<b>293</b>	Now
	2008	26.55	7 907	–	–	<b>7 907</b>	Now
	2008	26.14	150 000	–	–	<b>150 000</b>	Now
	2009	28.20	12 413	–	–	<b>12 413</b>	Now
	2010	32.82	–	–	195	<b>195</b>	Now
	2010	42.28	1 799	–	–	<b>1 799</b>	Now
	2011	41.70	500 000	–	–	<b>500 000</b>	Now
	2014	46.44	–	–	195	<b>195</b>	Now
Forfeitable shares	2014	Nil	250 000	–	–	<b>250 000</b>	Aug 2017
	2015	Nil	35 000	–	–	<b>35 000</b>	Aug 2018
	2016	Nil	–	45 000	–	<b>45 000</b>	Aug 2019
			1 212 898	45 000	878	<b>1 258 776</b>	
<b>Suzanne Ackerman-Berman</b>							
Share options	2008	26.14	50 000	–	–	<b>50 000</b>	Now
	2008	26.14	25 000	–	–	<b>25 000</b>	Aug 2017
	2008	26.14	25 000	–	–	<b>25 000</b>	Aug 2018
	2016	58.10	–	–	196	<b>196</b>	Now
Forfeitable shares	2014	Nil	150 000	–	–	<b>150 000</b>	Aug 2017
	2015	Nil	20 000	–	–	<b>20 000</b>	Aug 2018
	2016	Nil	–	25 000	–	<b>25 000</b>	Aug 2019
			270 000	25 000	196	<b>295 196</b>	
<b>Jonathan Ackerman</b>							
Share options	2008	26.14	50 000	–	–	<b>50 000</b>	Now
	2008	26.14	25 000	–	–	<b>25 000</b>	Aug 2017
	2008	26.14	25 000	–	–	<b>25 000</b>	Aug 2018
Forfeitable shares	2014	Nil	150 000	–	–	<b>150 000</b>	Aug 2017
	2015	Nil	20 000	–	–	<b>20 000</b>	Aug 2018
	2016	Nil	–	25 000	–	<b>25 000</b>	Aug 2019
			270 000	25 000	–	<b>295 000</b>	

\* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited. Refer to page 22 for more detail.

\*\* The exercising of these binary options were subject to specific performance criteria relating to the Company's share price over the term of the option which were met during the period under review. Refer to page 22 for more detail.

\*\*\* As part of the unbundling of the Pick n Pay Holdings Limited RF Group, existing share options in Pick n Pay Holdings Limited RF shares were cancelled and replaced with share options in Pick n Pay Stores Limited shares. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

## Directors' interest in Pick n Pay Stores Limited ordinary shares

	How held*	Balance held at 28 February 2016	Additions/ (disposals) during the period	Shares transferred on unbundling ***	Balance held at 26 February 2017#	Beneficial/ non-beneficial interest
<b>2017</b>						
Gareth Ackerman	Direct	43	–	266	309	Beneficial
	Indirect	–	23 467	1 629 733	1 653 200	Beneficial
	Indirect	–	–	19 762	19 762	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	Indirect	–	–	124 677 238	124 677 238	Non-beneficial
Richard Brasher	Direct – FSP	1 020 000	230 000	–	1 250 000	Beneficial
Richard van Rensburg	Direct	–	–	41 439	41 439	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
Bakar Jakoet	Direct	500 000	–	121 880	621 880	Beneficial
	Direct – FSP	285 000	45 000	–	330 000	Beneficial
	Indirect	530	–	12 529	13 059	Non-beneficial
Suzanne Ackerman-Berman	Direct	2 500	–	118 028	120 528	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	4 651	–	467 576	472 227	Beneficial
Jonathan Ackerman	Direct	43	–	122 845	122 888	Beneficial
	Direct – FSP	170 000	25 000	–	195 000	Beneficial
	Indirect	–	–	573 061	573 061	Beneficial
	Indirect	–	–	11 039	11 039	Non-beneficial
Jeff van Rooyen	Direct	3 800	(3 800)	–	–	Beneficial
David Friedland	Direct	–	–	31 688	31 688	Beneficial
David Robins	Direct	–	–	975	975	Beneficial
	Indirect	–	–	93 276	93 276	Non-beneficial
Ackerman Pick n Pay Foundation****	Indirect	30 000	–	–	30 000	Non-beneficial
	Indirect	71 900	–	–	71 900	Non-beneficial
The Mistral Trust*****	Indirect	–	–	2 700 967	2 700 967	Non-beneficial

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

\*\* The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

\*\*\* As part of the unbundling of the Pick n Pay Holdings Limited RF Group, shareholders of Pick n Pay Holdings Limited RF were granted a dividend in specie, made up of shares in Pick n Pay Stores Limited. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

\*\*\*\* 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.

\*\*\*\*\* The indirect non-beneficial interest in The Mistral Trust represents a portion of the holdings of Gareth Ackerman in his capacity as trustee.

