



INTEGRATED 2024

ANNUAL REPORT

Welcome to our 2024 Integrated Annual Report

The Pick n Pay Group is a retail business in the fast-moving consumer goods industry. We operate multiple store formats through an owned and franchise model, including supermarkets, clothing and liquor stores and an online platform. The Group trades under two banners – Pick n Pay and Boxer. Our late honorary life president and consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa, in 1967. The Group purchased the Boxer business in 2002, then only 35 stores. Today, the Group has 2 279 stores across South Africa, Botswana, Eswatini, Lesotho, Namibia, Nigeria, Zambia and Zimbabwe.



Our purpose statement

We **serve**

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

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

Our long-term strategy targets a return to operational excellence in Pick n Pay, while driving the exceptional growth of our Pick n Pay Clothing and Boxer businesses.

[Read more from page 56.](#)

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

[Read more from page 18.](#)

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

[Read more from page 16.](#)

We are pleased to present our 2024 Integrated Annual Report for the 52 weeks ended 25 February 2024 (FY24).



"Pick n Pay is currently experiencing a watershed moment that calls for a fresh and forward-thinking approach to the challenges that lie ahead."

Read more in our Chair's report from page 10.



"I found a team that was motivated to transform the Pick n Pay business and restore it back to its rightful place in the retail landscape."

Read more in our CEO's report from page 54.



"The Group's enduring values, corporate governance and committed and determined leadership team will guide us on the path to restoring Pick n Pay's growth and sustaining long-term value creation for the Group."

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



"There is little doubt that FY24 has been the most challenging year in the Group's history. It is times like these that test a Group's resilience, its ability to change and modernise and the mettle of its senior management team."

Read more in our CFO's report from page 70.

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A mindful approach to external reporting

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Our way of reporting

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

Pick n Pay and Boxer are much-loved brands, valued within society and 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 57 years, providing a solid foundation for growth, innovation, service excellence and generosity.

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

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

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

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

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

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

Read more from page 64.

The Board is accountable for the Group's performance

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

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

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

Our business model is central to our integrated thinking approach

We use six broad capitals to create sustainable stakeholder value.

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

Read more from page 24.



Financial



Human



Manufactured



Social and relationship



Intellectual



Natural

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

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

Read more from page 36.

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 44.

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

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

Read more from page 36.

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

Integrated Annual Report (IAR)

A review of the Group's strategy, material matters, risks and opportunities and our operational and financial performance for the financial year. The report includes relevant extracts from the FY24 Annual Financial Statements, disclosure on environmental and social sustainability, our governance structures and remuneration report.

Annual Financial Statements (AFS)

The audited Group and Company AFS for Pick n Pay Stores Limited for FY24. The report includes our Audit, Risk and Compliance Committee report and Directors' report.

Corporate Governance Report (CGR)

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

Annual General Meeting notice (AGM)

Notice of the 2024 AGM to be held on 27 August 2024, and the proxy voting form.

Sustainability Report (ESG)

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

Our reports comply with the following reporting standards and frameworks:

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

¹ Our compliance with this framework is summarised on page 131.

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



Our IAR and Sustainability Report are further informed by relevant and credible international reporting frameworks that include the SASB Standards, the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements and the JSE Sustainability and Climate Change Disclosure Guidance. We are on a journey to align our reporting with these frameworks. Read more from page 4.

The FY24 audited AFS were prepared in terms of IFRS.

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

Feedback

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

Forward-looking information contained in this report

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

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

This report's scope and boundary

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited, its subsidiaries and its associate (the Group) for the 52 weeks ended 25 February 2024. It contains relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting.

Our integrated reporting boundary is influenced by:

- Our broader macro-economic environment (page 34)
- The material risks and opportunities that impact the performance and sustainability of the Group (page 36)
- The legitimate needs and interests of our key stakeholders (page 44)
- Our governance practices (page 84)

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

We are on a journey to increase the depth and transparency of our ESG reporting, aligned with leading international reporting frameworks and standards. For more information on our key measures, refer to page 64.

