



INTEGRATED ANNUAL REPORT 2022



Pick n Pay



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01

INTRODUCING OUR 2022 INTEGRATED ANNUAL REPORT

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ABOUT OUR REPORT

We are pleased to present our 2022 Integrated Annual Report for the 52 weeks ended 27 February 2022.

Report scope and structure

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited, its subsidiaries and its associate (the Group) for the 52 weeks ended 27 February 2022 (FY22). It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. This report includes summarised financial information. The FY22 audited financial statements, which are prepared in terms of International Financial Reporting Standards (IFRS), are available on our investor relations website at www.picknpayinvestor.co.za.

Our reporting approach

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

Integrated Annual Report (IAR)

A review of the Group's strategy, material issues, risks and opportunities and our operational and financial performance for the period. The report includes relevant extracts of the FY22 annual financial results, disclosure on environmental and social sustainability, our governance structures and our remuneration report.

Annual Financial Statements (AFS)

The audited Group and Company Annual Financial Statements for Pick n Pay Stores Limited for the FY22 financial year. The report includes our audit, risk and compliance committee and directors' reports.

Corporate Governance Report (CGR)

A review of the Group's commitment to good corporate governance in implementing its strategy and governance framework. The report includes our notice of the annual general meeting to be held on 26 July 2022 and Board committee reports.

Summarised results and AGM notices (AGM)

A high-level review of our operational and financial performance, including the summarised audited Group Annual Financial Statements, remuneration report, relevant shareholder information, notice of the annual general meeting to be held on 26 July 2022, and the proxy voting form.

ESG Performance Summary and Databook (ESG)

The ESG Report builds on our Sustainable Living Report (SLR) of 2021, which to date has been published every two years. This report details our ESG performance against indicators aligned with investor and analyst expectations and provides a high-level overview of our impact on the environment, society and economy.

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

Print version available on request

Our reports comply with the following reporting standards and frameworks:

	IAR	AFS	CGR	AGM	SLR/ESG
The Value Reporting Foundation's <IR> Framework	<input checked="" type="checkbox"/>				
The Companies Act, No 71 of 2008, as amended (Companies Act)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The JSE Listings Requirements	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) ¹	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
International Financial Reporting Standards (IFRS)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
Global Reporting Initiative's (GRI) Standards					<input checked="" type="checkbox"/>

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Our IAR, SLR and ESG reporting are further informed by relevant and credible international reporting frameworks that include the Value Reporting Foundation's SASB Standards, the Task Force on Climate-related Financial Disclosure's (TCFD) reporting requirements and the JSE's Sustainability and Climate Change Disclosure Guidance. We are on a journey to align our reporting with these frameworks. Read more from page 54.

Our Integrated Annual Report is available online on the Group's investor relations website at www.picknpayinvestor.co.za. Printed copies are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 (0)86 675 1475.

Feedback

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

About the forward-looking information contained in this report

This report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.



REPORT PREPARATION AND APPROVAL

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

Integrated reporting boundary

Influenced by

Our broader macro-economic environment across eight African countries	Page 30
The material risks and opportunities that impact the performance and sustainability of the Group	Page 34
The legitimate needs and interests of our key stakeholders	Page 42
Our governance practices	Page 80

Our integrated reporting boundary is informed by the concept of double materiality. Our report therefore includes detail on social and environmental opportunities and risks that impact our financial performance as well as those matters that could materially impact our stakeholders or influence our ability to create and preserve value sustainably, over the longer term.

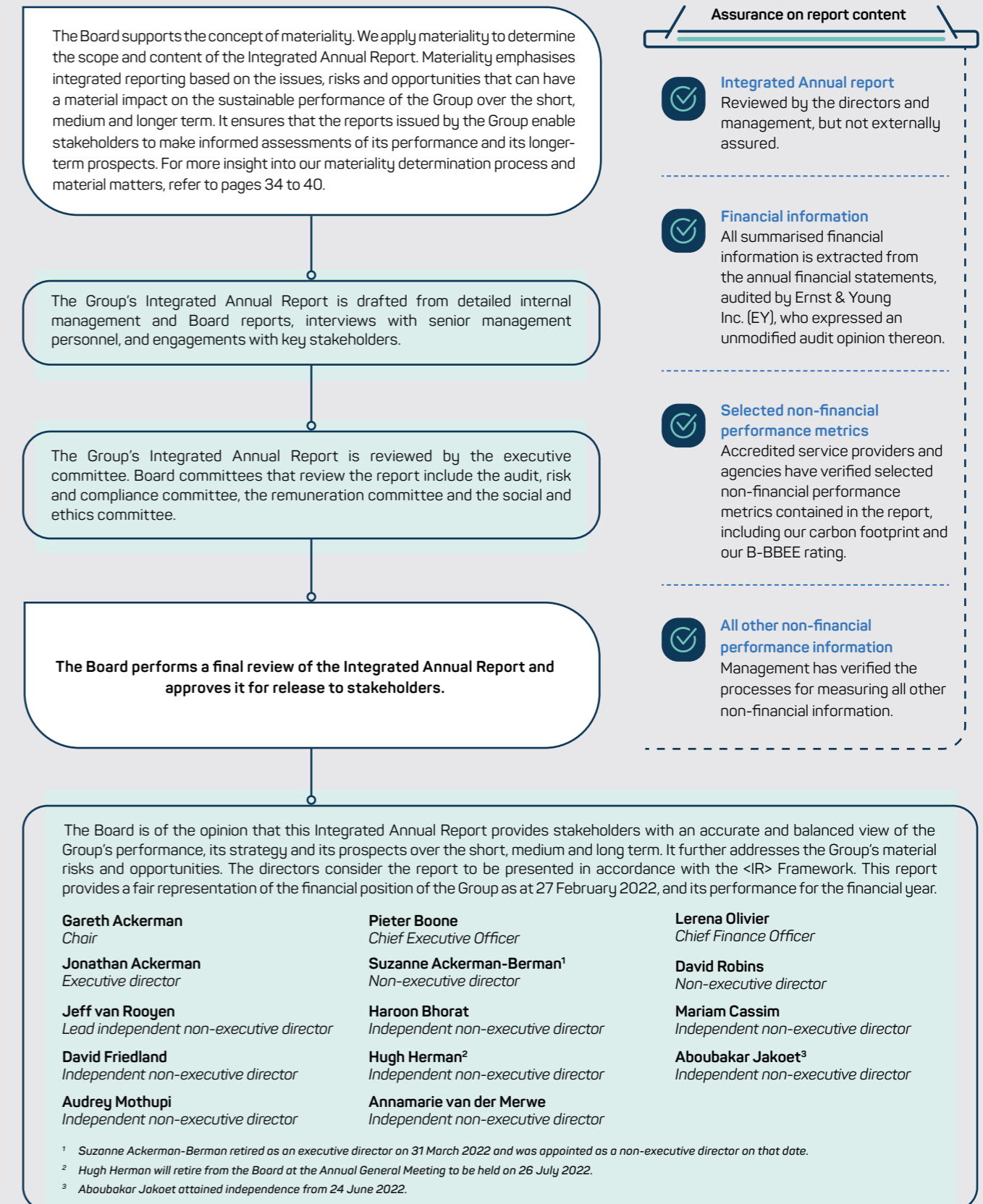
We are on a journey to increase the depth and transparency of our ESG reporting, aligned with leading international reporting frameworks and standards. For more information on our key measures, including our various ESG reporting boundaries, refer to page 54.

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

Pick n Pay	EDMEX	TM
876	368	64
company-owned stores	company-owned stores	associated stores
773		32
franchise stores		trading as Pick n Pay

The Board reviewed and approved this Integrated Annual Report for release to our stakeholders on 23 June 2022.

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



Assurance on report content

- Integrated Annual report**
Reviewed by the directors and management, but not externally assured.
- Financial information**
All summarised financial information is extracted from the annual financial statements, audited by Ernst & Young Inc. (EY), who expressed an unmodified audit opinion thereon.
- Selected non-financial performance metrics**
Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and our B-BBEE rating.
- All other non-financial performance information**
Management has verified the processes for measuring all other non-financial information.



THIS REPORT TELLS OUR VALUE CREATION STORY

Pick n Pay and Boxer are much loved brands, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Our strong and unique family values have guided the business for 55 years, providing a solid foundation for growth, innovation, service excellence and generosity.

Our integrated reporting approach aims to reflect this journey and tell a meaningful story about how we define, create and maintain value for our stakeholders in the short, medium and long term. We are increasingly integrating our material financial and ESG information to ensure better decision-making, underpinned by strong systems of governance and control and a responsive and progressive strategy.

Our enduring values

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

We live by honesty and integrity

We foster personal growth and opportunity

We take individual responsibility

We care for and respect each other

We support and participate in our communities

We nurture leadership and vision, and reward innovation

We are all accountable

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

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

The Board is accountable for the Group's performance

The Board guides and oversees the business in the context of material and emerging risks and opportunities to ensure that our business strategy remains relevant and responsive. The executive committee is tasked with implementing the strategy and managing the Group's day-to-day operations to ensure we create sustainable value for stakeholders. Read more from page 42.

ESG is embedded in our decision-making processes

Pick n Pay has always sought to address the challenges faced by the communities it serves. The key principles of ESG have been embedded in our values since the 1970s and we have long held the belief that doing good is good business. Now, with the added impetus of global investor interest, strategic integration of ESG has never been more important. Read more from page 54.

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

Our business model is central to our integrated thinking approach

We use six broad capitals to create sustainable stakeholder value:

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

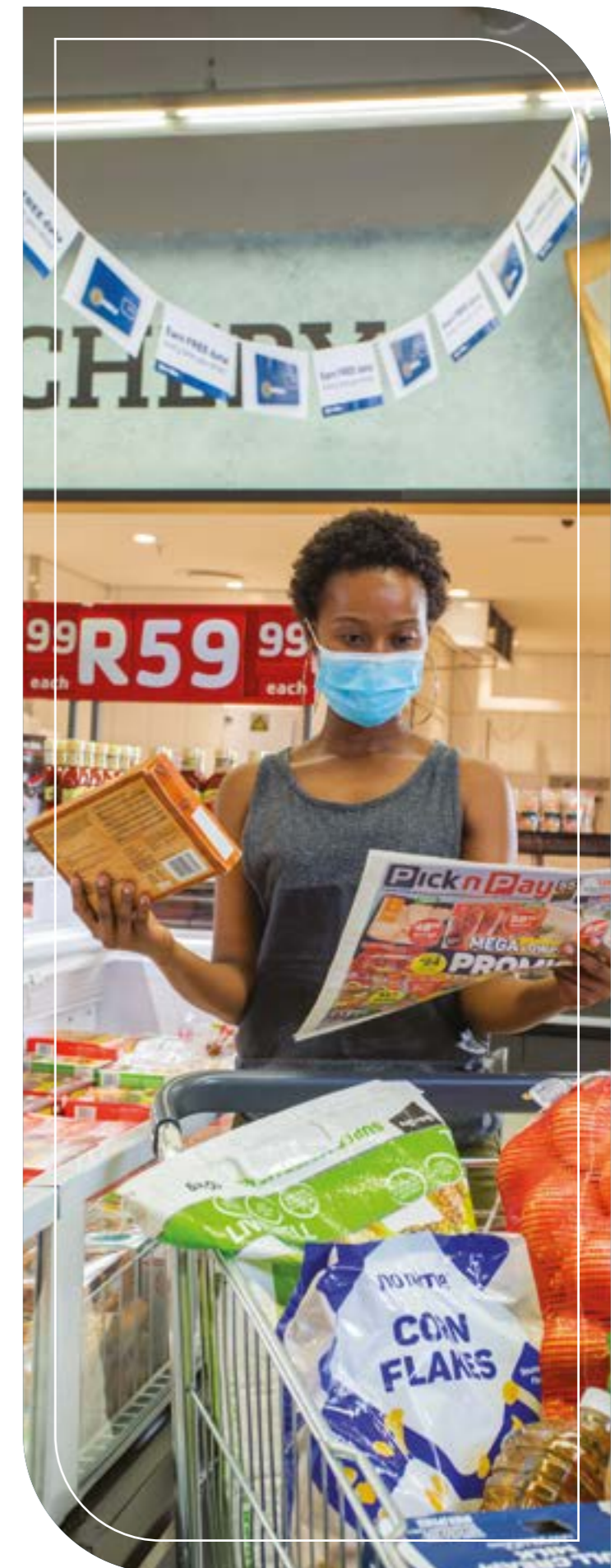
Our business model ensures we utilise our capital inputs across our retail operations in the most effective and efficient manner to optimise our capital outputs and outcomes for all, while effectively managing the trade-offs between our capitals. Read more from page 22.

Our customer-led, forward-looking strategy creates sustainable value

After a period of extensive research and planning, the Group published its new Ekuseni strategic plan in May 2022. Ekuseni means a new morning or new dawn. The strategy seeks to build on the rich legacy of the Pick n Pay brand and to accelerate growth in key strategic areas in order to realise the full potential of the Group. The strategic focus areas are:

- 1 A Refined and Strengthened Pick n Pay Customer Value Proposition
- 2 Accelerating the growth of Boxer
- 3 Building Omnichannel and Digital leadership
- 4 Project Future - Funding our Strategic Ambitions
- 5 Winning through our People

Read more from page 46.





Our ultimate ambition is to create sustainable value for our stakeholders.

We recognise that our ability to create value is impacted by our operating context

We monitor factors affecting our external environment, including how these factors impact our business. These factors include economic, political and market forces, emerging trends and environmental and societal issues, among others, that could impact strategy execution and value creation. Read more from page 30.

We apply materiality to improve internal and external decision-making and to focus our Board and management discussions on the core issues the Group manages as well as opportunities that may arise from our operating environment. Read more from page 34.

To create and preserve sustainable value, the focus cannot be solely on shareholders – all the key stakeholders of our business need to be considered. We ensure meaningful and balanced interactions between our different stakeholder groups within the various retail market, regulatory, social and environmental contexts in which we operate. This enables us to understand their concerns, needs and expectations and ensures we are positioned to respond. Read more from page 42.

An enterprise-wide risk management approach ensures that all areas of the business are aligned with the Group's risk management philosophy and strategy. Read more from page 34.



We undertook extensive engagement with our stakeholders during the year. We have included examples of this engagement throughout our report where material and relevant to strategy execution and our financial and non-financial performance.



Customers

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

We create and preserve value for our customers by:

- Ensuring an effective supply chain and store operations – with cost savings invested into lower prices and deeper promotions
- Delivering an optimised and increasingly relevant product range – including through the development of two Pick n Pay brands – with more own brand and value-added services, including a competitive financial services offer (refer page 48)
- Providing a convenient and modern retail offer through a strong store opening and refurbishment programme and online retail platforms
- Providing customer-focused staff training
- Optimising South Africa's most used loyalty programme – Smart Shopper
- Being a "force for good" in the communities we serve



Communities

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

We create and preserve value for our communities by:

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

Read more about the value we created for our stakeholders during the year through the outcomes of our business model from page 22.

Employees

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

We create and preserve value for our employees by:

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



Suppliers and service providers

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

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

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



Franchisees

Our 773 franchise stores are an integral part of the Group. We support our franchisees by helping them build profitable and sustainable businesses through mutually beneficial partnerships. These partnerships are built on the strength of the Pick n Pay brand and are supported by efficient and effective distribution and administrative platforms.

We create and preserve value for our franchisees by:

- Offering one of the most successful and mutually beneficial franchise models in the retail industry
- Operating as a sustainable franchisor of choice for close to 30 years
- Providing a flexible franchise model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support



Shareholders

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

We create and preserve value for our shareholders by:

- Generating consistent shareholder returns in a sustainable manner
- Operating according to sound corporate governance principles
- Following innovative business practices and growth opportunities at acceptable levels of risk
- Capital efficiency, targeting attractive returns on investment





A MESSAGE FROM OUR CHAIR

“ ESG is deeply embedded in our values of business efficiency, doing good is good business, and consumer sovereignty. We embarked on what is now called ESG in the 1970s, long before it was fashionable or broadly considered important. ”

Gareth Ackerman
Chair



I opened last year's message with an observation that the year had been unprecedented. We could not have foreseen what lay ahead.

We have had to deal with further Covid-19 restrictions, the riots and unrest in KwaZulu-Natal and Gauteng, distressing and ruinous floods, global supply chain challenges, and rising inflation in an already tough economy. It's been a perfect storm.

Through this, we have traded extremely capably and served our customers well. I am proud of our teams, who rose to every challenge with determination, commitment and resoluteness. I was particularly pleased with our last quarter performance of FY22 as we recovered from the devastating riots, and the first two months of trading in the new financial year have been similarly noteworthy.

Pieter Boone took over as CEO just over a year ago, and has shown his mettle, just as the time called for strong leadership. Pieter was on the ground in KwaZulu-Natal in the immediate aftermath of the unrest, directing operations and ensuring we delivered food and essentials to the communities of KwaZulu-Natal from other parts of the country with exceptional efficiency. The year was a baptism by fire for Pieter, and his experience and calmness came strongly to the fore.

Pick n Pay turns 55 and Boxer 45 this year. It was appropriate then to reveal our new strategic direction at the time we released our financial results for this year. The development of our new strategy has taken a great deal of reflection and hard work, including extensive consultation with over 7 000 customers.

Through our new strategy, we are redefining our relationship with our customers. Pick n Pay supermarkets will now be organised into two customer-facing brands, each designed around specific customer needs. These two Pick n Pay brands, together with our exceptional Boxer business, will appeal to the entire South African customer demographic.

We have set ourselves stretch targets – turnover growth at a compound annual rate of 10%, an increase of 3 percentage points in market share, an increase in our profit before tax margin to above 3% and an eight-fold increase in our online sales – all by the 2026 financial year. These targets will be included in our management incentive programmes. Our plan is bold. It is ambitious. It is achievable. It has the full backing of the Board.

Global shocks – Covid-19 and the war in Ukraine – have dominated headlines and absorbed public attention to the extent that longer-term threats have been eclipsed. Locally, social unrest and the recent floods, amid the socio-economic aftermath of Covid-19 and record unemployment, have been the focus.

However, the devastation caused by these crises and the urgency of our responses should not blind us to the many other global and domestic challenges we face, nor to the fact that in many ways they are inter-linked. When we finally put the impacts of war and the pandemic behind us, the challenges of climate change, environmental degradation, waste, poverty, refugees and water scarcity – to name but a few – will still be with us. The fact is that environmental, social and corporate governance (ESG) matters to long-term sustainability, no matter the demands of the moment.

A strong focus on ESG does not require a trade-off against core business priorities. In our experience, clear action plans on environmental and social priorities strengthen the operational resilience of a business and, by reducing cost, have also strengthened our competitiveness. For example, we have saved over R2 billion in electricity costs over the past decade. It pays to take decisive steps to reduce your environmental impact. It pays to waste less – benefiting society as well as the bottom line. It pays to use less packaging – and customers thank us for it too, because they also want to be more sustainable in their lives. It pays to reduce food waste: it helps the environment and makes more available affordably to those who have less.

We have been fortunate in that the Group has embedded ESG issues in its values since the 1970s, long before it was fashionable or broadly considered important. This has given us a head start in the way we approach these critical questions. Our value system is the cornerstone of our success. It defines what we do and how we do it. Critically, doing good is good business – an embedded value within the Group – has guided us in how we approach ESG.

Now, we are specifically working towards increasing our ESG disclosure and transparency in line with local and international frameworks, including guidance recently published by the JSE. This includes disclosure around our climate change-related targets, timelines and actions; labour and wage practices; and human rights and fair trade across our supply chain. We have aligned our sustainability goals, and our responses, to those of the International Consumer Goods Forum and the United Nations Sustainable Development Goals (SDGs). This keeps us focused on the most important global issues.

The Board notes with concern the increasingly complex and burdensome compliance environment in which the Group and other listed entities in South Africa operate. Regulatory frameworks are becoming progressively more onerous, with management focus increasingly diverted to satisfying a significant amount of red tape in reporting financial and operational performance. Regulatory oversight to prevent corporate fraud and negligence is of course critical in protecting the interests of stakeholders. However, simply increasing compliance to untenable levels cannot be the answer. The Board will seek closer engagement with relevant bodies to achieve a more flexible and pragmatic approach to best achieve the aims of the regulators.

Hugh Herman will be retiring at the 2022 AGM. I extend my sincere thanks to Hugh for his incredible service to the Group over 46 years. Jeff van Rooyen will be staying on as a director for another year to assist Bakar Jakoet take over as Chair of the audit, risk and compliance committee. Jeff will continue as a member of the audit, risk and compliance committee and the remuneration committee and as lead independent director.

Debra Muller will be retiring as Company Secretary after the 2022 AGM, and will be succeeded by Penny Gerber, who has led our investor relations division for eight years. I extend thanks to Debra for her invaluable support over her tenure. My thanks also to Suzanne Ackerman-Berman who retired as an executive director on 31 March and was appointed as a non-executive director.

In conclusion, I would like to pay tribute to our people, our CEO and management, and our Board. They performed admirably this year, in a demanding environment. This coming year will be a very exciting one for us as we begin the process of implementing our new strategy and bringing a new experience to our customers – wherever they are. Through all this change, the one thing that will not change is our values. They have served us well for 55 years. They will endure.

Gareth Ackerman
Chair

23 June 2022

Key focus areas of the Board and its committees during the year:

A robust review and subsequent approval of the Group's Ekuseni long-term strategy, including a detailed analysis of:

- the market, competitors and key customer segments
- the Pick n Pay and Boxer customer value proposition
- future growth opportunities, driven by technology and changes in customer needs and trends, including increased demand for online retail
- the financial performance of each operating division, including opportunity for cost savings and efficiency gains under Project Future
- the skill and experience of the executive team accountable for delivering the key objectives of Ekuseni

Monitoring the financial and operational impact of the civil unrest – and providing support and direction for the Group's humanitarian efforts in vulnerable communities.

Close monitoring of the Covid-19 pandemic and all related trading restrictions on Group performance. The Board's priority was to ensure that all health and safety measures adopted by the Group remained relevant and adequate for the well-being and safety of staff and customers.

The remuneration committee specifically deliberated a number of key issues over the year, including:

- market benchmarking Group remuneration policies and remuneration outcomes
- appropriate executive reward where performance targets were significantly impacted by trade disruptions outside of management control (refer page 95)
- the alignment of short-term and long-term incentives with the strategic objectives of Ekuseni

The composition of Board committees was re-assessed, and adjustments made where necessary to ensure non-executive director participation on committees best suited to their sector experience.

Monitoring the Group's progress against its sustainable living strategy, including its environmental impacts and contribution to social upliftment. The Board also guided on increasing the depth of the Group's ESG disclosures, including:

- Climate change-related targets, timelines and actions
- Fair labour and wage practices
- Human rights and fair-trade practices across our supply chain

Reviewed cyber risks and the effectiveness of the Group's control environment.

The monitoring of all relevant statutory developments which could have an impact on Group operations and Group compliance, including the Companies Amendment Bill.

The Board reviewed management employment and remuneration data to ensure progress against its employment equity goals, and pay parity across gender and race.

The review of the JSE's summary of its pro-active monitoring of financial statements to ensure that the Group's financial disclosures are compliant and aligned with best practice.

The review and approval of technical accounting issues, including:

- the presentation of pro forma earnings metrics including insurance recoveries received after year-end, which related to the FY22 financial year
- the application of hyperinflation accounting in Zimbabwe



02

THIS IS THE PICK N PAY GROUP

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ABOUT US

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

Our purpose statement

We **serve**

With our hearts we
create a great place to be

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

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

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

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

For further information on our business model, refer to pages 22 to 27.

Key facts

R97.9 billion
Turnover

2 081 stores
with 139 new stores in FY22

First retailer in Africa
to make sustainable
seafood commitments

90 000
employees

39.1%
Return on capital employed
9.9%
Weighted average cost of capital

Founding member
of the Consumer Goods
Council Voluntary Food
Waste Agreement

400 000 jobs
sustained through the reach
of our supply chain

30%
of our suppliers are
small businesses

R4.3 billion
spend with SMMEs during FY22

25%
Sales participation of
own brand products

Listed on the
FTSE/JSE
Responsible Investment Index

Net zero carbon footprint
2050 target

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

Smart Shopper
recognised as South Africa's
most used loyalty programme

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



WHAT SETS US APART

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

Strong brand loyalty

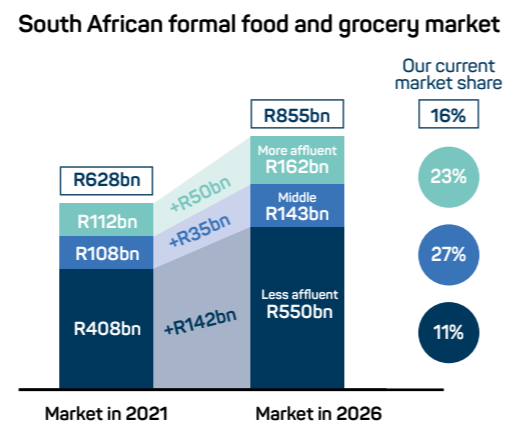
Pick n Pay is one of South Africa's most iconic and inclusive brands. As a much loved shopping destination, Pick n Pay has moved hand-in-hand with the changing needs and aspirations of its customers for 55 years. Under the Group's Ekuseni plan, the Pick n Pay brand will become even closer to customers – with product ranges, promotions and customer engagement specifically tailored to meet the needs of customers served.

Boxer has a rich 45-year history and has developed into Africa's fastest growing discount supermarket chain, with strong market share gains over a number of years. Boxer is winning customers by providing unbeatable value on the products that are most important to customers in the lower- to middle-income communities of South Africa, and by having a modern store estate, a tight and targeted product range, and a strong fresh meat and produce offer.

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

The Group operates in a growing market with significant opportunities for growth

The economic environment in South Africa has been difficult for a number of years, with low GDP growth and high unemployment. The Covid-19 pandemic resulted in two of the toughest years in the country's modern history, with the riots in July 2021 delivering another blow to the country's performance and its confidence. However, South Africa is a diverse and dynamic country, with a sophisticated and rapidly evolving customer. The retail market is highly competitive and is constantly adapting to changing customer trends. Our team is confident that the formal food and grocery market in South Africa is on a positive growth trajectory. We believe that the market is set to grow by around R227 billion over the next five years, through urbanisation, formalisation of the informal market, and economic growth for all. The Group currently has 16% market share of the formal food and grocery market in South Africa, with significant opportunity for growth, specifically in the less affluent part of the market.



The Group has an excellent store network, including a highly-committed and entrepreneurial franchise community

The Group has a broad and dense store estate – 2 081 stores across three brands and multiple formats catering to all demographics and customer segments. In addition to our company-owned stores, our community of Pick n Pay franchisees is a true strength for the Group – committed, loyal, and community-centred. The combination of our brands and formats is formidable, providing proximity to a large number of customers and growing communities.

The Group has proven growth engines in Clothing, Liquor, Boxer, Value-added services and Online – and a strong digital platform from which to accelerate growth and innovation

The Group has built successful growth engines alongside its core Pick n Pay food and grocery offer, which have all delivered strong growth for the Group over recent years. The Group has seized opportunities in the markets in which it operates, ably supported by an outstanding information technology infrastructure – including an end-to-end SAP system that enables automated and centralised processing, and the forecast and replenishment of inventory. Our point-of-sale technology enables an advanced suite of value-added services, including money transfers and banking transactions, and supports our Smart Shopper loyalty programme, including the redemption of personalised discount vouchers directly through the programme's digital app. The Group's information technology platform is modern, robust, integrated and highly scalable, providing the Group with valuable customer insights and a strong platform from which to grow its omnichannel proposition.

The Group has a bold, clear and measurable Ekuseni plan to grow market share and deliver long-term sustainable growth

The Group has developed a new long-term plan, built on detailed analysis of every aspect of our business, including extensive engagement with customers and other stakeholders. Our plan is ambitious, it is measurable, and it is led by a revitalised management team with clear areas of accountability – and the will and skill to deliver growth in market share, sales, profitability and long-term shareholder returns. Refer to page 46.

The Group's Investment Case

Ours is a future-fit Group with a strong plan and determination to:

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

Pick n Pay Stores Limited

JSE share code: PIK
Closing share price on 22 June 2022: 56.66

The Group's executive management team expanded its programme of shareholder engagement this year, including regular one-on-one meetings with institutional shareholders and retail analysts, and participation in a number of local and international investor conferences.

As at June 2022, 10 retail analysts actively cover the PIK stock. Target share prices range from R57 to R87 – with an average target price of R66.90 – and investment recommendations are split as follows:

Buy/Overweight	Hold/Neutral	Sell/Underweight
6	4	-

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over 55 years.

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

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

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

Each element of our ESG framework links directly to our business model, ensuring that our commitment, disclosure and transparency on hard ESG targets are sustainable for the organisation, as well as delivering measurable stakeholder value and supporting the global Sustainable Development Goals (SDGs).

By reducing food waste – we improve our productivity and assist in the fight against hunger

By building an inclusive supply chain – we support hundreds of local emerging entrepreneurs and ensure the ecosystem that supports us is more resilient

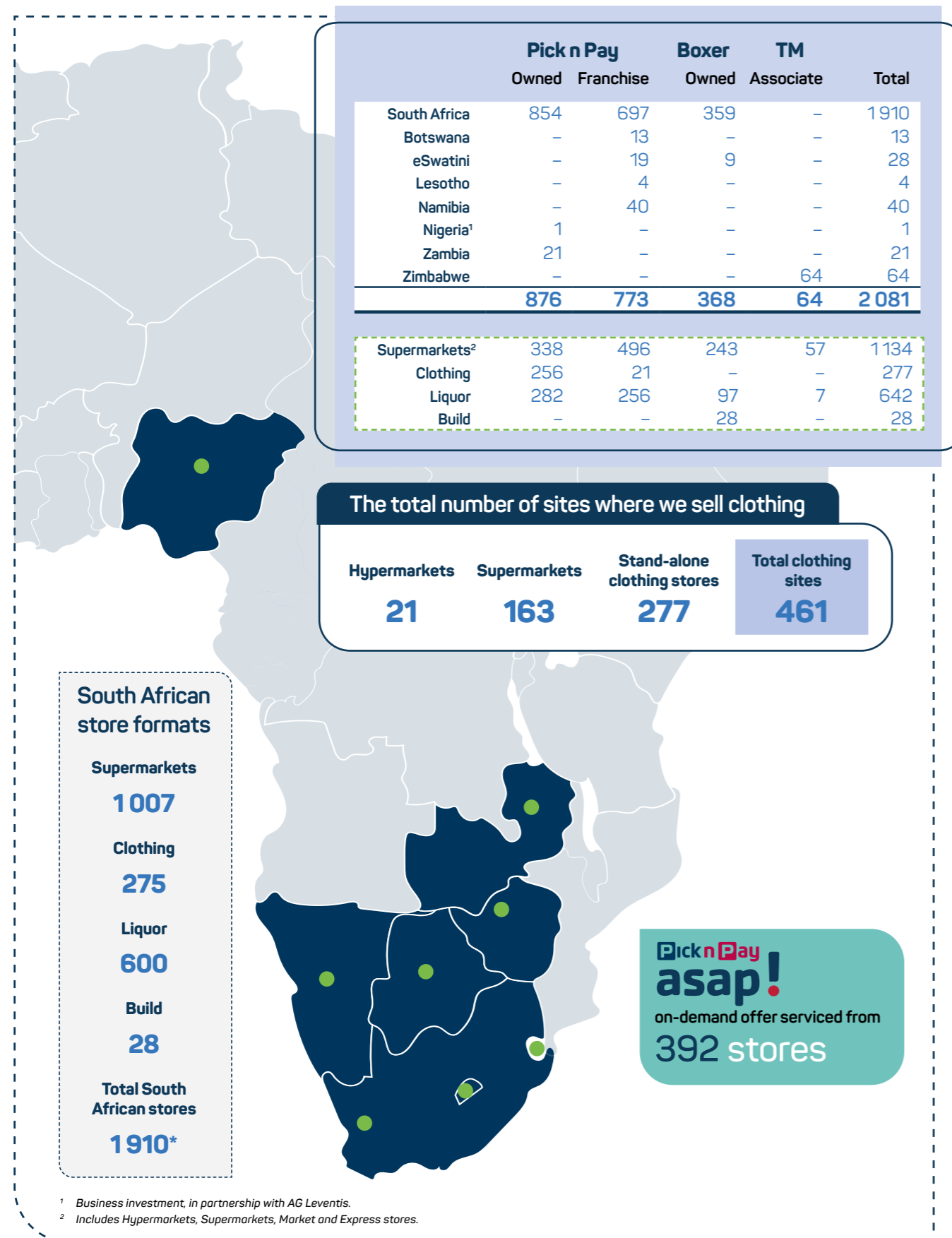
By reducing our carbon footprint and consumption of natural resources – we reduce our environmental impact, save costs and access finance that is increasingly tied to sustainability provisions

By promoting healthier food choices – we make it easier for our customers to take control of their health

By making our management teams more diverse – we access critical business intelligence and networks informed by diverse experiences and backgrounds



AN OVERVIEW OF OUR STORE ESTATE



Our store footprint

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

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

COMPANY-OWNED	28 February 2021	Opened	Closed	Converted openings	Converted closures	27 February 2022
Pick n Pay	830	57	(16)	7	(2)	876
Hypermarkets	21	-	-	-	-	21
Supermarkets	310	14	(9)	4	(2)	317
Clothing	235	24	(3)	-	-	256
Liquor	264	19	(4)	3	-	282
Boxer	342	34	(10)	2	-	368
Supermarkets	208	21	(5)	2	-	226
Build	30	-	(2)	-	-	28
Liquor	87	12	(2)	-	-	97
Punch	17	1	(1)	-	-	17
Total company-owned	1172	91	(26)	9	(2)	1244
FRANCHISE						
Pick n Pay						
Supermarkets	284	5	(3)	-	(4)	282
Market	38	5	(7)	-	-	36
Express	174	7	(3)	-	-	178
Clothing	20	3	(2)	-	-	21
Liquor	242	25	(8)	-	(3)	256
Total franchise	758	45	(23)	-	(7)	773
ASSOCIATE						
TM Supermarkets	61	3	-	-	-	64
Total Group stores	1 991	139	(49)	9	(9)	2 081
AFRICAN FOOTPRINT						
- included in total stores above	163	14	(6)	-	-	171
Pick n Pay company-owned	24	2	(4)	-	-	22
Boxer company-owned	9	-	-	-	-	9
Pick n Pay franchise	69	9	(2)	-	-	76
TM Supermarkets - associate	61	3	-	-	-	64
AFRICAN FOOTPRINT						
- by country	163	14	(6)	-	-	171
Botswana	11	2	-	-	-	13
eSwatini	27	1	-	-	-	28
Lesotho	4	-	-	-	-	4
Namibia	36	6	(2)	-	-	40
Nigeria	-	1	-	-	-	1
Zambia	24	1	(4)	-	-	21
Zimbabwe	61	3	-	-	-	64



OUR STORE FORMATS



Pick n Pay is a multi-format and multi-channel retailer with a flexible and diverse portfolio of stores. Pick n Pay operates on an owned and franchise basis, and provides a wide range of products and value-added services, including an online offer. Pick n Pay is an inclusive brand, welcoming all customers – from the most to the least affluent in society. The business is focused on bringing its offer to communities in which it is not yet well represented, including through smaller convenience formats. The Group's Ekuseni long-term plan targets strong market share gains for Pick n Pay over the next four years.

7 Countries*	1649 Stores	7 Store formats (including online)	876 Company- owned stores	773 Franchise stores
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* Excluding 39 Pick n Pay stores (32 supermarket and 7 liquor) operated by TM in Zimbabwe.

Pick n Pay Supermarkets

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

As part of the Group's Ekuseni strategic plan, Pick n Pay supermarkets will in future be organised into two customer-facing brands with product ranges tailored to meet the specific needs of customers served:

Pick n Pay "Project Red" (brand name to be finalised) – serving lower- to middle-income customers. These supermarkets will carry around 8 000 products, with an emphasis on essential food and groceries, and a strong fresh offer – and will provide low prices and exceptional value.

Pick n Pay – serving middle- to higher-income customers. These supermarkets will carry around 18 000 products, with an emphasis on quality, convenience and innovation, and will include a fully integrated omnichannel offer.

The new Pick n Pay customer value proposition (CVP) is currently in a testing phase, with eight trial stores around the country at the time of publication. The name of the Pick n Pay "Project Red" brand has not yet been finalised, with a short list of names currently being tested with customer focus groups. The Group anticipates that approximately 40% of its company-owned supermarket estate will trade as Pick n Pay "Project Red" supermarkets, with the majority of its franchise estate trading as Pick n Pay.

The development of two strong and clearly differentiated Pick n Pay brands is an important step forward in Pick n Pay's ambition to meet the needs of the broad and diverse customer demographic in South Africa.

535 Stores in South Africa	64 Stores in Rest of Africa*	3 000 Average m ²	5 Net new stores FY22
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* Excluding the 32 Pick n Pay branded supermarkets operated by TM in Zimbabwe. Refer to page 21.



Pick n Pay Hypermarkets

The Pick n Pay hypermarket is our largest store format. Essentially a "one-stop shop", hypermarkets provide a strong fresh meat and produce offer, a wide range of food and grocery products, an expanded clothing range and specialist general merchandise categories not always available in our smaller supermarkets. Our hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders.

Customers are increasingly seeking greater convenience through smaller stores located close to home, work and transport. As such, the Group's growth plans in recent years has focused on smaller format stores, and there are no plans to open additional hypermarkets. The Group remains focused on utilising this format more effectively as a "destination shop", through targeted promotions on essential food and grocery lines – including multi-pack, bulk-buy and combination deals – alongside an increasingly tailored clothing and general merchandise range.

South Africa Country	
21 Company-owned stores	13 500 Average m ²

Pick n Pay Liquor

Pick n Pay liquor stores are situated close to our supermarkets and hypermarkets but with separate entrances. These stores offer a range of wine, spirits and beer, including innovative local craft products. Pick n Pay Liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping. The Group lost 66 trading days this year (FY21: 209) as a result of trading restrictions under the South African government's Covid-19 risk-adjusted strategy. The Group is working closely with suppliers to restore sales volumes, including through strong promotions and improved on-shelf availability.

6 Countries*	538 Stores*	282 Company-owned stores
256 Franchise stores	200 Average m ²	32 Net new stores FY22

* Excluding the 7 Pick n Pay branded liquor stores operated by TM in Zimbabwe. Refer to page 21.

Pick n Pay Clothing

Pick n Pay Clothing provides high-quality and fashionable wardrobe essentials for the whole family at exceptional prices. Pick n Pay Clothing is available in 21 hypermarkets, 163 supermarkets and 277 stand-alone stores. The Clothing division delivered a solid performance this year, recovering well from the significant disruption experienced last year as a result of Covid-19 trading restrictions. Its clear customer value proposition and highly efficient operating model has delivered strong market share gains for four consecutive years. Local sourcing now represents 40% of total clothing sales – providing the opportunity for exciting collaborations with local designers and entrepreneurs, while reducing order lead times and maintaining high levels of availability. Pick n Pay Clothing is a strategic priority under Ekuseni, and will expand through new stand-alone clothing stores, additional space in supermarkets, and a growing online offer, including through its strategic partnership with online retail platform Zando.

2 Countries	277 Stand-alone stores	256 Company-owned stores
21 Franchise stores	450 Average m ²	22 Net new stores FY22

Pick n Pay Express

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

South Africa Country	
300 Average m ²	
178 Forecourt franchise stores	4 Net new stores FY22



Pick n Pay Market stores

Pick n Pay's "Spaza-to-Market Store" partnership with South Africa's Department of Economic Development aims to revitalise and modernise market (spaza) stores to drive growth. This partnership provides spaza shop owners with access to Pick n Pay's procurement and distribution channel, business systems, technology, and management advice and mentoring. This small format trades in lower-income communities and the more informal economies of South Africa. While the Group opened five new market stores during the year, seven under-performing stores were closed, including one store unable to recover after the devastating civil unrest in KwaZulu-Natal and Gauteng in July 2021. The Group will focus on optimising the market store operating model in the year ahead.

South Africa
Country **250**
Average m²

36
Partner stores

Pick n Pay Online

The Group's online on-demand grocery offer was relaunched as asap! in August 2021. Significant enhancements to the mobile app and the in-store picking interface have simplified the user experience, including navigation, ordering and checkout, and have led to notable improvements in the reliability and speed of the service. Product availability has been maintained at over 95% since launch. Pick n Pay asap! is now available in 392 supermarkets and liquor stores. On-demand grocery retail is only one element of the Group's omnichannel proposition, which includes its traditional scheduled delivery service, a Click n Collect service and an online clothing offer. Ekuseni includes strong plans to grow Pick n Pay's omnichannel offer and online presence significantly, including through a commercial agreement with the Takealot Group to run a dedicated on-demand offer on the Mr D app from August 2022 (Refer page 50).