# There have been no changes in the director's interest in shares since 26 February 2017 up to the date of approval of the 2017 audited Group annual financial statements.

# REMUNERATION COMMITTEE continued

## Directors' interest in Pick n Pay Stores Limited B shares

	How held*	Balance held at 28 February 2016	Issued on unbundling**	Balance held at 26 February 2017	Beneficial/ non-beneficial interest
<b>2017</b>					
Gareth Ackerman	Direct	–	522	<b>522</b>	Beneficial
	Direct	–	3 227 861	<b>3 227 861</b>	Beneficial
	Indirect	–	39 140	<b>39 140</b>	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	Indirect	–	246 936 847	<b>246 936 847</b>	Non-beneficial
The Mistral Trust****	Indirect	–	5 349 559	<b>5 349 559</b>	Non-beneficial
Suzanne Ackerman-Berman	Direct	–	233 767	<b>233 767</b>	Beneficial
	Indirect	–	926 084	<b>926 084</b>	Beneficial
Jonathan Ackerman	Direct	–	243 307	<b>243 307</b>	Beneficial
	Indirect	–	1 135 009	<b>1 135 009</b>	Beneficial
	Indirect	–	21 862	<b>21 862</b>	Non-beneficial
David Robins	Direct	–	1 931	<b>1 931</b>	Beneficial
	Indirect	–	184 742	<b>184 742</b>	Non-beneficial

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

\*\* As part of the unbundling of the Pick n Pay Holdings Limited RF Group, a new class of unlisted voting shares (B shares) in Pick n Pay Stores Limited was created (refer to note 19.2 of the 2017 audited Group annual financial statements). These shares were issued to existing controlling shareholders of Pick n Pay Holdings Limited RF so as to retain the control structure of the Group as before the unbundling. Refer to note 27 of the 2017 audited Group annual financial statements for more information.

\*\*\* The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

\*\*\*\* The non-beneficial interest in The Mistral Trust represents a portion of the holdings of Gareth Ackerman in his capacity as trustee.

# SOCIAL AND ETHICS COMMITTEE

The social and ethics committee operates in accordance with the requirements of the Companies Act and the King Codes, and is governed by a charter that is reviewed and approved annually by the Board.

The objectives of the committee are to ensure that high ethical standards are applied in all areas of the business, and to review and approve the policy, strategy and structure for managing the social issues in the Group in accordance with Pick n Pay's long-standing principle of "doing good is good business".

## ROLE OF THE COMMITTEE

The committee oversees the monitoring, assessment and measurement of the Group's activities in the following areas:

- Ethics and code of conduct compliance
- Environmental, social and governance issues, including human rights, corruption, employment equity and transformation
- Social and economic development
- Relevant stakeholder relations
- Empowerment and transformation
- Enterprise development
- Corporate social investment
- Humane and ethical treatment of animals
- Local, ethical and sustainable procurement
- Integrity of food products and ingredients
- Relevant regulatory, statutory and legislative compliance.

The committee relies on management for the implementation of strategies and initiatives.

As a result of the Group's commitment to conducting business in a sustainable manner, the Company remains part of the Socially Responsible Index of the JSE.

## COMPOSITION OF THE COMMITTEE, FREQUENCY OF MEETINGS, OBJECTIVES AND ACTIVITIES IN THE PERIOD UNDER REVIEW

The committee is chaired by executive director, Suzanne Ackerman-Berman. Her roles as director of transformation, Chairman of the Ackerman Pick n Pay Foundation and head of the Pick n Pay Small Business Incubator, as well as her philanthropic work, make Suzanne uniquely qualified to chair the committee. Other committee members comprise independent non-executive director Lorato Phalatse, members of the executive responsible for corporate affairs and human resources, the Company Secretary, senior management and technical experts on areas of mandate. All levels and areas of expertise across the Company are represented on the committee.

Independent non-executive director Alex Mathole has been appointed to the committee with effect from the commencement of the 2018 financial period.

MEMBERS	ATTENDANCE	OBJECTIVES AND ACTIVITIES 2017
Suzanne Ackerman-Berman (Chairman)	4/4	<ul style="list-style-type: none"> <li>• Approved the external BBBEE verification agency</li> <li>• Obtained an extension of the level BBBEE contributor status of level 4 pending re-assessment in light of statutory amendments to the BBBEE codes</li> <li>• Actively assessed contributor status, strategy and plans to maintain contributor status at a compliant level in light of statutory amendments to the BBBEE codes (subsequently received a compliant level 8 status certificate based on the amended BBBEE codes)</li> </ul>
Lorato Phalatse	4/4	<ul style="list-style-type: none"> <li>• Continued to review relevant policies and issues across all operating divisions, including diversity in marketing, humane treatment of animals, the payment of SASSA grants, garnishee orders, sugar and salt levels in food and beverages, training of security staff, the use of plastics and security of water resources</li> <li>• Regularly reviewed consumer complaints, which were also monitored by senior management, in line with the Consumer Protection Act</li> <li>• Reviewed the activities of the Ackerman Pick n Pay Foundation and its development of sustainable small businesses</li> </ul>

# LEGAL REPORT

## COMPLIANCE

The compliance framework rests on the Group's comprehensive set of policies, which are regularly updated to reflect governance best practice and the evolving regulatory environment. All employees and companies in the Group are obliged to comply with these policies.