Our financial reporting boundary aligns with the boundary of our AFS and includes:

Pick n Pay

1 007
company-owned stores

722
franchise stores

Read more from page 18.

BOXER

477
company-owned stores

Read more from page 21.

Ensuring an accurate and balanced report

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

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

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

For more insight into our materiality determination process and material matters, refer to pages 36 to 43.

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

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

Assurance on report content



Integrated Annual Report

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



Financial information

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



Selected non-financial performance metrics

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



All other non-financial performance information

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

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

Board approval of the 2024 report

The Board reviewed and approved this IAR for release to our stakeholders on 26 June 2024.

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

The directors consider the report to be presented in accordance with the International Integrated Reporting Framework. This report provides a fair representation of the financial position of the Group as at 25 February 2024, and its performance for the financial year.

Gareth Ackerman
Chair

Sean Summers¹
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

Jonathan Ackerman²
Non-executive director

Suzanne Ackerman
Non-executive director

David Robins
Non-executive director

Haroon Bhorat
Independent
non-executive director

Mariam Cassim
Independent
non-executive director

James Formby³
Lead independent
non-executive director (LID)

David Friedland
Independent
non-executive director

Aboubakar Jakoet
Independent
non-executive director

Audrey Mothupi
Independent
non-executive director

Annamarie van der Merwe
Independent
non-executive director

¹ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

² Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.

³ James Formby took over as LID on the retirement of Jeff van Rooyen on 19 July 2023.

A retail business in the fast-moving consumer goods industry

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Remembering Raymond Ackerman

10 March 1931 – 6 September 2023

Pick n Pay's much-loved founder has left an indelible mark on the retail landscape of South Africa. His visionary leadership and unwavering commitment to consumer sovereignty transformed a small retail business in Cape Town into one of the country's largest and most beloved retail chains. He lived by the maxim of "doing good is good business", an enduring company value.

Raymond's retail journey began in 1967 when he purchased four small stores in Cape Town from Jack Goldin, using a bank loan and investments from friends. This marked one of the earliest private equity deals in South Africa, with 50 investors in Pick n Pay. The Company went on to list on the JSE in 1968. From these modest beginnings, Raymond built Pick n Pay into a retail powerhouse, driven by a simple yet profound philosophy: "Treat the customer like a queen, and the customer will make you a king." This customer-centric approach became the cornerstone of Pick n Pay's success, and Raymond fought tirelessly against monopolies and price-fixing, advocating for lower prices of petrol, bread, and essential groceries, fostering a culture of exceptional value and customer service.

Raymond was more than a successful businessman; he was a passionate advocate for social justice and community upliftment. In direct opposition to the apartheid policies of the time, he stubbornly promoted black employees to managerial positions and appointed Pick n Pay's first black manager in the Rondebosch store in 1969. Raymond was also able to persuade former prime minister John Vorster to introduce 99-year leasehold rights for black employees in urban areas, which enabled Pick n Pay to introduce an assisted housing scheme for its growing number of black employees. This move was not only a powerful statement against the discriminatory policies of apartheid, but also a testament to his belief in equality and dignity for all.

Under Raymond's leadership, Pick n Pay championed numerous innovations that revolutionised the retail industry in South Africa. He introduced the concept of hypermarkets to South Africa, providing customers with a one-stop shopping experience and lower prices driven by bulk buying. His commitment to affordability and quality led to the development of the Pick n Pay No Name brand, offering everyday essentials at competitive prices without compromising on quality. He grew the Pick n Pay business through the introduction of franchise partners, allowing for the development of business entrepreneurs and highly valued Pick n Pay brand ambassadors. These and other initiatives set new standards in food and grocery retail and made a significant impact on the lives of millions of South Africans.

Living by the belief that doing good was good business, Raymond believed that businesses had a responsibility to contribute to the well-being of society. This belief was evident in Pick n Pay's numerous social initiatives, including the establishment of the Raymond Ackerman Academy of Entrepreneurial Development, which empowers young people with the skills and knowledge to start their own businesses and create jobs in their communities. The Ackerman Pick n Pay Foundation focuses on enhancing and developing skills, and supporting projects that encourage entrepreneurship, self-reliance and provide employment opportunities.