South Africa
Country

Integrated Online Platform:

Scheduled deliveries
within **24 hours**

Click n Collect service

On-demand **asap!** fast delivery service
392 stores



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

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

2 Countries
368 Company-owned stores
4 Formats

Boxer Supermarkets

Boxer supermarkets provide customers with a clear customer value proposition across a tight range of around 3 000 essential food and grocery products, providing exceptional value through its simple and highly effective operating model. Boxer supermarkets are full-service stores offering a focused range of food and groceries – including high-quality fresh meat and produce, alongside essential commodities, health and beauty products, general merchandise and bulk-buy promotions. Butcheries, bakeries and deli sections provide a choice of prepared convenience meals.

South Africa and eSwatini
Countries **1 900**
Average m²

226 Company-owned stores
18 Net new stores FY22

Boxer Punch

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

South Africa
Country

17 Company-owned stores
400 Average m²

Boxer Build

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

South Africa and eSwatini
Countries

28 Company-owned stores
450 Average m²

Boxer Liquor

Boxer liquor stores are situated close to Boxer supermarkets, but with separate entrances. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping. Boxer lost 66 trading days this year to Covid-19 trading restrictions (FY21: 209).

South Africa and eSwatini
Countries

185 Average m²
97 Company-owned stores
10 Net new stores FY22



The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe. TM Supermarkets, trading under TM and Pick n Pay, is one of the most trusted retailers in Zimbabwe. TM continues to deliver a resilient trade performance, delivering volume growth and market share gains in an exceedingly difficult economy and trading environment. With its payoff line, "Real Value Always", customers are offered a wide range of groceries and perishables and a limited range of general merchandise. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, with store formats ranging from large supermarkets to convenience and liquor stores.

57 Supermarkets in Zimbabwe
32 Trading as Pick n Pay

7 Liquor stores in Zimbabwe all trading as Pick n Pay
3 Net new stores FY22





CREATING VALUE THROUGH OUR BUSINESS MODEL



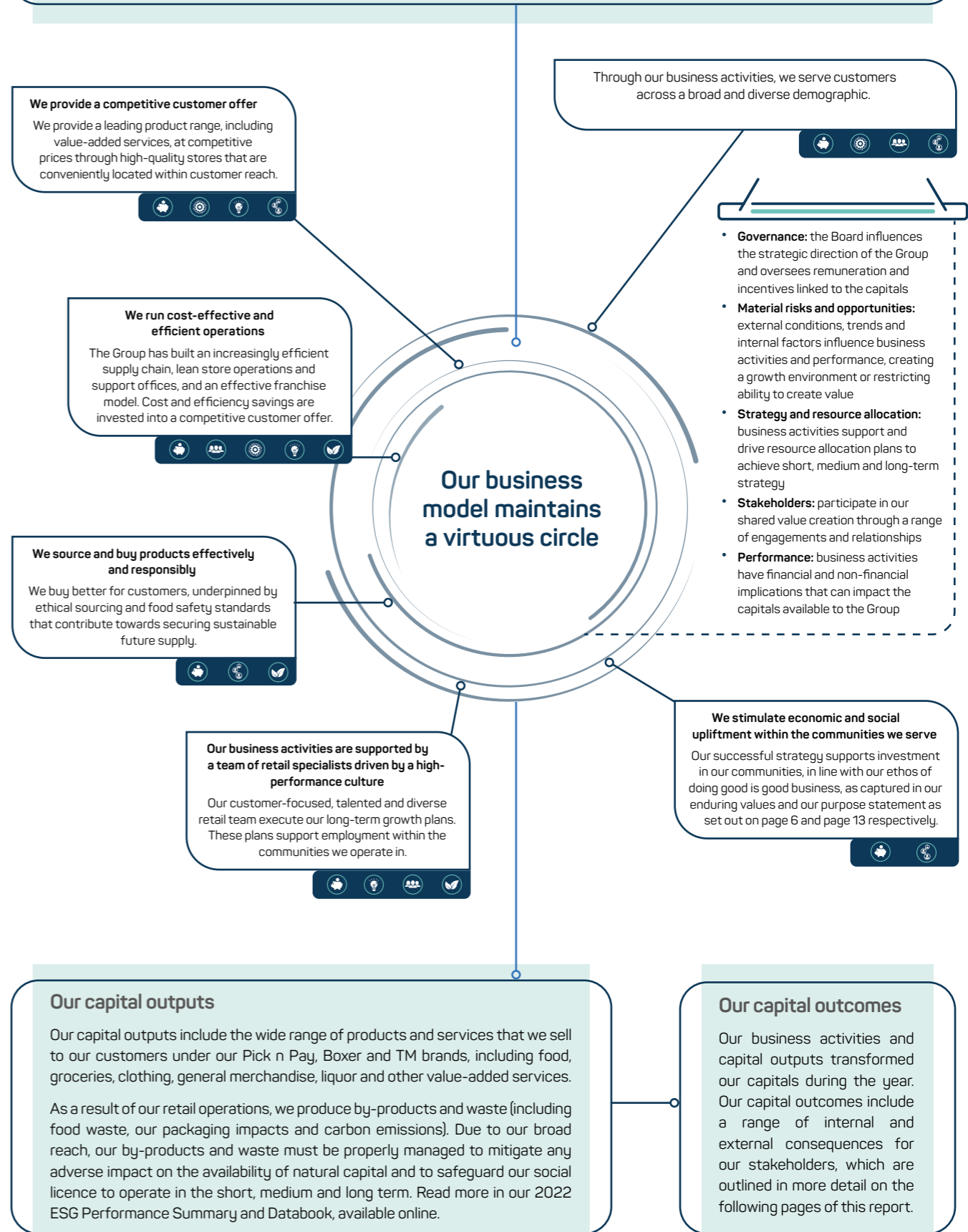
Our business model describes how we create and preserve long-term sustainable value, and minimise value erosion, for all our stakeholders – through the effective and balanced use of our capitals – while keeping the customer at the centre of everything we do. Our business model is underpinned by strong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

The Group's successful navigation of the Covid-19 pandemic and its rapid recovery from the devastating civil unrest in July 2021 is testament to the strength and resilience of its business model. The Group, through extraordinary teamwork, decisive and responsible action, and an unwavering commitment to the principles and objectives of its Ekuseni long-term plan, has preserved the stakeholder value under its care.

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

- 
Financial capital
 Our financial resources include equity and debt funding, and earnings generated and retained by the Group. We rely on our financial resources to fund our growth plans, enhance the quality of our estate and customer offer, invest in new infrastructure, systems and technologies, upskill and develop our staff, and advance our long-term strategy.
- 
Manufactured capital
 We use physical infrastructure within our operations that includes our store estate, distribution capacity, and information technology platforms. We rely on this manufactured capital to procure, transport, store and display our products in a range of store formats, enabling us to serve customers across a diverse socio-economic spectrum.
- 
Intellectual capital
 The Group's experience, data, systems and processes enable us to understand our customers and how we can serve them better. Centralisation, including advanced forecast and replenishment systems, supports greater operational efficiency, alongside our outstanding information technology infrastructure. Our range of own brand and confined label products suit every customer's budget.
- 
Human capital
 Valued colleagues across Pick n Pay, Boxer and TM provide critical skills, talent, ambition and diversity that underpin an effective team. We rely on and invest in our human capital to provide our customers with convenient and reliable access to high-quality, safe and competitively priced products and value-added services, with great service in outstanding stores.
- 
Social and relationship capital
 Our stakeholder relationships are governed by our values and the enduring principle that doing good is good business. We rely on these relationships to earn the loyalty of our customers, generate more jobs, contribute to the communities we serve and to develop local suppliers and small businesses.
- 
Natural capital
 We utilise environmental resources during the production, distribution and sale of consumer products. We are committed to reducing our consumption of natural and scarce resources in our operations and, with thousands of suppliers and millions of customers, we are extremely mindful of our broad reach and our broad impact.

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





Action taken to enhance positive outcomes and minimise negative outcomes in FY22

Financial capital

Constraints and challenges faced during the year included:

- The resumption of trading restrictions over the sale of liquor in June 2021, with estimated lost sales of R0.9 billion
- The civil unrest in KwaZulu-Natal and parts of Gauteng in July 2021, with estimated lost sales of R1.8 billion
- A challenging consumer environment in South Africa, with increasing consumer need for lower prices
- Escalating operating costs, including fuel, electricity, water and other utility costs
- Currency weakness and hyperinflation in the Rest of Africa segment

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Invested close to R800 million of gross profit margin into lower prices, restricting internal selling price inflation to 2.9%
- Pursued greater cost discipline – with like-for-like cost growth of 2.4% below like-for-like sales growth of 4.5%
- Carefully managed net cash and liquidity, with net finance costs down 6.7%
- Formulated and submitted complex insurance claims, with interim business interruption claims received in March 2022

Value created for our stakeholders included:

- Increased Group pro forma PBT by 24.9%, notwithstanding significant trade disruptions, as a result of the disciplined and responsible allocation of our financial capital
- Paid a total dividend of 221.15 cents per share to shareholders, up 23% in line with the growth in pro forma headline earnings per share

Relevant material issues:

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

Manufactured capital

Constraints and challenges faced during the year included:

- Severe damage to supply chain infrastructure and store estate as a result of the civil unrest in July 2021
- Extended periods of loadshedding in South Africa, Zambia and Zimbabwe
- Escalating operations costs to safeguard property, including cost of security and insurance

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Responded rapidly to rebuild and restore damaged operations in KwaZulu-Natal and Gauteng
- Took action to fully recover material damage losses (stock, assets and other costs) arising from the unrest
- Converted seven underperforming Pick n Pay franchise stores to company-owned Pick n Pay stores, and two company-owned Pick n Pay stores to Boxer
- To improve estate profitability, 49 underperforming stores, across all formats, were closed
- Refurbished 40 Pick n Pay supermarkets to drive stronger customer growth in the more affluent segment of the market
- Commenced the development of our new Pick n Pay Eastport distribution centre in July 2021

Value created for our stakeholders included:

- 139 new stores across all formats, including 19 Pick n Pay supermarkets, 21 Boxer supermarkets, 56 liquor stores and 27 clothing stores – evidence that our store opening programme remains strong, notwithstanding disruptions

Relevant material issues:

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

Intellectual capital

Constraints and challenges faced during the year included:

- Increased concern around cybersecurity, particularly due to higher levels of remote working
- Forecast and replenishment in the face of supply chain disruption
- Access to digital expertise as the Group expands its online reach
- The ability of the single Pick n Pay brand to adequately meet the needs of all consumers in a constrained economic environment

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Sustained investment in supply chain capability and digital security and innovations – R530.2 million invested during the year
- Smart Shopper loyalty programme used as a key lever in delivering value to customers through its Smart Prices
- Supply chain efficiency and better buying through Project Future
- Implemented our digital HR platform Workday

Value created for our stakeholders included:

- Relaunched the Group's on-demand online offer asap! in August 2021 – delivering sales growth of 300% since launch
- Completed migration of all system loads to AWS Cloud Migration Services
- Our new Ekuseni strategy seeks to build on the strategic advantages of the Group – including redefining our relationship with the Pick n Pay customer through the development of two customer-facing supermarket brands and the acceleration of the Boxer brand

Relevant material issues:

"Customer value proposition", "Operational disruption and business resilience", "Digital stability and security" and "Talent, retention and diversity" – refer pages 37 to 39

Natural capital

Constraints and challenges faced during the year included:

- Ongoing impacts (direct and indirect) of climate change
- Water scarcity in the Eastern Cape and severe flooding in other parts of South Africa

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Formally set a Group carbon commitment to be Net Zero by 2050
- Developed a climate change and energy policy
- Published a waste policy to guide our efforts to reduce and repurpose waste, with 15 600 tonnes of waste recycled in FY22
- Improved our packaging database and reporting processes
- Our new stores are increasingly energy efficient
- Key collaborations with suppliers, for example: Cerebos is providing Pick n Pay with potable water from its desalination plant in the Eastern Cape. This assists our efforts to provide staff and stores in the region with safe drinking water, at a time of severe water crisis

Value created for our stakeholders included:

- Achieved important gains in reducing our carbon footprint – 37% of stores now use a form of natural refrigerants; 36 stores have full CO₂ refrigeration systems and 80 have CO₂ hybrid systems; and achieved a 35.1% reduction in energy intensity
- Reduced the average packaging weight for Pick n Pay own brand products by 16.9%

Relevant material issues:

"Operational disruption and business resilience" and "Climate change" – refer pages 37 and 40

Human capital

Constraints and challenges faced during the year included:

- Physical and mental well-being of staff as a result of the Covid-19 pandemic
- Physical distancing measures in support offices and staff adapting to remote and hybrid working

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Extended our health and wellness programmes
- Continued to make good progression on transformation:
 - 74% of our store staff and 59% of our support staff are female
 - The majority of our store staff and 68% of our support office staff are ACI
- Increased our employment of people with disabilities – now constituting 2.1% of our staff complement
- Increased staff engagement through Workday
- Improved staff productivity across our supply chain and store operations

Value created for our stakeholders included:

- R102.6 million invested in training and education
- Sustained 90 000 jobs across our Group and created 1 800 net new jobs in FY22
- 4 600 promotions

Relevant material issues:

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

Social and relationship capital

Constraints and challenges faced during the year included:

- Low economic growth and high unemployment impacting the socio-economic welfare of the communities we serve
- Devastating impact of civil unrest across our value chain – including on suppliers, service provider and franchisees
- Store closures as a result of the unrest disrupted food supply into affected areas' suppliers
- Community protests in response to a lack of local municipal service delivery led to some store closures in our Boxer business

Actions taken to enhance positive outcomes and minimise negative outcomes for our stakeholders in FY22

- Continued optimisation of our store estate – growing into areas of under-representation and closing under-performing stores
- Continued to prioritise local sourcing, which now represents over 95% of food and grocery sales and 40% of clothing sales
- Strengthened price and promotions across Pick n Pay and Boxer to assist hard-pressed customers
- Distributed social grants, which have a significant multiplier impact
- R4.3 billion spend with SMMEs during the last financial year

Value created for our stakeholders included:

- Feed the Nation was at the forefront of the humanitarian response to supply essential food and groceries to communities affected by the civil unrest
- 80% of sales now through our Smart Shopper customer loyalty programme
- Pick n Pay and Boxer were the first retailers to distribute the South African government's Social Relief of Distress (SRD) grant

Relevant material issues:

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

Looking forward to FY23

As a result of the actions taken during FY22, we believe that we have a strong base from which to grow and that our capitals are sufficient to enable us to execute our new Ekuseni Strategic Plan effectively and responsibly.



- Strong balance sheet and cash flow
- High levels of liquidity and low levels of gearing
- Strategic investments into essential food and groceries
- High-quality franchise book



- Strong depth and breadth in our store estate with a solid store pipeline
- Mature, effective and growing central supply chain
- Key partnerships with logistics and functional outsource partners
- Stable and future-fit IT infrastructure



- Strong brand loyalty across Pick n Pay, Boxer and TM Supermarkets
- Smart Shopper is the most used loyalty programme in South Africa, delivering unrivalled customer insights
- Compelling omnichannel proposition, driven by our asap! on-demand platform and commercial agreement with Takealot
- Strategic focus on digital innovation, including automation, advanced analytics and artificial intelligence



- New executive leadership under Ekuseni, including a new Head of HR for Pick n Pay
- Strengthened short-term incentive framework and formal performance appraisal process
- Simplified HR processes and closer staff engagement through Workday
- Optimised functional outsourcing in our supply chain – delivering greater skill, efficiency and stability



- Ekuseni is redefining and strengthening our relationship with our Pick n Pay and Boxer customers
- Closer engagement with and support of our franchise community with the appointment of a new Head of our Franchise division
- An enterprise development programme, mentoring almost 300 small suppliers
- A broad corporate social investment programme that targets the alleviation of hunger and poverty and the social upliftment of the communities we serve



- Established systems, policies and processes to further reduce energy and water consumption, guided by measurable targets to reduce our environmental impact aligned with our Ekuseni Strategic Plan
- Established relationships with strategic partners such as FoodForward SA and the 10x20x30 Food Waste Initiative to further reduce food waste in our value chain
- Ongoing commitment to promote and support positive climate action within our spheres of influence
- Expanding our renewable solar energy programme at our stores (owned and leased) and distribution centres

Unpacking the significant capital trade-offs we anticipate making during FY23

We anticipate several trade-offs based on what we would like to achieve in FY23. Management's judgement in prioritising stakeholder needs and capital resources will be particularly significant to ensure our business continues to grow, adapt and innovate, without placing stakeholders at undue risk.

Anticipated capital trade-offs include:

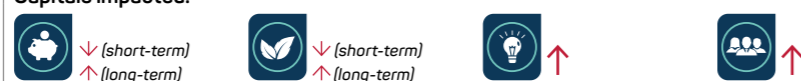
Significant investment into new Pick n Pay and Boxer stores and the refurbishment of the Pick n Pay estate under the ambitions of Ekuseni, with measures in place to mitigate environmental impacts

Under Ekuseni, the Group has plans to realign its store estate and invest significantly in a store roll-out programme. This will require capital investment and the utilisation of natural resources in the short term to meet our ambitious growth targets. It also requires balancing our investments between Pick n Pay, Pick n Pay "Project Red" and Boxer stores – informed by the needs of our customers, while targeting spend to the investments which generate the greatest return. Over the longer term, the impact on our financial and natural capital will be offset by our commitment to greater business efficiency, which will enable us to reinvest in our customer value proposition, as well as performance against set environmental targets that include emission reduction targets, renewable energy targets and energy efficiency targets.

Relevant Ekuseni focus areas:



Capitals impacted:



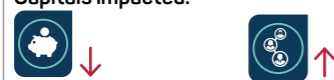
Investment into key food and grocery lines ahead of price increases to keep our prices low for customers for as long as possible

In response to the challenging consumer environment and CPI Food of 6.0% in April 2022, we remain committed to ensuring a consistent supply of essential food and groceries at affordable prices to our customers. This includes maintaining consistently high levels of on-shelf product availability. This will require investment into key inventory lines for the Group, which will impact our net cash position in the short-term, and be recouped through higher sales volumes thereafter.

Relevant Ekuseni focus areas:



Capitals impacted:



Building the office of the future: a simpler and more effective support function, including investment into digital systems and automation, which will result in a leaner support team

Project Future remains a key element of the Group's Ekuseni Strategic Plan and prioritises growth and efficiency to ensure we maintain momentum in an increasingly challenging economic environment. A key component of this is ensuring that we build a modern, efficient and agile office of the future, better able to serve our customers over the longer term. While this will result in necessary adjustments to our human capital, including the closure of our Johannesburg head office, which could bring anxiety and uncertainty to those affected, it is important to unlock savings to deliver future success.

Relevant Ekuseni focus areas:



Capitals impacted:



Balancing investment spend between South Africa and the Rest of Africa

The Group is cognisant of the real risks of trading in emerging market economies in the Rest of Africa, including complex political, economic and operational challenges. However, these markets provide significant growth opportunities, driven by young and growing working-age populations and the rapid formalisation of informal retail markets. The Group is repositioning its Rest of Africa store operations, most notably in Zambia, into an increasingly cost-effective and efficient limited range discount model. The Group is committed to driving long-term sustainable growth in the Rest of Africa, at acceptable levels of risk, and without comprising core South African operations.

Relevant Ekuseni focus areas:



Capitals impacted:



Looking to the future, our management team has developed a strong strategic plan to bring Pick n Pay closer to the customer and accelerate the progress delivered in recent years.

Through the actions taken during the year, we have strengthened our capital inputs and supported our strategic ambition to deliver long-term sustainable value creation. This ambition is anchored by a strong balance sheet, low gearing levels, and strategic funding partners who continue to demonstrate ongoing support for the Group and our long-term growth strategy.

Every decision we take will be informed by our corporate governance framework, which ensures that we align our interests with those of our stakeholders. Our ethical value system and purpose statement will continue to guide our everyday decision-making, supported by a sound risk management framework that considers the social and environmental impact of our actions and operations.





03

OUR BUSINESS IN CONTEXT

- 30 The environment we operate in
- 34 Material risks and opportunities
- 42 Engaging with our stakeholders

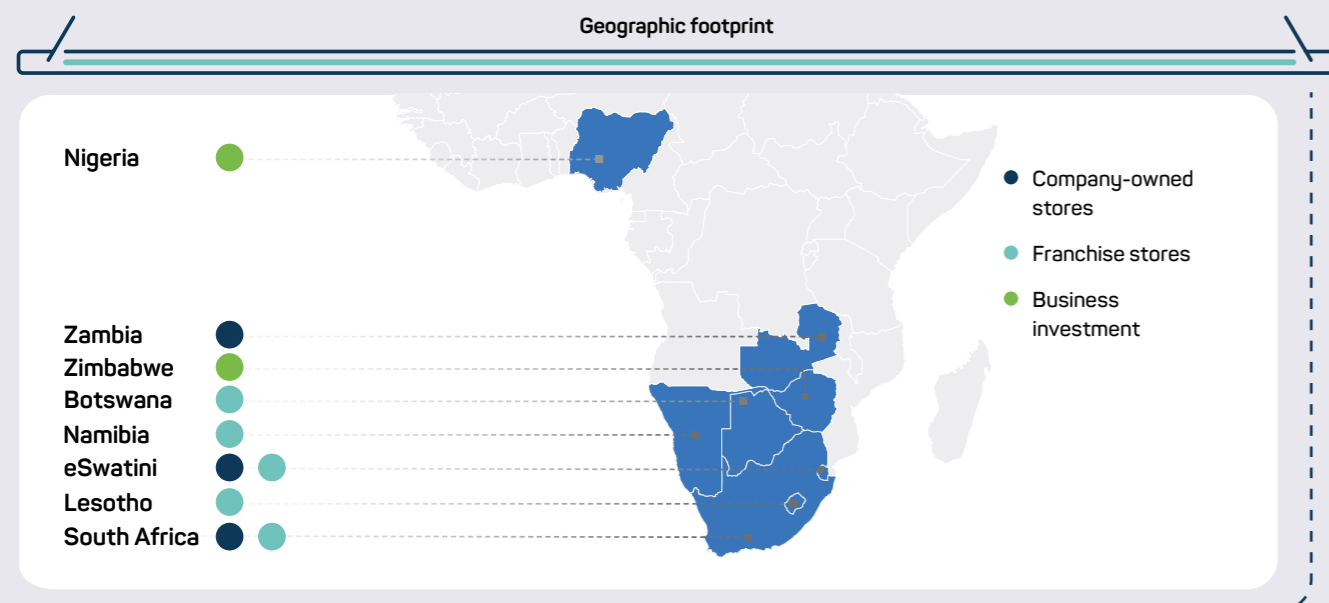




THE ENVIRONMENT WE OPERATE IN

The Group operates 2 081 stores across multiple formats in eight countries across Africa, including a 49% investment in TM Supermarkets in Zimbabwe. With a 55-year history, we benefit from strong brand loyalty and broad socio-economic appeal within the regions we serve.

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



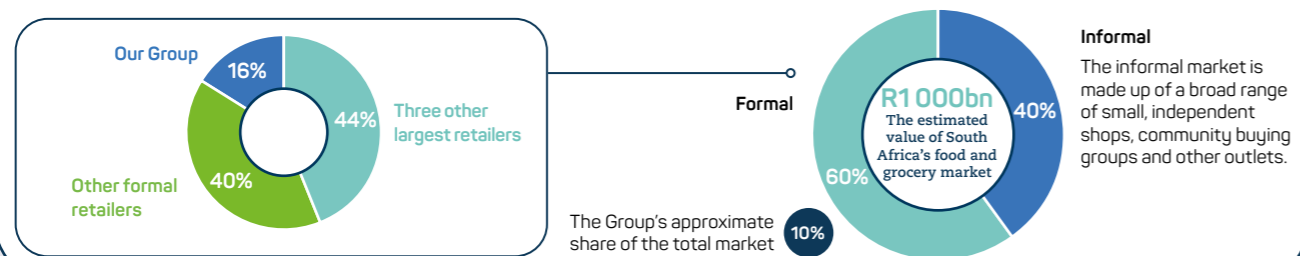
	Turnover Rbn	% of Group	Pro forma* profit before tax Rm	% of Group	Stores	Employees
South Africa	94.5	96.6%	1 859	94%	1 910	80 000
Rest of Africa	3.3	3.4%	119	6%	171	10 000
Group	97.9		1 978		2 081	90 000

* Including R145.2m insurance recoveries received post year-end, and excluding non-cash hyperinflation net monetary adjustments recognised in respect of associate TM Supermarkets in Zimbabwe.

An overview of the South African market

South Africa's retail market is diverse and disparate in geography and income. The food and grocery sector comprises a modern formal sector and a large informal sector. The total market had an estimated value of R1 000 billion in our FY22 year, with approximately 60% of the market considered formal and around 40% informal.

The formal South African food and grocery market is highly competitive. Four large retailers, including our Group, account for approximately 60% of sales. With turnover of R94.5 billion from its South African segment in FY22, our Group has an estimated 16% share of the formal market, and close to 10% of the total market.

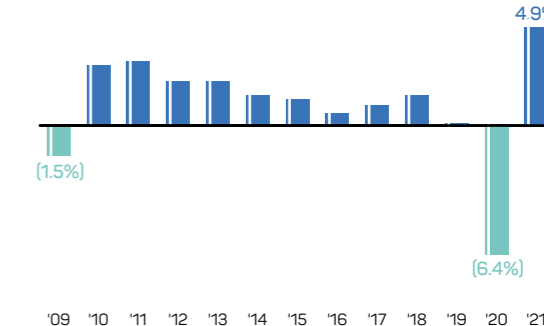


South Africa – the year in review

The anticipated 2021 economic recovery from the Covid-19 pandemic was disrupted by the civil unrest which unfolded across KwaZulu-Natal and parts of Gauteng in July 2021. Real SA GDP increased just 4.9% in 2021 against a 2020 year which was highly disrupted by Covid-19 and the government's risk-adjusted strategy to contain its transmission (2020: -6.4%). The two-year compound annual growth rate in SA GDP was -0.9%. South African retail sales increased +9.7% in 2021 (2020: -4.4%). The 2021 retail sales recovery was predominantly driven by strong post-lockdown recoveries in discretionary retail categories of Furniture and Appliances, Hardware and Clothing – mostly benefitting retailers of discretionary products. Food retail sales growth for 2021 was 6.3%.

South Africa's unemployment problem was exacerbated by the pandemic as well as the civil unrest. Statistics South Africa's Quarterly Labour Force Survey suggests annual job losses of 479 000 (-3.2%) in the 12 months to Q4 2021. This had the effect of bringing the official unemployment from 32.5% at Q4 2020 to 35.3% at Q4 2021.

South African real GDP 2009 – 2021



Less affluent consumers in the South African retail market have continued to be assisted by additional government support. Covid-19 Social Relief grants of R350 per month, originally put in place to help the poor cope with the impact of Covid, has been extended for a further year until March 2023. This has been important in assisting the most vulnerable in South Africa, but has not provided full protection from the significant economic and social impact of the crisis.

South African retail environment 2021 calendar year:

+4.9%	6.3%	7.25%	6.2%	35.3%	5.7%
GDP growth	Annual grocery retail sales growth	Prime interest rate	CPI Food	Unemployment	Real household expenditure growth

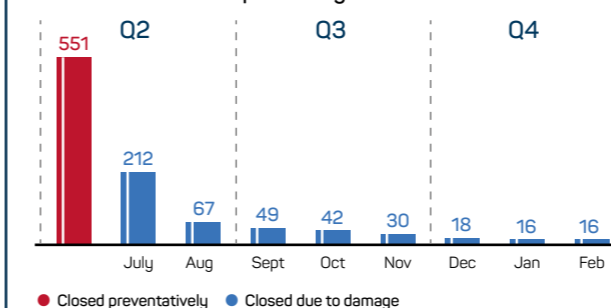
The impact of the socio-economic environment in South Africa on our business

The Group lost an estimated R2.7 billion in FY22 sales due to the combined effects of the unrest (R1.8 billion) and the Covid-19-related liquor trading restrictions (R0.9 billion). Lost sales from liquor restrictions were the result of the loss of 66 trading days in FY22, down from the 209 days lost due to liquor restrictions in FY21. The civil unrest not only drove a loss of sales, but also resulted in material damage losses of R958.7 million, including inventory write-offs and damage to property, plant and equipment losses. Insurance claims resulted in full recoveries of PPE and trading stock losses, while R145.2 million of interim business interruption recoveries were received post year-end, with additional settlements anticipated in FY23.

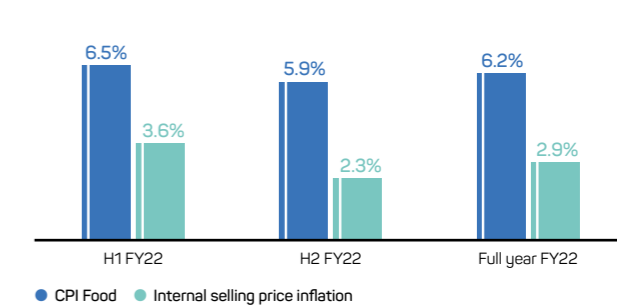
The Group's strategic response

The Group, with unwavering support from all its stakeholders, has recovered rapidly from the devastation suffered in July. The lower than expected economic recovery in South Africa in 2021, alongside higher levels of unemployment and rising food prices and other household costs, put increasing strain on the South African consumer. We remained focused on our value commitment to customers, delivering significant investment into lower everyday prices, including through bulk deals and combination offers on commodity and other essential food and grocery products. The price investment was supported by greater business efficiency and material cost savings delivered by the Group's Project Future programme. The Group provides an important service in the monthly distribution of South African Social Security Agency (SASSA) grants through its Pick n Pay and Boxer supermarkets. In September 2021 we were the first retailers to be selected as collection points for the South African government's Social Relief of Distress (SRD) Grant.

Civil unrest: Number of stores impacted by month



Price inflation restricted to 2.9%





South Africa – the economic outlook for the 2022 calendar year

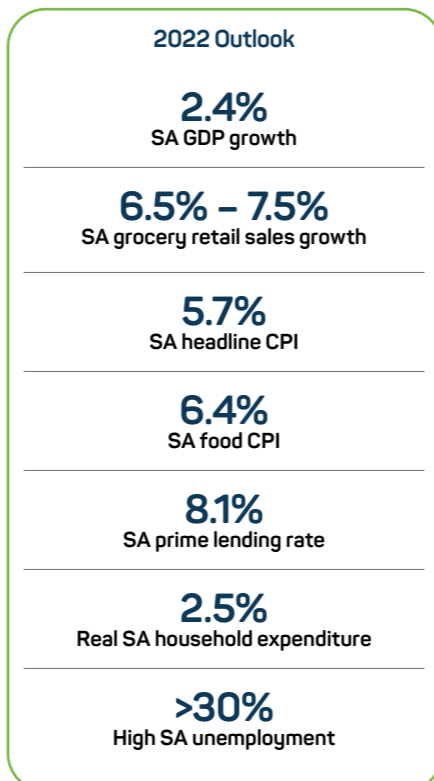
There are grounds to hope that the factors which most disrupted economic and trading activity over the past two years will not recur in the new calendar year. Covid-19 restrictions have eased over the past year, and governments in South Africa and beyond appear to have taken the view that harder measures should not be reintroduced unless Omicron gives way to a more dangerous variant. We have also seen no recurrence of the civil unrest which damaged the country in July 2021. All but 13 of our affected stores are now open. These factors point to some normalisation of our business environment during 2022.

However, set against this more positive picture is a very challenging global economic outlook. At the time of writing, the global economy is under severe pressure from supply chain disruptions arising from the war in Ukraine, severe hikes in energy and commodity prices, consumer inflation rising to levels not seen for 40 years or more, and governmental action to mitigate inflation in the form of rising interest rates.

South Africa has found itself in a very unusual situation where domestic consumer price inflation is lower than that reported in major economies including the United States and the Eurozone. However, this situation is unlikely to persist, and we believe there is significant potential for inflation and food inflation in South Africa to continue to rise through the remainder of the year. While South African consumers are highly resilient, and are used to managing through difficult circumstances, they have been under severe economic strain for some years, and will therefore have very limited scope to adjust to greater inflationary pressure. They will be looking for food retailers to assist as far as possible by constraining price increases, offering attractive deals, and providing opportunities to flex their spend towards lower-cost, higher-value items.

Over the medium term, we expect to trade in a difficult economic and social climate, with low levels of economic growth, high unemployment, rising household costs and constrained consumer spending. The increased risk of social instability remains, including community protests against poor levels of government service delivery.

Our Ekuseni strategy addresses itself to this situation in a number of ways. By delivering greater efficiencies through Project Future, the Pick n Pay Group will continue to invest in price to keep inflation in its customer price basket as far as possible below food CPI, while also seeking to mitigate the impact of rising fuel, insurance, security and other costs. Our Boxer expansion will provide more opportunities for lower-income customers to secure the best value food and groceries in the market. The segmentation of the Pick n Pay business into two distinct brands will also create new opportunities to tailor the offer and value to distinct customer groups.



Rest of Africa – the year in review

The Group's Rest of Africa segment contributed R3.3 billion of segmental turnover and R4.5 billion of segmental revenue, up 5.1% on last year. Removing the impact of currency weakness, segmental revenue increased 8.4% in constant currency terms. Excluding the impact of hyperinflation accounting in Zimbabwe, pro forma Africa PBT declined 19.6% to R119 million. The underlying PBT decline was largely due to difficult trading conditions in Zambia and Zimbabwe – the two largest business units in the Group's Rest of Africa segment – although TM's underlying performance in local currency terms remains strong. Franchise operations remained resilient across Namibia, Botswana, eSwatini and Lesotho, notwithstanding economic and societal challenges across those southern African regions.

Zambia

The impact of the socio-economic environment in Zambia on our business

The Group's business in Zambia has been under strain for a number of years, being impacted by economic pressures including persistent weakness in the local Zambian kwacha, high inflation, and intense competition. FY22 sales growth was driven by high inflation, but this also drove cost inflation and subsequent margin pressure. The team delivered an encouraging recovery in the second half of the year, supported by strong promotions over the festive season and a revitalised fresh meat and produce offer. The political and economic environment stabilised post the elections held in August 2021, and the Group expects trading conditions to improve in FY23, driven by the firmer local kwacha currency and lower levels of inflation.

The Group's strategic response

The Group is repositioning its Zambian store operations into a more efficient limited range discount model, better able to respond to the demands of the environment. The business has countered inflationary cost pressures through improved operating efficiency and tight working capital management, with a meaningful reduction in stock cover, alongside improvements in in-store execution and on-shelf availability. The management team has progressed in its efforts to reduce rental costs, working closely with landlords to introduce a greater level of variable turnover-based rentals, and reduce its exposure to US dollar-based rentals.

Zimbabwe

The impact of the socio-economic environment in Zimbabwe on our business

Zimbabwe continues to operate under severe currency weakness and illiquidity, escalating levels of hyperinflation and a resultant shortage in fuel and other staple goods, as well as disruption from regular power outages. The Group's estimate of the fair market value of the local Zimbabwean dollar has fallen from 115.0 Zimbabwe dollars to 1.0 US dollar last year, to 186.0 Zimbabwe dollars to 1.0 US dollar at the end of FY22. TM delivered a resilient earnings performance under these extremely challenging economic conditions, with sales volume growth of 23.5% for the year. The Group's share of TM's earnings decreased to R96.7 million this year (FY21: R109.2 million) due to devaluation of the Zimbabwe dollar. The management team worked to counter inflationary cost pressures with disciplined cost and working capital management. The Group accounts for its investment in TM under the provisions of hyperinflationary accounting, with a resultant impairment loss of R14.4 million this year (FY21: R81.6 million).

The Group's strategic response

TM grew its market share this year, underpinned by an outstanding shopping experience in fresh and modern stores, and consistent on-shelf availability (subject to the reliability of local supply) driven by strong and valuable partnerships with local suppliers. TM is entirely self-funding, and does not require any additional capital investment from the Group in South Africa in order to operate and grow the business in Zimbabwe. The Group does not expose its South African business to undue commercial risk when trading with TM, with all trade done on an upfront cash basis. The Group re-assessed the fair value of its investment in TM at R106 million (FY21: R69.7 million), recognising its strong underlying operating performance, high levels of liquidity, minimal foreign debt exposure and remittance of R20.1 million of dividends to South Africa.

Nigeria

In partnership with AG Leventis, Pick n Pay opened a small trial supermarket in Lagos, Nigeria in March 2021. This pilot store had a challenging start as a result of Covid-19 trading restrictions. The store's sales performance has improved as restrictions have eased, and as brand awareness has grown. The initiative continues to provide the Group with valuable learnings in the region, at limited risk, and the Group's approach to investment in Nigeria remains cautious.

Rest of Africa – the economic outlook for the 2022 calendar year

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

The IMF projects:

GDP to grow **3.1%** in Zambia in 2022

GDP to grow **3.5%** in Zimbabwe in 2022

GDP to grow **3.4%** in Nigeria in 2022

Changing industry and customer trends

The Group's operations, both in South Africa and the Rest of Africa, remain agile, in order to rapidly and appropriately respond to changing industry and consumer needs. Many of these trends and needs evolve as a direct response to the macro-environment in which we trade, including government policy and geopolitical events, others evolve as a result of social or cultural movements, or advancements in technology. The Group has engaged extensively with customers throughout the development of its Ekuseni strategy and, as such, its strategy is designed to meet current and evolving consumer trends, including meeting the need for:

Greater value	lower prices and stronger promotions, particularly on commodity and other essential food and grocery items
More relevance	a product range tailored specifically to the customer served
Customer safety	shopping environments that address Covid-19 safety concerns, including through rigorous hygiene and physical distancing standards
Convenience	smaller shops that are closer to work, home or transport hubs, and more solutions for pre-prepared convenience meals
Online retail	including scheduled, on-demand and Click n Collect options
Reward for loyalty	greater reward for customer loyalty, including highly personalised deals based on unique customer data
Security	online, point of sale and loyalty systems which protect the privacy of customers' personal information





MATERIAL RISKS AND OPPORTUNITIES

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

Our materiality process

We apply materiality to improve internal and external decision-making and to focus our Board and management discussions on the core issues the Group manages. This improves the quality of information available to our stakeholders and enables a more efficient and productive allocation of capital.

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

- 1 Our business context and the macro-economic environment. *Read more from page 30.*
- 2 Changing industry and consumer trends. *Read more on page 33.*
- 3 Our stakeholders' expectations and concerns. *Read more on page 42.*
- 4 The outcomes of the Group's risk management process. *Read more from page 34.*
- 5 The Group's underlying capitals, which provide the resources we rely on. *Read more from page 22.*

Governance at work

The Board acknowledges that the strength of the Group's strategy and the execution thereof, the accurate and timely identification of material risks and opportunities, the effectiveness of our governance and risk management, our commitment to social and environmental sustainability and our financial performance are all inseparable elements of long-term value creation.

During the year, our Board undertook several discussions related to key topics that could impact our ability to create and protect value for our stakeholders. These discussions are unpacked in more detail on page 11. They reflect the risks and opportunities the Group identified as material in FY22, how these are being mitigated and, where possible, are viewed as growth opportunities through our long-term strategic plan.

To prioritise our material risks and opportunities, we collaborate:

To prioritise our material risks and opportunities, we rely on an integrated and collaborative process that involves senior management, our risk management function, the audit, risk and compliance committee, and the Board.

- 1 Our determination of materiality is primarily driven through our risk management process, which involves a formal and structured system to identify and assess material risks and opportunities at a financial, strategic, reputational, regulatory and operational level – including all environmental, social and governance-related risks and opportunities. This review forms part of the Group's comprehensive, enterprise-wide risk management and combined assurance programme.
- 2 Senior management has day-to-day responsibility for identifying, evaluating and managing risks and opportunities within their area of accountability. Their input informs our risk management process.
- 3 The executive management team regularly engages with its providers of financial capital – including large shareholders and strategic funding partners. This engagement is crucial in gaining an understanding of the independent perspective of key stakeholders and their material concerns, which is a further way of identifying or confirming relevant material matters for the Group.
- 4 The audit, risk and compliance committee monitors the risk management process across all divisions in the Group.
- 5 The Board undertakes discussions throughout the year on matters it believes could impact our ability to create and protect value for our stakeholders. During these discussions, the Board tests the relevance of our material risks and opportunities and provides guidance on where matters may need to be expanded, relooked or added to ensure our strategy remains responsive to our changing operating environment.