Compliance questionnaires are distributed bi-annually to relevant departments in order to monitor compliance with statutes and regulations that have a bearing on the retail industry, such as the Companies Act, the Competition Act and the Consumer Protection Act. Statutory developments are regularly monitored to establish the compliance regime.

Compliance questionnaires form the dual function of monitoring compliance and educating employees in the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions, such as the Protection of Personal Information Act, the Consumer Protection Act and the Competition Act, as well as the Company's Code of Ethics.

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

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

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

## LITIGATION MATTERS

The Company and its subsidiaries are not involved, and have not in the 2017 annual financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of companies, nor is the Company aware of any such proceedings that are pending or threatened.

## COMPETITION COMMISSION

In June 2009, the Competition Commission initiated an investigation into various practices of supermarket retailers, examining competition concerns relating to grocery retail, including buyer power, category management, information exchange and long-term lease agreements. After investigation, the Competition Commission informed retailers that they were dismissing all concerns but would further examine long-term exclusive lease agreements.

In January 2014, the Competition Commission concluded that the investigation into long-term exclusive lease agreements did not warrant referral to the Competition Tribunal for determination. All matters under investigation in regard to supermarket retailers were concluded with a notice of non-referral of complaint, confirming our belief that no anti-competitive behaviour existed in the grocery retail sector, and that Pick n Pay's lease agreements were freely entered into and reflected commercial practice that was standard both internationally and in South Africa.

Despite the six-year investigation into the retail sector concluding that there was no basis for pursuing the matter further, the Competition Commission initiated a market inquiry into the grocery retail sector. The key issues notified to the Company in the draft terms of reference were:

- The impact of national supermarket chains on small and independent retailers in townships and the formal economy; and
- The impact of long-term exclusive leases on competition in the retail sector.

The final terms of reference for the market inquiry were announced in November 2015. The Panel of the Market Inquiry was appointed. The Statement of Issues indicated that the task of the Market Inquiry was to determine whether there were features of the grocery retail sector that undermined competition, particularly with regard to small, independent and informal businesses that supplied groceries to residents in townships, peri-urban and rural areas.

Pick n Pay believes that small, independent shops play an important role alongside major retailers. The Company actively support small businesses, for example through our purchasing and supply chain practices, as well as through the Ackerman Pick n Pay Foundation.

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

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

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

As with the previous investigation conducted by the Competition Commission into the grocery retail sector, Pick n Pay will co-operate with the Market Inquiry.

# SHAREHOLDERS' INFORMATION

## ANNUAL GENERAL MEETING – 31 JULY 2017

The 49th annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 31 July 2017.

Registration for the AGM will commence at 08:00.

The minutes of the previous year's AGM held on 25 July 2016 are available on our Pick n Pay investor relations website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

### DIVIDENDS

Pick n Pay Stores Limited

JSE share code: PIK

ISIN code: ZAE000005443

	Number	Amount (cents)	Last day of trade	Date of payment
Interim	93	19.60	5 December 2014	15 December 2014
Final	94	98.50	5 June 2015	15 June 2015
Interim	95	24.20	4 December 2015	14 December 2015
Final	96	125.20	3 June 2016	13 June 2016
Interim	97	29.90	6 December 2016	12 December 2016
Final	98	146.40	6 June 2017	12 June 2017
Interim	99		5 December 2017*	11 December 2017*
Final	100		5 June 2018*	11 June 2018*

### RESULT ANNOUNCEMENTS

Interim to 28 August 2016:	October 2016
Final to 26 February 2017:	April 2017
Interim to 27 August 2017:	October 2017*
Final to 25 February 2018:	April 2018*

### PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2017	May 2017
2018	May 2018*

### PUBLICATION OF INTEGRATED ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

2017	June 2017
2018	June 2018*

### PUBLICATION OF SUSTAINABILITY REPORT

2017	June 2017
2019	June 2019*

\* Estimated

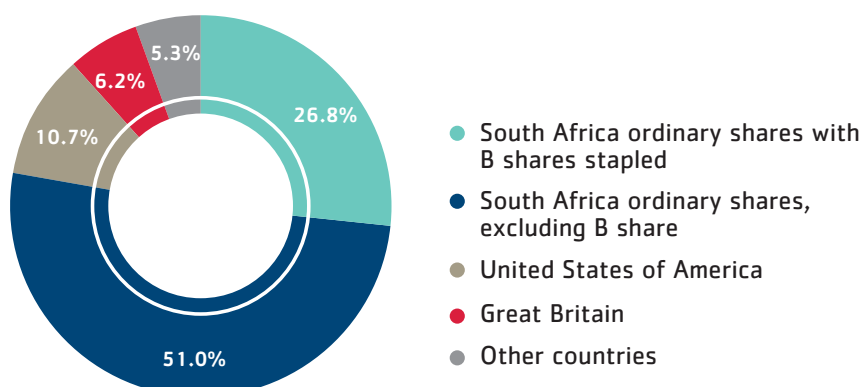
# ANALYSIS OF ORDINARY SHAREHOLDERS

Shareholder spread	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	8 059	60.1	2 458 411	0.5
1 001 – 10 000 shares	3 910	29.2	12 711 866	2.6
10 001 – 100 000 shares	1 061	7.9	33 676 125	6.9
100 001 – 1 000 000 shares	321	2.4	94 181 119	19.3
1 000 001 shares and over	57	0.4	345 422 800	70.7
<b>Total</b>	<b>13 408</b>	<b>100.0</b>	<b>488 450 321</b>	<b>100.0</b>

Public/non-public shareholders	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	<b>13</b>	<b>0.1</b>	<b>146 986 653</b>	<b>30.1</b>
Ackerman Investment Holdings Proprietary Limited	1		124 677 238	25.5
Ackerman Pick n Pay Foundation	1		101 900	0.0
Directors	7		3 638 195	0.8
The Mistral Trust	1		2 700 967	0.6
Shares held on behalf of FSP participants	1		9 336 500	1.9
Pick n Pay Retailers Proprietary Limited	1		153 500	0.0
Pick n Pay Employee Share Purchase Trust	1		6 378 353	1.3
<b>Public shareholders</b>	<b>13 395</b>	<b>99.9</b>	<b>341 463 668</b>	<b>69.9</b>
<b>Total</b>	<b>13 408</b>	<b>100.0</b>	<b>488 450 321</b>	<b>100.0</b>

Beneficial shareholders holding 1% or more	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.5
Public Investment Corporation Limited	52 565 398	10.8
Investment Solutions Limited	12 676 145	2.6
Coronation Balanced Plus Fund	12 299 195	2.5
Liberty Life Association of Africa Limited	10 478 081	2.2
Shares held on behalf of FSP participants	9 336 500	1.9
GIC Private Limited	6 832 440	1.4
Pick n Pay Employee Share Purchase Trust	6 378 353	1.3
Vanguard Emerging Markets Stock Index Fund	6 323 862	1.3
Genesis Emerging Markets Investment Company	5 986 099	1.2
Genesis Group Trust for Employee Benefit Plans	5 925 705	1.2

Geographical spread of shareholders



# ANALYSIS OF B SHAREHOLDERS

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
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>259 682 869</b>	<b>100.0</b>

Public/non – public shareholders	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	<b>6</b>	<b>23.1</b>	<b>258 054 887</b>	<b>99.4</b>
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 847	95.1
Directors	4	15.3	5 768 481	2.3
The Mistral Trust	1	3.9	5 349 559	2.1
<b>Public shareholders</b>	<b>20</b>	<b>76.9</b>	<b>1 627 982</b>	<b>0.6</b>
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>259 682 869</b>	<b>100.0</b>

Beneficial shareholders holding 1% or more	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 846	95.1
The Mistral Trust	5 349 559	2.1
Gareth Ackerman	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 and are held within South Africa. Refer to note 19.2 of the 2017 audited Group annual financial statements for more detail.

# NOTICE OF ANNUAL GENERAL MEETING

The 49th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) for the 2017 annual financial period will be held at 08:30 on Monday, 31 July 2017. Shareholders, or their proxies, are invited to attend the annual general meeting at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708. To ensure that registration procedures are completed by 08:30, please register for the annual general meeting from 08:00.

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

The Board of directors of the Company has determined that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 49th annual general meeting is Friday, 30 June 2017 and the record date for purposes of determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 21 July 2017. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 21 July 2017 will be entitled to participate in and vote at the annual general meeting.

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

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

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

## 1. TO PRESENT THE AUDITED ANNUAL FINANCIAL STATEMENTS, THE DIRECTORS' REPORT AND THE AUDIT, RISK AND COMPLIANCE COMMITTEE'S REPORT OF THE COMPANY FOR THE 2017 ANNUAL FINANCIAL PERIOD

The 2017 audited annual financial statements and the audit, risk and compliance committee report are published on the Pick n Pay website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za), and can be requested from the Company Secretary at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

## 2. ORDINARY RESOLUTION NUMBER 1

### Appointment of external auditors

"RESOLVED that Ernst & Young Inc. are hereby appointed as the external auditors of the Company."