His impact went beyond investment in South Africa's communities. His strong commitment to fair trade practices, environmental sustainability, and employee welfare set a benchmark for corporate governance in South Africa. He championed the cause of consumer rights and played a pivotal role in the establishment of the Consumer Protection Act in South Africa.

Raymond's leadership extended beyond the confines of the business world. He was a vocal advocate for economic and social reforms, using his influence to promote policies that fostered economic growth and social equity. His contributions to public life were recognised with numerous awards and honours, including the Order of the Baobab, one of South Africa's highest civilian honours.

Ever the family man, Raymond died at the age of 92 in Cape Town. He remained devoted to his wife, Wendy, children Gareth, Kathy, Suzanne, and Jonathan, his 12 grandchildren and four great-grandchildren.

As we honour Raymond Ackerman, we reflect on the values that continue to guide our business. His vision, integrity, and commitment to excellence have shaped our Group and we strive every day to uphold the high standards he set, inspired by his dedication to improving the lives of others. We are forever grateful for his leadership and the legacy he has left behind.



Chair's report: looking forward to renewal

Gareth Ackerman
Chair



This past year has been one of challenge, disappointment and encouraging renewal.

We were all saddened by the passing of my father, Raymond Ackerman, the founder of the Pick n Pay Group and an icon to his family, the industry and indeed the country. He built Pick n Pay around three core values: consumer sovereignty, doing good is good business and business efficiency. Since 1967 these values have been enshrined in the way we do business.

Given our history and legacy, it was distressing to find that operational changes over many years had caused the core Pick n Pay business to decline to its position at the end of FY24.

For many years, there were attempts to streamline and refocus Pick n Pay. The operational structures were unwieldy and needed modernisation. As a result, the business embarked on a centralisation and modernisation project. However, it became evident in the post-pandemic era that the work done over the previous decade had not resulted in a sustainable model for our core Pick n Pay supermarkets. The profit recovery lulled us into a false sense of security.

The impact of several "black swan" events, coupled with certain inappropriate strategic initiatives, caused a precipitous decline in the profitability of our core Pick n Pay business. However, we were not unique in having to face these external problems. All retailers did, so we cannot only blame external factors.

The success of the Boxer, Pick n Pay Clothing, Online and value-added services businesses carried the Group and provide a strong foundation for the recovery of the overall business.

In 2022, the Group strategically reviewed the business. As part of the resultant Ekuseni strategy, the Group's short-term funding facilities were converted to long-term debt, and additional debt capital was raised to support the strategy.

However, it became evident that key elements of the strategy were not working in the core Pick n Pay business. The problem we were facing was correctly diagnosed; it was the solution that was strategically flawed. Fortunately, it was only 15 months after the launch of Ekuseni that the Board took decisive action.

Sean Summers was brought back to the Group as CEO. He rapidly rebuilt the Pick n Pay management team using a number of current, new and former executives. Previously, many executives were operating outside their areas of expertise – now they are back in roles that play to their strengths.

Pick n Pay is currently experiencing a watershed moment that calls for a fresh and forward-thinking approach to the multiple challenges that lie ahead. The following Søren Kierkegaard quote sums up the Pick n Pay situation perfectly: "Life can only be understood backwards; but it must be lived forwards."

For Pick n Pay to thrive again, it needs to embark on a fundamental step change, with new ideas and dynamic leadership. Pick n Pay needs a vibrant management team in place to continue the turnaround and one of Sean's key KPIs is succession planning.

Given the difficult position in which Pick n Pay found itself, the Board elected to undertake a R4 billion Rights Offer, which is supported by the Group's controlling shareholder, the Ackerman family. This will be followed by the listing of our Boxer business by the end of 2024. This will enable Pick n Pay's management to start investing back into the business for growth. The Board believes this is the best approach to reinvest in our Group, recapitalise the business, and reduce debt. We thank our funders and other stakeholders for their support of the recapitalisation of the business.