This year, we have included a heatmap of the Group's material residual risks in order to illustrate the potential impact of those risks and the likelihood of their occurrence. The residual risk rating is the exposure that remains after considering the control environment in place to mitigate those risks. A clear understanding of the probability and impact of material risks guides the Group in its prioritising and managing of risks, in order to minimise any negative impact on value creation.

Our material risks and opportunities, the outcomes of our materiality determination process:

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

As an outcome of the Group's materiality determination process, we have adjusted and updated the material risks and opportunities which were presented to our stakeholders in FY21. Several of the material risks and opportunities reported last year remained relevant in FY22; however, others have been updated to best reflect the Group's current operating environment, specifically after the civil unrest in July 2021, and recognition that the worst of the Covid-19 disruption is likely behind us.

Material risks and opportunities in FY21	Material risks and opportunities in FY22
Consumer environment: Increased economic pressure on consumer spend and competitor landscape	Customer value proposition: Meeting customer and broader stakeholder needs in a constrained consumer environment. This material matter also addresses the ability of the Group to absorb cost pressures, including the impact on our franchise partners and other stakeholders across the value chain.
Security of supply: Particularly of essential food and grocery items and Stability of value chain: Covid-19 disruption on business partners	Operational disruption and business resilience: We combined two of our previous material risks and opportunities into this single material risk, which considers security and stability across our value chain. This material matter includes focus on political instability and protest action post the civil unrest of July 2021.
Health and safety: Increased health and safety concerns under Covid-19	Health and safety: Maintaining the highest standards of occupational health and safety and food safety. This material matter focuses on the well-being of our staff, customers and other stakeholders.
Digital security: Safe and secure online, loyalty and other digital platforms	Digital stability and security: The stability and security of our IT infrastructure, online platforms and data. This material matter specifically addresses cyber risks which have increased over the past few years in line with the increase in remote working as a result of the Covid-19 pandemic.
Foreign investment returns: Earnings volatility within the Group's Rest of Africa division	Foreign investment returns: Currency devaluation and earnings volatility within our Rest of Africa division. This material matter recognises the negative impact of worsening macro-economic conditions outside South Africa, including hyper-inflation in Zimbabwe, on Group earnings.
Talent management: Building and retaining a talented, diverse and motivated retail team	Talent, retention and diversity: To build and retain a talented, diverse and motivated retail team. This material matter recognises the strategic advantage of a strong team in delivering the Group's long-term objectives.
Climate change: Impact of environmental degradation on food and grocery retail	Climate change: Impact of scarce resources and environmental degradation on food and grocery retail. This material matter recognises the impact of climate change on our business and specifically on food security.
New material risk and opportunity	Successful execution of Ekuseni: The Group has developed a new long-term plan, the successful execution of which is key to long-term shareholder value creation. This material matter recognises execution risk, in an increasingly difficult trading environment.

The followed material risks and opportunities have been removed in FY22:

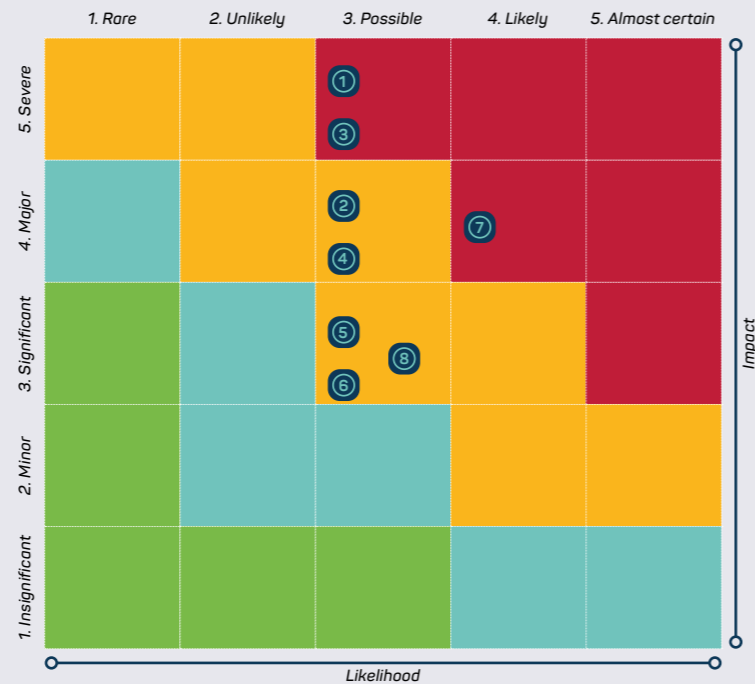
- Funding liquidity: Impact of Covid-19 on local debt market
The Group has carefully managed its liquidity and net cash position over the past two years and its balance sheet remains strong and stable. Liquidity, specifically access to cost-effective debt funding, is not considered a material risk for the year ahead.
- Regulatory landscape: Trading restrictions under Covid-19 lockdown
The South African government lifted the National State of Disaster in April 2022. All Covid-19 trading restrictions have been lifted and all physical distancing requirements reduced. Group trade is not currently curtailed as a result of the pandemic. Any further potential disruption is considered under "Operational disruption and business resilience".



The Group's material risks and opportunities for FY22:

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

The Group's material residual risks:



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

Emerging material risks and opportunities:

As a further outcome of our materiality determination process, the Group specifically highlights potential short-term cost escalation and margin pressure as a key element of its first risk and opportunity – customer value proposition. The Group is facing escalating cost pressure in the year ahead, as a result of a number of factors. The civil unrest in South Africa in July 2021 has increased the Group's operating costs in certain areas, most notably costs related to heightened security measures, the increased cost of insurance and reduced insurance capacity for the SA market. Other cost pressures include the escalating cost of fuel, electricity and other utilities in South Africa – exacerbated by increased load shedding (power outages) in the region, which require greater use and maintenance of diesel generators. In addition, the crisis in the Ukraine is driving up the cost of basic commodities including, but not limited to, wheat and cooking oil. The Group's Ekuseni strategy is focused on operational efficiency and cost discipline in order to mitigate against this inflationary pressure.

Our material risks and opportunities

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

South Africa's economic environment remains difficult and has not yet returned to pre-pandemic levels.

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

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

The Group's customer value proposition must adequately meet our customers' need for lower prices and greater value, which may impact profit growth and margin accretion over the short term.

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

Risks to value creation

- Worsening macro- and socio-economic conditions put customers under economic pressure
- Increased competition for a shrinking consumer wallet
- Customer value proposition not aligned to changing customer needs
- Margin growth against profitability expectations and cost inflationary pressures

Risk management and opportunities to create value

- Project Ekuseni is at the forefront of delivering on the Group's long-term strategy of sustainable growth
- Operational efficiency, through Project Future, supports price investment
- Careful cash and working capital management allows for investment into essential food and groceries ahead of price increases
- Increased focus on the strength and resilience of the franchise model in order to maintain sound business relationships

Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Increased and uncertain

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

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

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

Risks to value creation

- The catastrophic loss of assets and reduced insurance covers
- Unstable supply of power and other resources
- Reduced on-shelf availability
- Increased waste and other operating costs
- Labour disruption

Risk management and opportunities to create value

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

Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Stable





Health and safety – maintaining the highest standards of occupational health and safety and food safety

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

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

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

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

Risks to value creation

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

Risk management and opportunities to create value

- Formal health and safety protocols are maintained in stores, support offices and distribution centres, including regular handwashing, rigorous in-store cleaning and sanitising, cloth face masks for our staff, clear sickness protocols and freely available sanitising sprays and wipes for our customers
- Franchise agreements regulate minimum in-store safety requirements
- Suppliers are contractually bound to comply with all legislated health and safety requirements, including certain additional minimum standards set by the Group
- Suppliers are subject to regular food safety standard audits by independent third-party auditors, and non-compliance with food safety standards results in suspension of supply agreements until compliance is restored
- All stores undergo regular stringent food safety audits, undertaken by independent service providers and internal audit teams
- Customer engagement through dedicated call centre and other social media channels
- Strong product recall standards and procedures are in place
- Crisis management and escalation processes in place.

Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Stable

Digital stability and security – the stability and security of our IT infrastructure, online platforms and data

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

- point-of-sale transactions
- value-added financial services
- product forecast and replenishment
- labour scheduling
- our Smart Shopper loyalty programme
- our online shopping platforms
- real-time financial reporting
- remote working

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

Risks to value creation

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

Risk management and opportunities to create value

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

Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Increased

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

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

At the close of FY22, the Group operated in seven countries outside South Africa.

Risks to value creation

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

Risk management and opportunities to create value

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

Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Uncertain

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

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

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

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

Risks to value creation

- An inability to attract and retain diverse talent that can deliver on the Group's strategy, including in digital innovation, and ensure strong succession
- Recruiting and training the right store managers for our growing Boxer estate
- Lack of skills development and training
- Lack of diversity or opportunity for all
- Increasing cost of labour without a commensurate increase in return
- Labour strikes/stoppages that affect the operation of our business
- Greater concern around the physical and mental well-being of staff as a result of the Covid-19 pandemic

Risk management and opportunities to create value

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

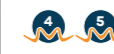
Capitals



Stakeholders



Ekuseni focus area



Risk to value creation

Stable



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

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

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

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

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

Risks to value creation

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

Risk management and opportunities to create value

- Pick n Pay was the first South African retailer to sign up to the 10x20x30 Food Waste Initiative, working with suppliers to reduce global food waste by 50% by 2030.
- Our Chair, Gareth Ackerman, is the co-chair of the Consumer Goods Council of South Africa. The international Consumer Goods Forum brings together consumer goods manufacturers and retailers from around the world to address some of the most important opportunities and risks facing our industry globally. This includes matters linked to climate change and its impact on the food retail industry.
- We have joined collaborative initiatives to support our contribution towards a healthier planet, including among others The New Plastics Economy Global Commitment and The Roundtable for Sustainable Palm Oil.
- Since starting our energy efficiency journey, Pick n Pay has reduced our energy use per square metre by 44.1% against a 2008 baseline.
- Pick n Pay has increased our percentage of waste diverted from landfill from 43% in 2014 to 61% in 2022.

Capitals



Stakeholders



The Group's Ekuseni ESG Plan

Risk to value creation
Increased

Successful execution of Ekuseni long-term growth strategy

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

Risks to value creation

- The strategy requires significant cultural changes, including the redefinition and refinement of the Pick n Pay brand, the prioritisation of digital innovation and automation, and a more flexible workforce
- The strategy targets acceleration in new stores, refurbishments and conversions – with stringent return on investment requirements
- The strategy requires a significant step change in the Group's capital investment programme over the next four years

Risk management and opportunities to create value

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

Capitals



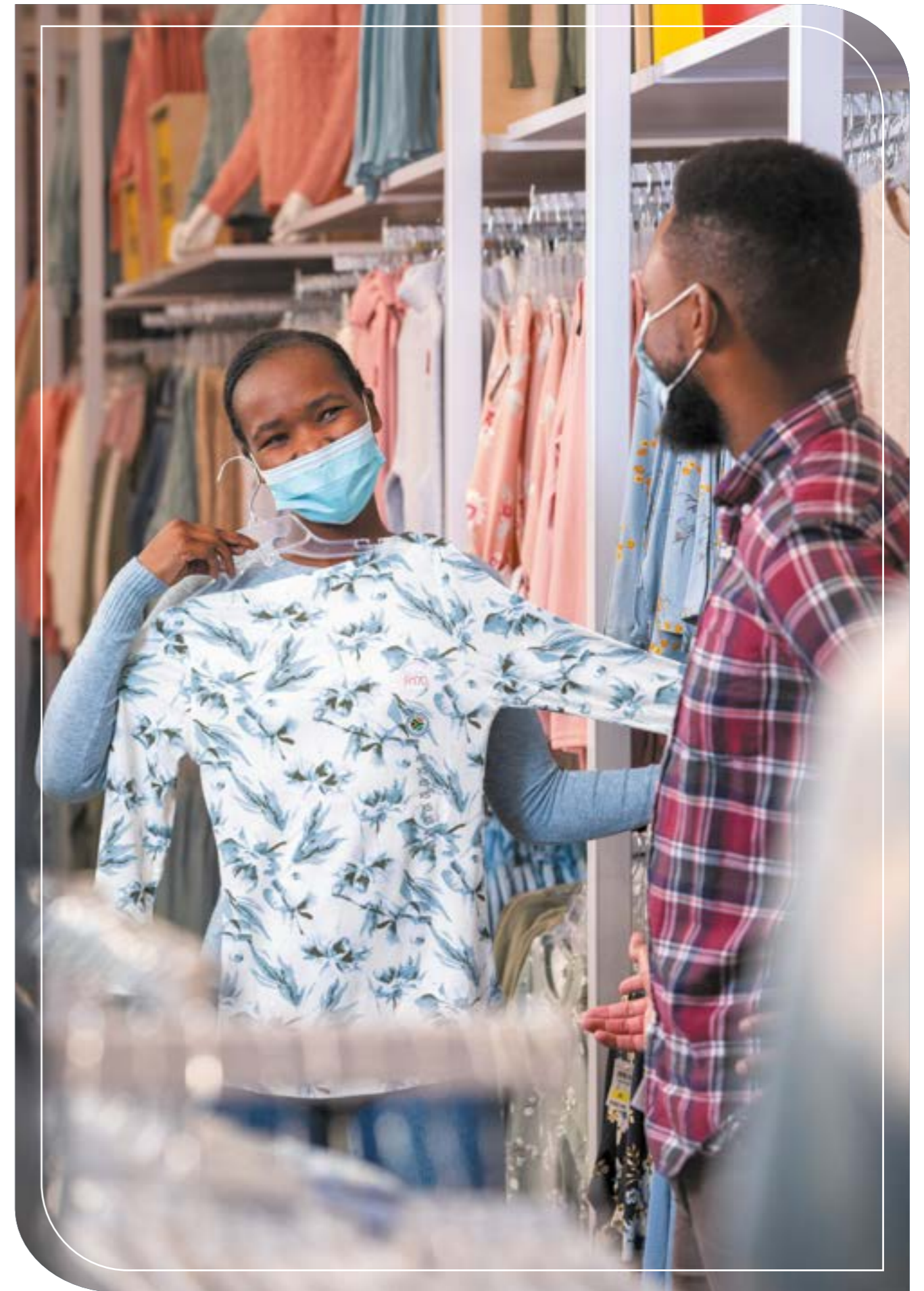
Stakeholders



Ekuseni focus area



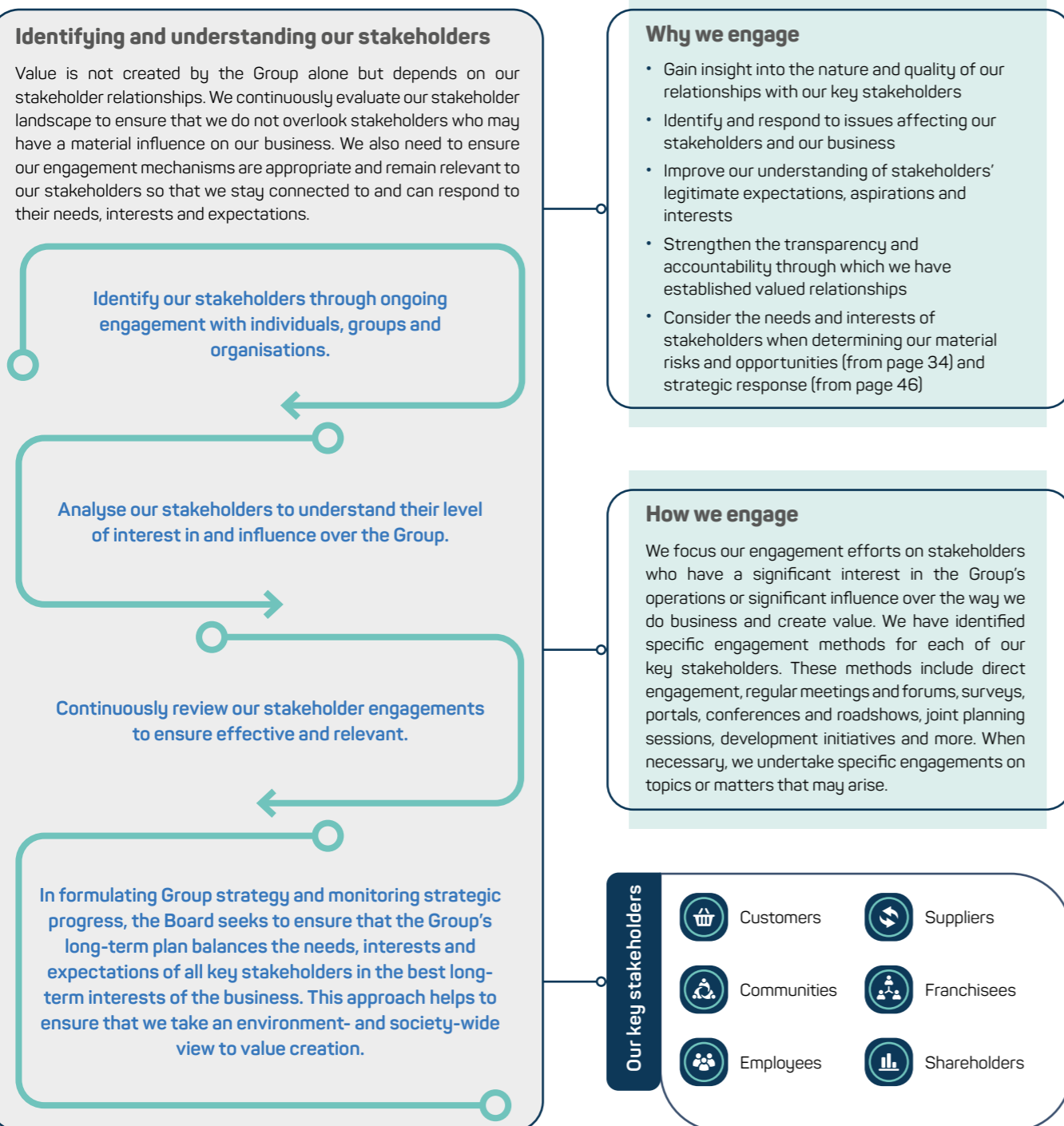
Risk to value creation
Stable





ENGAGING WITH OUR STAKEHOLDERS

We know that good performance is inextricably linked to effective engagement. It helps us to understand our place in society, holds us to account, ensures we can adapt to the rapidly changing external environment in which we operate, and ultimately improves the services we offer our stakeholders and the decisions we make on their behalf. This is particularly important in an era of social, technological and environmental disruption, which necessitates ongoing engagement with key stakeholders to ensure our strategy remains agile and responsive to risks and opportunities that may arise.



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

- Our customers value:**
 - Convenience, low prices, good value and consistent product availability
 - Great stores and service
 - Consistency of execution
 - Strong health and hygiene standards and appropriate physical distancing measures
 - Product quality, traceability and food safety
 - Loyalty rewards and the privacy and protection of their personal information
 - Community involvement, environmental sustainability
- Our communities value:**
 - Access to quality food at low prices
 - A focus on health and safety
 - Investment in feeding schemes, community outreach programmes, schools and other educational initiatives
 - Ongoing commitment by the Group to be environmentally conscious
 - A commitment to economic development and opportunity (including job creation)
- Our employees value:**
 - Competitive remuneration and benefits
 - Job security and fair and reasonable working hours (with certainty of hours and shifts)
 - Safe working environments
 - Training and development
 - Wellness programmes and work-life balance
 - Sustainable Group performance and working for a responsible and ethical corporate citizen
- Our suppliers value:**
 - Fair pricing, transparent negotiation and transparent agreements
 - Effective and efficient administration
 - Sustainable business partnerships and opportunities for cost reduction
 - Research and development support and logistical support
 - Transformation and enterprise development
 - Resource efficiency (including energy, water, waste and logistics)
- Our franchisees value:**
 - The opportunity to build a profitable and sustainable business
 - Security and sustainability of supply and timely delivery of quality products
 - Competitive pricing, product innovation and marketing support
 - Food safety
 - Opportunities for cost reduction and resource efficiency (including energy, water, waste and logistics)
 - Transformation and enterprise development
 - Accessibility to and engagement with Pick n Pay management
- Our shareholders value:**
 - Improved and sustainable return on investment
 - Understanding our business model, strategic direction and profit drivers
 - Access to timely, accurate and transparent information
 - Good corporate governance and the Group ensuring its position as a socially responsible and ethical corporate citizen
 - Expanded financial disclosure (including disclosure on key ESG concerns in line with recognised frameworks)

We undertook extensive engagement with our stakeholders during the year. We have included examples of this engagement throughout our report where material and relevant to strategy execution and our financial and non-financial performance.

The Board, led by its social and ethics committee, takes overall accountability for the Group's governance of its relationships with key stakeholders

The Board is committed to stakeholder engagement that is constructive, fair, transparent and is conducted in a manner that is aligned with the Group's enduring values.

The Board delegates responsibility for implementing and executing effective stakeholder engagement to the CEO and the management team.

"The relationships with our stakeholders are the life blood of our business, something we will never take for granted. Our close and respectful engagement over many years has built incredible support for our business – which came to the fore in July 2021, as our valued stakeholders all played a part in our recovery from the unrest and joined in our efforts to rebuild communities."

Suzanne Ackerman-Berman
Chair: Social and Ethics Committee

Stakeholder	Responsible executive reporting to the CEO
Customers	ESG and Customer Executive The Director of Values
Communities	Chair: Social and Ethics Committee ESG and Customer Executive
Employees	Chief Transformation Officer and the Heads of our Human Resources divisions
Suppliers	Head: Commercial
Franchisees	Head: Franchise
Shareholders	Chief Finance Officer and Head: Investor Relations

Guided by the Board, management pursue an integrated programme of stakeholder engagement to ensure that the business:

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



04

OUR STRATEGY

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- 54 ESG and our Ekuseni strategy





OUR EKUSENI STRATEGY

Over the past eight years, the Group has deliberately and consistently delivered against the strategic objectives of a long-term plan originally developed and implemented in 2013.

The plan set out three clear stages:

- 1** Stabilise the business after a long period of under-performance
- 2** Change the trajectory of the Group through the development of strong growth engines
- 3** Deliver sustainable long-term growth

The successful execution of at least the first two stages of that plan is evident in the strength of the Group's balance sheet, its strong cash generation and high level of liquidity, the resilience it has demonstrated throughout the Covid-19 pandemic, and more recently its rapid recovery from the devastating civil unrest of July 2021.

A new dawn

The appointment of new CEO, Pieter Boone, has heralded a new chapter for the Group – an exciting opportunity to examine the business with fresh perspective and new energy, and to formulate the right strategy for the next phase of the Group's growth. After a period of extensive research and planning, Pieter Boone and his management team published the Group's new long-term Ekuseni strategic plan in May 2022.

Ekuseni means a new morning or new dawn. It seeks to build on the rich legacy of the Group's iconic Pick n Pay brand and to accelerate growth in key strategic areas, such as Boxer, Clothing and Online, in order to realise the full potential of the Group.



The Ekuseni plan is built on extensive analysis and research, including:

- Detailed analysis of the South African retail market, competitors and key customer segments
- Constructive and transparent engagement with customers, including 7 000 customer interviews, extensive focus groups and detailed analysis of Smart Shopper loyalty data
- Critical analysis of our operational and financial performance – at division, store and category level – including our productivity, efficiency, complexity, and discipline
- An objective assessment of the capability, skill and experience of our senior leadership team
- The identification of future growth opportunities, including through the acceleration of the engines we have built over recent years

Pieter Boone and his executive team have developed a very rich understanding of the business – not only of our strengths and strategic advantages, but also of the unvarnished truth of where we have disappointed our customers and under-performed against our peers and the expectations of our stakeholders.

Our strengths reiterated through our stakeholder engagements:

- Pick n Pay is a loved, trusted and aspirational brand in all the regions and customer segments in which we operate
- Our Pick n Pay Clothing division is a strategic growth engine for the Group
- Boxer is the most dynamic and fastest growing discounter in Africa
- The combination of the Pick n Pay and Boxer brands is a formidable strength – with over 2 000 stores catering to all demographics and customer segments
- Our Pick n Pay franchise community is a true strength for us. Our franchisees are committed and loyal. They know their communities and are determined to serve them in the best way possible. They are an integral part of our success
- Smart Shopper is the most used loyalty programme in the country, with a wealth of customer data



Challenges and opportunities highlighted through stakeholder engagements:

- Our Pick n Pay customer proposition needs greater clarity – the brand may not adequately meet the needs of all its diverse customers, either through range or assortment
- While we have made good progress in improving the price perception of Pick n Pay, more work needs to be done in this area
- Pick n Pay company-owned stores provide an uneven and inconsistent shopping experience for customers - we need to improve our layout, navigation and the consistency of our customer service
- Our profitability lags that of our peers. While we have made good strides in recent years, the Group needs to become even more productive, efficient and cost-effective
- Our total shareholder return has trailed our key competitors in recent years
- Shareholders have requested greater transparency in our financial disclosure to better understand the investment case for the Group and its underlying growth drivers

The Ekuseni Plan seeks to build on the strategic advantages of the Group, while addressing stakeholder concerns and areas of under-performance. It is a comprehensive and balanced plan, and a significant new chapter in the Group's history. Our executive management team has played a significant role in developing this plan and is fully aligned with all our strategic priorities.

Our ambitions and targets over the next four years are set out clearly on page 52 and include:

- Group sales growth at a compound annual rate of 10%, resulting in market share growth for the Group of at least 3% by FY26
- The Group has targeted an increase in its profit before tax (PBT) margin to above 3% by FY26

It is an exciting time for our Group and we have the will and the skill to take the Group to its full potential.

The Ekuseni Plan is built around five key strategic focus areas:

- 1** A refined and strengthened Pick n Pay Customer Value Proposition
- 2** Accelerating the growth of Boxer
- 3** Building Omnichannel and Digital leadership
- 4** Project Future – funding our strategic ambitions
- 5** Winning through our People

These focus areas are unpacked in more detail on the following pages of this report.



A refined and strengthened Pick n Pay Customer Value Proposition

At the very heart of our ambition is the turnaround of the Pick n Pay supermarket business. Pick n Pay is an iconic and inclusive brand, much loved by customers across southern Africa. However, in our efforts to serve a broad and fully inclusive customer demographic with a single brand, we have added complexity to our business, without fully meeting the individual needs of the customers we serve. Our customer value proposition needs to be clearer – refined and tailored to provide our customers with the right assortment at the right price.

Ekuseni will redefine our relationship with the Pick n Pay customer through the development of two customer-facing supermarket brands:

Pick n Pay “Project Red” supermarkets

(brand name being finalised)

Will focus on delivering lower prices and great quality to our customers in the lower- to middle-income communities of South Africa. These stores will carry a tailored range of around 8 000 product lines – with a strong fresh meat, produce and bakery offer, and a keen focus on basic commodities and other essential food and grocery items.

Pick n Pay supermarkets

Will offer a greater depth of range, with an emphasis on quality, innovation and freshness. These stores will carry a range of around 18 000 product lines, giving customers our best quality at great value, and cater to customer aspirations, including through a fully integrated omnichannel offer.

Our two Pick n Pay banners will ensure that our supermarkets are designed around the specific needs of the customers we serve, allowing for a simpler store operating model, less complexity, greater productivity, more targeted promotions, greater on-shelf availability and less waste. Both will provide exceptional and consistent customer service to ensure that Pick n Pay becomes the supermarket of choice, regardless of where we trade and who we serve.

At the time of publication, the Group is trialling eight Pick n Pay and Pick n Pay “Project Red” supermarkets around the country. The new name for the “Project Red” banner is currently being tested with customers. The Group will begin rolling out these new store formats through an accelerated store refurbishment programme in the second half of FY23, informed by the results of detailed performance analysis and customer feedback. The refinement and optimisation of our supermarket business will progress alongside strong growth plans for our supplementary and key clothing and liquor businesses.

Our ambition

The success of the two banners will be measured through stronger customer advocacy for Pick n Pay. Our customers will tell us when we are giving them the store that best suits their needs. Customer advocacy is measured through a net promoter score (NPS), which is essentially our customers’ response to one simple question: “Will you recommend Pick n Pay to a friend?” Many retailers across the globe have implemented NPS as a highly effective method of driving customer centricity across their organisations.

Our target

A gain of 20 percentage points in Pick n Pay’s net promoter score by the end of FY26.



Accelerating the growth of Boxer

Boxer is South Africa’s leading discount supermarket – consistently out-performing the market through a tight range of 3 000 essential food and grocery products that provide exceptional value through a simple and highly effective operating model. Boxer has a clear customer value proposition which gives customers the confidence that they need “never pay more than the Boxer price”. Boxer supermarkets are fresh and modern, provide a high-quality fresh meat and produce offer and a wide range of value-added services. Boxer provides unbeatable everyday value through deep and targeted promotions on commodity and other essential food and grocery items and a highly compelling own brand offer.

Boxer’s exceptional performance over the past eight years has been a key growth engine for the Group, and the time is right to accelerate the growth of this business. Boxer’s trading heartland is in KwaZulu-Natal and the Eastern Cape, and while it has a presence in all nine provinces, there is great opportunity for Boxer to grow its footprint in communities across South Africa where it is still under-represented.

Our ambition

The Group will roll out 200 new Boxer stores across its supermarket, liquor and build formats over the next three years. The Group will work with new and existing development partners to find the right locations for its expanding store network, will expand the capacity of the Boxer supply chain to support this growth, and will source and train the right talent, so that our exceptional customer service is never compromised.

Our target

Doubling the value of Boxer sales by the end of FY26, through a combination of new stores and strong and consistent like-for-like growth which remains ahead of the market.

The Group – through a powerful combination of its Pick n Pay and Boxer supermarkets – will have an effective and impactful reach across the broad and diverse South African consumer demographic:

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

Our target: 3% gain in market share for the Group by end FY26.

3

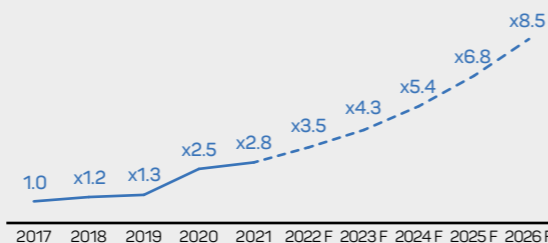
Building Omnichannel and Digital leadership

Online food and grocery retail is still in its infancy in the South African retail market and represents around 1% of the Group's sales. The online channel has experienced exponential growth over the past two years as a result of the Covid-19 pandemic, and we expect this growth to accelerate further in line with global consumer demand for greater convenience and advancements in technology.

Online food and grocery retail has already become a key determinant for market share growth in South Africa. While the Group has successfully built a strong online business – which includes an on-demand (asap!), scheduled and Click n Collect offer – it must do more to meet the growing customer need for online grocery shopping. In addition, a strong and expanded online offer can unlock further customer insights, enrich data analytics and underpin more personal engagement with customers.

The Group has taken a significant step forward in expanding its online reach through a new commercial agreement with the Takealot Group. From August 2022, Pick n Pay will provide a dedicated food and grocery offer to customers on the Mr D app. Customers using the new offer will benefit from Pick n Pay's deep expertise in fresh food and groceries, and our Smart Shopper loyalty programme, as well as the Takealot group's industry-leading customer-facing technology and highly scalable delivery network, which currently reaches 2.5 million customers.

Opportunity size (indexed to 2017):



Our ambition

The Group aims to build the most compelling and effective online food and grocery business in South Africa. We will continue to invest in technology and accelerate digital innovation across our business, including through systems automation, advanced analytics, artificial intelligence, effective use and monetisation of data, and the expansion of our Smart Shopper loyalty programme.

Our target

To grow our online food and grocery sales eight-fold by end FY26.

4

Project Future – funding our strategic ambitions

Operating efficiency and cost savings remain a priority under Ekuseni. The Group has successfully delivered R1.0 billion of cost savings under Project Future over the past two years. As a result, the Group is more modern and effective than it was two years ago. However, benchmarking and other measures demonstrate that there is more to be achieved on efficiency. Efficiency gains and cost savings are very important in enabling the Group to invest in the customer, including through lower prices. This investment is key to driving customer and volume growth.

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

Our ambition

The Group will deliver targeted cost savings across a number of targets initiatives:

Store productivity	Supply chain and working capital	Commercial initiatives	Goods not for resale	Office of the future	Sustainable and efficient store estate
<ul style="list-style-type: none"> Simplify store operations Modernise operating models Flexible workforce Better customer service 	<ul style="list-style-type: none"> Supply chain optimisation New Eastport DC Reduce stock holding by >R1.0bn 	<ul style="list-style-type: none"> Savings from redefined Pick n Pay offer Close collaboration with suppliers to buy better and sell more 	<ul style="list-style-type: none"> Buy better Efficient use of consumables Reduce waste Leverage technology 	<ul style="list-style-type: none"> Leaner, simpler, more effective support office Hybrid working Savings in staff costs, occupancy costs and travel 	<ul style="list-style-type: none"> Leverage formats to serve customers better Tackle rising operating costs Deliver on ESG goals

Our target

R3 billion in cost savings over three years.

5

Winning through our People

The success of Ekuseni will depend on the determination, commitment and skill of our executive management, operations and support teams across the business. People are our key enabler. The Group has assessed the capability, skill and experience of our senior leadership team and has made some important changes, both to our team and to our reporting structures. 20% of our leadership roles have different people in place compared to last year.

The Group will conduct regular talent mapping to identify and fill talent gaps in the organisation. We will train and develop skills and provide adequate support and mentoring to ensure progression and succession in the business is robust and effective. We will work in a more modern and hybrid way. We will engage closely and regularly to ensure our staff and their personal goals are aligned with the ambitions of Ekuseni and with the values of our business.

Our ambition

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

Our target

We will tie our performance management measures and incentives to the achievement of our Ekuseni goals of 10% sales CAGR over the four years, and a profit before tax margin above 3% by end FY26. Remuneration incentives are also linked to our ESG goals. Refer page 106.





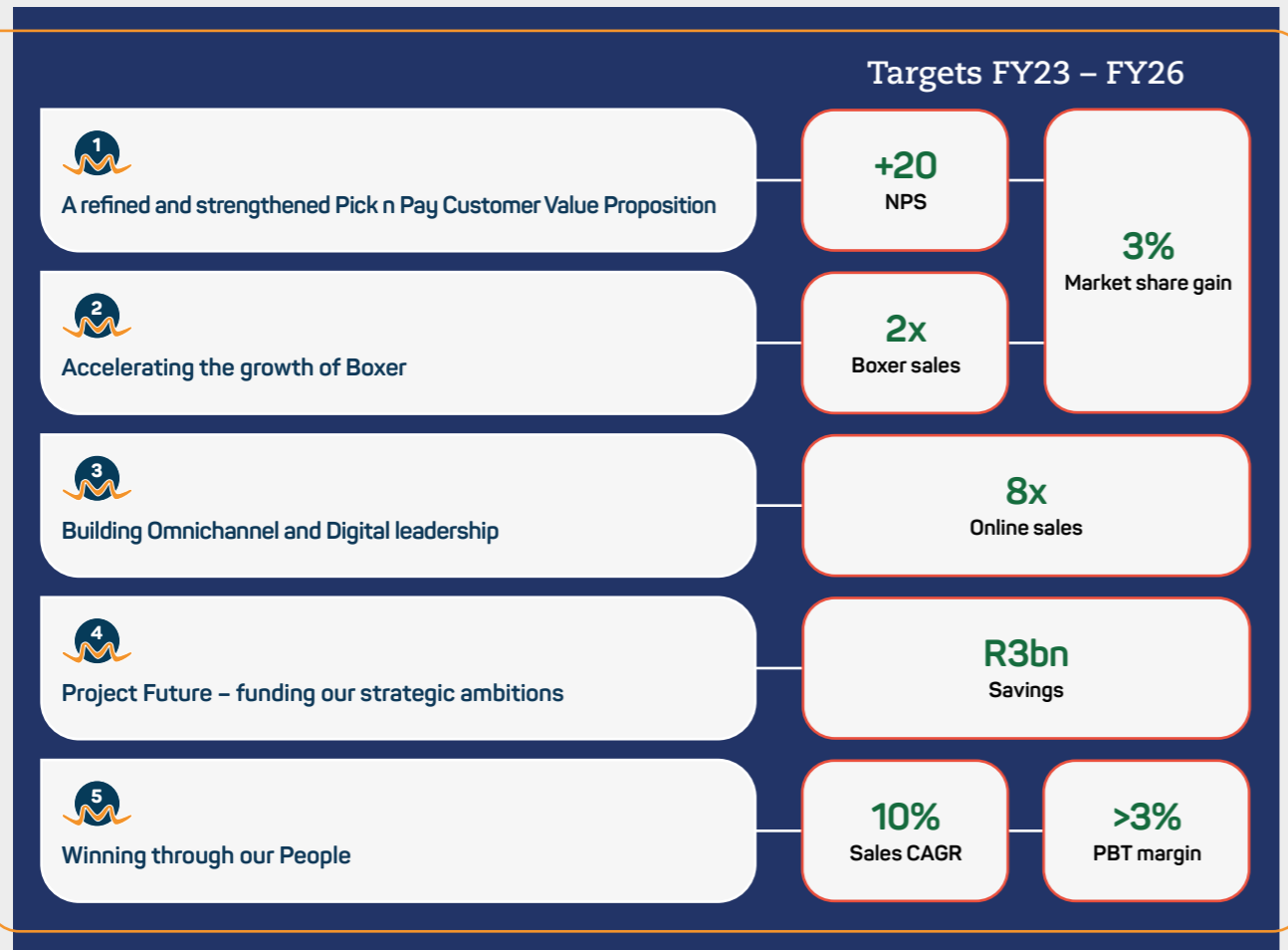
A summary of our Ekuseni ambitions and goals by end FY26

The Group has set bold ambitions under its Ekuseni plan. Our management team has clear targets against which to measure our performance and against which we will hold ourselves accountable to stakeholders.

Transparency and accountability are key



After constructive engagement with shareholders, we have committed to greater transparency in our financial disclosures going forward, both in respect of our financial performance and our growth drivers. We have committed to provide our shareholders with greater clarity of our financial performance in the future. This includes segmentation of sales and sales growth of our Pick n Pay and Boxer businesses, our net promoter score for Pick n Pay and our progress in delivering against our Project Future goals.





ESG AND OUR EKUSENI STRATEGY

From its early beginnings, Pick n Pay has sought to address the challenges faced by ordinary South Africans. The key tenets of ESG have been embedded in our values since the 1970s and we have long held the belief that doing good is good business. Now, with the added impetus of global investor interest, strategic integration of ESG has never been more important.

Working with a long-term view, sustainability has taught us much over the decades. We have learnt that, while philanthropic giving remains critical in the face of dire need, positive ESG impact achieves greater traction and scale when linked directly to the business model. Much of our integration work has focused on innovating to deliver positive ESG impact while also reducing costs, increasing revenues or improving the efficiency of the ecosystem that comprises our extensive value chain. We are also clear that effective intervention in ESG challenges requires a full systems view and long-term, committed partnerships. Though clearly not unique, these insights continue to inform our sustainability strategy and approach to ESG.

Each element of our Ekuseni Strategy enhances our ability to scale our positive ESG impact through our core business activities.



Our ESG efforts – and increasingly our strategic decisions – are guided by our ESG framework, which is shaped around three ESG goals. These goals are aligned to the six United Nations Sustainable Development Goals we have identified as most relevant to the Group:

Partnering to shift the food system

As one of South Africa's large retailers, we have a responsibility to promote smart, sustainable and inclusive food supply chains. This includes supporting smaller, local suppliers and working with all our suppliers to provide our customers with quality products produced responsibly and ethically.

Relevant UN SDGs



Reducing our environmental impact

We are mindful of our broad reach and our environmental impact across our value chain. We are working on a broad set of solutions and targets to reduce our impact, with a particular focus on energy, refrigerants, water, waste and packaging.

Relevant UN SDGs



Investing in our people and communities

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

Relevant UN SDGs



We deliver a positive ESG impact through the following pillars, which support our ESG goals

- Building an inclusive supply chain
- Supporting ethical and sustainable sourcing
- Promoting healthier food and choices
- Reducing food waste
- Reducing our carbon footprint
- Conserving freshwater
- Finding solutions to packaging challenges
- Reducing and repurposing waste
- Targeting hunger, health and well-being
- Community education and awareness
- Diversity, equity and inclusion
- Employee health, safety and well-being
- Talent management and development

We further track our ESG performance against a range of underlying targets for each of our ESG goals

- Sourcing 50% of cotton as more sustainable cotton by 2024
- Reduce food waste produced in our own operations by 50% by 2025 (FY20 baseline)
- Donate 3 000 tonnes of excess food per year to charities by 2025
- Achieve a 45% reduction in energy efficiency by 2030 (FY10 baseline)
- By 2025 against our FY20 baseline
 - » 30% average recycled content across all Pick n Pay packaging by 2025
 - » 30% reduction in average packaging weight of Pick n Pay branded products by 2025
 - » 100% of cardboard/paper used for packaging to be sustainably sourced by 2025
- Establish 200 food gardens that provide food to 100 000 learners by 2025
- Provide 3 000 tonnes of excess food per year to charities by 2025
- By FY24 we are targeting to achieve a 33% representation of Black, Coloured and Indian Top Managers in Pick n Pay

Our ESG approach is underpinned by our belief that doing good is good business. In particular, we believe that by reducing waste we help the environment and reduce our costs. We have several Group ESG targets that are linked to our Ekuseni Strategic Plan.