The audit, risk and compliance committee has recommended the reappointment of Ernst & Young Inc. as external auditors of the Company.

## 3. ORDINARY RESOLUTION NUMBER 2

### Election of directors

Curricula vitae of directors to be elected are presented on page 42.

Gareth Ackerman, Hugh Herman, Jeff van Rooyen and Alex Mathole retire in accordance with the Company's Memorandum of Incorporation. Gareth Ackerman, Hugh Herman and Jeff van Rooyen, being eligible, offer themselves for re-election as non-executive directors of the Company. Alex Mathole, being eligible, offers herself for election as a non-executive director of the Company.

The Board recommends the re-election of Gareth Ackerman, Hugh Herman and Jeff van Rooyen, and the election of Alex Mathole.

Shareholders are requested to consider and, if deemed fit, to re-elect Gareth Ackerman, Hugh Herman and Jeff van Rooyen and to elect Alex Mathole by way of passing the separate ordinary resolutions set out below:

### Ordinary resolution 2.1

#### Appointment of Gareth Ackerman as director

"RESOLVED that Gareth Ackerman be and is hereby elected as a director of the Company."

### Ordinary resolution 2.2

#### Appointment of Hugh Herman as director

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

### Ordinary resolution 2.3

#### Appointment of Jeff van Rooyen as director

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

### Ordinary resolution 2.4

#### Appointment of Alex Mathole as director

"RESOLVED that Alex Mathole be and is hereby elected as a director of the Company."

#### 4. ORDINARY RESOLUTION NUMBER 3

##### **Appointment of audit, risk and compliance committee members for the 2018 annual financial period**

Curricula vitae are presented on page 42.

##### **Ordinary resolution number 3.1**

##### **Appointment of Jeff van Rooyen as a member of the audit, risk and compliance committee**

"RESOLVED that Jeff van Rooyen be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2018 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.3."

##### **Ordinary resolution number 3.2**

##### **Appointment of Hugh Herman as a member of the audit, risk and compliance committee**

"RESOLVED that Hugh Herman be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2018 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2."

##### **Ordinary resolution number 3.3**

##### **Appointment of Audrey Mothupi as a member of the audit, risk and compliance committee**

"RESOLVED that Audrey Mothupi be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2018 annual financial period."

##### **Ordinary resolution number 3.4**

##### **Appointment of David Friedland as a member of the audit, risk and compliance committee**

"RESOLVED that David Friedland be and is hereby elected as a member of the audit, risk and compliance committee of the Company for the 2018 annual financial period."

#### 5. ADVISORY VOTE

##### **Remuneration report for the 2017 annual financial period**

The directors tabled the remuneration report for the 2017 annual financial period. The remuneration policy and report is set out in this document on pages 16 to 30 and can be found on our website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

As a non-binding advisory vote, "shareholders hereby endorse the remuneration report."

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required in favour of the remuneration report is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast.

#### 6. SPECIAL RESOLUTION NUMBER 1

##### **Directors' fees for the 2018 and 2019 annual financial periods**

"RESOLVED, AS A SPECIAL RESOLUTION, that the directors' fees, to be paid to the directors in their capacity as directors only, for the 2018 annual period, and to be increased by CPI for the 2019 annual financial period, be as follows:

- Executive directors: unchanged at R1 500
- Chairman: R4 187 000 (previously R3 913 000)
- Lead non-executive director: R130 000 (previously R122 000)
- Non-executive directors: R390 000 (previously R364 000)
- Chairman of the audit, risk and compliance committee: R321 000 (previously R300 000)
- Chairman of the remuneration committee: R171 000 (previously R160 000)
- Chairman of the corporate finance committee: R182 000\* (previously R170 000)
- Member of the audit, risk and compliance committee: R130 000 (previously R122 000)
- Member of the remuneration committee: R85 000 (previously R80 000)
- Member of the nominations committee: R80 000 (previously R75 000)
- Member of the social and ethics committee: R85 000 (previously R80 000)
- Member of the corporate finance committee: R123 000\* (previously R115 000)
- Where applicable, directors' fees are exclusive of VAT.

\* The corporate finance committee is an ad hoc committee. In the event that it is convened during the financial period, fees to be paid shall not exceed the annual fees proposed in special resolution number 1.

##### **Reason for and effect of special resolution number 1**

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

This authority will be in place for a period of two years from the date of adoption of this special resolution number 1 or until superseded by another special resolution, whichever is the shorter period of time.

# NOTICE OF ANNUAL GENERAL MEETING continued

## 7. SPECIAL RESOLUTION NUMBER 2

### **Provision of financial assistance to related or inter-related companies and others**

The Board undertakes that it shall not adopt any resolution to authorise financial assistance as contemplated in special resolutions numbers 2.1 and 2.2 unless the Board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

### **Special resolution number 2.1**

#### **Provision of financial assistance to related or inter-related companies**

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

### **Notes on the interpretation of special resolution number 2.1:**

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

#### *Reason for and effect of special resolution number 2.1*

The reason for and effect of special resolution number 2.1 is to grant the directors of the Company the general authority to provide direct and indirect financial assistance to any company or corporation forming part of the Group, by way of loan, guarantee, the provision of security or otherwise. This authority will be in place for a period of two years from the date of adoption of this special resolution number 2.1, or until superseded by another special resolution, whichever is the shorter period of time.