At this critical time, it is understandable that the Ackerman family would carefully consider the future. Ackerman Investment Holdings has chosen to follow its rights in the upcoming capital raise. My father and mother's legacy is an integral part of the Pick n Pay story. I believe the commitment of the keystone shareholder, rooted in the Group's founding values, is needed now more than ever, to give management the support they need to complete the renewal they have started.

I have confidence in the Group's future, in Sean, and in the management team.

I also recognise the need for change in the composition of the Board and its committees. In the spirit of inspiring change and over 14 years as Chair, I feel the time to retire is approaching. We need new blood and ideas. I will stay on as Chair to support Sean with the turnaround until the release of the FY25 annual results, and thereafter I will step down from the role and remain on the Board. The Ackerman family also made other changes to the way it exercises influence on the Board and as a shareholder to further strengthen the business. These changes will provide a period of stability and continuity as the Board steers the Group through its current crisis (please refer to page 14).

The Ackerman family believes these comprehensive changes strike the appropriate balance in ensuring continuity with the foundational values of the Pick n Pay Group and the need to inject new ideas and approaches into the business in a fast-evolving environment.

Our family believes deeply in the strength and potential of Pick n Pay and Boxer, and we are dedicated to seeing it thrive for generations to come.

Looking more broadly, the country has just gone through a cathartic election process where the citizens were given the right to express their views on the state of the nation. We hope the new Government of National Unity takes cognisance of the voters' messages. The country needs to move out of the era of corruption which, over the past 15 years, has left the economy struggling, with high unemployment, poor service delivery, load-shedding, the stripping of assets and a growing number of people who see no tangible improvement in their lives.

Finally, I thank the Pick n Pay and Boxer management teams, both for what they have done so far and for what lies ahead. I thank the Board of directors for their ability to self-reflect, to accept what has gone wrong under their watch, and for the unbelievable effort they have put into righting the ship. Sean and I have always had a strong relationship, and I thank him for coming back on board and for providing inspirational leadership, inside and outside the business.

Notwithstanding the considerable challenges we are facing, the morale within the Group is higher than it has been for some time. This is almost entirely due to Sean's leadership. I congratulate Marek and the Boxer team, and Hazel and the Clothing team, for yet another outstanding performance. I thank everyone at Pick n Pay involved in the turnaround, debt restructure and recapitalisation-related processes over the past few months.

I also thank the other stakeholders for their support, to all those who have provided guidance.

We are committed to fixing the Pick n Pay business, growing our Boxer business and drawing on our operational strength, our people, our brand, and our legacy.

Gareth Ackerman
Chair

26 June 2024

The essence of our Group

The Group operates 2 279 stores across multiple formats in eight countries across Africa. With our rich 57-year history, we benefit from strong brand loyalty and broad socio-economic appeal within the regions we serve.

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

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

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

Our enduring values

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

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

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

We take **individual responsibility**

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

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

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

We are all **accountable**

Our mission

We **serve**

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

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

Our salient features

Economic

R112.3 billion turnover

128 new stores

R3.8 billion capital
investment

Launched a **two-step**
Recapitalisation Plan
(Refer page 13)

Environmental

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

Founding member of the
Consumer Goods
Council Voluntary
Food Waste
Agreement

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

Net zero carbon footprint
2050 target

Social

90 000 people across
our company-owned and
franchise operations

400 000 jobs sustained
through the reach of our
value chain

Alleviating hunger through
Feed the Nation

Supporting
3 280 schools
through our Pick n Pay
School Club

Governance

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

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

Important **Board and**
control changes to
strengthen Board
independence and
advance the rights
of all shareholders
(Refer to page 85)



Unpacking the PIK investment proposition following a difficult year

The challenges of FY24

Pick n Pay Stores Limited (PIK) experienced a difficult FY24, recording operating losses, a cessation in dividends and a decline in its share price. The previous Ekuseni strategy inadequately addressed sustained under-performance in the Group's Pick n Pay supermarket business, with a rapid decline in the financial performance of that business as its sales volumes fell and profit margins contracted. In comparison, the Group's Boxer and Pick n Pay Clothing businesses delivered market-leading sales performances in highly contested market segments. However, these performances were not enough to shield the Group from recording an FY24 loss, including once-off severance and logistics costs, higher debt provisioning and the impairment of store assets in Pick n Pay. The disappointing Pick n Pay performance necessitated strong capital, working capital and liquidity management as debt levels increased, including critical collaboration with the Group's debt funders to secure covenant waivers and a vital debt restructure agreement. Refer to page 70 for the detailed CFO analysis of the FY24 results.