↓50%
in food waste by 2030

100%
packaging to be recyclable/reusable by 2025

75%
of all waste diverted from landfill by 2025

Zero
Carbon by 2050 Scope 1 and 2, -60% by 2040

100%
CO₂ refrigeration by 2040

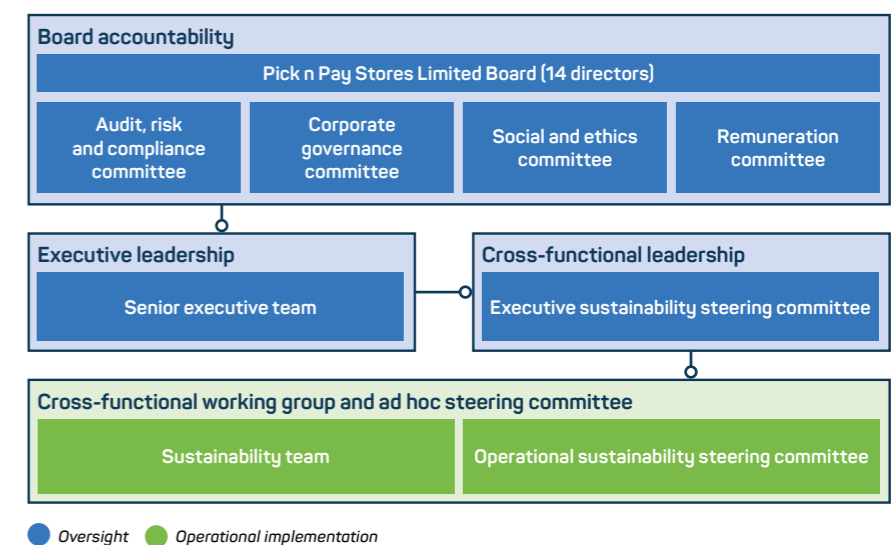
↓20%
reduction in water usage per store 2025

Our reporting boundary for these Ekuseni targets excludes franchise stores.

Our ESG targets are linked to executive management incentives. Refer to page 106.

Sustainability Governance

Our sustainability governance structure remains unchanged, however the topic received significant focus during the year. We increased the scope of responsibility of our social and ethics committee, under the chair of Suzanne Ackerman-Berman, enabling a stronger oversight role in the business. We engaged with governance experts to assist us with governance training.





Our ESG performance in FY22

Partnering to shift the food system

95%
of our own brand food and groceries
are procured locally

R4.3 billion
spend with SMMEs during the
last financial year

23%
reduction in waste costs and **28%** reduction
in the number of products wasted

We are improving the accuracy of our food waste data by quantifying it in line with the WRI Food Waste and Loss Protocol. This enables us to reduce food waste and increase food surplus redistribution in a targeted way.

We participate in local and international initiatives to reduce global food loss and waste. This includes working with 20 of our biggest suppliers as part of the international 10x20x30 Food Waste Initiative as well as our ongoing partnership with FoodForward SA.

At our operations, we strive to eliminate unsold food going to waste by continually optimising our forecasting, ordering, shelf-life extension projects, and implementing 'reduced to clear' processes to reduce food surplus at the end of each day.

We recover the fats and oils generated in food preparation processes and turn them into biofuels. We are also exploring and trialling new technologies, including anaerobic digestion for capturing nutrient and energy value from food waste.

Reducing our environmental impact

15 600
tonnes of waste recycled

37%
of stores now use a form of
natural refrigerants

36
stores have full CO₂
refrigeration systems

80
stores have CO₂
hybrid systems

35.1%
reduction in energy
intensity reduction
compared to our
2009 baseline

Reduced average packaging
weight for Pick n Pay branded
products by
16.9%
against our 2019 baseline

This year we formally set a Group carbon commitment to be Net Zero by 2050, with key climate change-related targets across the Group. Our low carbon transition plan includes reducing refrigeration emissions, expanding our renewable solar energy programme at our stores and tracking energy efficiency through extensive metering.

We recently published a waste policy to formally guide our efforts to reduce and repurpose waste. Last year we developed a waste management dashboard that is assisting in tracking our progress towards targets, improving recycling, increasing waste resource donations and reducing waste to landfills.

We have improved our packaging database and reporting processes, enabling better quality and accuracy of packaging data. In turn, we can better track our performance against Pick n Pay's packaging targets and identify areas where packaging can be improved.

Investing in our people and communities

37 million meals
provided to vulnerable people through the
Feed the Nation Foundation

2 million learners
at 3 185 schools supported through
Pick n Pay Schools Club

R102.6 million
invested in employee training and education
(98% of our training spend is invested in
previously disadvantaged employees)

During FY22, we contributed 841 tonnes of edible surplus food to FoodForward SA from our stores to the value of R38 million for distribution to 2 222 beneficiary organisations that collectively feed more than 875 000 people daily, every year.

One of our key digital transformation projects is our new people management system, Workday, which enables us to have all our people data on one core system. This innovative, cloud-based HR platform is simplifying HR processes and empowering our employees and line managers to manage their working life better through self-service and personal development tools.

We are implementing a diversity and inclusion strategy which provides a roadmap to deliver on clear transformation objectives. This will ensure that operational policies are gender-neutral and non-discriminative. To manage our approach and activities, we have established a diversity and inclusion committee consisting of a group of employees representing a spectrum of diversity and inclusion indicators.

We have enhanced our disclosure on our ESG performance and goals.

We published our ESG Performance Summary and Databook, which begins our journey of disclosing ESG indicators captured within local and international ESG reporting frameworks. We are specifically working towards increased disclosure and transparency on climate-related risks and opportunities, labour and wage practices and human rights and fair trade across the supply chain.

Our ESG Performance Summary and Databook is available on our investor relations website www.picknpayinvestor.co.za.



ESG transparency and disclosure

Alignment with international frameworks

Our ESG reporting and disclosures are informed by relevant and credible international reporting frameworks:



**JSE Sustainability
and Climate
Disclosure Guidance**

Our ESG Performance Summary and Databook includes appendices that detail our performance against the reporting requirements of these frameworks/standards.

Embedding good governance



We retained our listing on the FTSE/JSE Responsible Investment Index Series. Pick n Pay remains committed to supporting and upholding the Ten Principles of the United Nations Global Compact. We continue to align our sustainability work with the global SDGs. We comply with all relevant codes and regulations, including codes of good governance such as King IV.

ESG data management

Our developing ESG data management system is enhancing our ability to meet the evolving disclosure expectations of our stakeholders. This year we quantitatively reported against a more comprehensive set of performance indicators. For example, our digital dashboard for managing priority environmental data streams has facilitated more accurate data measurement, notably for packaging and waste impacts.

Memberships and Partnerships



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



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

Key policies and position statements

We continue to develop and refine our policies and position statements to govern our approach to material ESG issues. These policies and position statements include, among others:

- Memorandum of Incorporation
- Corporate Governance Charter
- Code of Ethics
- Carbon Footprint Verification Statement
- External ESG Performance and Databook Assurance Statement
- Palm oil Policy
- rBST Policy
- Sustainable Packaging Policy
- Seafood Policy
- Employment Equity Policy
- Human Rights Policy

Our policies and position statements are available on our investor relations website.



05

OUR PERFORMANCE

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A MESSAGE FROM OUR CEO

“ I believe fundamentally that the formal food and grocery market in South Africa is on a positive growth trajectory – through urbanisation, formalisation of the informal market, innovation – and hopefully in time, through positive economic growth for all. The opportunity is there. We must seize it. ”

Pieter Boone
CEO



When I joined the Group in April 2021, I expressed my great pride and humility in being entrusted to lead this great business. I talked about the history of the Group, and the uniquely positive values which Raymond and Wendy Ackerman had instilled from its earliest days. A year later, and I have been privileged to experience these values in action at some of the toughest times in the country's modern history. Immediately after the civil disorder and rioting subsided last July, I said that South Africa was bloodied, but not bowed. Our Pick n Pay and Boxer teams around the country proved this to be true in magnificent fashion, working tirelessly to reopen our severely damaged stores and facilities, get food and essential supplies to the affected areas, and distribute vital aid through our magnificent Feed the Nation programme.

My profound thanks go to all my colleagues across Pick n Pay and Boxer, our invaluable franchise partners, our trusted commercial suppliers, and all other stakeholders who pulled together so brilliantly in the most difficult of times.

A business like ours can only fulfil its responsibilities to its customers, its staff, and the wider community if it is successful in delivering its core purpose of supplying the country with high-quality food and grocery products at the right prices.

Over the past year, I have focused with my team not only on identifying the core strengths of our Group, but also on analysing areas where we need to improve our performance.

Our strengths include our wide store network, and unrivalled proximity to customers. Our Boxer business is the best and fastest growing discount retailer in the market. Our Pick n Pay franchise partners are brilliant entrepreneurs and innovators. In Smart Shopper, I believe we have the best loyalty programme in the market. We manage our finances exceptionally well, with a strong balance sheet and liquidity position.

I could list more strengths. But it is important to focus on areas we need to improve. Customers love the Pick n Pay brand, but tell us that our stores are too undifferentiated – they are trying to serve the market too broadly. As a result, our Pick n Pay product range and assortment is not sufficiently personal to the customer and his or her needs. Customers also tell us that our prices have improved, but that we still have further to go. This means reducing our costs, so that we can give the savings to customers in lower prices. We have done good work in becoming more efficient in recent years, but we know there is further to go. We also need to be swifter in responding to the new ways in which customers want to shop. Our asap! online offer has expanded remarkably over the past year, but we need to move faster to meet what is a huge new demand for new ways to shop.

I thank our customers for giving us this feedback in the many interviews and discussions we have held with them over the past year. More than anything else, this feedback inspired the bold new Ekuseni Strategic Plan that I announced with key members of my leadership team on 17 May this year.

The plan is named Ekuseni because it is a new morning for our Group – a new morning with great promise and responsibility that we must fulfil over the coming years.

The detailed elements of this plan are set out clearly in the Strategy section of this Integrated Annual Report. I therefore want to focus in this introduction on how I believe each of our stakeholders will benefit as we deliver our plan:

- By differentiating our Pick n Pay stores into two brands, each with their own dedicated product ranges, layouts, and innovations, customers will enjoy a shopping experience designed much more around their own needs and priorities.
- Through our increased investment in the expansion of our Boxer business, customers in more communities will have access to the best discounter in the market, benefiting from its promise that you need “Never Pay More than the Boxer Price”. We plan to double our Boxer business over the next three years.
- By modernising our ways of working and improving our productivity, we plan to reduce our costs by R3 billion over the next three years. We have pledged that the great majority of these savings will go towards delivering lower prices for customers. This will be vital at a time when rising inflation is a worry not just in South Africa, but across the world.
- Through our commercial agreement with the Takealot Group, customers can look forward to an exciting and convenient new way to shop for Pick n Pay groceries on the Mr D app, from August 2022.
- Customers will also benefit as we focus on expanding our brilliant Pick n Pay Clothing business, and our range of value-added services.
- Our suppliers will benefit from our refined customer value proposition in Pick n Pay, and our accelerated Boxer plan, growing their supply to us as we grow our sales to customers.
- Small suppliers are often our best innovators through new products and services, and we will deepen our commitment to growing new suppliers to the Group.
- Our staff will benefit not only from our commitment to better training and development as we build our winning team, but also from more opportunities to progress as our business grows.
- Our shareholders will benefit as we grow our sales and our profitability, delivering greater returns to them by enhancing the value of the Group.
- Our broader stakeholders will benefit from our commitment to our Economic, Social and Governance goals, rooted in our values which have guided our Group for 55 years.

Through all of the above and more, we plan to invest more resources in South Africa – building new stores, upgrading our infrastructure, developing and enhancing our technology, innovating in new products and services. This will be good news for our economy, and for jobs, at a crucial time for our country.

I am tremendously excited by our Ekuseni Strategic Plan, and about the future of Pick n Pay and Boxer. I lead a united team, which has the will and the skill to win. We have already started out on the journey, and I look forward to updating stakeholders on our progress in the years ahead.

Pieter Boone
Chief Executive Officer

23 June 2022





OUR CHIEF FINANCE OFFICER'S REPORT

“The Group's resilient earnings performance against a backdrop of significant trade and operational disruption over the past two years is testament to targeted improvements in the Pick n Pay and Boxer customer offer, alongside sustained cost and operational discipline under the Group's Project Future modernisation programme.”

Lerena Olivier
CFO



Overview of FY22 – Progress in a disrupted year

I am pleased to report the Group's financial performance over the 2022 financial year, with a solid recovery in earnings growth, despite the negative impact of the civil unrest of July 2021 and some continuing restrictions on trading associated with the Covid-19 pandemic. The past two years have been characterised by some of the most challenging trading conditions of the Group's 55-year history. However, the resilience of the business is evident once again in the strength of our balance sheet, our sustained programme of capital investment and strong cash flows. I am particularly pleased with the Group's successful execution of the first phase of Project Future, which has driven greater cost discipline and operating efficiency across the business and delivered targeted cost savings of R1.0 billion over the past two years.

Group turnover increased 5.2%, with an estimated R2.7 billion in lost sales arising from the large number of store closures as a result of the civil unrest (R1.8 billion) and Covid-19 trading restrictions on liquor sales mainly in the first half of the year (R0.9 billion). The Group's trading momentum recovered well after the disruption, with sales growth of 7.4% in the final quarter of the year. The Group's gross profit and operating margins reflect the significant impact of the lost sales and related earnings, including material stock losses. The Group delivered on its commitment to provide better value for customers, with selling price inflation contained at 2.9% for the year (2.3% in H2). Trading expenses increased 4.2% year-on-year, notwithstanding rising cost pressure over the year, particularly in the cost of security and insurance post the unrest. Strong control over working capital sustained the Group's strong liquidity position, reducing the cost of funding over the year.

Fortunately, the majority of our unrest-related losses are expected to be recovered from insurers under the Group's comprehensive programme of insurance. The Group recovered all its material damage losses from SASRIA during FY22 (R958.7 million) and received R145.2 million of interim business interruption insurance payments in March 2022. We have presented pro forma earnings information which includes these insurance recoveries received after year-end, as they related to losses incurred within the FY22 period.

Pro forma profit before tax and capital items increased 24.9% – and by 29.5% in the Group's South Africa segment – a solid performance given the challenging circumstances. The Board declared a final FY22 dividend of 185.35 cents per share, paid to shareholders on 6 June 2022 (dividend number 108). This brings the total dividend for the year to 221.15 cents per share, up 23.0% in line with the growth in pro forma headline earnings per share and maintaining a dividend cover of 1.3 times earnings.

KEY PERFORMANCE METRICS	52 weeks to 27 February 2022 FY22 Rm	52 weeks to 28 February 2021 FY21 Rm	% change
	Group turnover	97 872.8	93 078.8
Gross profit	18 396.1	18 421.7	
Gross profit margin	18.8%	19.8%	
Pro forma other income ¹	2 650.3	1 580.9	
Trading expenses	18 014.7	17 294.8	4.2
Pro forma trading profit ¹	3 031.7	2 707.8	12.0
Pro forma trading profit margin ¹	3.1%	2.9%	
Net finance costs	1 150.4	1 233.6	(6.7)
Pro forma profit before tax and capital items (PBT) ¹	1 978.0	1 583.4	24.9
Pro forma PBT ¹ – South Africa	1 859.0	1 435.3	29.5
PBT margin ¹	2.0%	1.7%	
	Cents per share	Cents per share	% change
Pro forma headline earnings per share ¹	289.64	235.42	23.0
Total dividend per share	221.15	179.74	23.0

¹ All pro forma earnings metrics and related profit margins include R145.2 million (R104.5 million net of tax) of interim business interruption insurance proceeds received after year-end, related to losses suffered as a result of the July 2021 civil unrest, and exclude non-cash hyperinflation net monetary adjustments. Please refer to the detail provided in the commentary below and page 70 for further detail on pro forma information.

Notwithstanding the operational challenges of the past year, it has also been a year of good progress against our FY22 strategic priorities and I would particularly like to highlight the following key elements of the result:

The Group's rapid recovery from the civil unrest, driven by an increasingly targeted customer offer across our Pick n Pay and Boxer stores

Significant investment in lower prices and deeper promotions has been key to improving our customers' price perception of Pick n Pay relative to its retail peers – with an 80 basis point GP margin investment in FY22

Greater cost discipline and efficiency across our procurement, supply chain and store operations – with like-for-like cost growth of 2.4% kept below like-for-like sales growth of 4.5%

Recovery in our value-added services business, up 25.0% post the disruption of the Covid-19 pandemic

Careful management of the Group's net debt position, with net finance costs down 6.7%

Improvements in the Group's trading profit margin and profit before tax margin, despite lost sales and inflationary cost pressures

Strong free cash flow and high levels of liquidity, which allowed for strategic investment into key inventory lines ahead of price increases

Underlying improvements in like-for-like working capital, driven by the removal of old and slow-moving product lines from the business, alongside a strengthened franchise debtors' book

The strong balance sheet with low levels of gearing and high levels of liquidity – which provide a strong foundation from which to accelerate growth under the Group's Ekuseni strategy

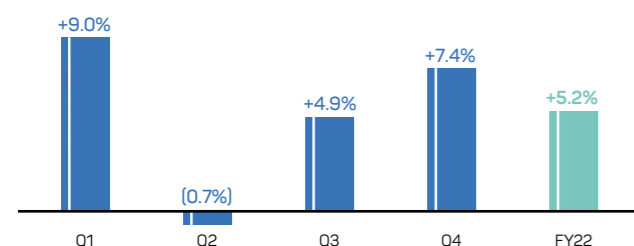


Detailed review of financial performance and position

Turnover

Group sales increased 5.2% to R97.9 billion (FY21: R93.1 billion), with like-for-like sales growth of 4.5%. The Group's South Africa segment (96.6% of Group sales) increased sales by 5.1% to R94.5 billion, with like-for-like sales growth of 4.4%. Selling price inflation was contained at 2.9% against CPI Food of 6.2%. The underlying resilience of the Group's trading performance is evidenced by a quarter-by-quarter analysis of sales growth:

Group sales growth



- The Group delivered a solid start to FY22, growing sales by 9.0% in the first quarter, a positive recovery against a prior year base highly disrupted by Covid-19 measures.
- The impact of the civil unrest, combined with the loss of liquor trade, was most evident in the second quarter of the year, with sales growth falling to -0.7%. The civil unrest was particularly damaging to the Group, as it struck at the heartland of the Group's high-performing Boxer and Pick n Pay Value businesses in KwaZulu-Natal and Gauteng.
- Sales growth recovered to 4.9% in quarter three as a result of the extraordinary efforts to reopen over 180 damaged stores over July to November 2021 – notwithstanding a shortage of point of sale and other critical store infrastructure – supported by the successful execution of Black Friday promotions.
- The Group's trading momentum accelerated in the final quarter of the year, with sales growth increasing to 7.4%. Q4 was underpinned by a strong festive trading period, with sales up 9.0% in the three weeks leading into and including Christmas.

Supplementary category analysis:

Liquor sales – increased 57.2% against a highly-disrupted base. The Group lost a further 66 liquor trading days this year (FY21: 209 days) as a result of Covid-19 trading restrictions, with an estimated R0.9 billion in lost sales (FY21: R2.5 billion). On a two-year compound annual growth basis, liquor sales have increased by 13.6%.

Clothing sales – increased 21.0%, driven once again by market share gains across a number of women's, men's and childrenswear categories. On a two-year compound annual growth basis, clothing sales have increased by 11.7%. Online clothing sales more than doubled year-on-year, including through the Group's strategic partnership with online retail platform Zando.

Online sales – the Group's on-demand online service asap! has delivered year-on-year growth of over 300% since its launch in August 2021. asap! is only one element of the Group's online retail offer, which includes its traditional scheduled delivery service and a Click n Collect offer. The Group's combined online offer has delivered compound annual growth of 72.5% over the past two years.

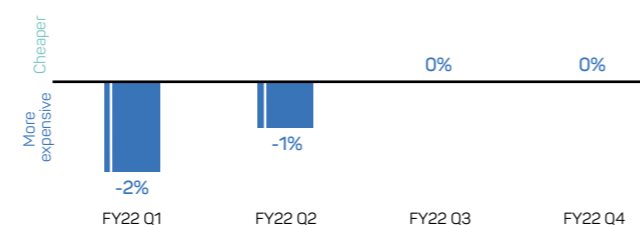
Gross profit

Gross profit remained flat at R18.4 billion, with a reduction in the gross profit margin to 18.8% of turnover (FY21: 19.8%). The contraction in gross profit reflects the significant impact of the civil unrest, in particular stock losses of R627.8 million, and increased supply chain costs of R68.0 million. These losses have been recovered through the Group's programme of insurance, and recoveries have been recognised within "other income" in line with International Financial Reporting Standards.

	FY22 %	FY21 %
Undisrupted gross profit margin – prior year	20.1	19.7
Better buying and supply chain efficiency	0.3	0.9
Strategic investment in lower prices	(0.8)	(0.5)
Undisrupted gross profit margin	19.6	20.1
Impact of trade disruptions:		
Civil unrest	(0.8)	–
Covid-19 trading restrictions	–	(0.3)
Reported gross profit margin	18.8	19.8

The Group invested R1.2 billion in lower prices across 400 key food and grocery lines in Pick n Pay over the past two years – R800 million in FY22. This strategic programme of price investment has enhanced Pick n Pay's price competitiveness and has been funded through a combination of better buying (driven in part by strong volume growth in Boxer), improved supply chain efficiency, and other cost savings delivered under the Group's Project Future programme – including reduced shrink and waste, tighter working capital management, increased staff productivity, and lower logistics costs.

Pick n Pay price perception vs. key competitor:



Other income

Other income of R2.6 billion includes insurance recoveries of R893.4 million in respect of losses suffered as a result of the civil unrest (R145.2 million received after year-end). Other income, excluding the insurance recoveries, increased 11.1% to R1.8 billion.

	FY22 Rm	FY21 Rm	% change
Franchise fee income	428.3	412.7	3.8
Operating lease income	115.6	142.5	(18.9)
Commissions and other income	1 213.0	1 025.7	18.3
	1 756.9	1 580.9	11.1
Insurance recoveries	893.4	–	–
Other income	2 650.3	1 580.9	67.6

Franchise fee income – the Group's royalty fee income earned on franchise point of sale turnover increased 3.8% to R428.3 million, reflecting the combined impact of the Covid-19 liquor restrictions and the civil unrest on our franchise partners, alongside the conversion of 41 franchise stores to company-owned Pick n Pay and Boxer stores over the past two years.

Operating lease income – decreased 18.9% year-on-year to R115.6 million, reflecting the impact of conversions of franchise stores to company-owned stores, as well as the impact the civil unrest had on income received from in-store kiosks and other retail tenants.

Commissions and other income – increased 18.3% year-on-year to R1.2 billion. This broad category of income includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Income from value-added services grew 25.0% year-on-year, with a solid recovery across travel and event ticketing, store vouchers and banking and insurance services.

Trading expenses

Trading expenses increased 4.2% year-on-year to R18.0 billion. Strong cost discipline – particularly driven by greater staff productivity and operational efficiency – contained like-for-like expense growth at 2.4% below that of like-for-like sales growth of 4.5%, notwithstanding significant cost pressures directly related to the civil unrest, including the cost of heightened security measures, the reinstatement of insurance covers, and essential repairs and maintenance. Excluding once-off staff costs in the prior year of R250 million, like-for-like trading expenses increased by 5.7% (4.0% like-for-like).

	FY22 Rm	FY21 Rm	% change	% LFL change
Employee costs	7 836.3	7 959.0	(1.5)	(3.8)
Occupancy	2 662.1	2 427.1	9.7	5.2
Operations	4 535.1	4 144.4	9.4	6.3
Merchandising and administration	2 981.2	2 764.3	7.8	12.2
Trading expenses	18 014.7	17 294.8	4.2	2.4

Employee costs – decreased 1.5% to R7.8 billion. Employee costs in the prior year included R250 million of once-off costs – R200 million arising from a voluntary severance programme and other strategic staff restructuring decisions, and an appreciation bonus of R50 million paid to front line staff during the Level 5 Covid-19 lockdown last year. Excluding the impact of these once-off costs, employee costs increased just 1.7% year-on-year, reflecting the realisation of significant staff productivity and efficiency benefits under the Group's Project Future programme and a reduction in share-based payment costs.

Occupancy costs – increased 9.7% to R2.7 billion, driven primarily by an escalation in security costs after the civil unrest, with stronger security measures implemented across the Group's estate, particularly in respect of key supply chain infrastructure. In addition, the Group reinstated its riot covers post the unrest, at significant cost.

Operations costs – increased 9.4% to R4.5 billion, largely driven by increased repairs and maintenance costs – due in part to structural repairs necessitated by the civil unrest, and in part by the resumption of a standard programme of repairs and maintenance at store level, deferred last year as a result of the Covid-19 pandemic. The increase in the Group's operating costs also reflects higher electricity tariffs in the second half of the year, and the cost of loadshedding in South Africa – including the cost of running and maintaining diesel generators (exacerbated by the higher cost of fuel). The Group's Project Future initiatives have delivered strategic savings in combined depreciation and amortisation charges – up just 1.5% year-on-year (excluding IFRS 16 right-of-use assets). Savings have been achieved through the careful management of capital investment, a more targeted repairs and maintenance programme and a move away from software ownership to strategic software service providers.

Sales and earnings impact of the civil unrest in South Africa



The outbreak of civil unrest across KwaZulu-Natal and parts of Gauteng in July 2021 was one of the worst episodes in the country's democratic history. 212 Pick n Pay and Boxer stores, and two Pick n Pay distribution centres, were damaged and looted during the violence, and a further 551 stores were closed on a precautionary basis to safeguard staff and customers. The Group is strongly represented in terms of store numbers in KwaZulu-Natal and Gauteng, and close to 40% of its estate was closed at the height of the civil disorder. At the date of publication, 13 of the affected stores (seven Pick n Pay and six Boxer) currently remain closed. These stores are located in severely damaged shopping centres, with the reinstatement of each store dependent on the restoration of the centre as a whole.

The response of our teams across Pick n Pay and Boxer to the devastation was extraordinary. Putting customers first at all times, colleagues ensured that injuries were kept to a minimum. Despite extensive damage infrastructure, and in a still uncertain security environment, the Group's employees and franchise partners worked tirelessly to restore operations and re-open stores. Alongside similar efforts by others, this was instrumental in quelling fears that the civil disorder would lead to widespread food shortages across the affected regions and the broader country. Many of Pick n Pay's valued franchise partners bore the brunt of the violence and disorder. They demonstrated tremendous resilience and resolve in the face of the crisis, and focused not only on rebuilding their own businesses, but on leading relief efforts among the communities they serve. The Group extends its sincere thanks to all colleagues and franchise partners for their invaluable support at such a devastating time.

The Group recovered R958.7 million of material damage losses under its SASRIA riot insurance covers in FY22, including R627.8 million of stock losses and R210.5 million of property damage, with some recoupment of increased operating costs. Alongside the material damage suffered, the Group estimates that the unrest resulted in approximately R1.8 billion of lost sales in FY22. The Group's related business interruption (loss of profits) claims remain open, as not all of the affected stores have re-opened for trade. The Group has provided business interruption insurers with interim submissions setting out the earnings lost as a result of the unrest up to and including end October 2021. The Group received interim payments of R145.2 million from business interruption insurers in respect of these submissions in March 2022 (post year-end). The balance of lost earnings is expected to be recovered in FY23, once insurers have completed the assessment of the full and final business interruption claim. The recoveries in FY23 will mitigate to some extent the increase in trading expenses expected as a result of the unrest.

Inevitably the cost of insurance in South Africa has escalated since the unrest and the reduced insurance capacity related to riot risk in South Africa is considered a risk for all businesses going forward.



Merchandising and administration costs – increased 7.8% year-on-year to R3.0 billion, driven by the Group's deliberate investment in a strengthened marketing campaign this year, to drive the recovery in sales volumes post the Covid-19 pandemic and the civil unrest, and to strengthen its voice in the market.

Net finance costs

Net finance costs decreased 6.7% year-on-year to R1.1 billion.

	FY22 Rm	FY21 Rm	% change
Net funding interest	72.1	94.6	(23.8)
Net lease interest	1 129.0	1 177.7	(4.1)
Other interest received	(50.7)	(38.7)	(31.0)
Net finance costs	1 150.4	1 233.6	(6.7)

Net funding interest – the Group maintained high levels of liquidity over the year, through disciplined control over capital investment, operating costs and working capital. The Group's cost of net bank funding decreased 23.8% year-on-year to R72.1 million, supported by underlying like-for-like improvements in working capital, lower average interest rates over the year and the strategic investment of surplus funds into high-yield money market funds.

It is important to note that South Africa has returned to a cycle of interest rate hikes, with the South African Reserve Bank (SARB) steadily increasing interest rates over the past six months to contain headline consumer price inflation within its target range of 3% – 6%. The SARB increased interest rates by 50 basis points over November 2021 to January 2022. The Russian invasion of Ukraine has further fuelled global and domestic inflation concerns, driving large increases in the prices of commodity products, including, for example, wheat and cooking oil. SARB implemented a further 25 basis point increase in March 2022, followed by a 50 basis point increase in May 2022. Further increases, estimated at around 50 – 75 basis points, are expected over the balance of the 2022 calendar year. The Group will actively manage the impact on its cost of funding, through an optimal mix of short-term and longer-term funding.

Lease interest – implied net interest charges under IFRS 16 decreased 4.1% year-on-year to R1.1 billion, with ongoing stability in the Group's broad lease portfolio. Combined IFRS 16 implied interest and depreciation charges are up 4.7% year-on-year, reflecting the Group's focus on reducing its cash cost of occupancy.

Segment performance – Rest of Africa

	South Africa FY22 Rm	Rest of Africa FY22 Rm	Group FY22 Rm
Segment revenue ¹	97 521.9	4 481.7	102 003.6
Segment turnover	94 535.2	3 337.6	97 872.8
Pro forma profit before tax and capital items	1 859.0	119.0	1 978.0
Total assets	38 735.1	1 609.4	40 344.5
Total liabilities	35 726.1	902.7	36 628.8
Investment in associate	–	106.0	106.0

¹ Including direct deliveries to franchisees by in-country suppliers in those countries where the Group does not have a statutory presence.

The Group operates across 171 stores in seven countries outside South Africa. The Rest of Africa segment delivered a resilient performance, contributing R4.5 billion of segmental revenue (up 8.4% in constant currency terms), despite headwinds including cost challenges, geopolitical uncertainty and hyperinflation. The Rest of Africa segment contributed R119.0 million to Group profits, down 19.6% on last year. Lower earnings in the Rest of Africa segment were largely attributable to the persistently difficult trading conditions in Zambia, particularly over the first half of the year. The team delivered an encouraging recovery in the second half of the year, and countered inflationary cost pressures through improved operating efficiency and tight working capital management. TM Supermarkets in Zimbabwe delivered another resilient sales and earnings performance with underlying sales volume growth up 23.5%. The Group re-assessed the fair value of its investment in TM Supermarkets at R106.0 million, from R69.7 million last year. The increase in the value of the investment recognises TM's strong underlying FY22 operating performance, high levels of liquidity in the business, minimal exposure to foreign debt and the successful remittance of R20.1 million of dividends to South Africa.

Profit before tax and capital items (PBT)

	FY22 Rm	FY21 Rm	% change
Profit before tax and capital items (PBT)	1 807.7	1 554.2	16.3%
Non-cash hyperinflation net monetary loss ¹	25.1	29.2	
Comparable PBT ¹	1 832.8	1 583.4	15.8%
Insurance recoveries received post year-end	145.2	–	
Pro forma PBT ²	1 978.0	1 583.4	24.9%
South Africa	1 859.0	1 435.3	29.5%
Rest of Africa	119.0	148.1	(19.6%)

¹ Comparable PBT excludes all non-cash hyperinflation net monetary adjustments related to the Group's investment in its associate in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).

² Pro forma PBT excludes all non-cash hyperinflation net monetary adjustments related to the Group's investment in its associate in Zimbabwe and, in FY22, includes R145.2 million of business interruption insurance proceeds received post year-end in respect of the civil unrest.

Pro forma PBT increased 24.9% year-on-year to R1 978.0 million. The Group's resilient earnings performance against a backdrop of significant trade and operational disruption over the past two years is testament to targeted improvements in the Pick n Pay and Boxer customer offer, alongside sustained cost and operational discipline under the Group's Project Future modernisation programme. The strength of the Group's FY22 performance is particularly evidenced by the results of its South African segment, with pro forma PBT up 29.5% year-on-year.

Capital items

The Group incurred capital losses of R46.2 million this year, against a R145.9 million charge in the prior year. Net capital losses include R85.5 million related to the sale, closure or impairment of under-performing stores, a net capital gain of R53.7 million on the recovery of insured assets at replacement value, and a R14.4 million impairment loss on the Group's assessment of the fair value of its investment in TM Supermarkets.

Tax

The Group's effective tax rate of 31.1% is in line with last year (FY21: 31.3%) and reflects lower levels of profitability in operations outside of South Africa. The Group expects its tax rate to remain above South Africa's statutory tax rate of 28.0% for the foreseeable future.

Earnings per share

	FY22 Cents per share	FY21 Cents per share	% change
Basic earnings per share (EPS)	253.34	202.52	25.1
Capital items	9.25	26.79	
Headline earnings per share (HEPS)	262.59	229.31	14.5
Non-cash hyperinflation net monetary adjustments	5.24	6.11	
Comparable HEPS	267.83	235.42	13.8
Insurance proceeds received after-year-end	21.81	–	
Pro forma HEPS	289.64	235.42	23.0

In line with normal Group practice, comparable HEPS excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets and all impairment losses and other capital items. Pro forma HEPS in FY22 includes R145.2 million of business interruption insurance proceeds (R104.5 million net of tax) received in March 2022 (post year-end) related to the July 2021 civil unrest. Pro forma headline earnings per share (HEPS) increased by 23.0% year-on-year to 289.64 cents per share and is the primary measure in determining the Group's dividend pay-out ratio.

Net funding and liquidity

The Group manages its operating and working capital requirements through short-term and cost-effective ZAR-denominated funding facilities. The Group has drawn down approximately two thirds of its available borrowing facilities to protect against potential short-term market liquidity risks as a result of the Covid-19 pandemic and civil unrest. Surplus funds have been invested in high-yield money market accounts. In addition, the Group has extended shorter-dated debt into six-month and 12-month funding.

	27 February 2022 Rm	28 February 2021 Rm
Net funding position		
Cash balances and investments	6 425.3	5 415.1
Cost effective overnight funding	(2 800.0)	(1 951.4)
Net cash and cash equivalents	3 625.3	3 463.7
One to 12-month funding	(3 600.0)	(3 090.0)
Net cash	25.3	373.7
Working capital – invoice financing facility	(403.1)	(241.2)
Net funding position	(377.8)	132.5

The Group maintained its net cash position, which reduced by R348.4 million year-on-year to R25.3 million, reflecting the cash impact of the trade disruptions over the year, alongside an expanded capital investment programme and strategic inventory investments in an increasingly inflationary environment. The Group utilised its supply chain finance programme – borrowings on the platform increased to R403.1 million – to take advantage of cash and early settlement discounts from suppliers where the cost of the Group's funding is less than the supplier incentive income received. The Group's liquidity position is strong, supported by underlying resilience in operational cash flow and careful management of capital and operational spend.

Working capital management

	FY22 Rm	FY21 Rm	% change
Inventory	8 277.3	7 193.3	15.1
Trade and other receivables	4 314.1	3 910.4	10.3
Current	4 207.6	3 743.7	
Non-current	106.5	166.7	
Trade and other payables	13 065.2	12 198.8	7.1

Inventory – the 15.1% increase in inventory was primarily driven by R900.0 million of strategic stock buy-ins at year-end – including investment into essential food and grocery products ahead of anticipated price increases, alongside investment into certain clothing and general merchandise lines to protect against delays experienced in global supply chains. Excluding this strategic investment, inventory increased 2.6% year-on-year (-4.2% LFL), with the addition of a net 72 new company-owned stores and increased levels of centralisation across our Boxer business. The Group continued to work closely with suppliers to tailor its customer offer across its estate – and delivered further progress in reducing duplicate, slow moving and uneconomic lines in the business.

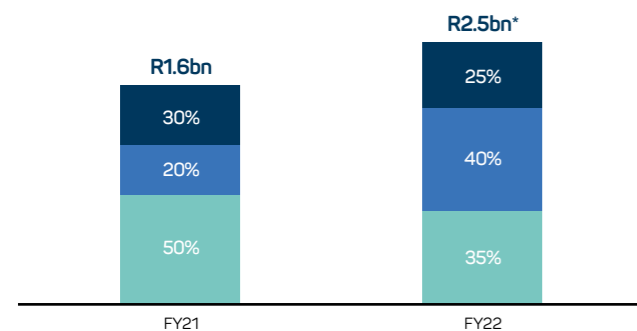
Trade and other receivables – increased by 10.3% on last year to R4.3 billion. The Group's net franchise debt increased 7.7% year-on-year to R3.9 billion. The increase reflects extended payment terms provided to franchisees affected by the civil unrest, largely secured by insurance receivables and repaid post the financial year-end. The Group converted seven franchise stores (FY21: 34) to company-owned stores during the period, targeting improved trading densities and store profitability going forward.

The Group impaired R82.3 million of irrecoverable debt during the year (FY21: R130.2 million) and has reduced its impairment provision to 4.7% of the total value of the debtors' book (FY21: 5.0%). The Group is confident in the quality of its debtors' book and in the prudence of its impairments, supported by the agility of its franchise partners in navigating the operational challenges of the past two years.

Trade and other payables – increased by 7.1% on last year to R13.1 billion. The Group continues to unlock gross profit margin benefits through cash and early settlement discounts, with the cost-effective use of its supply chain financing programme and has made good progress in improving its working capital efficiency through the rationalisation of supplier payment days.



Capital investment



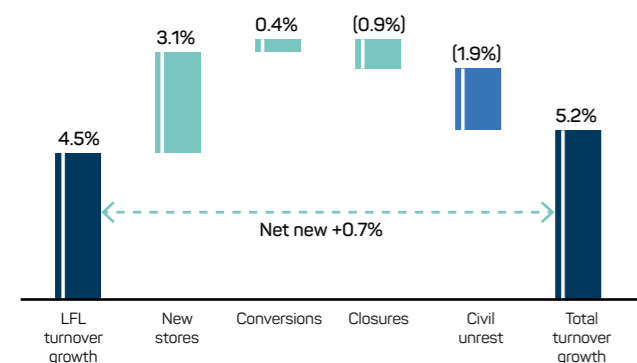
* R2.1bn cash flow and R0.4bn committed.

● New stores ● Refurbishments ● Infrastructure and technology

The Group directed R2.5 billion in capital projects this year (R2.1 billion invested and R0.4 billion committed at year end) delivering solid progress against its FY22 growth ambitions, notwithstanding the redirection of capital spend to restore distribution and store infrastructure in KwaZulu-Natal and Gauteng.

The Group opened 102 Pick n Pay stores across all formats (57 company-owned and 45 franchise), 34 new Boxer stores, and three new TM Supermarkets in Zimbabwe. The Group improved the overall quality of its estate with the closure of 49 under-performing stores, and the conversion of seven under-performing Pick n Pay franchise stores to company-owned stores, and two Pick n Pay company-owned stores to Boxer. The Group will continue to leverage the flexibility of its operating model in order to tailor its store estate to best meet customer needs.