## Special resolution number 2.2

### **Provision of financial assistance to persons**

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit to an employee of the Company or its subsidiaries, on the terms and conditions and for the amounts that the Board of directors may determine, within the Company's existing housing loan policy."

### **Notes on the interpretation of special resolution number 2.2:**

This special resolution allows the Company to continue with its existing policy of providing financial assistance to employees. The policy will continue to be limited to housing loans that may be extended to executives and management of the Group. In terms of this policy, no loans are extended to non-executive directors or to related parties. All loans are secured against the employee's retirement funding. All loans bear interest at varying rates, subject to a maximum rate of 8% (eight percent), and have varying repayment terms. The Company does not intend to amend this policy in the foreseeable future.

This special resolution does not authorise the provision of financial assistance to a person related to an employee of the Company or any of its subsidiary companies.

#### *Reason for and effect of special resolution number 2.2*

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

## 8. SPECIAL RESOLUTION NUMBER 3

### **General approval to repurchase Company shares**

"RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time-to-time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time-to-time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE Limited (JSE) Listings

Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval."

#### **Additional requirements imposed by the JSE Listings Requirements**

It is recorded that the Company or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

- any such acquisition of shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company or its subsidiaries and the counterparty or in any other manner approved by the JSE;
- the general approval shall only be valid until the Company's next annual general meeting, or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
- an announcement will be made as soon as the Company and/or its subsidiaries has/have acquired shares in terms of this authority constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval and for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter, which announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
- in determining the price at which shares are acquired by the Company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the Company or its subsidiaries;
- a resolution by the Board of directors of the Company that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the Company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless there is in place a repurchase programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

#### **Statement by the Board of directors of the Company**

Pursuant to the JSE Listings Requirements the Board of directors of the Company hereby states that:

- the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if, at the time of the repurchase, they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;
  - the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase; and
  - the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
- the repurchase shall only be effected if the Board of directors has, at the time of the repurchase, passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

#### **Directors' responsibility statement**

The directors, whose names appear on the inside back cover of this document collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and

# NOTICE OF ANNUAL GENERAL MEETING continued

certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

## Material changes

Other than the facts and developments reported on in terms hereof and in the 2017 integrated annual report, there have been no material changes in the financial or trading position of the Company.

## Major shareholders

Shareholders are referred to pages 34 and 35.

## Share capital

Shareholders are referred to pages 55 and 56 of the separately published 2017 audited Group annual financial statements.

### *Reason for and effect of special resolution number 3*

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

The Board will exercise this resolution to buy back shares from employees who are exercising their share options, and to cover share scheme obligations, including the forfeitable share plan.

Other than as set out above, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the Board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

## 9. SPECIAL RESOLUTION NUMBER 4

### **Replacement of the Company's Memorandum of Incorporation**

"RESOLVED, AS A SPECIAL RESOLUTION, that the Existing Memorandum of Incorporation of the Company be and is hereby substituted by the New Memorandum of Incorporation, which New Memorandum of Incorporation is tabled at this annual general meeting

and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act, in terms of which the following amendments are made:

- 9.1 clause 7.1.2 be amended to reflect the number of B shares that were authorised following the unbundling of Pick n Pay Holdings Limited RF approved by shareholders at the General Meeting held on 25 July 2016, such number being 1 000 000 000 (one billion) B shares; and
- 9.2 clause 17 be amended to reflect that the financial year-end of the Company is a 52-week period, also referred to as the 4-4-5 Retail Calendar as defined by the National Retail Federation, where the financial year will begin on a Monday and end on a Sunday at the end of February or the beginning of March."

### *Reason for and effect of special resolution number 4*

The reason for special resolution number 4 is to record that 1 billion B shares were authorised by shareholders at the General Meeting held on 25 July 2016, which amount was inadvertently reflected as "[••]" in the Memorandum of Incorporation approved by shareholders at that General Meeting. In addition, the Memorandum of Incorporation requires amendment to reflect the Company's adoption of the 4-4-5 Retail Calendar, where the 52-week financial period begins on a Monday and ends on a Sunday at the end of February or the beginning of March in each year.

## 10. ORDINARY RESOLUTION NUMBER 4

### **Directors' authority to implement special and ordinary resolutions**

"RESOLVED that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at this meeting."