Leadership and strategy change

The Board responded quickly to the decline in the Group's earnings, announcing a change in executive leadership in September 2023 and the development and implementation of a new turnaround strategy for the Pick n Pay supermarkets business. The strategy aims to arrest market share losses in Pick n Pay and restore that business to profitability, while advancing momentum in the Group's high-performing Boxer, Clothing and Online businesses. Refer to page 56 for an overview of the Group's key strategic initiatives.

Recapitalisation of the business

The Board prioritised the development of a sustainable capital structure for the Group, which would reduce debt levels, provide sufficient support for investment in the turnaround of Pick n Pay and unlock shareholder value. As a result, a key element of the Group's turnaround strategy is the successful implementation of a two-step Recapitalisation Plan – comprising a Rights Offer to existing PIK shareholders, followed by an offering and listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange (Boxer IPO).

Rights Offer

The Group will raise R4.0 billion through a Rights Offer to existing PIK shareholders. The proceeds of the Rights Offer, which is expected to launch in July 2024, will be used to repay debt and meet the Group's short-term funding needs. The size of the Rights Offer meets the Group's near-term funding needs, keeps potential shareholder dilution to a minimum and provides the Group with the ability to deliver an attractively sized IPO of Boxer, while retaining a majority stake in that business to benefit from its significant long-term growth potential.

Boxer IPO

The Boxer listing provides JSE investors with a new and exciting high-growth investment opportunity. The proceeds will be utilised to repay Group debt, provide the incremental operational funding needed during FY25 and underpin long-term sustainable value creation in both Pick n Pay and Boxer through the advancement of the long-term strategy.

Our investment case

Management is focused on unlocking shareholder value by:

- listing the Boxer business to ensure Boxer is accorded a market value which appropriately reflects its superior growth and Return on Invested Capital (ROIC) characteristics
- returning the Pick n Pay segment to trading profitability via the turnaround strategy
- de-gearing the Group via the two-step Recapitalisation Plan, which is expected to substantially reduce debt service costs, reduce risk and provide management with the operational flexibility and resources to drive the Pick n Pay segment's return to profitability

Boxer – the soft discounter leading South African food retail market growth

Boxer has a rich 47-year history and is one of the fastest growing grocery retailers globally. Boxer grew its sales at a market-leading 19% over the past three financial years (7.6% on a like-for-like basis across the 52 weeks ended 25 February 2024 and 26 February 2023) driven by its compelling customer value proposition and strong store roll-out programme.

Boxer's store estate, at 477 stores as of 25 February 2024 (including 296 supermarkets) remains relatively small in comparison to larger listed competitors, providing considerable headroom for the expansion of its store estate over time. According to IGD¹ data, discounter penetration of the grocery market is only 7% in South Africa, well below many other countries (including Poland at 38%, Turkey at 25%, and the United Kingdom at 16%). The Group believes that Boxer is well positioned to lead increased penetration of the discounter category in South Africa over coming years.

The Boxer business model is based on a focused range of 3 000 products. Boxer offers its customers compelling value on the products that are most important to the lower- to middle-income communities of South Africa and Eswatini, augmented by a strong fresh meat, produce and bakery offer. Boxer's combination of high sales densities, a highly efficient and low-cost operating model and a relatively light asset base allows the business to generate high returns on investment, with a ROIC in excess of 20% for the 52 weeks ended 25 February 2024. Boxer has a stable and highly experienced management team led by CEO Marek Masojada, who has been with Boxer for 30 years.

¹ Institute of Grocery Distribution – an international research and training organisation specialising in the food and grocery sector.