The strong management of our store estate underpinned the Group's resilient sales performance

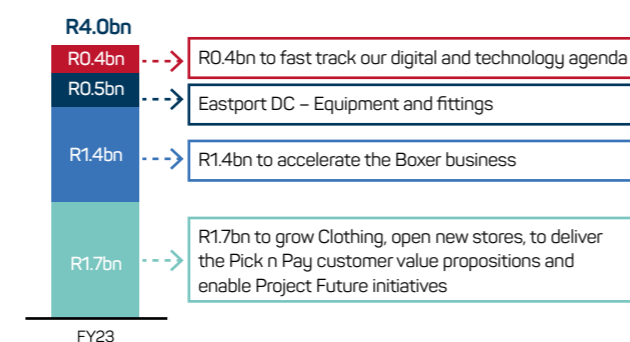


Looking ahead

I am proud of our performance and achievements over the past year. We recovered quickly from the violence of July 2021 and played a vital role in restoring consumer confidence in South Africa. We have improved our customer offer and the efficiency of our operations. We have entered FY23 with good trading momentum, delivering sales growth of 9.9% over the first eight weeks of the new financial year. There is a strong energy across the Group, and a determination to deliver the ambitions of the Group's new long-term plan. The Ekuseni strategy targets compound annual sales growth of 10% per annum to the end of FY26, representing a 3% increase in the Group's overall market share over the next four years.

These ambitious sales targets require a significant increase in the Group's capital investment programme going forward. The Group will spend R4.0 billion on capital projects next year. R3.5 billion will target a strengthened and differentiated Pick n Pay customer value proposition through the development of two clear Pick n Pay brands, an acceleration in our Boxer store opening programme and further investment in digital innovation. R0.5 billion will be invested in equipment and fittings in our new Pick n Pay Eastport distribution centre.

Capital investment focused on growth



The Group will continue to work closely with strategic funders to ensure that its short and long-term borrowings remain within targeted risk parameters, that it does not place the business or its stakeholders at any undue risk. Capital investments must generate sustainable investment returns ahead of the Group's weighted average cost of capital. The Group's current return on capital employed of 39.1% is well ahead of its weighted average cost of capital of 9.9%, and this will remain an important area of focus going forward.

We remain focused on improving the efficiency and agility of our operations in order to adequately manage the need for longer-term funding. Further cost savings and efficiency gains are therefore key to realising the Group's strategic ambitions. An important element of Ekuseni is the successful delivery of the second phase of Project Future. Extensive internal and external benchmarking has identified further opportunities for R3.0 billion of cost savings over the next three years, across the Group's procurement, supply chain, store operations and support office structures.

The Group has a strong and mature central supply chain infrastructure, which services the Group's current needs reliably and efficiently, including through a highly effective cold chain. The Group has delivered significant cost savings across its supply chain over recent years, with further productivity and efficiency gains an important lever within Project Future. Pick n Pay's new Eastport distribution in Gauteng – developed in partnership with Fortress REIT Limited – will replace the Longmeadow distribution centre and is on track to open in March 2023. The facility, at just over 150 000m², will be 45% larger than Longmeadow and – with 50% more capacity and enhanced systems and layout – is targeting a 12% decrease in the cost-per-case per delivered over the next five years. The Eastport DC will complete Pick n Pay's supply chain centralisation in Gauteng and will support the Group's growth ambitions under Ekuseni. The Group will purchase 60% of the Eastport facility from Fortress on completion of the development in FY24, at a projected value of R1.2 billion, and will enter into a long-term lease for the 40% balance. The capital investment will be funded through highly cost-effective long-term debt already secured from a local funding partner. Boxer began construction on its second distribution centre in Gauteng in May 2022. This distribution centre will add 30 000m² of capacity, and ultimately service more than 100 stores. It will open early in FY24 and is an important element of Boxer's accelerated growth strategy.

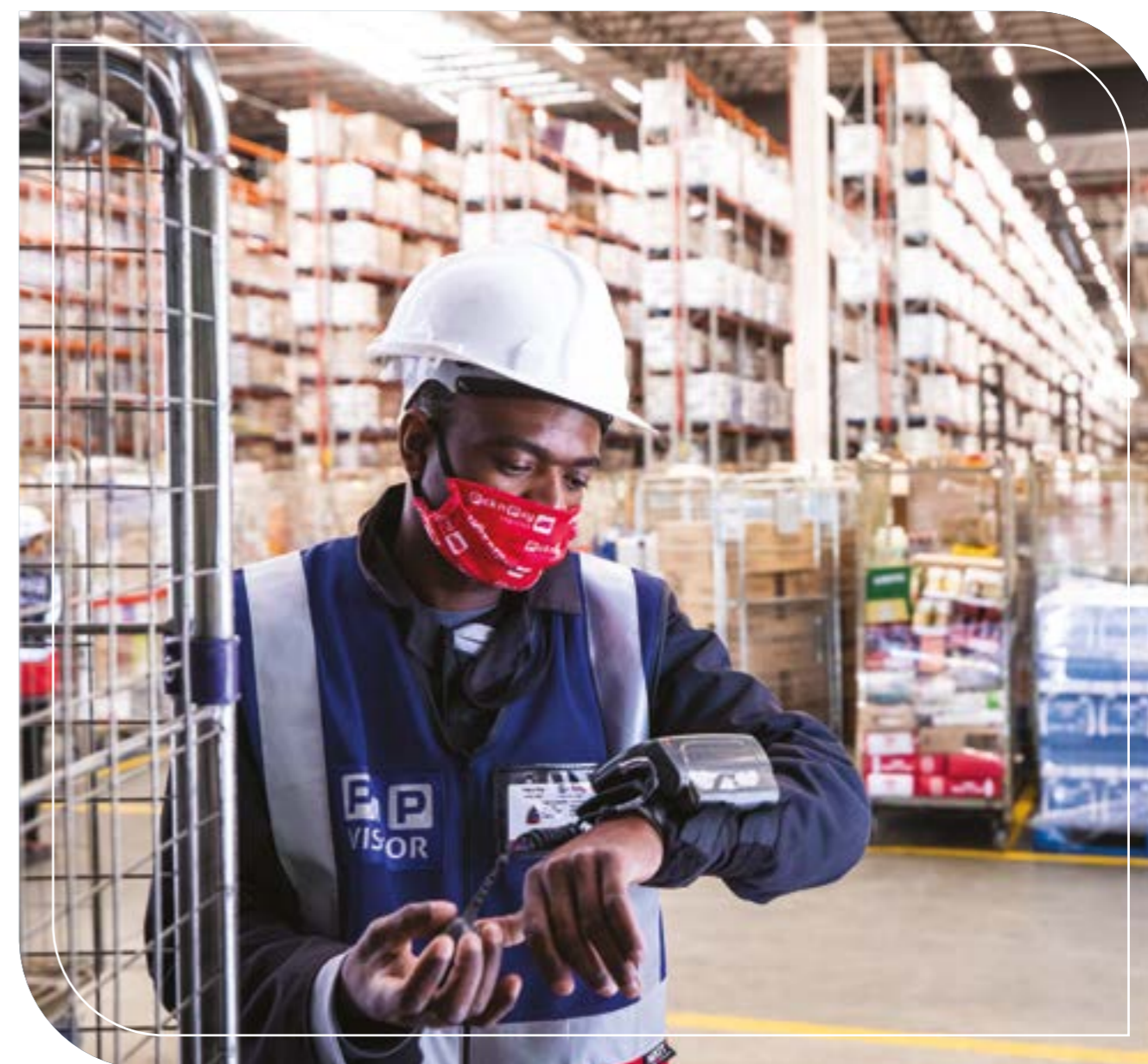
In addition, Boxer opened a new distribution centre in Cape Town in April 2022 to service its nine Western Cape stores with dry groceries. Boxer is currently extending its existing facility in Gauteng by a further 5 000m² to a total size of 19 000m².

Greater operational efficiency will be absolutely key in FY23 when we expect to see significant inflationary and other cost pressures. These are already evident in the current operating environment, and reflect both international factors – in particular the invasion of Ukraine and its consequences – and local factors, including higher insurance and security costs following the civil unrest, and costs required to mitigate the impact of load shedding. As a result, we do not expect Ekuseni to deliver immediate returns in FY23, but target an increase in earnings and profit margins from FY24, as the fundamental benefits from the plan materialise.

I would like to express my sincere thanks to our teams across the country for their incredible support. We have a strong plan to bring Pick n Pay and Boxer even closer to the communities we serve and the right energy and commitment to deliver on that plan.

Lerena Olivier
Chief Finance Officer

23 June 2022





SUMMARY OF OUR FY22 ANNUAL FINANCIAL RESULT

Pro forma financial information

1. Pro forma earnings performance

The table alongside presents the Group's FY22 earnings performance on a pro forma basis.

Insurance proceeds received post year-end

The financial result for the 52 weeks ended 27 February 2022 was impacted by the civil unrest which occurred in parts of South Africa in July 2021. Many stores were closed for trade, resulting in significant business interruption (loss of profits). The Group's business interruption insurance claims remain open, as not all affected stores have re-opened for trade as at the date of this report. During the financial period under review, the Group provided business interruption insurers with interim claims submissions setting out the earnings lost as a result of the unrest up to and including October 2021. The Group received payments of R145.2 million from business interruption insurers in respect of these submissions in March 2022 (post year-end).

In line with technical requirements of International Financial Reporting Standards, these business interruption insurance recoveries have not been accounted for in the Group's statutory 2022 financial results. However, these insurance recoveries directly relate to the losses suffered by the Group during the 2022 financial year. In management's view, these losses and insurance recoveries should be viewed together. Recording the losses in one financial year and the recoveries in the next financial year does not provide users with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current period on a pro forma basis, by including the R145.2 million insurance proceeds (net of tax, R104.5 million) received post year-end.

Hyperinflation net monetary adjustments

In addition, and in line with normal Group practice, the Group has excluded hyperinflation net monetary adjustments from its earnings for the current and prior periods under review in respect of the Group's investment in its associate – TM Supermarkets in Zimbabwe – attributable to the application of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).

2. Pro forma constant currency sales performance

The constant currency information contained in this summary of FY22 performance has been presented to illustrate the impact of changes in the Group's major foreign currencies – namely the Zambian kwacha and the Botswana pula – on the revenue growth of its Rest of Africa segment. Revenue growth in constant currency is calculated by translating the prior period local currency revenue at the current period average exchange rates on a country-by-country basis and then comparing that against the current period turnover translated at current period average exchange rates. The average Zambia kwacha exchange rate to the South African rand for the 52 weeks ended 27 February 2022 was 1.27 (2021: 1.18) and the average Botswana pula exchange rate to the South African rand for the 52 weeks ended 27 February 2022 was 0.75 (2021: 0.69).

	Increase in reported currency %	Increase in constant currency %
52 weeks ended 27 February 2022		
Rest of Africa – segmental revenue	5.1	8.4

The pro forma earnings and pro forma constant currency information is presented in accordance with the JSE Listing Requirements and the SAICA guide on Pro forma Financial Information. The pro forma information is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. The pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The pro forma information is based on the audited financial information of the Group for the period ended 27 February 2022 and has been prepared using the accounting policies of the Group which comply with IFRS and are consistent with those applied in the audited financial information. The Group's external auditor, Ernst & Young Inc., has issued an independent reporting accountant's assurance report on the pro forma adjustments made by the Group, which is available for inspection at the Company's (Pick n Pay Stores Limited) registered office.

	52 weeks to 27 February 2022 Rm	Insurance recoveries received post year-end* 52 weeks to 27 February 2022 Rm	Pro forma 52 weeks to 27 February 2022 Rm	% of turnover	% change	52 weeks to 28 February 2021 Rm	% of turnover
Turnover	97 872.8	-	97 872.8		5.2	93 078.8	
Cost of merchandise sold	(79 476.7)	-	(79 476.7)			(74 657.1)	
Gross profit	18 396.1	-	18 396.1	18.8	(0.1)	18 421.7	19.8
Other income	2 505.1	145.2	2 650.3	2.7	67.6	1 580.9	1.7
Franchise fee income	428.3	-	428.3	0.4	3.8	412.7	0.4
Operating lease income	115.6	-	115.6	0.1	(18.9)	142.5	0.2
Commissions and other income	1 213.0	-	1 213.0	1.3	18.3	1 025.7	1.1
Insurance recoveries*	748.2	145.2	893.4	0.9	-	-	-
Trading expenses	(18 014.7)	-	(18 014.7)	18.4	4.2	(17 294.8)	18.6
Employee costs	(7 836.3)	-	(7 836.3)	8.0	(1.5)	(7 959.0)	8.6
Occupancy	(2 662.1)	-	(2 662.1)	2.7	9.7	(2 427.1)	2.6
Operations	(4 535.1)	-	(4 535.1)	4.6	9.4	(4 144.4)	4.5
Merchandising and administration	(2 981.2)	-	(2 981.2)	3.1	7.8	(2 764.3)	3.0
Trading profit	2 886.5	145.2	3 031.7	3.1	12.0	2 707.8	2.9
Net finance costs	(1 150.4)	-	(1 150.4)	1.2	(6.7)	(1 233.6)	1.3
Net funding	(21.4)	-	(21.4)	-	(61.7)	(55.9)	0.1
Leases	(1 129.0)	-	(1 129.0)	1.2	(4.1)	(1 177.7)	1.3
Share of associate's earnings excluding net monetary adjustments*	96.7	-	96.7		(11.4)	109.2	
Profit before tax before capital items excluding net monetary adjustments*	1 832.8	145.2	1 978.0	2.0	24.9	1 583.4	1.7
Share of associate's hyperinflation net monetary loss*	(25.1)	-	(25.1)			(29.2)	
Profit before tax before capital items*	1 807.7	145.2	1 952.9			1 554.2	
Loss on capital items	(46.2)	-	(46.2)			(145.9)	
Profit/(loss) on sale of assets and insurance recoveries on scrapping of assets*	241.8	-	241.8			(21.4)	
Loss from impairments and scrapping of assets*	(273.6)	-	(273.6)			(42.9)	
Impairment loss on investment in associate	(14.4)	-	(14.4)			(81.6)	
Profit before tax	1 761.5	145.2	1 906.7	1.9	35.4	1 408.3	1.5
Tax	(547.0)	(40.7)	(587.7)	0.6	33.2	(441.2)	0.5
Profit for the period	1 214.5	104.5	1 319.0	1.3	36.4	967.1	1.0
South Africa operating segment							
Turnover	94 535.2		94 535.2		5.1	89 919.2	
Profit before tax before capital items	1 713.8	145.2	1 859.0		29.5	1 435.3	
Rest of Africa operating segment							
Total segmental revenue	4 481.7		4 481.7		5.1	4 264.1	
Profit before tax before capital items excluding net monetary adjustments*	119.0		119.0		(19.6)	148.1	
Earnings per share	Cents		Cents			Cents	
Basic earnings per share	253.34		253.34		25.1	202.52	
Diluted earnings per share	252.43		252.43		25.6	200.93	
Headline earnings per share	262.59		262.59		14.5	229.31	
Diluted headline earnings per share	261.65		261.65		15.0	227.51	
Pro forma headline earnings per share*	Cents	Cents	Cents			Cents	
Pro forma headline earnings per share	262.59	27.05	289.64		23.0	235.42	
Pro forma diluted headline earnings per share	261.65	26.94	288.59		23.6	233.57	

* Profit before tax and capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) include hyperinflationary net monetary adjustments in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding hyperinflation net monetary adjustments, and the Group has included insurance proceeds received post year-end relating to civil unrest. The Group has therefore presented pro forma profit before tax before capital items, pro forma headline earnings, pro forma HEPS and pro forma DHEPS, which excludes non-cash hyperinflation net monetary adjustments and includes insurance proceeds related to civil unrest received post year-end.



Group statement of financial position

	As at 27 February 2022 Rm	As at 28 February 2021 Rm
ASSETS		
Non-current assets		
Intangible assets	987.1	1 006.0
Property, plant and equipment	7 150.5	6 642.6
Right-of-use assets	9 588.9	10 050.6
Net investment in lease receivables	2 069.0	2 134.1
Deferred tax assets	822.5	912.7
Investment in associate	106.0	69.7
Loans	85.9	59.2
Retirement scheme assets	122.0	82.7
Investment in insurance cell captive	47.4	32.7
Operating lease assets	7.9	11.0
Trade and other receivables	106.5	166.7
	21 093.7	21 168.0
Current assets		
Inventory	8 277.3	7 193.3
Trade and other receivables	4 207.6	3 743.7
Cash and cash equivalents	6 425.3	5 415.1
Net investment in lease receivables	319.1	277.1
Right-of-return assets	21.5	19.3
	19 250.8	16 648.5
Total assets	40 344.5	37 816.5
EQUITY AND LIABILITIES		
Equity		
Share capital	6.0	6.0
Treasury shares	(702.1)	(873.4)
Retained earnings	4 717.3	4 573.5
Other reserves	(8.6)	(6.6)
Foreign currency translation reserve	(296.9)	(313.3)
Total equity	3 715.7	3 386.2
Non-current liabilities		
Lease liabilities	13 656.5	14 312.6
Deferred tax liabilities	-	10.1
	13 656.5	14 322.7
Current liabilities		
Trade and other payables	13 065.2	12 198.8
Lease liabilities	2 431.4	2 046.8
Deferred revenue	385.1	353.3
Bank overdraft and overnight borrowings	2 800.0	1 951.4
Borrowings	4 003.1	3 331.2
Current tax liabilities	279.8	218.6
Derivative financial instruments	7.7	7.5
	22 972.3	20 107.6
Total equity and liabilities	40 344.5	37 816.5
Number of ordinary shares in issue – thousands	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	479 389.3	477 524.8
Diluted weighted average number of ordinary shares in issue – thousands	481 128.4	481 304.5
Net asset value (property value based on directors' valuation) – cents per share	827.1	769.9

Group statement of changes in equity

for the period ended

	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 1 March 2020	6.0	(961.7)	4 303.2	5.3	(342.7)	3 010.1
Total comprehensive income for the period	-	-	974.9	(16.9)	29.4	987.4
Profit for the period	-	-	967.1	-	-	967.1
Foreign currency translations	-	-	-	-	29.4	29.4
Movement in cash flow hedge	-	-	-	(16.9)	-	(16.9)
Remeasurement in retirement scheme assets	-	-	7.8	-	-	7.8
Other reserve movements	-	-	-	5.0	-	5.0
Transactions with owners	-	88.3	(704.6)	-	-	(616.3)
Dividends paid	-	-	(934.7)	-	-	(934.7)
Net effect of settlement of employee share awards	-	88.3	(88.3)	-	-	-
Share-based payments expense	-	-	318.4	-	-	318.4
At 28 February 2021	6.0	(873.4)	4 573.5	(6.6)	(313.3)	3 386.2
Total comprehensive income for the period	-	-	1 239.9	(0.2)	16.4	1 256.1
Profit for the period	-	-	1 214.5	-	-	1 214.5
Foreign currency translations	-	-	-	-	16.4	16.4
Movement in cash flow hedge	-	-	-	(0.2)	-	(0.2)
Remeasurement in retirement scheme assets	-	-	25.4	-	-	25.4
Other reserve movements	-	-	-	(1.8)	-	(1.8)
Transactions with owners	-	171.3	(1 096.1)	-	-	(924.8)
Dividends paid	-	-	(959.6)	-	-	(959.6)
Share purchases	-	(114.2)	-	-	-	(114.2)
Net effect of settlement of employee share awards	-	285.5	(285.5)	-	-	-
Share-based payments expense	-	-	149.0	-	-	149.0
At 27 February 2022	6.0	(702.1)	4 717.3	(8.6)	(296.9)	3 715.7





Group statement of cash flows

for the period ended

	52 weeks to 27 February 2022 Rm	52 weeks to 28 February 2021 Rm
Cash flows from operating activities		
Trading profit	2 886.5	2 707.8
Adjusted for dividend income	-	(40.0)
Adjusted for non-cash items	3 391.5	3 404.7
Depreciation on property, plant and equipment	1 216.0	1 187.3
Depreciation on right-of-use assets	1 979.9	1 793.0
Amortisation on intangible assets	123.4	131.9
Share-based payments expense	149.0	318.4
Lease adjustments	(42.4)	(91.2)
Movement in operating lease assets	3.1	2.0
Movement in retirement scheme assets	(4.0)	(3.1)
Fair value and foreign exchange adjustments	(33.5)	66.4
Cash generated before movements in working capital	6 278.0	6 072.5
Movements in working capital	(563.6)	591.5
Movements in trade and other payables and deferred revenue	898.2	998.1
Movements in inventory and right-of-return assets	(1 074.2)	(645.9)
Movements in trade and other receivables	(387.6)	239.3
Cash generated from trading activities	5 714.4	6 664.0
Other interest received	300.1	240.4
Other interest paid	(341.0)	(296.3)
Interest received on net investment in lease receivables	203.7	205.9
Interest paid on lease liabilities	(1 364.4)	(1 519.4)
Cash generated from operations	4 512.8	5 294.6
Dividends received	20.1	57.1
Dividends paid	(959.6)	(934.7)
Tax paid	(403.9)	(425.2)
Cash generated from operating activities	3 169.4	3 991.8
Cash flows from investing activities		
Investment in intangible assets	(88.1)	(81.2)
Investment in property, plant and equipment	(1 990.1)	(1 204.0)
Purchase of operations	(55.7)	(199.5)
Proceeds on disposal of intangible assets	4.0	0.7
Proceeds on disposal of property, plant and equipment	135.9	14.7
Insurance proceeds on capital items	210.5	-
Principal net investment in lease receipts	251.6	254.4
Lease incentives received	52.0	42.8
Loans repaid	14.8	34.9
Loans advanced	(41.5)	(7.5)
Cash utilised in investing activities	(1 506.6)	(1 144.7)
Cash flows from financing activities		
Principal lease liability payments	(2 059.8)	(1 677.0)
Borrowings raised	6 020.4	7 540.3
Repayment of borrowings	(5 348.5)	(5 144.1)
Share purchases	(114.2)	-
Cash (utilised in)/generated from financing activities	(1 502.1)	719.2
Net increase in cash and cash equivalents	160.7	3 566.3
Net cash and cash equivalents at beginning of period	3 463.7	(102.7)
Foreign currency translations	0.9	0.1
Net cash and cash equivalents at end of period	3 625.3	3 463.7
Consisting of:		
Cash and cash equivalents	6 425.3	5 415.1
Overnight borrowings	(2 800.0)	(1 951.4)

Additional information

Additional information may not represent a defined term under IFRS and, as a result, it may not be comparable with similarly titled measures reported by other companies. Additional information is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only and has not been reviewed nor reported on by the Group's auditors.

1. Like-for-like turnover and expense growth comparisons

Like-for-like turnover and expense growth comparisons remove the impact of store openings, closures (including damaged and looted stores closed due to civil unrest) and conversions in the current and previous reporting periods.

2. Turnover analysis excluding the impact of trade disruptions during the current reporting period

During the period under review, the Group's South African operations were significantly impacted by trade disruptions arising from the civil unrest in KwaZulu-Natal and parts of Gauteng (referred to as civil unrest); and by the resumption of government imposed trade restrictions on the sale of liquor during the period (referred to as Covid-19 liquor restrictions).

Estimated lost turnover: Civil unrest

Management estimates that the Group lost approximately R1.8 billion of turnover during this reporting period related to the civil unrest from both stores closed due to damage and looting as well as stores closed preventatively. This estimation is based on approved internal financial budgets per affected store, and supported by recent turnover trends in the relevant stores. Where it was noted that turnover transferred to existing operating stores, that positive impact was also taken into account in the lost turnover assessment, reducing the loss in turnover estimate. Furthermore, these estimations align to methodologies applied in the Group's business interruption (loss of profits) insurance claims.

Estimated lost turnover: Covid-19 liquor restrictions

Management estimates that the Group lost approximately R0.9 billion (2021: R2.5 billion) of turnover during the current reporting period as a result of the 66 trading days (2021: 209 trading days) lost on the resumption of the Covid-19 liquor trading restrictions. This estimation is based on management's best estimate of the lost turnover during the restricted trading days, net of the increase in liquor sales on days surrounding the restricted days. This estimation is based on approved internal financial budgets per affected store and supported by recent turnover trends in the relevant stores.

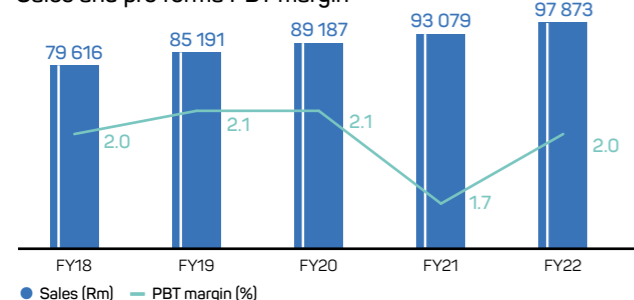




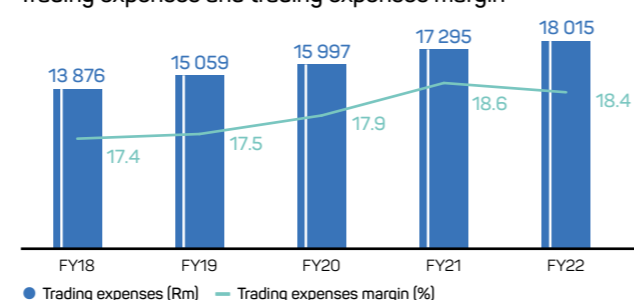
FIVE-YEAR REVIEW

		FY22	FY21	FY20	FY19	FY18
Consolidated statement of comprehensive income						
Turnover	Rm	97 872.8	93 078.8	89 186.5	85 190.8	79 616.4
Pro forma other trading income	Rm	2 650.3	1 580.9	1 570.2	1 474.8	1 451.1
Trading expenses	Rm	18 014.7	17 294.8	15 997.4	15 058.9	13 875.9
Pro forma PBT	Rm	1 978.0	1 583.4	1 897.2	1 776.1	1 581.2
Headline earnings	Rm	1 258.9	1 095.0	1 389.9	1 347.4	1 268.6
Pro forma headline earnings	Rm	1 388.5	1 124.2	1 346.7	1 347.4	1 162.8
Consolidated statement of financial position						
Assets	Rm	40 344.5	37 816.5	33 505.3	32 107.7	30 880.1
Ordinary shareholders' equity	Rm	3 715.7	3 386.2	3 010.1	3 035.0	2 940.1
Liabilities	Rm	36 628.8	34 430.3	30 495.2	29 072.7	27 940.0
Performance measures						
Turnover growth	%	5.2	4.3	4.7	7.1	5.1
Gross profit margin	%	18.8	19.8	19.7	19.1	19.0
Trading expenses margin	%	18.4	18.6	17.9	17.5	17.2
Pro forma PBT margin	%	2.0	1.7	2.1	2.1	2.0
Pro forma PBT growth	%	24.9	(16.5)	6.8	12.3	1.9
HEPS growth	%	14.5	(21.4)	2.9	5.9	14.1
Pro forma HEPS growth	%	23.0	(16.8)	(0.3)	15.5	4.6
Net asset value per share	cents	827.1	769.9	776.2	786.7	738.1
Return on capital employed (ROCE)	%	39.1	35.2	44.6	44.1	38.8
Weighted average cost of capital (WACC)	%	9.9	10.3	12.0	12.4	12.0

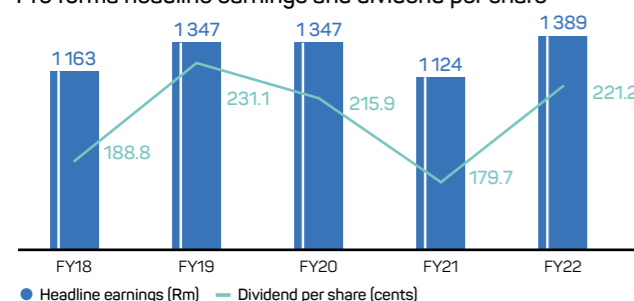
Sales and pro forma PBT margin



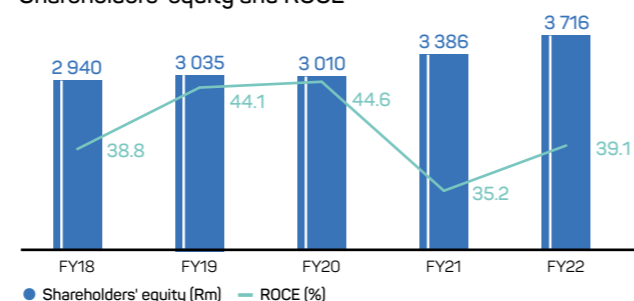
Trading expenses and trading expenses margin



Pro forma headline earnings and dividend per share



Shareholders' equity and ROCE



The table and graphs above illustrate the Group's challenging trading environment over the past two years:

FY21 – reflects the sales, earnings and profit margin impact of the Covid-19 pandemic, and all related trading restrictions, social distancing measures and the costs associated with more stringent health and hygiene measures. Furthermore, trading expenses in FY21 also reflect the impact of once-off employee costs of R250 million – R200 million arising from strategic staff restructuring under Project Future, and an appreciation bonus of R50 million paid to frontline staff during the Level 5 Covid-19 lockdown.

FY22 – reflects the resumption of Covid-19 liquor restrictions in the first half of the year, alongside the financial impact of the civil unrest of July 2021.

		FY22	FY21	FY20	FY19	FY18
Stock exchange (JSE Limited) performance						
Number of shares in issue	millions	493.5	493.5	493.5	493.5	488.5
Weighted average number of shares in issue	millions	479.4	477.5	476.2	475.1	473.7
Total market capitalisation	Rbn	22.9	25.5	27.3	34.1	36.3
Market capitalisation net of treasury shares	Rbn	22.3	24.7	26.4	32.9	35.3
Price : earnings ratio	times	16.0	21.9	19.5	24.4	30.3
Total dividend per share	cents	221.2	179.7	215.9	231.1	188.8
Interim dividend per share	cents	35.8	18.7	42.8	39.1	33.4
Final dividend per share	cents	185.4	161.0	173.1	192.0	155.4
Dividend cover	times	1.3	1.3	1.3	1.3	1.3
Dividend yield	%	4.8	3.5	3.9	3.3	2.5
Volume of shares traded	millions	349.3	261.6	275.8	362.8	360.1
Percentage of shares traded	%	70.8	53.0	55.9	73.5	73.7
Market price per share						
– close at year-end	cents	4 644	5 167	5 524	6 913	7 428
– high for the year	cents	6 250	6 778	7 412	8 209	7 606
– low for the year	cents	4 612	4 515	5 155	6 228	5 460

Definitions

Pro forma profit before tax (PBT)	Profit for the period before tax and capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe and – specifically in FY22 – including insurance recoveries received after year-end. Refer page 71.
Headline earnings	Net profit for the period adjusted for the after-tax effect of capital items.
Headline earnings per share (HEPS)	Headline earnings divided by the weighted average number of shares in issue for the period. Refer page 71.
Pro-forma headline earnings	Headline earnings excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe – and specifically in FY22 – including insurance recoveries received after year-end.
Pro forma HEPS	Pro forma headline earnings divided by the weighted average number of shares in issue for the period. Refer page 71.
Margin	The value of an earnings metric (for example gross profit or trading expenses) expressed as a percentage of turnover.
Net asset value per share	Total value of net assets at period end, adjusted for directors' valuations of property, divided by the number of shares in issue at period end, held outside the Group.
Return on capital employed (ROCE)	Pro forma headline earnings divided by average shareholders' equity plus secured borrowings.
Weighted average cost of capital (WACC)	WACC is the average after tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.
Weighted number of shares in issue	The weighted average number of shares in issue considers all changes in outstanding shares over the period – including new issuances, share buy backs and changes in treasury shares held – weighted for the time period that the shares were outstanding during the year.
Market capitalisation	The price per share at period-end multiplied by the number of shares in issue at period-end.
Price earnings ratio	The price per share at period-end divided by pro forma headline earnings per share.
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period end, in respect of the current financial year.
Dividend cover	Pro forma headline earnings per share divided by the dividends per share which relate to those earnings.
Dividend yield	The value of the total dividend per share expressed as a percentage of the share price.
Volume of shares traded	The number of shares traded on the Johannesburg Stock Exchange in the financial year.

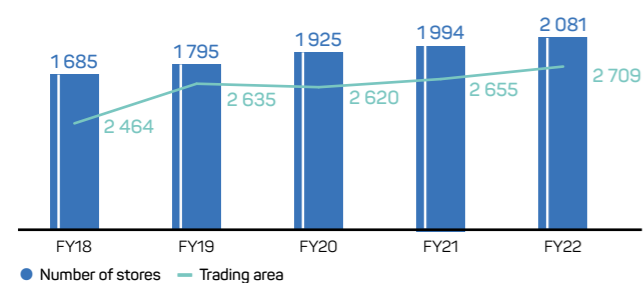
The Group's Ekuseni strategy has set out key performance targets over the next four years (FY23 – FY26) including the Group's market share growth and improvements in Pick n Pay's Net Promoter Score (NPS). These Ekuseni-specific metrics will be included in our five-year review going forward.



		FY22	FY21	FY20	FY19	FY18
Human measures						
Developed a skilled workforce						
Number of employees	000's	57.0	55.2	54.9	53.6	51.9
Permanent employee turnover	%	16.0	15.0	17.0	17.4	24.9
Employment Equity¹						
Top management	%	53.8	49.7	48.5	44.0	40.9
Senior management	%	81.7	79.1	76.8	74.2	71.3
Professionally qualified middle management	%	95.8	95.3	93.8	93.5	92.8
Skilled technical and junior management	%	98.7	98.4	98.2	98.0	97.8
Semi-skilled and discretionary decision-making	%	99.8	99.9	99.8	99.8	99.8
Unskilled and defined decision-making	%	99.7	99.8	99.8	99.7	99.7
Social and environmental measures						
Carbon footprint (Scope 1 and 2) ²	CO ₂ e tonnes	1 000 558	889 595	987 230	827 663	860 948
Energy usage per square metre reduction (FY10 baseline) ^{3,4}	%	35.1	34.4	28.2	27.7	28.8
CO ₂ e emissions per square metre reduction (2013 baseline) ³	%	6.6	6.5	4.8 ⁵	3.7	2.5
Waste diverted from landfill ³	%	55.0	61.0	60.0	53.5	54.3
Water used ³	megalitres	1 020	1 006	1 117	1 128	1 161
Total CSI spend ²	Rm	38.0	41.3	34.0	34.1	30.5
Schools in Pick n Pay Schools club ³		3 185	3 155	3 025	3 025	3 025
B-BBEE Level ^{3,6}		Level 5	Level 7	Level 7	Level 8	Level 8
Operational statistics						
Total number of stores						
Group – excluding associate						
Pick n Pay – Owned		876	830	794	749	722
Pick n Pay – Franchise		773	761	774	719	660
Boxer – Owned		368	342	298	270	246
Associate						
TM Supermarkets		64	61	59	57	57
Total square metres						
Owned	m ² – millions	2.7	2.7	2.6	2.6	2.5
Franchise	m ² – millions	0.7	0.8	0.8	0.8	0.7

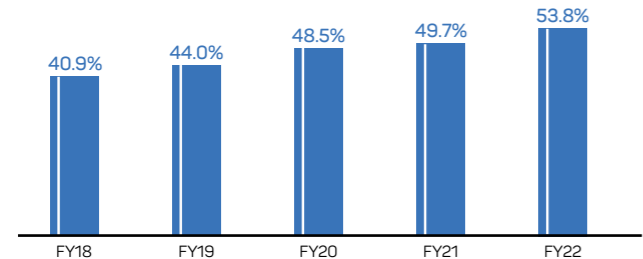
¹ These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories within Pick n Pay.
² Information relates to all Pick n Pay and Boxer company-owned stores and operations.
³ Information relates to all Pick n Pay company-owned stores and operations, with a roadmap to include Boxer.
⁴ Performance restated against a FY10 baseline to improve accuracy of data (previously 2008 calendar year).
⁵ Incorrectly published last year as 1.9.
⁶ Amended post original publication date from Level 7 to Level 5 to reflect the results of the 2022 B-BBEE verification process. The improvement reflects a significant increase in points awarded to Pick n Pay for skills development. Please click here for our 2022 B-BBEE certificate.

Number of stores and trading area



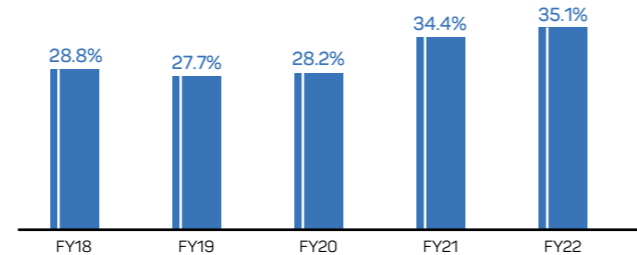
Store numbers continue to increase ahead of the increase in the Group's trading area – with a focus on opening smaller stores, which meet our customers' need for greater convenience and a tighter and more tailored range.

Employment equity in top Pick n Pay management



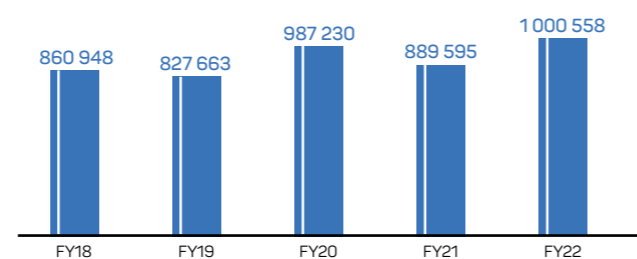
The transformation of our senior leadership team – specifically in respect of race and gender – remains a critical focus area for the Group.

Reduction in energy usage per square metre (FY10 baseline)



Pick n Pay utilises less energy today in absolute terms than it did in FY10, notwithstanding more than doubling its owned store estate over the past twelve years.

Carbon footprint (Scope 1 and 2) – CO₂e tonnes

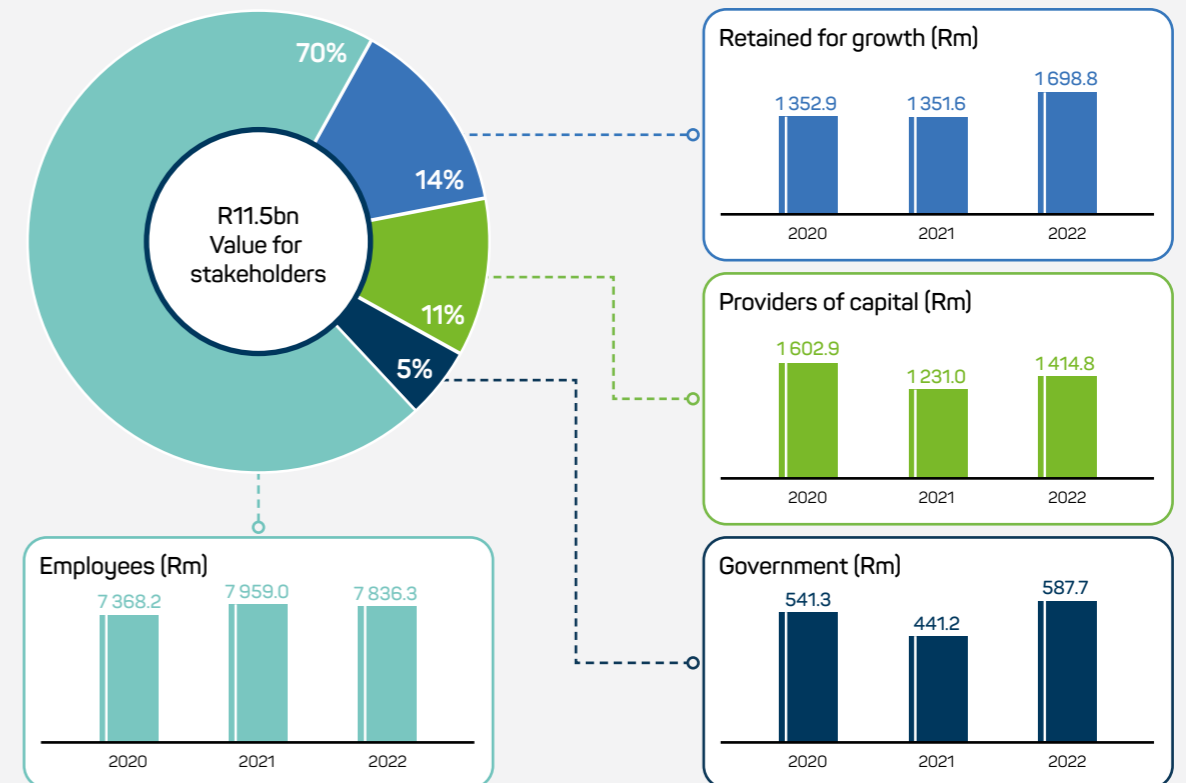


The reduced carbon footprint in FY21 reflects the store closures and restricted trading hours as a result of the Covid-19 pandemic and the government measures implemented to curtail the spread of the virus. The increase in FY22 reflects the inclusion of Boxer refrigerant gasses for the first time, with an impact of 73 691 CO₂e tonnes.

VALUE-ADDED STATEMENT

We have created financial value of R11.5 billion (2021: R11.0 billion) during the financial period. The value-added statement illustrates how we have distributed this value to our stakeholders.