## 11. TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN ANNUAL GENERAL MEETING

### **General instructions and information**

In addition to the notice and proxy, this document contains:

- details of the directors of the Company on pages 8 and 9;
- the curricula vitae of directors up for re-election on page 42;
- the curricula vitae of directors nominated for election as members of the audit, risk and compliance committee on page 42.
- the remuneration policy on pages 16 to 30; and
- the directors' interest in shares on pages 29 and 30.

The integrated annual report, incorporating extracts of the 2017 audited Group annual financial statements, is published on the Pick n Pay website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za), or can be requested from the Company Secretary at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

There are no material changes to the Group's financial or trading position, nor are there any material legal or arbitration proceedings (pending or threatened) that may affect the financial position of the Group between the 2017 financial period and 23 June 2017.

The directors, whose names are given in the Board of directors section in the 2017 integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the 2017 integrated annual report and this document contain all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the annual general meeting.

## Entitlement to attend and vote at the annual general meeting in person or by proxy

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

- you may attend and vote at the annual general meeting; alternatively; or
- you may appoint an individual as a proxy (who need not be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare, before your proxy may exercise any of your rights as a shareholder at the annual general meeting. The contact details of Computershare are in note 5 to the form of proxy.

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

Please note that:

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

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

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

CSDPs, brokers or their nominees recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon. For administrative purposes it is recommended that the proxy form be returned to the registered office of the Company or to the transfer secretaries, Computershare, the details of which are set out in the corporate information section on the inside back cover of this document, by Thursday, 27 July 2017. Proxy forms must be lodged before the commencement of the annual general meeting.

By order of the Board

**Debra Muller**  
Company Secretary

23 June 2017

# CURRICULA VITAE OF DIRECTORS TO BE ELECTED

Curricula vitae of all directors can be found in the board of directors section of the 2017 corporate governance report, which is published on the Pick n Pay website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za), or which can be requested from the Company Secretary at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

Curricula vitae of directors to be elected to the board of directors, and to the audit, risk and compliance committee, are to be found below.

## BOARD OF DIRECTORS

Election of directors

### **Gareth Ackerman**

*BSocSci, CMS (Oxon)*

#### **Chairman**

#### **Corporate governance committee and nominations committee chairman**

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of Pick n Pay before being appointed to the Board in 1990. He became a non-executive director in 1999, and from 2002 until 2010 served as Chairman of Pick n Pay Holdings Limited RF. In 2010, he was appointed Chairman of Pick n Pay Stores Limited. Among his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa, and serves as co-chair of the International Consumer Goods Forum. He is also a Trustee of Masisizane and a member of the international board of YPO. He chairs the Ackerman Family interests.

### **Hugh Herman**

*BA LLB, LL.D (hc)*

#### **Lead independent non-executive director Remuneration committee chairman**

Hugh was a partner at law firm Sonnenberg Hoffmann Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed as honorary life president of the Investec Group and remains Chairman of various subsidiary companies in the Investec Group.

**Other listed company directorships:** Growthpoint Properties Limited.

### **Jeff van Rooyen**

*BCom (SA), Hons BCompt SA, CA(SA)*

#### **Audit, risk and compliance committee chairman and corporate finance committee chairman**

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, Chairman 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 Chairman of the Financial Reporting Standards Council, Executive Officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria and member of the Standing Advisory Committee on Company Law.

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

### **Alex Mathole**

*Bluris LLB*

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

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

Alex was previously appointed to the board of Pick n Pay Stores Limited in 2010, but resigned in 2013 when she took up a position with Tiger Brands Limited as corporate and regulatory affairs executive, so as to avoid any perception of a conflict of interests arising, given that Tiger Brands Limited is a major supplier to the Pick n Pay Group.

## AUDIT, RISK AND COMPLIANCE COMMITTEE

Election of audit, risk and compliance committee members

### **Jeff van Rooyen**

Please see curriculum vitae above

### **Hugh Herman**

Please see curriculum vitae above

### **Audrey Mothupi**

*BA (Hons)*

Audrey is the Chief Executive Officer of the SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the Chief Executive of Strategic Services at the Liberty Group of companies. Whilst at Standard Bank, her division was awarded the 2013 BAI-Finacle Global Banking Innovation Award for innovation in societal and community impact. Audrey was also responsible for migrating 3.5 million Standard Bank customers onto a consolidated SAP platform during her former position as Director of Banking and Lending Products.

### **David Friedland**

*CA(SA)*

David was the audit engagement partner and lead/relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David has been associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 to 2007.

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





# FORM OF PROXY: ORDINARY SHARES

## FOR COMPLETION BY STORES' ORDINARY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH "OWN NAME" REGISTRATION ONLY

If you wish to appoint a proxy to act on your behalf at the annual general meeting of the shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 31 July 2017 and any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf).