Pick n Pay Clothing: the fast-growth value-oriented clothing chain

Pick n Pay Clothing (reported within the Pick n Pay segment) is a casualwear-focused, value-oriented clothing store format, targeting family shoppers. While womenswear is the cornerstone of the format's success, Pick n Pay Clothing is gaining traction in childrenswear and menswear. Pick n Pay Clothing grew its sales in stand-alone stores by a market-leading 17% for the 52 weeks ended 25 February 2024 (7.7% on a like-for-like basis) and 15.3% for the 52 weeks ended 26 February 2023 (5.6% on a like-for-like basis), driven by its compelling customer value proposition and new store roll-out programme. As of 25 February 2024, Pick n Pay Clothing had 366 stand-alone company-owned clothing stores, having increased its portfolio by 55 stores over the course of the year.

The Group expects sales growth and market share gains to continue as we execute on our new store pipeline and increase the space allocated to clothing in our supermarkets and hypermarkets. The success of our strategy to date and the relatively small size of our estate against our peers, gives us confidence in the sustained growth potential of this format.

Strong online sales growth, driven by on-demand platforms

The Group achieved online sales growth of 74.4% in FY24 (FY23: 72.0%). The sales growth was driven by the Group's on-demand offerings, Pick n Pay asap! and Pick n Pay groceries on Takealot's Mr D mobile application. The Group's on-demand platforms delivered growth of 102.3% in FY24 (FY23: 130.7%), establishing the Group as the second largest on-demand grocery provider among South African consumers. Over 28 000 products are available on Pick n Pay asap! which delivers from over 500 stores, including liquor stores. In October 2023, the asap! application was refreshed and relaunched with enhanced functionality, including an AI-driven search function. 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.

Strengths of the core Pick n Pay supermarkets business

Pick n Pay remains one of South Africa's most iconic and loved brands. Pick n Pay was recognised as the strongest brand in South Africa in April 2023 according to Brand Finance, an authority on brand valuation. Similarly, in May 2023, Pick n Pay was voted the Best Everyday Grocery Store in The Star newspaper Reader's Choice survey. As of 25 February 2024, Pick n Pay had an estate of 346 company-owned supermarkets and hypermarkets and 269 franchise supermarkets. While the Group has recognised in its recent strategic store review that selected loss-making stores need to be closed or converted, the Group retains a large base of well-positioned and profitable stores, catering to a broad and loyal customer demographic. The Group's entrepreneurial franchise partners have been a key element of the Group's success over many years, given their skills and passion for the business, and the Group will continue to capitalise on this strategic advantage. The Group's strategy refocuses the Pick n Pay team on the basics of food and grocery retail, driving operational excellence in product range development, price and promotion, store standards and customer service.

Solid progress against the Recapitalisation Plan and strengthened corporate governance

The Group has delivered solid progress in the implementation of its two-step Recapitalisation Plan, driven by constructive and transparent stakeholder engagement, and evidenced by the following key achievements:

- The Group concluded a debt restructure agreement with all its short-term and long-term funders to secure liquidity until 1 September 2025.
- The Group received a firm commitment from its controlling shareholder, Ackerman Investment Holdings (AIH), that it will follow its rights up to a maximum amount of ZAR 1.025 billion, subject to its reasonable satisfaction with the terms and conditions of the Rights Offer.
- The Group concluded a standby underwriting agreement with Absa Bank Limited, Rand Merchant Bank (a division of FirstRand Bank Limited) and The Standard Bank of South Africa Limited in terms of which they have agreed, subject to the conclusion of a formal underwriting agreement on customary terms, to underwrite the Rights Offer amount in equal proportions.
- All shareholder resolutions required to advance the Rights Offer, including amending the ordinary share capital from par value to no par value shares, increasing the Group's authorised ordinary and B share capital and all related MOI amendments, were successfully passed at a shareholders' meeting held on 26 June 2024. The Rights Offer circular is expected to be published to shareholders in July 2024, with completion in early August 2024.
- The Group continues to progress in its efforts to get Boxer ready for its listing, including through the development of a strong corporate governance framework and identifying strong, independent candidates for the Boxer board.