	52 weeks 27 February 2022 Rm	52 weeks 28 February 2021 Rm	52 weeks 1 March 2020 Rm
Turnover	97 872.8	93 078.8	89 186.5
Pro forma other income	2 650.3	1 580.9	1 570.2
Amounts paid for goods and services	(89 305.1)	(83 917.3)	(80 262.0)
Finance income (excluding IFRS16)	319.6	240.4	275.6
Total value created	11 537.6	10 982.8	10 865.3
Distributed as follows :			
Employees			
Salaries, wages and other benefits	7 836.3	7 959.0	7 368.2
To providers of capital			
Distributions to shareholders	1 414.8	1 231.0	1 602.9
Share purchases	114.2	-	87.6
Finance costs (excluding IFRS16)	341.0	296.3	389.6
Government			
Taxation expense	587.7	441.2	541.3
Retained for growth	1 698.8	1 351.6	1 352.9
Total value distributed	11 537.6	10 982.8	10 865.3





06

OUR GOVERNANCE

- 82 An overview by our lead independent director
- 84 Our governance structure
- 90 Our Board of directors
- 94 Our remuneration report





AN OVERVIEW BY OUR LEAD INDEPENDENT DIRECTOR

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

Jeff van Rooyen
Lead Independent Director



Our approach to corporate governance

In the year that we celebrate the 55th anniversary of the Group's founding, the Board of directors (Board) reaffirms its long-standing commitment to the highest standards of corporate governance, which it believes has contributed to the Group's sustainable value creation. The Board provides effective and ethical leadership and remains committed to a governance framework that is built on the principles of honesty, integrity and accountability.

The Board endorses the corporate governance principles encapsulated in King IV, including the concept of integrated thinking, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. The Board commits to stakeholders that it will operate in accordance with our values of integrity, competence, fairness, responsibility, transparency and accountability, as captured by our enduring values set out on page 6.

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

The Board is satisfied that it has fulfilled its responsibilities in accordance with its memorandum of incorporation, corporate governance charter, King IV, the JSE Listings Requirements, the Companies Act and applicable statutory and regulatory requirements for the financial period ended 27 February 2022.

Impact of Covid-19

Efforts to curb the spread of the Covid-19 global pandemic continued to impact significantly on people and economies. The National State of Disaster remained in force in South Africa during the 2022 financial period, and the impact on the economy of the regulatory restrictions on trade continues to be felt in the current financial period. While the State of Disaster was lifted on 4 April 2022, the Minister of Health has proposed regulations under the Surveillance and Control of Notifiable Medical Conditions Act. The draft regulations were being vigorously debated, while interim restrictions limited social gatherings and required that masks be worn in public indoor places. We are pleased to note that on 23 June 2022 these remaining restrictions were lifted. The Group's established corporate governance policies continue to be of benefit in ensuring that the amended regulatory measures are accommodated in our stores and offices. All efforts continue to ensure that our customers have access to quality products at fair prices in a safe store environment.

Impact of civil unrest in July 2021

The goal of providing a safe store environment for staff and customers was unexpectedly and significantly challenged by the civil unrest experienced in South Africa in July 2021. In response to the looting, the decision was swiftly taken that the safety and well-being of our staff and customers was of paramount importance. We closed 551 stores as a safety precaution, all of which re-opened to trade within 12 days. Unfortunately, a further 212 stores and two distribution centres were significantly looted, with a number of these stores severely damaged.

The Group incurred material damage losses which were recovered in full in the 2022 financial period under the SASRIA special riot insurance covers. While business interruption claims were submitted to our insurers regarding the looted stores, it was not possible to insure against the loss of trade from the 551 stores closed as a preventative measure.

The Board actively monitored and supported management in their response to the civil unrest, with non-executive directors making themselves freely available for ad hoc Board and committee meetings as the situation unfolded. The Board extends its deep gratitude to management for their agile response to the civil unrest, firstly in minimising the risk to the safety of staff and customers, and secondly in re-establishing trade as quickly as possible in the affected areas. Despite being a victim of the looting and destruction, the Group was one of the first to bring relief to the affected local communities to ensure they did not experience food shortages and hunger. All but 16 stores re-opened for trade during the 2022 financial period, and 13 remain closed at the date of publication. Our franchisees were supported to ensure they could weather the crisis. The causes and impacts of the civil unrest have been thoroughly analysed and measures taken as far as possible to ensure that risks are mitigated. The increased costs of security and insurance cover remain a concern.

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

Ethical culture

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

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

- The Board conducted its annual review of the corporate governance charter, ensuring it was updated to align with best practice
- The Board conducted its annual review of the Group's Code of Ethics, which outlines the key behaviours and actions expected by employees, suppliers and business partners
- The Board oversaw the Group's response to the State of Disaster declared as a result of the Covid-19 pandemic and the civil unrest experienced in July 2021:
 - » The Group worked tirelessly with suppliers and staff to ensure that its stores remained open to provide essential products to consumers and a safe environment for staff and customers
 - » The Group actively assisted in poverty alleviation through the Feed the Nation Foundation
 - » The Group endorsed the policy of donating dividends that have remained unclaimed for more than three years to the Feed the Nation Foundation to ensure a regular source of income to address poverty alleviation

Effective control

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

- Areas of governance are delegated to the Board's various committees. Read more from page 84.
- The Board's delegation of authority within its governance framework contributes to role clarity and the effective exercise of responsibilities across the Board's various committees and within the broader business. Read more from page 84.
- The Group's corporate governance structure is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the sustainability of operations.
- The Group's Corporate Governance Charter was amended to link the term of the Chair and Lead Independent Director to a term equivalent to the duration of their election as directors by shareholders.
- The Board annually conducts an evaluation of its contribution to the Group as a whole, as well as the individual performance of each director. The Board is satisfied that its objectives have been met.

- As part of its succession planning strategy and to enable a seamless transition in key leadership roles, the Board, in collaboration with the nominations and corporate governance committee:
 - » Reviewed the succession planning for non-executive directors on the Board
 - » Reviewed the succession planning for the senior executive positions in the Group
 - » Finalised the succession plan for the Chair of the audit, risk and compliance committee, given the upcoming retirement of the incumbent
 - » Finalised the succession plan for the Company Secretary, given the upcoming retirement of the incumbent
 - » Reviewed the succession planning for the Lead Independent Director, given my planned retirement
 - » Assessed the effective functioning of the Board and each Board committee, to ensure that there was an appropriate mix of knowledge, skill, experience and diversity as well as sufficient non-executive director capacity to execute committee and Board duties effectively
 - » Adjusted committee membership to ensure that all directors contributed in accordance with their strengths and diverse experience
- The Board respects the King IV principle of having an arm's length relationship with the Company Secretary and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the boards of the various companies in the Group.

Legitimacy

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

The Board regularly reviews its stakeholder relationships with the aim of ensuring its approach is inclusive and balances the needs, interests and expectations of all in the best interests of the Group.

Implementation of effective stakeholder relationship management has been delegated to the executive team. Key areas of focus include:

- Ensuring that shareholders can participate as effectively as possible in the annual general meetings, which have been held on a virtual platform in recent years owing to the Covid-19 pandemic
- Ensuring that all directors attend the annual general meeting and are available to respond to shareholder questions as to how the Board executed its governance duties
- Ensuring that the designated partner of the external audit firm attends the annual general meetings, and is available to respond to shareholder questions
- Making the minutes of the annual general meetings publicly available to shareholders
- Regularly reviewing the governance framework adopted by the Group, including the levels of authority for the executive and management teams
- Ensuring that the subsidiary companies in the Group operate as separate and independent juristic entities with delineated rights and roles

Good performance

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

Jeff van Rooyen
Lead Independent Director

23 June 2022



OUR GOVERNANCE STRUCTURE

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

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

The Group's governance framework is regularly reviewed to ensure that the Board exercises effective and ethical leadership, the Group conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability of the business. In the 2022 financial period, following the separation in the prior financial period of the risk and internal audit functions, the Board closely monitored and was satisfied with the services provided by risk and internal audit.

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

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

Jeff van Rooyen, Lead Independent Director

Board committees

The Board is supported by the executive, audit, risk and compliance, remuneration, nominations and corporate governance, corporate finance, and social and ethics committees. The Board's delegation of authority to these committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The role and responsibilities of each committee are set out in the Board's corporate governance charter, available on our website at www.picknpayinvestor.co.za. The charter is reviewed annually to ensure that the committee mandates remain current and effective and that the requirements of King IV are met. Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority.

Pick n Pay Stores Limited Board

Attendance

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

- Four scheduled and two ad hoc Board meetings were held during the 2022 financial period
- The two ad hoc Board meetings were called in July and August 2021 to monitor the impact of the civil unrest on South Africa and the Group
- Directors' attendance at both scheduled and ad hoc Board meetings was 100%
- All directors attended the annual general meeting held on 28 June 2021

Audit, risk and compliance committee

Members and attendance

	Scheduled	Ad hoc
J van Rooyen (Chair) ^Δ	2/2	3/3
H Bhorat ^Δ	2/2	2/3
M Cassim ^Δ	2/2	2/3
D Friedland ^Δ	2/2	3/3
A Mothupi ^Δ	2/2	2/3

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

Read from page 34 for more detail of the role this committee plays in determining the financial reporting and material issues faced by the Group and in assessing the adequacy of the Group's risk management processes.

Nominations and corporate governance committee

Members and attendance

G Ackerman (Chair) [^]	2/2
S Ackerman-Berman [#]	2/2
H Bhorat ^Δ	2/2
D Friedland ^Δ	2/2
A Mothupi ^Δ	2/2
A van der Merwe ^Δ	2/2
J van Rooyen ^Δ	2/2

In addition to scheduled meetings, the nominations committee holds ad hoc meetings with all the non-executive directors to discuss and guide succession plans and committee membership.

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

Social and ethics committee

Members and attendance

S Ackerman-Berman (Chair) [#]	3/3
A Jakoet ^{**}	3/3
D Robins [^]	3/3
A van der Merwe ^Δ	3/3

The committee, supported by key management personnel, is tasked with ensuring that the Group's enduring values as set out on page 6 underpin the Group's long-term strategy and are applied daily in all areas of the business, and that our sustainability strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business (refer to page 55 for more information).

Remuneration committee

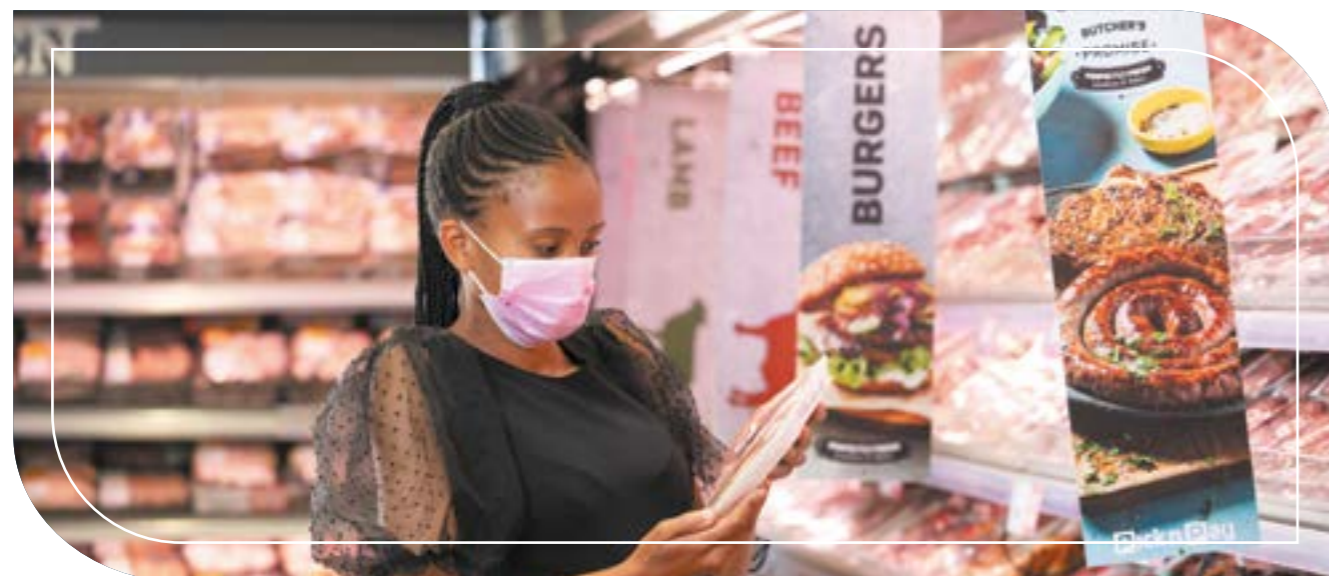
Members and attendance

A Mothupi (Chair) ^Δ	3/3
G Ackerman [^]	3/3
H Bhorat ^Δ	3/3
A Jakoet [^]	3/3
J van Rooyen ^Δ	3/3

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

Read more in our remuneration report from page 94.

- ✓ Available for all meetings.
- ^ Non-executive director.
- Δ Independent non-executive director.
- * Resigned from committee at end of financial period.
- # Executive director in 2022 financial period, non-executive director from 31 March 2022.





Employee share incentive trust

Members and attendance

G Ackerman (Chair) [^]	2/2
A Jakoet [^]	2/2
A Mothupi [^]	2/2
J van Rooyen [^]	2/2

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

The trustees ensure that the employee share incentive schemes are managed in a responsible and appropriate manner, with adequate funding and internal controls.

Corporate finance committee

Members and attendance

J van Rooyen (Chair) [^]	✓
H Bhorat [^]	✓
M Cassim [^]	✓
D Friedland [^]	✓
H Herman [^]	✓
A Jakoet [^]	✓
A Mothupi [^]	✓
A van der Merwe [^]	✓

The committee consists of the non-executive directors who are not representatives of the controlling shareholder. It assists the Board in assessing material investment opportunities for the Group, as identified in the Group's long-term Ekuseni strategy. No formal meetings were held in the 2022 financial period.

Read from page 46 for more detail on the Group's strategic focus.

Executive committee

Members and attendance

P Boone	✓
L Olivier	✓

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

✓ Available for all meetings.
[^] Non-executive director.
[^] Independent non-executive director.

What the Board focused on during the year

The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that the strength of its strategy, the identification of material issues, the effectiveness of its risk management, its commitment to social and environmental sustainability and its financial performance are all inseparable elements of long-term value creation. Directors engage in rigorous and informed debate with the aim of promoting direction, governance and effective leadership for the Group. All Board members are conscious of their obligation to act with integrity and as representatives of all our stakeholders.

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

Please refer to the message from our Chair on pages 10 to 11 and our Corporate Governance Report available on our investor relations website www.picknpayinvestor.co.za for further information on the Board's key focus areas this year.

Board composition

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

February 2022

$$7 \text{ Independent non-executive directors} + 3 \text{ Non-executive directors (including our Chair)} + 4 \text{ Executive directors} = 14 \text{ Directors at the end of the 2022 financial period}$$

June 2022

$$8 \text{ Independent non-executive directors} + 3 \text{ Non-executive directors (including our Chair)} + 3 \text{ Executive directors} = 14 \text{ Directors as at the date of this report}$$

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

Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, on which date she was appointed as a non-executive director and will be presented to shareholders for election at the 2022 AGM. Gareth Ackerman, Suzanne Ackerman-Berman and David Robins are not considered independent owing to their relationship with the controlling shareholder. As our Chair is not considered independent, Jeff van Rooyen was appointed as lead independent director. Read more under "Controlling shareholder representation on the Board" on page 88.

The executive committee (refer to page 86 for further information) performs the CODM role within the Group. The CODM comprises Pieter Boone (CEO) and Lerena Olivier (CFO). They are tasked with the day-to-day executive management of the Group including the CISO portfolio. Jonathan Ackerman performs a valuable ancillary executive role alongside the executive committee, focused on instilling Group values.

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

Hugh Herman will retire from the Board as a non-executive director at the 2022 AGM. The Board has assessed its composition and considers that there is sufficient capacity to fulfil all Board functions after the 2022 AGM.

Our directors' sector experience

A competitive advantage for the Board

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

Board development focus areas for the 2023 financial period

- Risk management in general, with a specific focus on international and national socio-economic risks
- The effectiveness of information technology in effectively serving customers, as well as the security of information technology services
- ESG reporting

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

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



Following questions raised by shareholders at the 2021 AGM, sector experience was reviewed and validated. The graph reflects the cumulative knowledge and experience of all the sectors in which our directors have spent time working and advising in a particular industry or sector of the economy. In addition, all directors receive regular briefings on changes in the Group's consumer and competitive environment, including relevant updates on regulatory compliance, which focus on the material opportunities and risks facing the Group that could impact on successful execution of the Group's long-term plan.

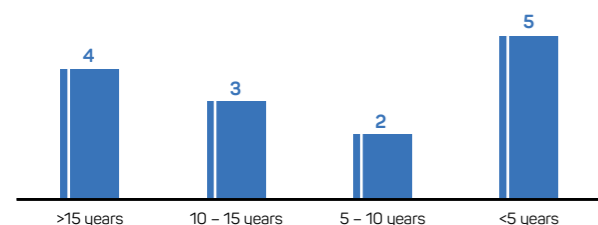


Controlling shareholder representation on the Board

The non-executive Chair of the Group, Gareth Ackerman, non-executive directors Suzanne Ackerman-Berman and David Robins and executive director, Jonathan Ackerman, were nominated as representatives of the controlling shareholder and were elected by shareholders to the Board. All are members of the Ackerman family, and are not considered independent by virtue of their indirect shareholdings in the Company. Between them they have over 96 years' experience in the Group. Their wealth of retail knowledge assists the Group in making decisions for the benefit of all stakeholders.

To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as lead independent director (LID). The role of the LID is to provide leadership and advice to the Board when the Chair has a conflict of interest, without detracting from the authority of the Chair. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest. Jeff van Rooyen was re-appointed as LID on 16 May 2022, after agreeing to postpone his planned retirement for a year, to provide robust handover on the audit, risk and compliance committee.

Board director tenure



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

Non-executive director tenure

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

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

Director appointment and rotation

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

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

In the 2021 Integrated Annual Report, long-serving independent non-executive directors Hugh Herman and Jeff van Rooyen indicated their intention to retire from the Board after the 2022 annual general meeting. Subsequently, Jeff van Rooyen was asked to postpone his retirement until the 2023 annual general meeting so as to provide a comprehensive handover to the new Chair of the audit, risk and compliance committee, as Aboubakar Jakoet had not previously been a member of that committee. The Board extends its gratitude to Jeff van Rooyen for agreeing to this request and also for agreeing to act as LID during this period. The retirement of Hugh Herman as non-executive director was confirmed for 26 July 2022 after the conclusion of the 2022 annual general meeting. Succession planning has ensured that there will remain sufficient capacity among the non-executive directors to fulfil all Board functions. The Board is pleased that Hugh Herman's great wisdom and experience will remain available to guide its deliberations, as he has agreed to stay on as a consultant to the Board.

When filling vacancies, the Board seeks and appoints qualified individuals who reflect a diverse range of skills and professional backgrounds and who represent the gender, race and ethnic diversity of the communities we serve. This is guided by the Group's diversity policies, as well as ensuring that the Board enjoys representation across all elements of sector experience. The Board raised the diversity target percentages from 25% to 30% during the 2022 financial period.

Gender diversity – %
At least 30% of our Board should comprise women.

Racial diversity – %
At least 30% of our Board should comprise South African citizens who are African, Coloured or Indian.

Gender diversity – %
Male 64%, Female 36%

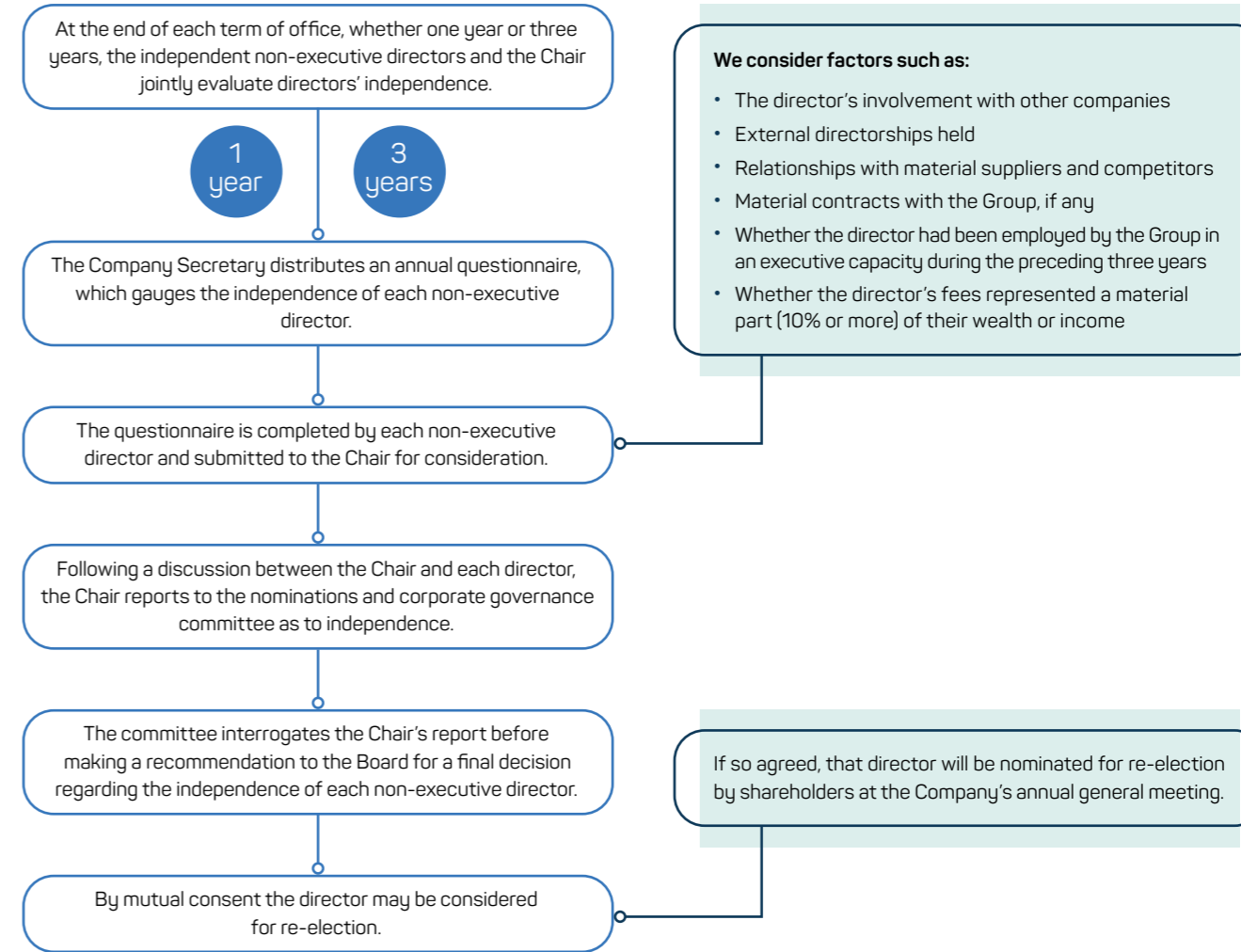
Racial diversity – %
White 64%, ACI 36%

Racial diversity – %
At least 30% of our Board should comprise South African citizens who are African, Coloured or Indian.

The Board has achieved its gender and race diversity targets, which were raised from 25% to 30% during the 2022 financial period.

The Board will once again review these targets in FY23, as part of its broader transformation strategy.

Independence of non-executive directors



Non-executive directors

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

2022: Independent 73%, Non-independent 27%

2021: Independent 70%, Non-independent 30%

Legend: ● Independent – % ● Non-independent – %



OUR BOARD OF DIRECTORS

Non-Executive Chair



Gareth Ackerman (64)

Chair
BSocSci, CMS and AMP (Oxon)

- Appointed 1990
- Years of service to the Group: 38
- Years of service on the Board: 32
- Chair of the nominations and corporate governance committee and the Employee Share Incentive Trust



An executive at Pick n Pay for 15 years until 1999, Gareth headed up various divisions and served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. He was appointed to the Board in 1990 as an executive director, until becoming a non-executive director in 1999. From 2002 to 2010 Gareth was Chair of Pick n Pay Holdings Limited, which at that time was the ultimate holding company of the Group. In 2010 he was appointed non-executive Chair of Pick n Pay Stores Limited.

Among his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa and is previous co-chair of the international Consumer Goods Forum. He is also a trustee of the Masisizane Fund and was a member of the international board of the Young Presidents' Organization (YPO). He chairs the Ackerman Family interests.



Executive directors



Pieter Boone (54)

Chief Executive Officer (CEO)
BBA

- Appointed 2021
- Years of service to the Group and Board: 1



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



Lerena Olivier (46)

Chief Finance Officer (CFO)
CA(SA)

- Appointed 2019
- Years of service to the Group: 11
- Years of service to the Board: 2



Lerena joined the Group 11 years ago, taking responsibility for Group financial reporting and the finance team. During her 20 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise across a number of key business areas, including finance, risk management, strategy, accounting and tax.



Jonathan Ackerman (55)

Executive Director
BA Marketing

- Appointed 2010
- Years of service to the Group: 29
- Years of service on the Board: 12

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



Non-executive directors



Suzanne Ackerman-Berman (59)

BA, Fellow: Aspen Business Institute;
First Movers

- Appointed 2010
- Years of service to the Group: 27
- Years of service on the Board: 12
- Chair of the social and ethics committee



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

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



David Robins (68)

BBusSci

- Appointed 2002
- Years of service to the Group: 28
- Years of service on the Board: 20



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



Independent non-executive directors



Haroon Borhat (53)

PhD in Economics

- Appointed 2020
- Years of service on the Board: 2
- Other listed company directorships: Sygnia Asset Management (Independent non-executive Chair)



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



Mariam Cassim (40)

CA(SA), MBA

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



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

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



David Friedland (68)

CA(SA)

- Appointed 2013
- Years of service on the Board: 9
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited



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





Independent non-executive directors



Hugh Herman (81)
BA LLB, LLD (hc)

- Appointed 1976
- Years of service on the Board: 46

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

Following 46 years of distinguished service to the Group, Hugh retires from the Board after the 2022 AGM.

LC R RM F SM S G



Aboubakar (Bakar) Jakoet (66)
CA(SA)

- Years of service to the Group: 36
- Years of service to the Board: 11 (3 as non-executive)
- Appointed 2019 as a non-executive director
- Years of service on the Board as non-executive director: 2
- Other listed company directorships: Oceana Group Limited

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

Bakar is deputy chair of the UCT finance committee.

C G H L IT R LC F RM S SM



Audrey Mothupi (52)
BA (Hons)

- Appointed 2013
- Years of service on the Board: 9
- Chair of the remuneration committee
- Other listed company directorships: Life Healthcare Group, Altona plc (listed on the Aquis Stock Exchange)

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

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

C RM SM H G IT R LC S F



Annamarie van der Merwe (58)
B.Juris, LLB, LL.M, EMP

- Appointed 2020
- Years of service on the Board: 1

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

C G H LC RM F S



Jeff van Rooyen (72)
BCom (SA), Hons BCompt, CA(SA)

- Appointed 2007
- Years of service on the Board: 15
- Lead independent director (LID)
- Chair of the audit, risk and compliance committee and corporate finance committee

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

C G H R LC RM F S CC

Company Secretary



Debra Muller (60)
Company Secretary
BA LLB

- Appointed 2010
- Years of service to the Group: 16

Debra was admitted as an attorney in 1988. From 1994 she assisted the Group as a legal consultant, taking a permanent position as in-house legal advisor in 2006, working with contracts, compliance and disputes. Appointed as Company Secretary to the Group in 2010, Debra continues to head up the legal department. Debra was on the board of directors of the Consumer Goods and Services Ombud (RF) NPC and was a member of its audit committee until retiring in February 2022.

Having retired from the Group at the end of March 2022, Debra remains on a 12-month contract for succession plans to be implemented.

Honorary life presidents



Raymond Ackerman
Years of service: 55



Wendy Ackerman
Years of service: 55

Sector experience

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

Refer to page 87 for insight into the Board's overall sector experience.

Members of:

- | | |
|--|--------------------------------|
| Audit, risk and compliance committee | Social and ethics committee |
| Remuneration committee | Executive committee |
| Nominations and corporate governance committee | Employee Share Incentive Trust |
| Corporate finance committee | |



OUR REMUNERATION REPORT

The remuneration committee is mandated by the Board to ensure that the Group's remuneration policies and decisions are:

- aligned with the interests of all stakeholders
- closely aligned with the delivery of the Group's long-term strategic objectives
- appropriate to incentivise sustainable value creation over the longer term
- fair and responsible, rewarding both individual and Group performance
- effective at attracting and retaining talent

The remuneration committee is satisfied that it has met its responsibilities in terms of its Board charter, and that the remuneration policies it has applied and the decisions it has taken have fulfilled the objective of fair and responsible remuneration.

The Group's remuneration report is prepared in accordance with the requirements of the Companies Act, King IV and the JSE Listings requirements.

As a responsible corporate citizen, we devote the necessary focus to important issues of employment equity, gender equity and pay parity. At our heart, we are a people business and can only win through our people.

Our commitment to employees:

- We take deliberate action to achieve employment equity and gender targets
- We are equitable in our recruitment
- We guarantee equal pay for equal work
- Everybody has the opportunity to progress in the Group

Navigating the report

The remuneration report is structured as follows:

Section 1: Remuneration Committee Chair report

Our Chair's background statement provides context to the year under review, including:

- The role and responsibility of the remuneration committee as mandated by the Board
- All key focus areas and decisions taken
- Remuneration voting outcomes at the 2021 annual general meeting and related shareholder engagement
- Remuneration policy changes during the year
- Future focus areas

Section 2: Remuneration Policy

Information on the remuneration policies and practices of the Group, including:

- The key principles underlying remuneration policy, including detail on:
 - » Fair, equitable and responsible remuneration
 - » Benchmarking of remuneration policies and outcomes
- Overview of the structure of staff remuneration packages, including detail on:
 - » Guaranteed remuneration
 - » Variable remuneration: short-term and long-term incentives
- Service contracts and termination benefits
- Minimum shareholding requirements
- Malus and claw-back

The Group's remuneration policy is forward looking and will be voted on by shareholders at the AGM on 26 July 2022.

Section 3: Implementation of Remuneration Policy

Information on how the remuneration committee implemented remuneration policy over the 2022 financial year (FY22), based on Group and individual performance, including:

- Guaranteed pay, with specific focus on the salary of the CEO and CFO
- The award of a short-term annual performance bonus
- The award of long-term performance incentives under the Group's CRI and RSP Schemes
- The review of long-term incentives and their alignment with the Group's Ekuseni strategy
- Retirement gratuities
- Non-executive director remuneration

The Group's implementation of remuneration policy will be voted on by shareholders at the AGM on 26 July 2022.

“The remuneration committee always seeks to strike the right balance of attracting, motivating and retaining key talent while delivering a fair return to all stakeholders.”

Audrey Mthupi
Chair: Remuneration committee



Section 1

Remuneration committee Chair report

On behalf of the Board, I am pleased to present the FY22 remuneration report for the Group. The remuneration report provides stakeholders with an overview of our Group's overall remuneration philosophy, highlights key underlying remuneration policies, and sets out how these policies have been implemented during FY22, with a specific focus on payments made to executive and non-executive directors.

The year in review

The Group and its executive management team looked forward to a more stable year in FY22 – leaving the challenges of the Covid-19 pandemic behind, and targeting a solid recovery off the highly disrupted base of the prior year. The remuneration committee set strong sales and earnings performance targets for the executive management team this year – aligned with the expectations of the Board – which were initially borne out in the strong trade momentum delivered over the first quarter of the financial year. Unfortunately, trade disruptions became a significant feature of the Group's second quarter, with the resumption of stringent Covid-19 trading restrictions in respect of the sale of alcohol, followed by the severe operational and financial impact of the July 2021 civil unrest in South Africa.

The FY22 performance targets set by the remuneration committee became increasingly unrealistic as the devastating scale of the unrest became clear. Close to 40% of the Group estate was closed at the very height of the unrest – including 70% of the Boxer business – and the safety of our customers and our staff quickly became the Group's main priority. The financial impact of the civil unrest and the Group's operational recovery has been a key feature of the remuneration committee's deliberations over the course of the year. The Group has not met the original sales and profit targets set for the FY22 year. The committee acknowledges that this was mainly due to the extraordinary circumstances of the unrest. The committee has further been struck by the incredible efforts of so many of its people across the organisation – not only to rebuild and restore operations so quickly and effectively – but also in leading humanitarian efforts to provide essential food and groceries to the vulnerable communities most affected by the unrest.

In a year of such disruption and devastation, it has been exceedingly important for the committee to use careful judgement in its reward of management. The committee will always consider the impact of unforeseen events on the ability of management to achieve its targets, and it is never the committee's intent to penalise management for circumstances outside of their control. At the same time, fair and responsible reward is always balanced with the interests of all stakeholders. The remuneration committee remained cognisant of the concern expressed by shareholders around the level of discretion it has used in the past – particularly in FY21 during the Covid-19 pandemic – and sought to keep shareholder interests at the forefront of its decision-making this year. I hope that shareholders agree that the committee has struck a fair and equitable balance this year with its application of remuneration policy – and while the reduced award of short-term bonuses and the forfeit of a portion of long-term share incentives reflect the challenging circumstances of the past year, it also acknowledges the resilient performance of the management team under the most difficult of circumstances. Please refer to pages 110 and 112 for further information.

The Group's new long-term Ekuseni strategy, as set out on page 46, has also been a key area of focus for the remuneration committee this year. The committee has an important role to play in ensuring that management is adequately and appropriately incentivised to deliver on the objectives of Ekuseni – which includes clear sales, market share and earnings growth targets over the next four years.



The role and responsibility of the remuneration committee

The remuneration committee assists the Board to formulate and administer an effective remuneration strategy that:

- meets all legislative and regulatory requirements
- delivers on the Group's commitment to fair, transparent and responsible remuneration
- is balanced in the best short- and long-term interests of the Group and its stakeholders
- is aligned with the Group's long-term strategic objectives

The remuneration committee is mandated by the Board to ensure that the Group's remuneration policy achieves its key objective of sustainable value creation over the short, medium and long term. The Group's remuneration policy incentivises performance that delivers on the Group's strategic plan. Performance is measured against clear individual and Group performance targets. Remuneration paid to executive directors and senior management must be appropriate, fair and responsible, designed to attract, motivate and retain a diverse and high-performance team in a manner that is aligned with the interests of our shareholders.

The committee considers and recommends the remuneration policy for all levels of staff in the Group, with specific focus on executive directors, senior management and non-executive directors.

Members and attendance at meetings

The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

The remuneration committee held three meetings over the course of and in respect of the FY22 financial year.

	Board tenure as non-executive	Remuneration committee meeting attendance
Audrey Mthupi (Chair)	9 years	3/3
Gareth Ackerman	32 years	3/3
Haroon Borhat	2 years	3/3
Aboubakar Jakoet	2 years	3/3
Jeff van Rooyen	15 years	3/3

Independent external advisors

The remuneration committee ensures that the Group remains up to date with evolving legislation and remuneration practices across the retail industry through ongoing training, research and monitoring. Independent and objective expert advice is obtained as required, including in respect of industry benchmarking and the fair and transparent structure of variable short-term and long-term benefits in order to drive performance and achieve retention. Refer to page 102 for further information.

The Group anticipates inflationary and other cost pressures in FY23, alongside the disruption of a programme of accelerated store refurbishments and further action to improve efficiency across the Group's support functions under Ekuseni. The Group targets stronger sales and earnings momentum from the FY24 year as the benefits of the Ekuseni strategy start to be realised. The remuneration committee therefore recognises that the performance targets attached to outstanding executive share incentive schemes (specifically RSP 2020) may no longer be relevant or appropriate, as the original targets had been aligned with the objectives of the Group's previous long-term plan.

The remuneration committee acknowledges that any revision of the performance targets of "in-flight" long-term share awards does not reflect best corporate governance practice and, as such, these targets remain unchanged. However, any once-off or extraordinary costs related to the restructure of Group operations in FY23 under the Ekuseni plan will be taken into account in the deliberation of the fair vesting of RSP 2020 in June 2023. The remuneration committee's objective is clear: the application of fair and appropriate remuneration policy – closely aligned with shareholder interests – to ensure that the senior executive team is incentivised to deliver against the long-term Ekuseni strategic targets, in a manner that delivers sustainable value for all stakeholders. Refer to page 112.

In addition to the material deliberations detailed above, the committee also addressed the following key focus areas:

- Engaged with independent specialist remuneration consultants to undertake a comprehensive bench-marking review of the Group's remuneration policies against best practice in the market and made relevant changes where appropriate. Refer to page 102 for the scope of the review.
- Ensured the award of all CRI and RSP incentive awards were aligned with the Group's employment equity and gender targets. Refer to pages 111 to 112 for further information.
- Reviewed detailed statistical data to ensure the Group maintained race and gender pay parity across all levels of the business. Refer to page 101 for further information.
- Reviewed and approved salary increases for executive and senior management and ensured fair and responsible increases for staff at lower income levels. Refer to page 110 for further information.
- Formulated an appropriate retirement package for Suzanne Ackerman-Berman who retired early from the Group on 31 March 2022 and was appointed as a non-executive director on that date. The remuneration committee extends its sincere thanks to Suzanne for her valuable contribution to the Board over the past 12 years, and specifically for her leadership of the social and ethics committee. Suzanne's boundless generosity and spirit for community upliftment has been at the very heart of the Group's social investment programmes, including more recently the development of the impactful Feed the Nation campaign. Refer to page 112 for further information.
- Reviewed the remuneration framework for, and fees paid to, non-executive directors. Refer to page 113 for further information.

Shareholder engagement



The Chair of the remuneration committee and the Chair of the Board met extensively with shareholders ahead of the 2021 annual general meeting. Unfortunately, notwithstanding the constructive nature of the engagements held, Advisory Vote 1 and Advisory Vote 2 each received less than 75% of support from shareholders and, in line with the requirements of King IV and the JSE Listing requirements, the Board invited further engagement with shareholders. Two shareholders requested the opportunity for further engagement with the Board and remuneration committee after the AGM, and one-on-one meetings were held with these shareholders.

Shareholder concern largely centred around the implementation of remuneration policy, specifically:

- the level of discretion used by the remuneration committee in the implementation of the Group's remuneration policy
- the lack of transparency around the individual performance targets set for executive directors, specifically the CEO and CFO
- a request for greater clarity around ESG targets set for executive management, and a commitment from the Board to integrate environmental, social and corporate governance within performance management and incentivisation

Shareholder engagements focused on the following key issues:

Discretion utilised in the revision of short-term and long-term performance targets, as a result of the operational and financial impact of the Covid-19 pandemic:

- Shareholders expressed concern that the revised STI FY21 stretch target of PBTAE growth had been set at an achievable level, which guaranteed a management pay-out
- Shareholders expressed concern that the revised targets for the outstanding FSP 2019 and RSP 2020 awards were not stretching enough – considering that the trading environment was expected to improve as Covid-19 trading restrictions were eased
- Shareholders noted that the repeated use of discretion could be alleviated by linking STI and LTI performance targets to an appropriate economic measure, for example CPI or GDP growth

Remuneration committee response:

Discretion was appropriate to reward and retain senior executives under the unprecedented and challenging conditions of the Covid-19 pandemic:

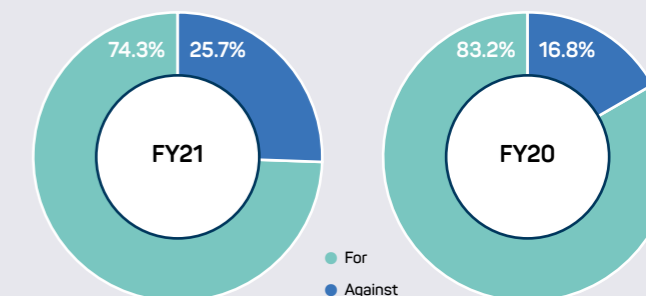
- Management was appropriately rewarded for exceptional work in maintaining uninterrupted business operations
- The targets were set at a time of strict lockdown – when the Group had already lost almost R3.0 billion of sales, and incurred additional operating costs, with little direction from government on how or when restrictions would be eased
- The remuneration committee has aligned RSP 2021 performance targets with an economic measure and will do so going forward. Refer to page 112.