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

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

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

I/We (block letters)

(the registered shareholder)

I/We (block letters)

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

of (address)

Telephone: Work ( )

Telephone: Home ( )

being the holder/s of (insert number of shares)  ordinary shares in the Company, hereby appoint (refer to note 1)

1.  or failing him/her,

2.  or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment or postponement thereof, and to vote for or against the resolutions and/or abstain from voting, in respect of the ordinary shares in Stores registered in my/our name/s in accordance with the instructions set out below.

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

		NUMBER OF VOTES		
		In favour of	Against	Abstained
<b>Ordinary resolution 1:</b>	Appointment of the external auditors			
<b>Ordinary resolution 2.1:</b>	Election of Gareth Ackerman as director			
<b>Ordinary resolution 2.2:</b>	Election of Hugh Herman as director			
<b>Ordinary resolution 2.3:</b>	Election of Jeff van Rooyen as director			
<b>Ordinary resolution 2.4:</b>	Election of Alex Mathole as director			
<b>Ordinary resolution 3.1:</b>	Appointment of Jeff van Rooyen to the audit, risk and compliance committee			
<b>Ordinary resolution 3.2:</b>	Appointment of Hugh Herman to the audit, risk and compliance committee			
<b>Ordinary resolution 3.3:</b>	Appointment of Audrey Mothupi to the audit, risk and compliance committee			
<b>Ordinary resolution 3.4:</b>	Appointment of David Friedland to the audit, risk and compliance committee			
<b>Non-binding advisory vote:</b>	Endorsement of remuneration report			
<b>Special resolution number 1:</b>	Directors' fees			
<b>Special resolution number 2.1:</b>	Financial assistance to related or inter-related companies			
<b>Special resolution number 2.2:</b>	Financial assistance to persons			
<b>Special resolution number 3:</b>	General approval to repurchase Company shares			
<b>Special resolution number 4:</b>	Replacement of the Company's Memorandum of Incorporation			
<b>Ordinary resolution 4:</b>	Directors' authority to implement special and ordinary resolutions			

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

Yes

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

Signed at

on

2017

Signature

(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9)

Telephone ( )

Please also read the notes overleaf.

# FORM OF PROXY: ORDINARY SHARES continued

## Summary of shareholder's rights in respect of proxy appointments as contained in section 58 of the Companies Act

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

## Notes

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).
6. For administrative purposes it is recommended that proxy forms be received or lodged by Thursday, 27 July 2017. Proxy forms must be lodged before the commencement of the annual general meeting.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairman of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

# CORPORATE INFORMATION

## PICK N PAY STORES LIMITED

Registration number: 1968/008034/06  
JSE share code: PIK  
ISIN: ZAE000005443

## BOARD OF DIRECTORS

### Executive

Richard Brasher (CEO)  
Richard van Rensburg (Deputy CEO)  
Aboubakar (Bakar) Jakoet (CFO)  
Suzanne Ackerman-Berman  
Jonathan Ackerman

### Non-executive

Gareth Ackerman (Chairman)  
David Robins

### Independent non-executive

Alex Mathole\*  
Audrey Mothupi  
David Friedland  
Jeff van Rooyen  
Hugh Herman  
Lorato Phalatse

## REGISTERED OFFICE

Pick n Pay Office Park  
101 Rosmead Avenue  
Kenilworth  
Cape Town 7708

Tel +27 21 658 1000  
Fax +27 21 797 0314

### Postal address

PO Box 23087  
Claremont  
Cape Town 7735

## REGISTRAR

Computershare Investor Services  
Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank 2196

Tel +27 11 370 5000  
Fax +27 11 688 5248

### Postal address

PO Box 61051  
Marshalltown 2107

\* Appointed on 24 October 2016.

## JSE LIMITED SPONSOR

Investec Bank Limited  
100 Grayston Drive  
Sandton 2196

## AUDITORS

Ernst & Young Inc.

## ATTORNEYS

Edward Nathan Sonnenberg

## PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited  
First National Bank

## COMPANY SECRETARY

Debra Muller  
Email: demuller@pnp.co.za

## PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber  
Email: pgerber@pnp.co.za

## INVESTOR RELATIONS

David North  
Email: dnorth@pnp.co.za

Kerry Becker  
Email: kerrybecker@pnp.co.za

## WEBSITE

Pick n Pay: [www.picknpay.co.za](http://www.picknpay.co.za)  
Investor relations: [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za)

## CUSTOMER CARELINE

Tel +27 800 11 22 88  
Email: [customer care@pnp.co.za](mailto:customer care@pnp.co.za)

## ONLINE SHOPPING

Tel +27 860 30 30 30  
[www.picknpay.co.za](http://www.picknpay.co.za)

## ENGAGE WITH US ON





**Registered office**

Pick n Pay Office Park  
101 Rosmead Avenue  
Kenilworth  
Cape Town 7708  
Telephone +27 21 658 1000  
Fax +27 21 797 0314

**Postal address**

PO Box 23087  
Claremont 7735

**Website**

[www.picknpay.co.za](http://www.picknpay.co.za)

**Investor relations**

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