AGM voting outcomes

Shareholder voting results at the annual general meeting held on 28 June 2021:

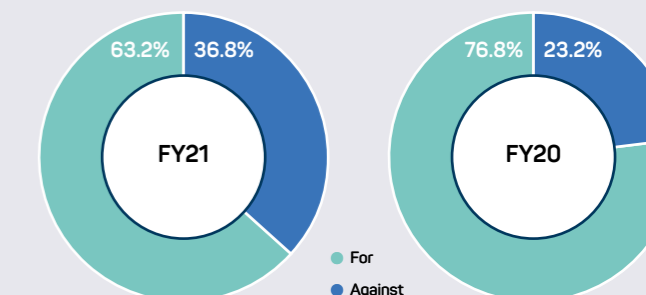
Advisory vote 1:

Endorsement of the remuneration policy report



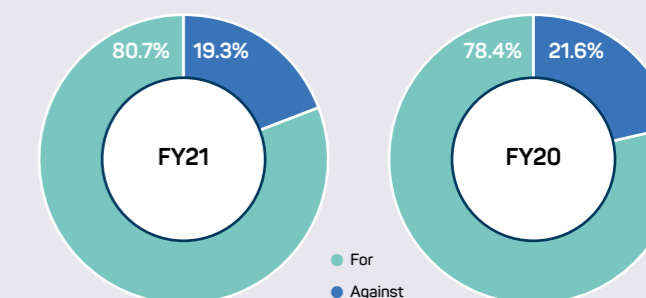
Advisory vote 2:

Endorsement of the remuneration implementation report



Special resolution 1:

Directors fees for the 2022 and 2023 annual financial periods





Discretion utilised in the reward of directors on retirement, specifically:

- The accelerated delivery of outstanding FSP awards to the outgoing CEO and CISO on their retirement, with the effective removal of associated performance targets
- The practice of awarding share awards to executive directors where planned retirement is imminent
- Retirement gratuities paid to the CEO and CISO on their retirement from the Group
- The total value of the annual package paid to the outgoing CEO

Remuneration committee response:

The early delivery of the long-term share awards and the retirement gratuities were considered appropriate reward in the context of the significant contribution from both the CEO and CISO over their individual tenures with the Group. The committee agreed that the Board will no longer award long-term share awards to executive directors where the term of the award extends into a planned retirement.

The payment of super-stretch bonuses

Shareholders expressed general concern around super-stretch targets – seeing this as a further lever for remuneration committee discretion, without sufficient disclosure of the individual targets and the benefits delivered to shareholders.

Remuneration committee response:

Super-stretch targets are only set under exceptional circumstances to incentivise and reward significant out-performance. The CFO was awarded an additional super-stretch bonus in FY21 – equivalent to two months' salary – in recognition of her exceptional debt and liquidity management over the Covid-19 pandemic, which allowed for an uninterrupted, albeit slightly delayed, dividend cycle in FY21.

Non-disclosure of variable incentive scheme performance targets

Shareholders requested disclosure of forward looking short-term performance targets.

Remuneration committee response:

The committee recognises that best practice dictates the publication of these targets; however, due to the commercial sensitivity of disclosing prospective profit targets, the Group will continue to disclose profit targets on a retrospective basis in Section 3 of this report.

The value of the non-executive Chair's fee

The high value of the non-executive Chair's fee relative to other listed companies in South Africa.

Remuneration committee response:

The Chair's fee reflects the active role the Chair plays in formulating and steering the Group's overarching corporate governance framework, with a focus on environmental and social responsibility. Please refer to pages 109 and 113 for further information.

The independence of the Group's longer-serving directors

Concerns around the independence of the Group's longer-serving directors.

Remuneration committee response:

The Board acknowledges that long tenures can create concerns around director independence. The Board is confident that it has established a remuneration committee which has a good balance between the wisdom and experience of longstanding directors, and the fresh insights from more recent appointees. Please refer to page 90 for further information.

The development of local talent

Shareholders noted the appointment of an international CEO from outside the Group and expressed concern that this highlighted insufficient training and development of skill within the business, or inadequate succession planning.

Remuneration committee response:

The Group's non-executive Board, led by the nominations committee and assisted by an independent executive placement agency, undertook a robust and considered search for the Group's new CEO. The Board considered candidates from within the Group, and the broader South African and international retail industry. Pieter Boone was the right candidate to succeed Richard Brasher in terms of his skill, experience and character. The due diligence appointment process identified a number of experienced and talented executive managers within the Group, allowing for a strong succession plan. The development of local and diverse talent remains an important area of focus for the remuneration committee.

A number of shareholders acknowledged the positive steps that had been taken by the committee to strengthen remuneration governance over the FY21 year, including:

- The discontinuation of the Group's share option scheme
- The deferral of dividend rights under the executive RSP scheme
- The implementation of a minimum shareholding requirement for the CEO
- The introduction of a more structured short-term bonus framework

In summary:

There is little doubt that the past two years have provided the business with some of the most challenging circumstances of its history. The remuneration committee has played a vital role in striking the right balance between attracting, motivating and retaining employees in a challenging market – and aligning remuneration outcomes with operational performance and stakeholder interests. It is not always an easy balance to get right, and I hope that shareholders are able to see the progress we have made in strengthening our remuneration policies and disclosures in line with best practice in the market. I hope too that our commitment to listen carefully to our shareholder concerns and amend our policies and our actions where necessary, was evident in the constructive engagements we held with shareholders and with our expanded disclosures this year.

The remuneration committee will continue to review and evolve the Group's remuneration policies in a measured and responsible manner that considers the needs of all stakeholders.

Future focus areas:

A review of Board and remuneration committee timelines to ensure timely and transparent reporting to stakeholders.

Ongoing review of the effectiveness of STI and LTI policy to drive the objectives of Ekuseni.

The development of a specific Ekuseni long-term incentive award targeting senior executives key to the delivery of the plan.

We will continue to differentiate reward in terms of individual performance and address under-performance through the Group's formal performance appraisal process.

Our focus on the development and retention of key successors will continue, as emphasised by the CRI scheme which is aimed at the retention and development of lower and middle-management employees.

Diversity and skills development among senior leaderships remains critical, with a focus on gender and race.

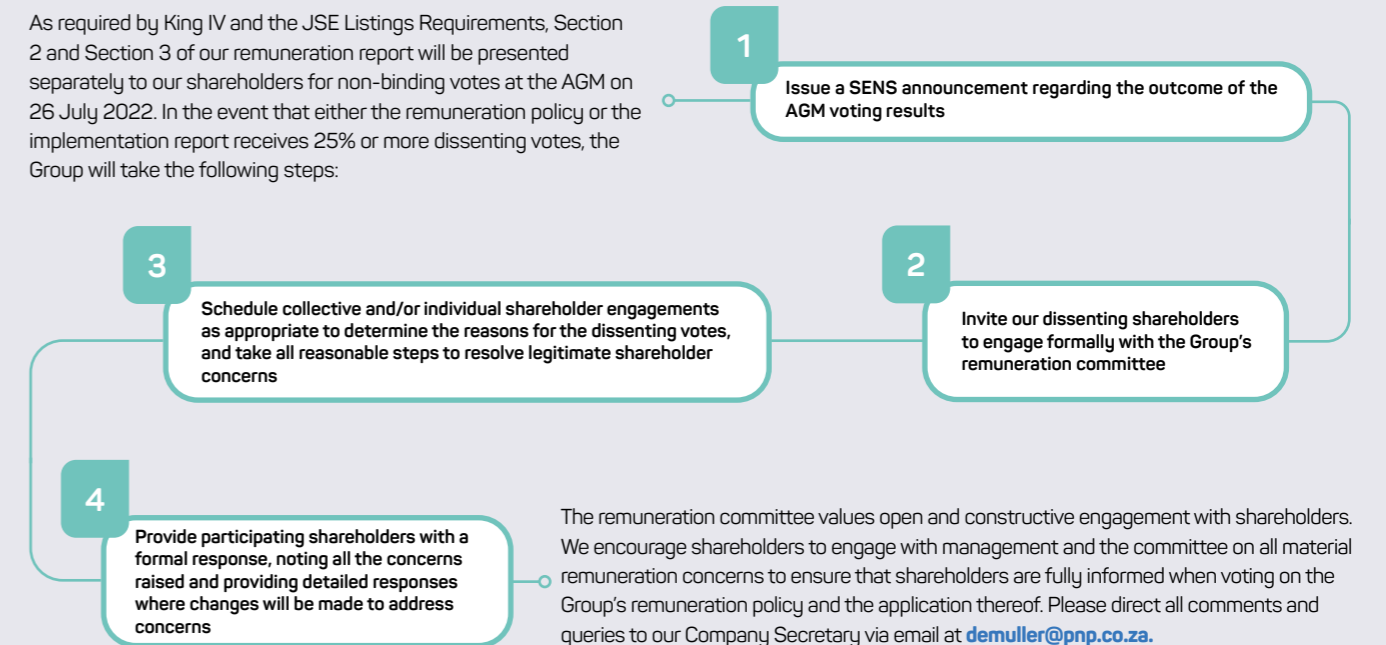
We will continue to ensure fair and equitable remuneration practices across the Group – including a focus on improving income disparity at lower levels of management, and providing a fair wage for our employees.

Audrey Mothupi

Chair: Remuneration committee

23 June 2022

As required by King IV and the JSE Listings Requirements, Section 2 and Section 3 of our remuneration report will be presented separately to our shareholders for non-binding votes at the AGM on 26 July 2022. In the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, the Group will take the following steps:





Section 2

Overview of remuneration policy

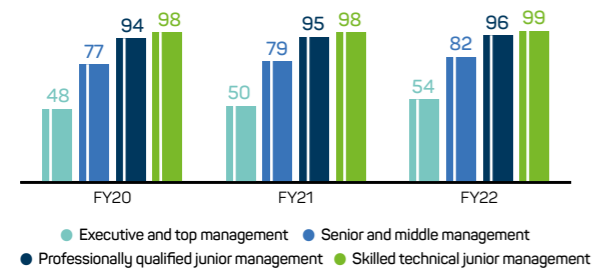
The Group's remuneration philosophy is to build a diverse and high-performance team that is fairly rewarded and incentivised to deliver on the Group's strategic objectives over the short, medium and long term. The Group's framework of remuneration policies is designed to provide our employees with fair, responsible and balanced reward that recognises the attainment of short-term goals, while incentivising long-term sustainable value creation.

The interests of our team are aligned with those of our shareholders through governance practices, which include the following key principles:

Promoting diversity and building talent

- To ensure our team adequately reflects the communities we serve, the Group provides equal opportunities to people from all walks of life
- Remuneration packages are benchmarked at all levels and are designed to attract, develop, motivate and retain the retail industry's most talented staff

Employment equity participation – %



Fair and responsible remuneration

- The Group provides fair and responsible remuneration for all staff members to help our people succeed and thrive in and outside of work
- Comprehensive statistical analysis is performed on an ongoing basis at all levels of staff (with reference to the scale of each role and the experience and tenure of each staff member). This enables the Group to identify and correct any differential pay rates based on either race or gender, and to ensure employees are always rewarded fairly in relation to their peers in adherence to the principle of equal pay for equal work
- The Group is committed to furthering the economic empowerment and well-being of employees. As such, the provision of retirement benefits and access to health care benefits is a key part of our employee value proposition, alongside opportunities for ongoing skills development, bursaries and study grants
- There is equal opportunity across the Group for growth and development, and staff members are recognised and advanced based on merit.

Efficient and productive workforce

- The Group is committed to building a high-performance culture that rewards efficiency and productivity
- The Group's Ekuseni strategy is focused on building a winning team, and unlocking productivity and efficiency gains across our supply chain, store and support operations
- Regular reviews are undertaken to ensure operational efficiency and cost discipline is achieved through ongoing improvements in employee structures and scheduling and the centralisation of support services
- Group and individual performance targets increasingly focus on key measures of employee efficiency and productivity

Responsible executive remuneration

- Executive directors are fairly rewarded for creating and delivering sustainable shareholder value over the short, medium and longer-term, in line with the Group's strategic objectives
- The executive team is not unduly rewarded where performance does not meet expectations
- The remuneration committee strives to find a reasonable balance to retain key executives and attract quality executives from outside the business, to ensure delivery against the Group's strategic objectives
- Long-term share incentive schemes align executive and shareholder interest and promote a culture of executive share ownership

Fair and responsible remuneration: non-management bargaining unit employees (NMBU)

Approximately 70% of our staff belong to a labour union, where wages are governed by labour union agreements. Negotiations with our labour partners take into account:

- All statutory minimum wage requirements, in South Africa and in the retail sector
- The economic environment, including levels of food and general inflation
- Individual job categories as defined in the SD9 regulation, as well as the Basic Conditions of Employment Act
- Further benefits provided by the Group for the well-being of our employees, including meals, transport, uniform allowances, funeral cover, retirement funding, maternity benefits and access to medical aid
- The affordability of the wage settlement – with a particular focus on the projected percentage increase in like-for-like sales growth relative to the percentage wage increase and the increase in other costs, to determine whether the wage increase is affordable, or whether it is likely to reduce the overall competitiveness of the Group, and our capacity to offer greater value to customers through lower prices

Fair and responsible remuneration: management employees

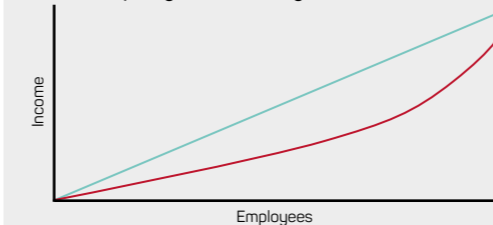
The Group follows an equal pay for equal work policy and does not discriminate based on race, ethnicity or gender. Guaranteed pay and variable incentives are benchmarked against the market to ensure our staff are rewarded competitively. The remuneration committee utilises the Gini index in its statistical analysis of income distribution across management grades – it is an effective tool to identify any evidence of income disparity.

The Gini index is a statistical measure of distribution and is used as a gauge of economic inequality, measuring income distribution among a population. The Gini index ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality:

Gini index	<0.2	Income equality
Gini index	0.2 – 0.3	Relative income equality
Gini index	0.3 – 0.4	Adequate income equality
Gini index	0.4 – 0.5	Big income gap or large disparity
Gini index	>0.5	Severe income gap or severe disparity

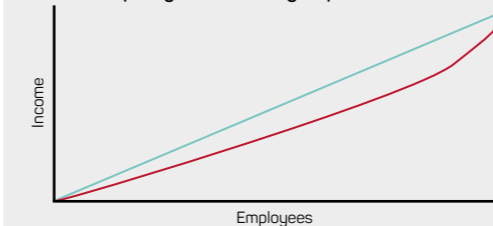
The Lorenz curve is a statistical illustration of the underlying income distribution represented by the Gini index:

Income parity across management levels



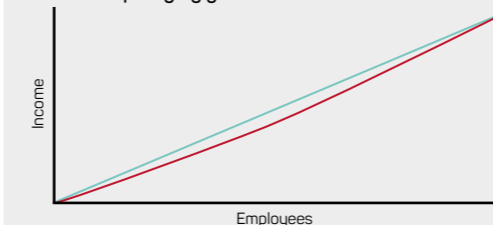
The Group's income equality across its management grades achieves 0.37 or 37% on the Gini index – an outcome of **adequate income equality**. The level of income parity reflects the remuneration packages paid to our most senior executives (including the CEO and CFO) compared to entry level management. All remuneration across all employment grades and roles has been benchmarked by an independent remuneration specialist and found to be in line with market norms. The remuneration committee will continue to award higher annual salary increases to lower levels of management to narrow this income gap.

Income parity across race groups



The Group's income equality across race classifications (African, Coloured, Indian and White) achieves 0.24 or 24% on the Gini index – an outcome of **relative income equality**. The Group follows a principle of equal pay for equal work and does not discriminate based on race or ethnicity. The income parity across race groups reflects lower ACI representation at executive and top management level (currently 54%) and the Group has targets in place to address this over time, including through its recruitment policies and training and skills development programme.

Income parity by gender



The Group's income equality by gender achieves 0.06 or 6% on the Gini index – an outcome of **income equality**. The remuneration committee is gratified with this outcome as it reflects the Group's principle of equal pay for equal work without any discrimination based on gender.

— Lorenz curve — Perfect equality



Benchmarking remuneration to the market

Guaranteed pay and variable benefits at each employment grade are benchmarked annually against industry norms to ensure our staff is rewarded competitively in relation to the broader employment market and the retail industry specifically. Independent experts assist with remuneration benchmarking to ensure that decisions are objective and fair. Advisors include PWC, REMchannel and DG Capital. Remuneration is generally positioned at the market median. Key or scarce skills and high performers are remunerated at the upper quartile of the market.

Employees below senior executive level

The Group utilises REMchannel national surveys to annually benchmark remuneration against the national and retail markets for employees below senior executive level.

Senior executive benchmarking

The Group annually benchmarks guaranteed and variable remuneration paid to senior executives to a comparator group of large JSE-listed companies to ensure our executives are remunerated fairly and in line with the market.

Comprehensive independent remuneration review undertaken in FY22

Following constructive engagement with shareholders at the AGM in July 2021, the Group appointed independent remuneration specialists, DG Capital, to perform a comprehensive review of the Group's overall remuneration framework and remuneration policies. This review was in addition to our annual benchmarking, and specifically focused on the reasonableness of senior executive remuneration relative to retail industry norms.

The remuneration committee requested DG Capital to advise on the following key aspects of its remuneration:

- The Group's guaranteed remuneration and variable incentive (STI and LTI) compared to the broader retail market, specifically:
 - » whether the incentive framework is typical and appropriate
 - » whether the incentive policies are internally and externally fair, considering the interest of all stakeholders
 - » whether the value of incentives is fair and reasonable based on market norms such as company size metrics, grade multiples and financial performance

In performing its review, DG Capital analysed the Group's proposed remuneration structure and certain remuneration metrics relative to the Group's financial performance over the past five years. This included the total annual rand value of incentives paid, the pay-out ratio of variable incentives relative to the various performance metrics and the equitable distribution of incentives across employee grades.

Benchmarking to the median, the Group's variable remuneration policy was measured against 10 large South African listed retail companies:

- Clicks
- Dis-Chem
- Foschini
- Massmart
- Mr Price
- Pepkor
- Shoprite
- Spar
- Truworths
- Woolworths

Outcomes of the independent review:

Detailed qualitative and quantitative analysis highlighted the following:

- The Group has a sound and traditional remuneration and incentive model, with STI and LTI subject to performance targets.
- In the context of the Group's size and its overall financial performance and financial metrics, the total value of potential incentives to be paid to qualifying staff appeared fair and reasonable for FY22. It was noted that the total value of variable incentives paid in FY21 was comparably high as a result of the discretionary incentives paid to retiring executives. The planned FY22 incentives have normalised.
- It was noted that the STI and LTI multiples were based on monthly cash salary, with most listed companies expressing multiples based on total guaranteed pay (TGP). As a result, the STI and LTI multiples for the CEO and CFO were found to be conservative relative to the market.
- STI multiples for lower management grades were ahead of market norms, resulting in a higher distribution ratio at those levels.
- It was noted that the STI scheme was highly leveraged between Target and Stretch performance and the remuneration committee could consider moderating the differential in targets and the associated pay-outs to ensure more consistent and regular pay-outs ratios relative to performance.
- It was noted that the historical TGP of the CFO was below the market median, and this was corrected in FY22.
- It was noted that the remuneration committee had utilised significant discretion in recent years. While this is appropriate under certain circumstances, a pattern of significant discretionary payments does negate the effectiveness of the remuneration policy. However, the revised remuneration framework and policies for FY22 were found to be a substantial improvement and more market related than the previous policy and if implemented accordingly will be fair and more balanced in the interests of all stakeholders.

The remuneration committee's response:

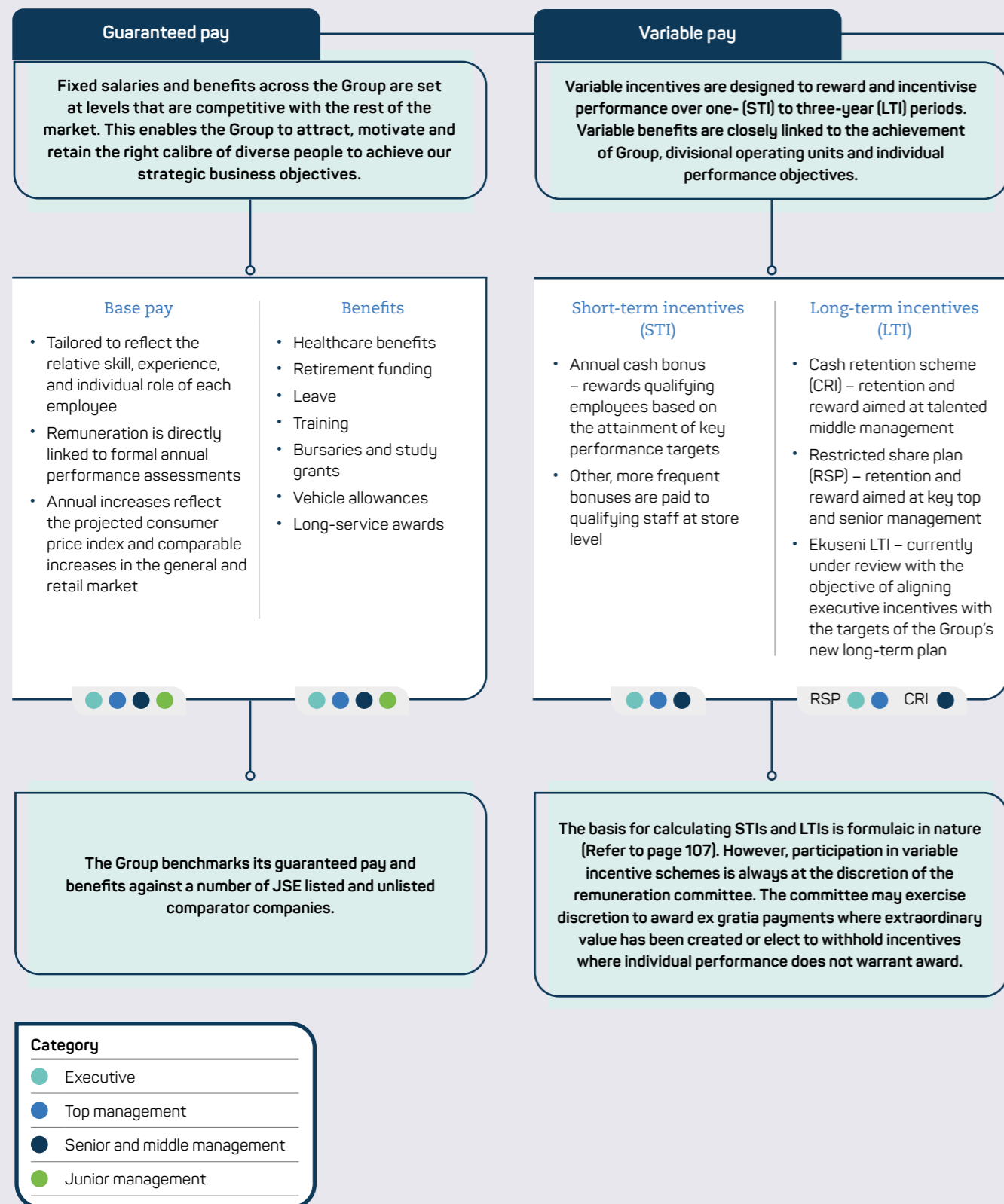
- The review did not necessitate any changes to the remuneration framework, underlying policies or the methodology used for determining the value of short-term and long-term incentives.
- The value of short-term and long-term incentives were revised at target, threshold and stretch performance levels where appropriate, to align with market benchmarks and drive delivery of the Ekuseni strategy.
- The remuneration committee reviewed the leverage of the STI scheme towards outperformance, and balanced the STI multiples accordingly.
- The remuneration committee noted that lower grades of management were well incentivised, ahead of market norms.
- Work is underway to transition the Group's "cash plus benefits" guaranteed remuneration structure to a "total guaranteed pay" (TGP) structure under Ekuseni, the Group's new long-term plan.
- The remuneration committee remains cognisant of the total value of staff incentives relative to Group earnings and performance. As such, while the bonus pool will continue to be built from the bottom up based on market-related multiples, the total value of the bonus pool must be affordable and fair and is therefore capped at a reasonable percentage of PBT as determined annually by the remuneration committee.
- The CFO's base salary was lifted from R4.2 million in FY21 to R5.1 million in FY22 to align with market norms, and annual benchmarking reviews would continue.
- The point on remuneration committee discretion was noted, which was a key theme in discussions with shareholders this year. The committee will continue to use careful judgement where discretion under extenuating circumstances is warranted – both in revising targets upwards or downwards – and will ensure that its communication with shareholders is clear and transparent.





Remuneration framework

The Group has an ambition to build the most skilled and talented retail business in Africa. The Group's remuneration framework for management employees is designed to develop and retain a high-performance team – providing fair and balanced reward that recognises the attainment of short-term goals, while motivating sustainable value creation, strongly aligned with the Group's strategy and the long-term interests of shareholders.



Remuneration mix

Remuneration is balanced between guaranteed remuneration and variable short- and long-term incentives to align employee and shareholder interests over the long term. To achieve a high-performance culture, a higher proportion of variable remuneration is applied to senior management personnel to drive performance, with a greater emphasis on total guaranteed pay (TGP) for middle and junior management. Variable remuneration consists of short-term incentives (STI) and long-term incentives (LTI) and is considered "at risk pay" as it is dependent on the attainment of performance targets, closely aligned to the Group's long-term strategic plan. Performance targets are set within the Group's overall risk appetite, with the objective of being challenging but realistic within the broader context of the Group's economic and trading environments.

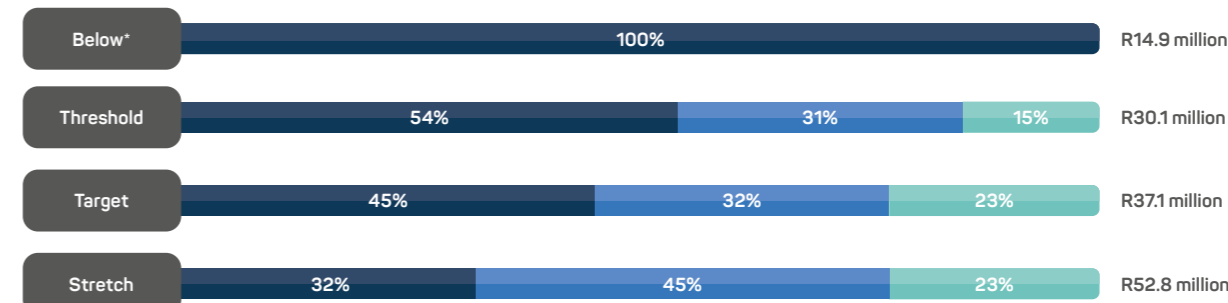
The value of STI and LTI remuneration increases as targets are met and exceeded, in order to encourage the attainment of stretch targets. The table below illustrates the mix of guaranteed and variable remuneration payable to the Group's executive management team.

	Remuneration outcome		
	TGP	STI award	LTI vesting
Below threshold	100%	0%	0%
Threshold	100%	80%	40%
Target	100%	100%	70%
Stretch	100%	120%*	100%

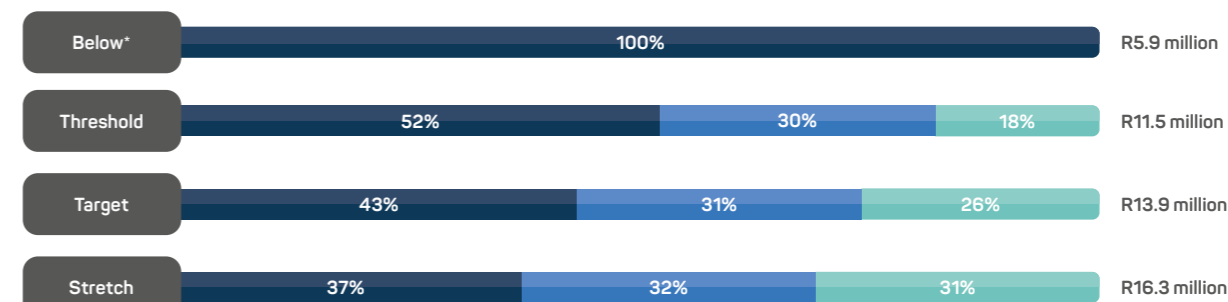
*CEO STI at 200% at stretch

The table below presents the potential remuneration mix for the Group's CEO, CFO and executive and top management team against agreed performance targets, based on a multiple of basic cash monthly salary:

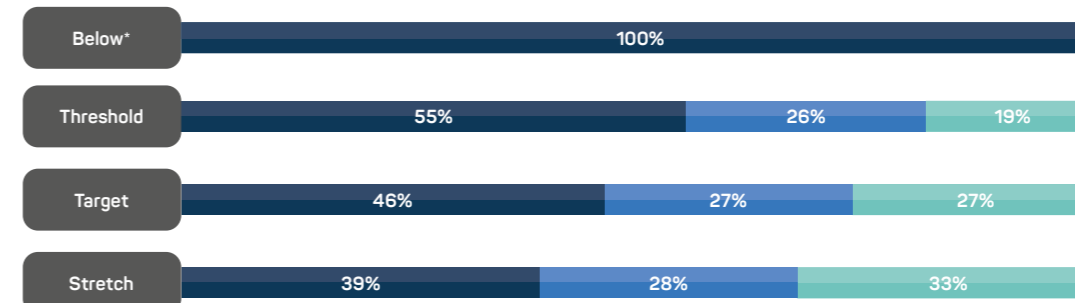
CEO



CFO



Top management



* Assumes the threshold target is not met and no STI cash bonus is awarded and no LTI shares vest.

Legend: TGP (Dark Blue), STI (Medium Blue), LTI (Light Blue)

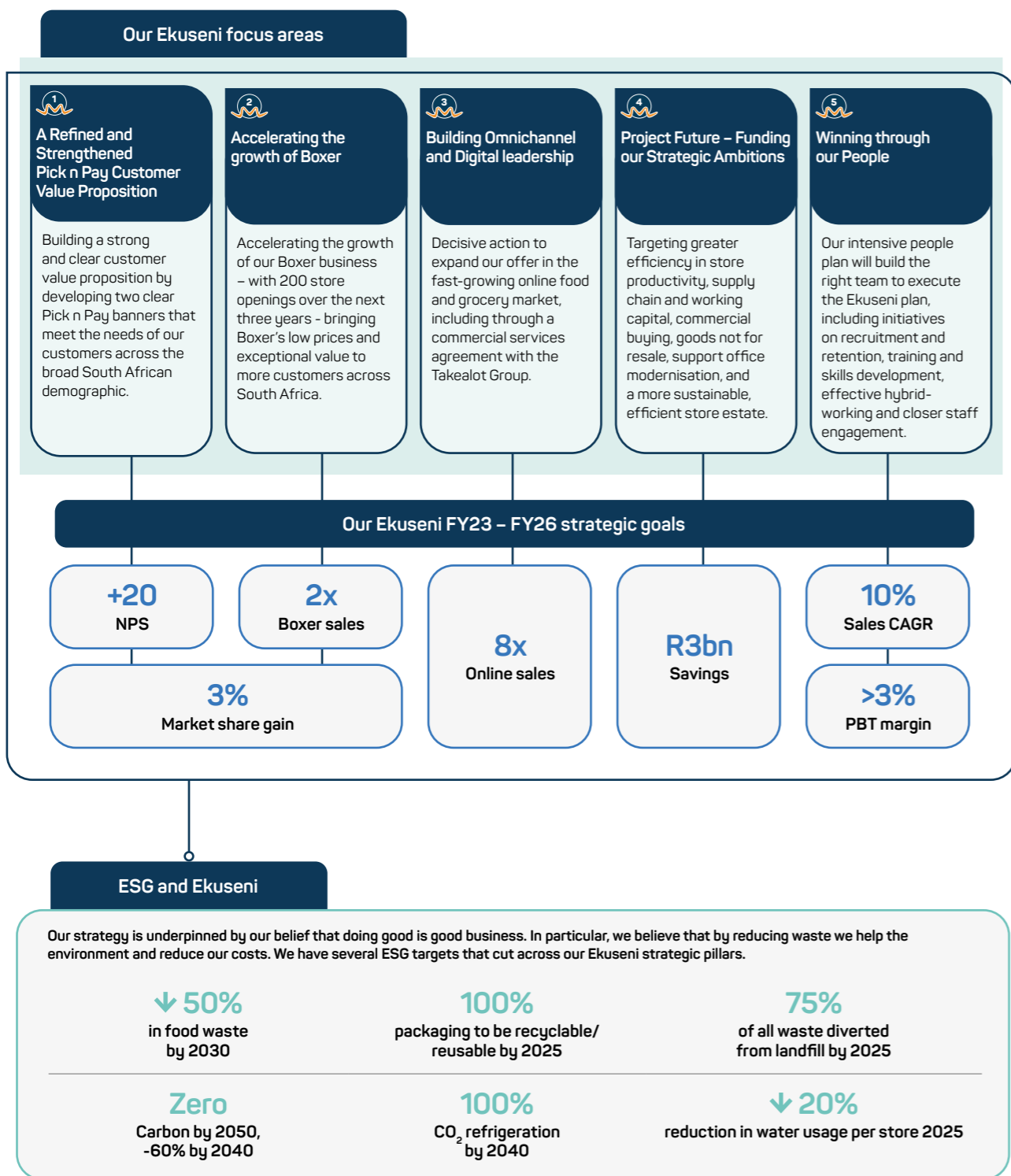


Variable pay – aligned with the delivery of Group strategy

The Group's variable remuneration policies are strongly aligned with the Group's long-term plan – designed to incentivise the delivery of the Group's financial and operational objectives over a one- and three-year period. The Group's Ekuseni long-term strategy was developed and reported to shareholders this year, and its execution will be measured against performance indicators within five key strategic focus areas.

Primary targets – sales, profit before tax and exceptional items (PBTAE) and comparable headline earnings per share – contained within the short-term bonus scheme and long-term executive share plan align management interests with those of shareholders.

Secondary targets (individual KPIs) drive management performance against a balanced score card of financial, operational, transformation and good business targets (linked to the business's long-term environmental, social and governance objectives), and include:



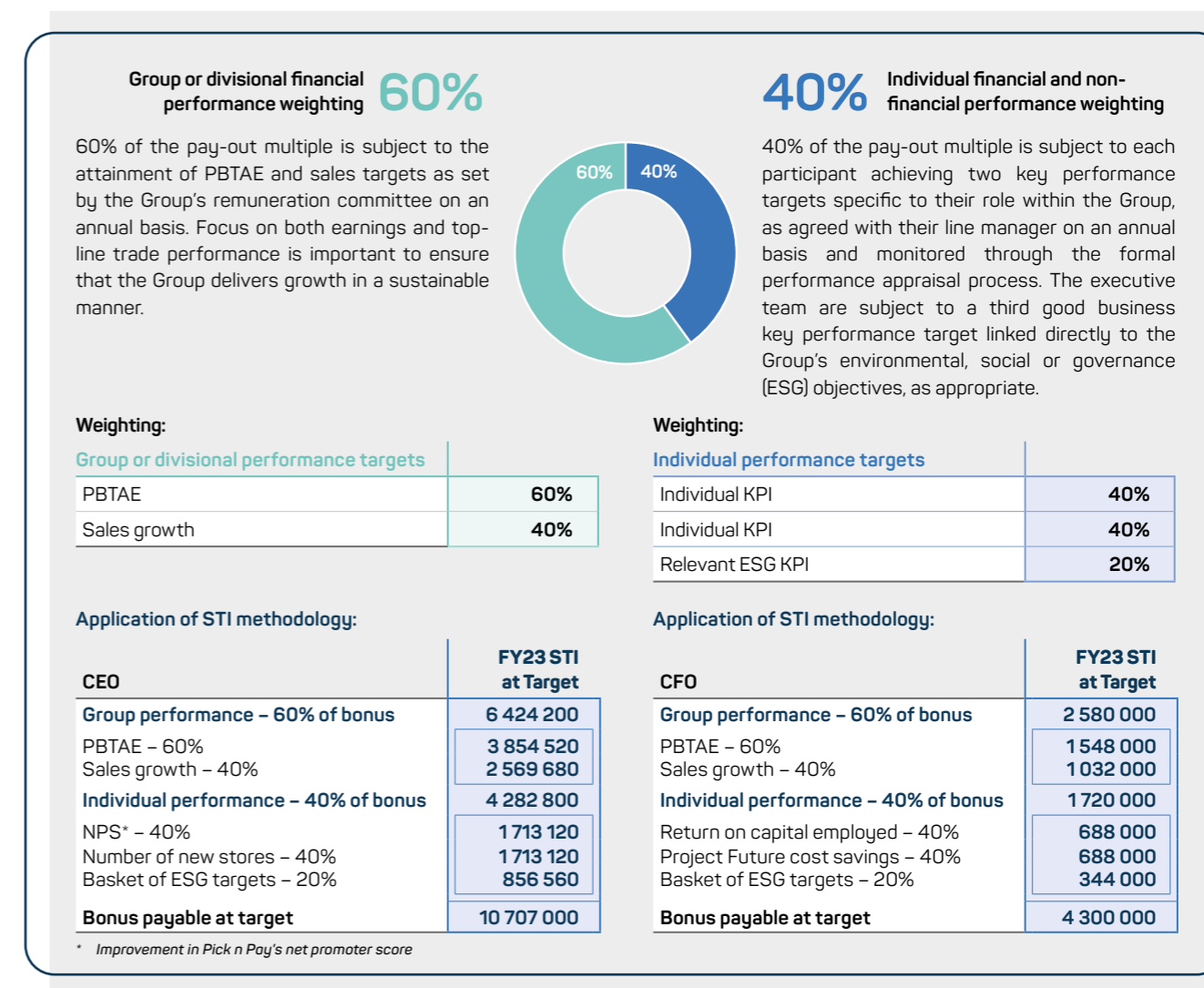
Short-term incentives (STI)

Annual short-term bonus scheme

The annual short-term bonus scheme aims to drive short-term performance in a measured and sustainable way. The scheme incentivises the achievement of the Group's financial and non-financial targets as set out in the Group's plan for the year to follow, while retaining key skill and talent over the longer term.

The Group follows a formulaic approach to the calculation of the short-term bonus:

- The Group must first attain the threshold target set by the remuneration committee for profit before tax and exceptional items (PBTAE) before any bonus is payable to the management team. This gatekeeper PBTAE target is applied at Group or divisional level, as appropriate, and ensures the bonus is affordable.
- The PBTAE target determines the maximum value of the short-term bonus pool based on a formal and transparent pay-out multiple linked to participants' basic monthly cash salary.
- The bonus pool increases in a linear manner, as performance hurdles are met with the target pay-out at 100%; with threshold at 80%; and stretch at 120% (CEO 200%).
- The value of the short-term bonus paid to each participant is determined through a balanced score card of Group performance and individual key performance indicators (KPIs). Performance targets are determined and communicated to participants annually in advance.



The following criteria apply to participation in the short-term bonus scheme:

- Approximately 1 000 management employees are eligible to participate in the short-term bonus scheme
- Employees must have been in the employ of the Group for at least four months of the financial year measured, with the bonus applied on a pro rata basis
- Employees cannot have resigned prior to the bonus payment date or be completing a resignation notice period
- Employees must have achieved the prescribed minimum performance level on their annual performance appraisal

Other short-term bonuses

Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.



Long-term incentives (LTI)

The Group maintains a long-term cash retention scheme for middle-management employees and a long-term share incentive scheme for our senior management team. Long-term incentives are an integral part of the Group's remuneration philosophy, to ensure the long-term retention of skilled and promising talent at all levels of management and to align the interests of senior executives with those of shareholders.

Cash retention incentive scheme (CRI)

The objective of the CRI scheme is the recognition and retention of key talent at senior and middle-management levels, while advancing the Group's employment equity and gender equity targets. The cash award is based on a fixed multiple of each participant's monthly salary, and vests after a period of three years. Retention in a highly contested retail environment is the primary objective of the scheme and, as such, no performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If a participant leaves the employ of the Group before the end of the vesting period, all unvested cash awards will lapse (subject to good leaver provisions). Participants are identified through the Group's formal performance appraisal process, and awards are made on an annual basis – allowing for participants to receive rolling annual awards as they progress through the Group.

Restricted share plan (RSP)

The Group's RSP plan recognises executive and top management employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the Group. Through the attachment of performance conditions, the RSP incentivises participating employees to deliver long-term earnings growth in line with the objectives set out in the Group's long-term strategic plan. An award of shares may also be used to attract talented prospective employees, and progress the Group's transformation strategy.

Eligibility	<ul style="list-style-type: none"> The remuneration committee awards zero-strike RSP shares to participants. The value of the award is calculated as a percentage of each participant's basic annual cash salary: <ul style="list-style-type: none"> » CEO 100% » CFO 100% » Top management 50% – 100% The value of shares awarded to participants reflects recognised market benchmarks, each participant's individual contribution to long-term value creation, and other relevant retention and attraction considerations
Vesting	<ul style="list-style-type: none"> The shares are held by a Central Securities Depository Participant (CSDP) on behalf of participants over the time of the vesting period (normally three years) Participants cannot dispose of the shares before the vesting date If a participant leaves the Group before the completion of the vesting period, all shares and accrued dividends are forfeited (subject to good leaver provisions)
Performance conditions	<ul style="list-style-type: none"> Performance conditions are linked to the Group's financial performance, with compound annual growth in comparable headline earnings per share over three years, adjusted for exceptional items as appropriate, as the primary performance measure (linked to growth in CPI from FY22) Performance conditions are applied on a linear, rising scale once the threshold target has been met. This allows for the vesting of an increasing number of shares as earnings thresholds are met and exceeded. All growth thresholds are inclusive of the applicable IFRS 2 share-based payment expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding
Gatekeeper clause	<ul style="list-style-type: none"> To ensure that the RSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding gatekeeper condition: <ul style="list-style-type: none"> » ROCE must be greater than WACC (excluding any impact from IFRS 16 liabilities) over the vesting period before any RSP shares can vest. This ensures that the Group generates a real return for shareholders before rewarding its management team
Ownership rights	<ul style="list-style-type: none"> Participants have full voting rights over the period Dividend rights are at the discretion of the remuneration committee, and are currently deferred until vesting date, and paid in direct proportion to the number of shares which vest

Legacy share option scheme

The Group's legacy share option scheme (the 1997 employee share option scheme) was replaced by the cash retention incentive scheme (CRI) in FY21. All outstanding share options previously awarded under the scheme will vest in participants under the original terms and conditions of the awards. No further share options will be awarded under this scheme.

Funding of share incentive schemes

Shareholders have authorised the Board to utilise up to 63.9 million Pick n Pay Stores Limited (PIK) shares to manage the Group's employee share option and restricted share schemes, representing 13% of issued share capital. In respect of the number of new shares that can be issued to cover obligations under the employee share schemes, the two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of PIK.

Service contracts and termination benefits

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

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions. Termination, restraint of trade payments, or retirement gratuities may be made in this regard at the discretion of the remuneration committee.

Minimum shareholding requirement

The CEO is required to retain 50% of the shares delivered under the Group's share incentive schemes (after the settlement of tax), while in the employ of the Group.

Malus and claw-back

In the event of a material misstatement of the financial statements of the Group, or of any subsidiary company within the Group, the Board is entitled to adjust (malus) or recover (claw-back) any performance-related short-term and long-term incentives previously paid to executives implicated in the misstatement, as a result of their fraud, dishonesty or negligence.

Non-executive director remuneration

The table below sets out the remuneration policies applied by the Group for the FY22 financial year for non-executive directors. These policies are applicable for the FY23 financial year and form the underlying basis for the directors' fees tabled for shareholder approval at the AGM to be held on 26 July 2022. Please refer to page 113 of Section 3 for the proposed fees for FY23.

Non-executive director remuneration framework

Directors' fees

Chair

- The Chair's fee reflects the active role the Chair plays in the corporate governance of the Group and in formulating overarching strategy

Lead independent director and other directors

- Directors' fees are market-related, based on relevant benchmarks, commensurate with the time required for directors to fulfil their duties, and are approved by the Board and shareholders on an annual basis
- Annual fees are not subject to attendance at meetings, as attendance at meetings is generally very good

Consultancy fees

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

Other

- All travel and accommodation expenses related to the work of the Board are settled by the Group

Committee membership

- Non-executive director fees reflect the additional responsibilities taken through the chairpersonship and membership of Board committees

Approval

- Proposed fees are based on independently benchmarked data, including against retail peer companies in South Africa
- The Company Secretary proposes the fees to the remuneration committee which in turn recommends the fees to the Board for final approval from shareholders
- Fees are paid quarterly in arrears

Service contracts

- Non-executive directors do not have service contracts
- Non-executive directors serve under a formal letter of appointment from the Board and are re-elected by shareholders on rotational basis. Please refer to page 88
- Non-executive director services may be terminated without liability for compensation

Other benefits

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



Section 3

Implementation of remuneration policy

The implementation report details the key focus areas of the remuneration committee this year, including the important decisions taken to provide fair and balanced remuneration to staff across the business in a year severely disrupted by the civil unrest and, to a lesser extent, some ongoing Covid-19 trading restrictions in respect of the sale of liquor in the first half of the year.

The remuneration policies applied are consistent with the prior year. Tables are provided at the close of this section for a summary of the remuneration packages paid to executive and non-executive directors.

Executive directors and senior management

Benchmarking

The remuneration committee evaluated the overall value and composition of guaranteed pay and variable incentives in respect of the CEO, CFO and all other executive directors and senior managers. Executive and senior management remuneration is considered fair and competitive against market benchmarks, and appropriately reflects the role, experience and performance of each individual member of the Group's senior management team.

Executive directors – Total Guaranteed Pay (TGP)

	Base salary R'000	Retirement and medical R'000	Other benefits R'000	FY22 TGP R'000	FY21 TGP R'000	Change %
CEO – Pieter Boone	10 707.0	953.6	3 266.0	14 926.6	n/a	n/a
CFO – Lerena Olivier	5 070.0	478.5	336.4	5 884.9	4 895.6	20.2%
Suzanne Ackerman-Berman	3 024.0	281.6	291.5	3 597.1	3 590.7	0.2%
Jonathan Ackerman	1 512.0	268.9	322.6	2 103.5	2 061.3	2.0%

Pieter Boone was appointed as CEO on 20 April 2021. Lerena Olivier's total guaranteed package was increased by 20.2% year-on-year, following the results of a detailed review which concluded that her base salary was uncompetitive against market benchmarks. The CEO and CFO base salary and all related fixed benefits are considered fair in relation to the market and fairly reflect the extensive skill and experience that Pieter Boone and Lerena Olivier bring to their roles.

Annual base salary increases

The following factors are considered in determining a fair, equitable and competitive salary increase: Group performance, affordability, CPI inflation, market benchmarking. The Group continues to provide junior, entry level and non-management staff with higher salary increases relative to more senior colleagues, in recognition of the impact the tough economic climate has on many of our employees, and as a mechanism to narrow the income gap across our management levels. The CEO and CFO, in their leadership of the Ekuseni strategy, and in support of all the cost savings initiatives to come, chose to forego any salary increase in the coming year.

Category	FY23 annual salary % increase	FY22 annual salary % increase	FY21 annual salary % increase
CEO	–	n/a	n/a
CFO	–	21.9%*	–
Top management	2.3%	4.0%	–
Senior and middle management	4.5%	4.5%	–
Junior management	5.4%	5.5%	5.5%
Entry level and non-management	5.4%	5.5%	7.0%

The average increase for NMBU employees in FY22, as governed by labour union agreements, was between 5% and 10% (FY21: 7% – 10%).

* Increase to align CFO salary with market benchmarks.

Short-term incentive (STI):

FY22 annual short-term performance bonus

The remuneration committee determines annual financial performance targets in advance of the Group's short-term incentive bonus scheme for the coming financial year. The remuneration committee set strong sales and earnings targets for the FY22 financial year, targeting a strong recovery from FY21, which had been highly disrupted by the Covid-19 pandemic and all related trading restrictions and other health and safety measures.

After a strong first quarter with sales growth up 9.0% and in line with the targets of the remuneration committee, the Group's financial performance was once again impacted by severe trade disruptions – first with the resumption of stringent Covid-19 trade restrictions around the sale of liquor in June 2021, and then by the civil unrest which unfolded across KwaZulu-Natal and parts of Gauteng in July 2021. The committee acknowledged that the disruptions were outside of management control and as a result, some careful judgement was required in the determination of a short-term bonus, including an accurate and detailed assessment of lost sales and earnings which could be reasonably attributed to the disruption. The Group has estimated that it lost R2.7 billion in lost sales over the year – with a significant impact on earnings, excluding insurance recoveries received after year-end.

FY22 performance against STI targets:

	FY21 Prior year performance	FY22 Target for maximum STI pay-out	FY22 Actual performance	
Sales growth	4.3%	9.0%	5.2%	
PBTAE margin	1.7%	2.0%	1.9%	
			2.0%	excluding insurance recoveries received after year-end including insurance recoveries received after year-end

After careful consideration, the remuneration committee elected to award a FY22 bonus of approximately 50% of the Group's total maximum bonus pool (calculated based on participants' stretch multiples) – subject to each participant's performance against their individual KPIs, as captured in the Group's formal appraisal process, and the Group's performance including insurance recoveries after year-end.

The outcome of the STI deliberation for executive directors was as follows:

	Maximum bonus potential R000's	Performance outcome %	FY22 STI bonus awarded R000's
CEO – Pieter Boone	21 414.0	49	10 492.9
CFO – Lerena Olivier	5 160.0	70	3 612.0
Suzanne Ackerman-Berman	2 016.0	50	1 008.0
Jonathan Ackerman	1 008.0	50	504.0

As described in Section 2 of this report, the Group's formal methodology in determining the value of the short-term bonuses paid to participating executives is based on a balanced score card of Group and individual performance. Individuals were assessed against their KPIs set at the beginning of the financial year, with consideration given to the impact the disruptions had on individual employees and roles. The remuneration committee acknowledges the incredible efforts of its management teams across the country to rebuild and restore operations as rapidly as possible, including support office staff who have been so integral in formulating and submitting the Group's insurance claims and in restoring the Group's insurance cover wherever possible. CFO Lerena Olivier was awarded 70% of her maximum bonus in recognition of her key role over year, including the careful management of the Group's liquidity over the period of the disruption, and her leadership in formulating and submitting the Group's insurance claims and the reinstatement of its insurance covers.

Long-term incentives:

Share option scheme

The Group's share option scheme was replaced by the more modern and cost-effective CRI scheme in FY21. No further share options have been awarded. Outstanding share options previously awarded under the scheme will vest in participants over the next three, five and seven years, under the original terms and conditions of the scheme.

The future net realisable value of outstanding share options held by employees at 27 February 2022:

Year	Average grant price R	Number of options 000's	Net realisable value ¹ Rm
Outstanding share options may be taken up during the following financial years:			
2023	53.73	12 859.7	51.7
2024	69.15	1 995.2	–
2025	64.69	1 520.2	–
2026	70.06	1 427.4	–
2027 and thereafter	63.61	764.4	–
Total		18 566.9	51.7

¹ The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R46.44, less the average grant price per award.

Cash retention incentive scheme (CRI)

The remuneration committee introduced a cash retention scheme in FY21, aimed at the retention of key members of middle management. The remuneration committee approved the 2021 award under the scheme as follows:

Award date	June 2021
Vesting date	June 2024
Retention period	36 months
Number of participants	204
ACI participation	58%
Female participation	39%



Restricted share plan (RSP) awards

Delivery of executive share awards

Scheme	Number of Shares millions	Number of participants	Base year	Three-year comparable HEPS growth target			Vesting date
				Threshold	Target	Stretch	
FSP 2019	1.7	115	FY19	(3%)	2%	4%	June 2022

The Group did not meet the required three-year HEPS performance target required for the full vesting of FSP 2019, as a result of the lost sales and earnings related to the civil unrest of July 2021. The Group achieved its threshold target for 30% vesting; however, the remuneration committee assessed that the Group would have achieved its stretch target for 100% vesting, had it not been for the impact of the unrest. In the interests of fair and equitable remuneration, and balanced with the interest of stakeholders, the remuneration committee determined that a 50% vesting of FSP 2019 is reasonable. As such, 846 750 shares are expected to be delivered to participants on 27 June 2022.

Outstanding executive share awards under the Group's restricted share plan (RSP)

The shares are held by a CSDP on behalf of the participants, and delivery is dependent on the attainment of performance targets linked to the growth in comparable headline earnings per share (HEPS).

	RSP 2021	RSP 2020
Award date	June 2021	June 2020
Vesting date	June 2024	June 2023
Retention period	36 months	36 months
Number of shares	3.0m	3.6m
	CPI-linked targets	Absolute targets
Three-year comparable HEPS growth targets:		
Threshold – 40% vesting	CPI	2%
Target – 70 % vesting	CPI plus 1%	4%
Stretch – 100% vesting	CPI plus 2%	6%
Number of participants:	145	145
ACI participation	38%	31%
Female participation	30%	40%
Held by executive directors:		
CEO – Pieter Boone	500 000 ¹	n/a
CFO – Lerena Olivier	87 000	120 000
Suzanne Ackerman (refer below)	55 000	60 000
Jonathan Ackerman	27 000	30 000

¹ In accordance with Pieter Boone's sign-on agreement, with a commitment to award a further 500 000 shares in June 2023.

The remuneration committee acknowledges that the HEPS performance targets set for RSP 2020 may no longer be appropriate under the Group's new long-term plan. The committee has elected not to revise these targets, but will consider any once-off or extraordinary costs in FY23 directly related to the actions of Ekuseni in its deliberations of a fair and reasonable vesting.

The HEPS performance hurdles for RSP 2021 link the growth targets over three years to growth in CPI over the same period. The link to an objective economic measure will alleviate the need for remuneration committee discretion going forward where socio-economic shocks impact the ability of management to deliver on absolute targets set at award date. The remuneration committee is satisfied that the CPI-linked targets are aligned with the Ekuseni strategic objectives.

Ekuseni LTI

The remuneration committee is currently developing a separate long-term incentive award, targeted at a small number of executives directly accountable for the successful execution of the long-term Ekuseni strategy. The term of the scheme and its performance targets will be directly aligned with the objectives of the plan. Deliberations are ongoing and will be shared with shareholders in due course.

Executive retirement – Suzanne Ackerman-Berman

Retirement gratuity

Suzanne Ackerman-Berman has graciously elected to take early retirement to provide greater opportunity for transformation in the Group's ESG team. Suzanne has played an invaluable role in advancing the Group's corporate social investment programmes over her tenure, and more specifically has had an incredible impact on addressing hunger in vulnerable South African communities through the development of the Feed the Nation campaign. The remuneration committee has awarded Suzanne Ackerman-Berman an award of R3.0 million on her early retirement from the Group on 31 March 2022. Suzanne was appointed as a non-executive director on that date.

Delivery of outstanding long-term share incentives

Suzanne's outstanding share incentive awards will be delivered to her in June 2022 on a pro rata basis in line with the good leaver provisions of the executive share incentive scheme.

Malus and claw-back

No incidents were identified in the FY22 financial year.

Non-executive directors

The remuneration committee reviewed and recommended non-executive director remuneration to the Board, for shareholder approval at the AGM on 26 July 2022.

Chair of the Board

In setting the Chair's proposed annual fee of R4.9 million in respect of FY23, the remuneration committee considered the active role the Chair plays in the corporate governance of the Group and in formulating overarching strategy for the individual subsidiary companies within the Group. The Chair does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity. Gareth Ackerman is recused from all discussions in respect of his annual remuneration. Gareth Ackerman waived a fee increase this year in support of the Group's cost savings and efficiency goals under Ekuseni.

Non-executive directors

Shareholders approved the FY23 directors' fees at the AGM held in June 2021, agreeing that the FY22 fees be increased by no more than CPI for the 2022 annual financial period.

Non-executive director fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2023 R	Actual 2022 R	% change
Chair of the Board	4 893 000	4 893 000	–
Lead independent non-executive director	156 250	152 000	2.8
Non-executive director	470 000	457 000	2.8
Chair of the audit, risk and compliance committee	405 000	394 000	2.8
Member of the audit, risk and compliance committee	156 250	152 000	2.8
Chair of the remuneration committee	215 800	210 000	2.8
Member of the remuneration committee	101 800	99 000	2.8
Member of the nominations and corporate governance committee ¹	97 150	94 500	2.8
Chair of the social and ethics committee ³	215 800	–	–
Member of the social and ethics committee	101 800	99 000	2.8
Chair of the corporate finance committee ²	215 800	210 000	2.8
Member of the corporate finance committee ²	146 000	142 000	2.8

¹ The nominations and corporate governance committee is chaired by the Chair of the Board, who does not receive an additional fee for chairing this committee.

² The 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.

³ The Chair of the social and ethics committee – Suzanne Ackerman-Berman – is now a non-executive director and will receive a fee for this role going forward.

NED Fees have been benchmarked against a comparator group of companies including:

Clicks	Dischem	Foschini
Massmart	Mr Price	Shoprite
Spar	Truworths	Woolworths



Total remuneration of executive directors and prescribed officer

	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Retirement gratuity ³ R'000	Total remuneration R'000	Long-term share awards – current year ⁴ R'000	Long-term share awards – accelerated on retirement R'000	
FY22										
Executive directors										
Pieter Boone ¹	10 707.0	953.6	3 266.0	14 926.6	10 492.9	-	25 419.5	5 798.6	-	
Lerena Olivier	5 070.0	478.5	336.4	5 884.9	3 612.0	-	9 496.9	5 577.7	-	
Suzanne Ackerman-Berman ²	3 024.0	281.6	291.5	3 597.1	1 008.0	3 024.0	7 629.1	2 153.4	-	
Jonathan Ackerman	1 512.0	268.9	322.6	2 103.5	504.0	-	2 607.5	633.3	-	
Richard Brasher ¹	1 806.0	163.8	1 522.1	3 491.9	-	-	3 491.9	-	-	
Richard van Rensburg	420.0	36.4	28.6	485.0	-	-	485.0	-	-	
Total remuneration	22 539.0	2 182.8	5 767.2	30 489.0	15 616.9	3 024.0	49 129.9	14 163.0	-	
FY21										
Executive directors										
Richard Brasher ¹	10 836.0	981.6	310.9	12 128.5	20 000.0	5 000.0	37 128.5	74 611.1	41 251.4	
Lerena Olivier	4 160.0	398.4	337.2	4 895.6	4 000.0	-	8 895.6	4 822.8	-	
Richard van Rensburg	5 040.0	436.5	327.6	5 804.1	3 360.0	5 000.0	14 164.1	5 310.9	5 324.5	
Suzanne Ackerman-Berman	3 024.0	281.0	285.7	3 590.7	2 000.0	-	5 590.7	1 451.7	-	
Jonathan Ackerman	1 512.0	270.7	278.6	2 061.3	1 000.0	-	3 061.3	759.0	-	
Total remuneration	24 572.0	2 368.2	1 540.0	28 480.2	30 360.0	10 000.0	68 840.2	86 955.5	46 575.9	
Prescribed officer										
Pieter Boone ¹	1 784.5	154.5	506.5	2 445.5	-	-	2 445.5	-	-	

¹ Richard Brasher retired as CEO at the end of April 2021 and Pieter Boone was appointed as CEO on 20 April 2021. Pieter Boone was a prescribed officer up until his date of appointment.

² Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.

³ Gratuities were paid on retirement of the directors in recognition of their exemplary service to the Group.

⁴ The long-term share awards expense is determined in accordance with IFRS 2 Share-Based Payments, and reflects the current year's charge recorded in the Group's statement of comprehensive income and statement of changes in equity. The fair value of share awards are determined at grant date, and are recognised in the statement of comprehensive income and statement of changes in equity over the period during which the employee becomes unconditionally entitled to the award (the vesting period). Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the Restricted Share Plan (RSP), previously named Forfeitable Share Plan (FSP), are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. Vesting criteria in respect of the FSP 2019 awards, due to vest in June 2022, have not been fully met. As a result, and as directed by the remuneration committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year.

Total remuneration of non-executive directors

Director	Directors' fees R'000	Lead independent director R'000	Audit, risk and compliance committee R'000	Remuneration committee R'000	Social and ethics committee R'000	Nominations and corporate governance committee R'000	Employee share trust R'000	Total remuneration R'000
FY22								
Gareth Ackerman	4 893.0							4 893.0
Haroon Borhat ¹	457.0		152.0	99.0		94.5		802.5
Mariam Cassim ¹	457.0		152.0					609.0
David Friedland	457.0		152.0			94.5		703.5
Hugh Herman ²	457.0							457.0
Aboubakar Jakoet	457.0			99.0	99.0		44.0	699.0
Audrey Mothupi	457.0		152.0	210.0		94.5	44.0	957.5
David Robins	457.0				99.0			556.0
Annamarie van der Merwe ³	457.0				99.0	94.5		650.5
Jeff van Rooyen	457.0	152.0	394.0	99.0		94.5	44.0	1 240.5
Total	9 006.0	152.0	1 002.0	507.0	297.0	472.5	132.0	11 568.5
FY21								
Gareth Ackerman	4 660.0							4 660.0
Haroon Borhat ¹	362.5			55.1		52.5		470.1
Mariam Cassim ¹	362.5		120.8					483.3
David Friedland	435.0		145.0			90.0		670.0
Hugh Herman ²	435.0		145.0	200.0			42.0	822.0
Aboubakar Jakoet	435.0			94.5	94.5		42.0	666.0
Alex Mathole ⁴	181.3				39.4	37.5		258.2
Audrey Mothupi	435.0		145.0	94.5		90.0	42.0	806.5
David Robins	435.0				94.5			529.5
Annamarie van der Merwe ³	253.8				55.1	52.5		361.4
Jeff van Rooyen	435.0	145.0	375.0	94.5		90.0	42.0	1 181.5
Total	8 430.1	145.0	930.8	538.6	283.5	412.5	168.0	10 908.5

¹ Haroon Borhat and Mariam Cassim were appointed during May 2020.

² Hugh Herman retired as Chair of the remuneration committee effective 28 February 2021, and Audrey Mothupi was appointed as Chair of the remuneration committee effective 1 March 2021.

³ Annamarie van der Merwe was appointed during August 2020.

⁴ Alex Mathole retired during August 2020.





Share awards held by executive directors

FY22	Calendar year granted	Award grant price R	Balance held at 28 February 2021	Forfeits ²	Granted/ (exercised)	Exercise price R	Balance held at 27 February 2022	Available for take-up
Pieter Boone Restricted shares	2021	Nil	-	-	500 000	-	500 000	June 2024
			-	-	500 000	500 000		
Lerena Olivier Share options	2019	58.05	80 000	-	-	-	80 000	September 2022
	2019	58.05	60 000	-	-	-	60 000	September 2024
	2019	58.05	60 000	-	-	-	60 000	September 2026
Forfeitable shares	2018	Nil	20 000	-	(20 000)	51.71	-	n/a
	2019	Nil	100 000	(50 000)	-	-	50 000	June 2022
Restricted shares	2020	Nil	120 000	-	-	-	120 000	June 2023
	2021	Nil	-	-	87 000	-	87 000	June 2024
			440 000	(50 000)	67 000	-	457 000	
Suzanne Ackerman-Berman ¹ Forfeitable shares	2018	Nil	15 000	-	(15 000)	51.71	-	n/a
	2019	Nil	15 000	(7 500)	-	-	7 500	June 2022
Restricted shares	2020	Nil	60 000	-	-	-	60 000	June 2023
	2021	Nil	-	-	55 000	-	55 000	June 2024
			90 000	(7 500)	40 000	-	122 500	
Jonathan Ackerman Forfeitable shares	2018	Nil	8 000	-	(8 000)	51.71	-	n/a
	2019	Nil	8 000	(4 000)	-	-	4 000	June 2022
Restricted shares	2020	Nil	30 000	-	-	-	30 000	June 2023
	2021	Nil	-	-	27 000	-	27 000	June 2024
			46 000	(4 000)	19 000	-	61 000	

¹ Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date. Suzanne's outstanding share awards will be delivered to her in June 2022 on a pro rata basis in line with the good leaver provisions of the scheme.

² As a result of the trade disruptions experienced in the 2022 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2019 FSP award. As a result, and as directed by the remuneration committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year. The remaining shares will be delivered to participants at the end of June 2022.

Directors' interest in ordinary shares

FY22	How held ¹	Balance held at 28 February 2021	Additions/ grants	Disposals	Forfeits ⁶	Balance held at 27 February 2022	Beneficial/ non-beneficial interest ²
Gareth Ackerman ⁹	direct	309	-	-	-	309	Beneficial
	indirect	1 713 106	-	-	-	1 713 106 ⁹	Beneficial
	indirect	19 762	-	-	-	19 762	Non-beneficial
Ackerman Pick n Pay Foundation ³	indirect	101 900	-	-	-	101 900	Non-beneficial
Ackerman Family Investment Holdings Proprietary Limited ⁴	indirect	1	-	-	-	1	Non-beneficial
Ackerman Investment Holdings Proprietary Limited ⁵	indirect	124 677 237	-	-	-	124 677 237	Non-beneficial
Mistral Trust ⁷	indirect	2 800 000	12 000	-	-	2 812 000 ⁷	Non-beneficial
Pieter Boone	direct - RSP	-	500 000	-	-	500 000	Beneficial
Lerena Olivier	direct	40 500	10 800	-	-	51 300	Beneficial
	direct - RSP/FSP	240 000	87 000	(20 000)	(50 000)	257 000	Beneficial
Suzanne Ackerman-Berman ⁸	direct	120 528	-	-	-	120 528	Beneficial
	direct - RSP/FSP	90 000	55 000	(15 000)	(7 500)	122 500	Beneficial
	indirect	625 069	8 100	(100 000)	-	533 169	Beneficial
Jonathan Ackerman	direct	122 888	-	-	-	122 888	Beneficial
	direct - RSP/FSP	46 000	27 000	(8 000)	(4 000)	61 000	Beneficial
	indirect	799 419	8 000	-	-	807 419	Beneficial
	indirect	2 161	-	-	-	2 161	Non-beneficial
Aboubakar Jakoet ¹⁰	direct	758 764	-	-	-	758 764 ¹⁰	Beneficial
	indirect	13 059	-	-	-	13 059	Non-beneficial
David Friedland	indirect	51 688	-	(10 000)	-	41 688	Beneficial
David Robins	direct	975	-	-	-	975	Beneficial
	indirect	90 436	-	-	-	90 436	Non-beneficial
Hugh Herman	direct	30 000	-	-	-	30 000	Beneficial
	indirect	256	-	-	-	256	Beneficial

¹ Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.

² Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.

³ The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

⁴ Ackerman Investment Holdings Proprietary Limited changed its name to Ackerman Family Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Family Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

⁵ Newshelf 1321 Proprietary Limited changed its name to Ackerman Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

⁶ As a result of the trade disruptions experienced in the 2022 financial year, the Group did not fully achieve the three-year headline earnings per share performance target required for the successful delivery of the 2019 FSP award. As a result, and as directed by the remuneration committee, 50% of the FSP 2019 long-term share awards have been forfeited, and the related expense recouped by the Group in the 2022 financial year. The remaining shares will be delivered to participants at the end of June 2022.

⁷ The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries. Subsequent to 27 February 2022 and before the date of this report, the Mistral Trust purchased 18 000 shares.

⁸ Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.

⁹ Subsequent to 27 February 2022 and before the date of this report, Burrumbuck Investments (Pty) Ltd (an associate of Gareth Ackerman) purchased 7 300 ordinary shares.

¹⁰ On 24 June 2022 Aboubakar Jakoet effected the following change to his Pick n Pay Stores Limited share portfolio

	Balance Held at 27 February 2022	Movements	Balance Held at 24 June 2022	Beneficial / non-beneficial interest
direct	758 764	(750 000)	8 764	Beneficial
indirect	-	750 000	750 000	Beneficial
indirect	13 059	-	13 059	Non-beneficial

The restructure is an off-market transaction to a company in which Aboubakar Jakoet retains an indirect beneficial holding in accordance with the classifications of the JSE Listings Requirements. However, he has only a 10% shareholding in the company through which these shares are held, cannot exercise control over these shares and receives limited information regarding these shares.

¹¹ Other than disclosed in notes 7, 9 and 10 above, there have been no changes in the directors' interests in ordinary shares since 27 February 2022, up to the date of the approval of this report.



Directors' interest in B shares

FY22	How held ¹	Balance held at	Additions	Disposals	Balance held at	Beneficial/ non-beneficial interest ²
		28 February 2021			27 February 2022 ⁶	
Gareth Ackerman	direct	522	-	-	522	Beneficial
	indirect	3 227 861	-	-	3 227 861	Beneficial
	indirect	39 140	-	-	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited ³	indirect	246 936 847	-	-	246 936 847	Non-beneficial
Mistral trust ⁴	indirect	5 349 559	-	-	5 349 559	Non-beneficial
Suzanne Ackerman-Berman ⁵	direct	233 767	-	-	233 767	Beneficial
	indirect	926 084	-	-	926 084	Beneficial
Jonathan Ackerman	direct	243 307	-	-	243 307	Beneficial
	indirect	1 135 009	-	-	1 135 009	Beneficial
	indirect	4 280	-	-	4 280	Non-beneficial
David Robins	direct	1 931	-	-	1 931	Beneficial
	indirect	179 118	-	-	179 118	Non-beneficial

¹ Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.

² Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.

³ Newshelf 1321 Proprietary Limited changed its name to Ackerman Investment Holdings Proprietary Limited. The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

⁴ The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

⁵ Suzanne Ackerman-Berman retired as an executive director on 31 March 2022, and was appointed as a non-executive director from 1 April 2022.

⁶ There have been no changes in the directors' interest in shares since 27 February 2022, up to the date of approval of this report.





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SHAREHOLDERS' INFORMATION

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- IBC Corporate information





ANALYSIS OF ORDINARY SHAREHOLDERS

as at 27 February 2022

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	16 704	75.5	2 591 946	0.5
1 001 – 10 000 shares	4 082	18.4	12 986 536	2.6
10 001 – 100 000 shares	1 033	4.7	32 649 201	6.6
100 001 – 1 000 000 shares	266	1.2	73 759 465	14.9
1 000 001 shares and over	47	0.2	371 463 173	75.4
Total	22 132	100.0	493 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	17	0.1	145 222 163	29.4
Ackerman Investment Holdings Proprietary Limited*	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	809 000	0.2
Shares held on behalf on FSP/RSP participants	1	0.0	7 707 650	1.5
Boxer Superstores Proprietary Limited	1	0.0	172 750	0.0
Pick n Pay Employee Share Purchase Trust	1	0.0	4 535 405	0.9
Directors of Pick n Pay Stores Limited	8	0.0	4 305 820	0.9
Mistral Trust	1	0.0	2 812 000	0.6
Pick n Pay Non Contributory Provident Fund	1	0.0	100 400	0.0
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Ackerman Family Investment Holdings Proprietary Limited**	1	0.0	1	0.0
Public shareholders	22 115	99.9	348 228 158	70.6
Total	22 132	100.0	493 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Pty Ltd*	124 677 237	25.3
Government Employees Pension Fund	81 449 655	16.5
Fidelity Series Emerging Markets Opportunities Fund	37 857 599	7.7
Allan Gray Balanced Fund	11 860 508	2.4
Norges Bank Investment Management (NBIM)	8 268 678	1.7
Shares held on behalf on FSP/RSP participants	7 707 650	1.5
FIAM Group Trust For Employee Benefit Plans	7 323 225	1.5
Alexander Forbes Investments Limited	7 310 398	1.5
Old Mutual Life Assurance Company SA	6 861 095	1.4
Vanguard Emerging Markets Stock Index Fund (US)	4 957 879	1.0

* Ackerman Investment Holdings Proprietary Limited was previously named Newshelf 1321 Proprietary Limited.
** Ackerman Family Investment Holdings Proprietary Limited was previously named Ackerman Investment Holdings Proprietary Limited.

ANALYSIS OF B SHAREHOLDERS

as at 27 February 2022

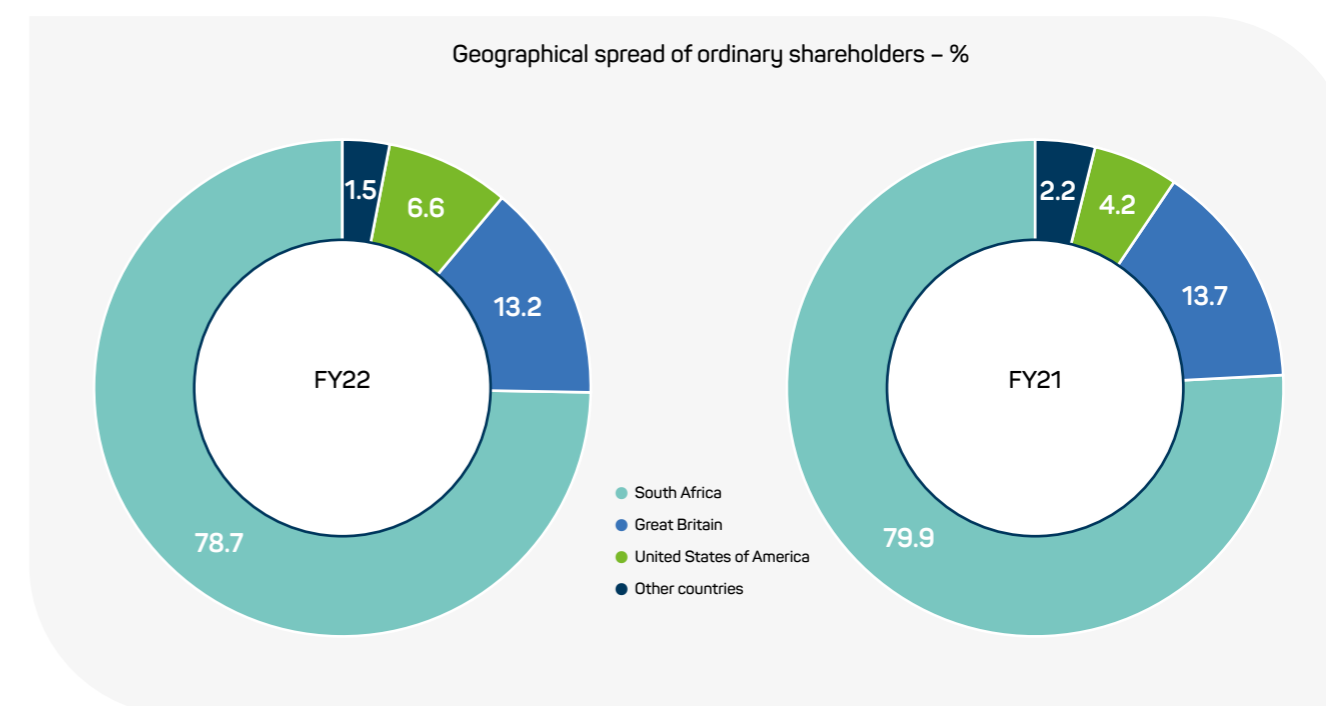
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	4.0	522	0.0
1 001 – 10 000 shares	7	28.0	43 599	0.0
10 001 – 100 000 shares	8	32.0	181 479	0.1
100 001 – 1 000 000 shares	4	16.0	1 582 276	0.6
1 000 001 shares and over	5	20.0	257 874 993	99.3
Total	25	100.0	259 682 869	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	24.0	258 277 425	99.4
Ackerman Investment Holdings Proprietary Limited*	1	4.0	246 936 847	95.1
Directors of Pick n Pay Stores Limited	4	16.0	5 991 019	2.3
Mistral Trust	1	4.0	5 349 559	2.0
Public shareholders	19	76.0	1 405 444	0.6
Total	25	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited*	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman (Director of Pick n Pay Stores Limited)	3 228 383	1.2

* Ackerman Investment Holdings Proprietary Limited was previously named Newshelf 1321 Proprietary Limited.

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.



SHAREHOLDERS' INFORMATION

Annual general meeting – 26 July 2022

The 54th annual general meeting of the shareholders of Pick n Pay Stores Limited (AGM) will be conducted entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended and the Company's Memorandum of Incorporation. The live AGM webcast will be held at 08:30 on 26 July 2022, through the following link – <https://meetnow.global/ZA>

The minutes of the previous year's AGM held on 28 June 2021 are available on our investor relations website at www.picknpayinvestor.co.za.

FY23 results announcements

Interim to 28 August 2022	October 2022
Final to 26 February 2023	May 2023

Publication of annual financial statements

FY22	June 2022
FY23	June 2023

Publication of Integrated Annual Report and Corporate Governance Report

FY22	June 2022
FY23	June 2023

Publication of ESG Performance Summary and Databook

FY22	June 2022
FY23	June 2023



OUR GLOSSARY OF TERMS

Terms and Abbreviations used in this Integrated Annual Report

AFS	Annual Financial Statements
AGM	Annual General Meeting
B-BBEE	Broad-based Black Economic Empowerment
CAGR	Compound Annual Growth Rate
CDP	Carbon Disclosure project
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CGR	Corporate Governance Report
CISO	Chief Information Systems Officer
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Covid-19	Coronavirus (SARS-CoV-2)
CPI	Consumer Price Index – the headline inflation number in South Africa as reported by Stats SA
CPI Food	The Consumer Price Index for Food and non-alcoholic beverages as defined by Stats SA
CRI	Long-term Cash Retention Incentive Scheme – aimed at middle-management
CSI	Corporate Social Investment
DC	Distribution Centre
Ekuseni	The Group's new long-term strategy, published in May 2022
EPS	Earnings per share
ESG	Environmental, Social and Corporate Governance
Exceptional Items	Are determined by the Remuneration Committee and are non-recurring items of an exceptional size and nature
EY	Ernst & Young Inc.
FMCG	Fast Moving Consumer Goods
FSP	Long-term Forfeitable Share Plan replaced in 2020 by the Restricted Share Plan
FY	Financial Year, for example: FY22 – our 2022 financial year and FY21 – our 2021 financial year
GDP	Gross Domestic Product
GRI	The Global Reporting Initiatives (GRI) Standards
Group	Pick n Pay Stores Limited and all its subsidiaries and associate
HEPS	Headline earnings per share
HR	Human Resources
IAR	Integrated Annual Report
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund



<IR> Framework	Integrated Reporting Framework
JSE	The Johannesburg Stock Exchange
King IV	The King IV Report on Corporate Governance for South Africa, 2016
LID	Lead Independent Director
LTI	Long-Term Incentive – under the Group’s long-term CRI and RSP schemes
NED	Non-Executive Director
NPS	Net Promoter Score – a formal measure of customer advocacy
Q1 – Q4	FY22 financial quarters:
	Q1 – first quarter, end May 2021 Q2 – second quarter, end August 2021
	Q3 – third quarter, end November 2021 Q4 – fourth quarter, end February 2022
	2021 calendar quarters:
	Q1 – first quarter, end March 2021 Q2 – second quarter, end June 2021
	Q3 – third quarter, end September 2021 Q4 – fourth quarter, end December 2021
rBST	Recombinant Bovine Somatotropin (rBST) is a synthetic hormone injected into dairy cattle to increase their milk production
ROCE	Return on Capital Employed
RSP	Long-term Restricted Share Plan – aimed at senior and top management
SARB	South African Reserve Bank
SASB	The Sustainability Accounting Standards Board
SASSA	South African Social Security Agency
SDG	Sustainable Development Goal
SENS	The Johannesburg Stock Exchange News Service
SLR	Sustainable Living Report of 2021
SMME	Small, Medium and Micro Enterprise
SRD	Social Relief of Distress Grant
STI	Short-term Incentive – the Group’s annual cash performance bonus
TCFD	The Task Force on Climate-related Financial Disclosures
TGP	Total Guaranteed Package
TM	TM Supermarkets (Pvt) Limited – the Group’s associate trading in Zimbabwe
UN	United Nations
Workday	A cloud-based human capital management software system that centralises a wide range of HR functions into a single platform, including training and talent management, leave management, recruitment and general staff communication

Other relevant financial definitions have been included on page 77.

CORPORATE INFORMATION

Pick n Pay Stores Limited

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

Board of directors

Executive directors

Pieter Boone (CEO)
Lerena Olivier (CFO)
Jonathan Ackerman

Non-executive

Gareth Ackerman (Chairman)
Suzanne Ackerman-Berman*
David Robins

Independent non-executive

Haroon Borat
Mariam Cassim
David Friedland
Hugh Herman
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe
Jeff van Rooyen

Registered office

Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel: +27 21 658 1000
Fax: +27 (0)86 675 1475

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

Postal address

Private Bag X9000
Saxonwold 2132

JSE Limited sponsor

Investec Bank Limited
100 Grayston Drive
Sandton 2196

Auditors

Ernst & Young Inc.

Attorneys

Edward Nathan Sonnenbergs

Principal transactional bankers

Absa Limited
First National Bank

Company secretary

Debra Muller
Email address: demuller@pnp.co.za

Promotion of access to information act

informationofficer@pnp.co.za

Investor relations

Stephen Carrott
Email address: StephenCarrott@pnp.co.za

Website

Pick n Pay: www.picknpay.com
Investor relations: www.picknpayinvestor.co.za

Customer careline

Pick n Pay
Tel: +27 860 30 30 30
Email address: customer@pnp.co.za

Boxer

Tel: +27 860 02 69 37
Email address: customer@boxer.co.za

Online shopping

Tel: +27 860 30 30 30
www.picknpay.com

ENGAGE WITH US ON



* Suzanne Ackerman-Berman retired as an executive director on 31 March 2022 and was appointed as a non-executive director on that date.