In addition to the significant achievements detailed above, AIH agreed to a number of important governance changes to increase the independence of the Board and to balance the interests of all shareholders. The changes will be implemented in a phased and responsible manner over the next 12 to 18 months, prioritising management support and Board stability:

- AIH will forego majority shareholder voting control of Pick n Pay Stores Limited, allowing Ackerman family voting rights to fall below 50% post the Rights Offer.
- AIH will forego its right to nominate the Chair, CEO and CFO immediately, as well as reduce its representation on the Board of directors to three from the 2024 AGM, being Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.
- Gareth Ackerman will retire from his role as Chair of the Board of directors after the release of Pick n Pay's FY25 results and has stepped down from the Nominations and Corporate Governance Committee and Treasury sub-committee with immediate effect. The Board is in the process of identifying his successor, who will be announced in due course.
- Suzanne Ackerman retires from the Nominations and Corporate Governance Committee with immediate effect and remains Chair of the Social, Ethics and Transformation Committee.
- David Robins will retire from the Board at the FY24 AGM in August 2024.
- The Board has determined that long-serving independent non-executive directors will retire in the ordinary course of Board rotations over the next 12 to 18 months.
- In the context of the proposed Boxer IPO, the Group confirms that there will be no AIH representation on the Boxer board and that there will be no controlling voting structures for Boxer.

Our commitment to doing good

After 57 years of ethical action and positive contributions to society, our stakeholders have the confidence that we will always do what is right. Our sustainability efforts – and increasingly, our strategic decisions – are guided by an integrated ESG framework focused on:

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

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

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

Building an inclusive supply chain – supports hundreds of local emerging entrepreneurs and ensures our ecosystem is more resilient

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

Promoting healthier food choices – makes it easier for our customers to improve their health

Diverse management teams – provide valuable skill and experience informed by diverse experiences and backgrounds

For further information on our ESG framework please refer to page 64 and to our 2024 Sustainability Report.



Much-loved brands and an exceptional store network

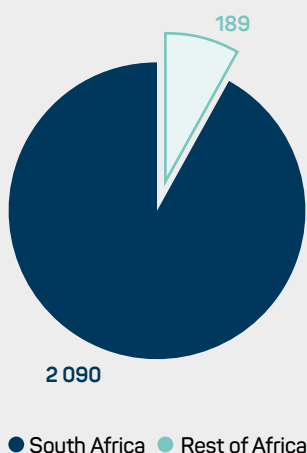
The Group has a flexible and dynamic business model, operates company-owned stores, collaborates with skilled and experienced franchisees, and invests in partnerships with established businesses.

This allows the Group to follow the most effective and appropriate operating model for the different regions in which it trades. Evolving customer demographics creates opportunities for the Group to expand its footprint and increase sales without cannibalising its existing market. Our expansion programme focuses on opening stores that reflect the changing habits and needs of customers, bringing new customers and communities into the Pick n Pay and Boxer family. This strategy includes developing smaller, convenience-focused stores and expanding our franchise and online presence.

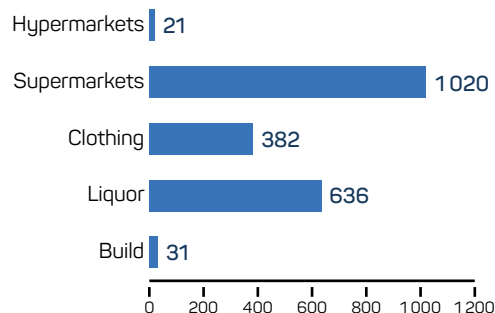
The Group's operating flexibility ensures successful adaptation across diverse locations. We critically assess store performance on an ongoing basis and will convert stores between brands and operating models when needed. Such conversions are strategically aimed at maximising site profitability by aligning with local market demands and optimising operational efficiency.

Key facts

Geographic split of our 2 279 stores



South African footprint



2 090 stores

South Africa's brand representation

1 622
Pick n Pay

468
BOXER

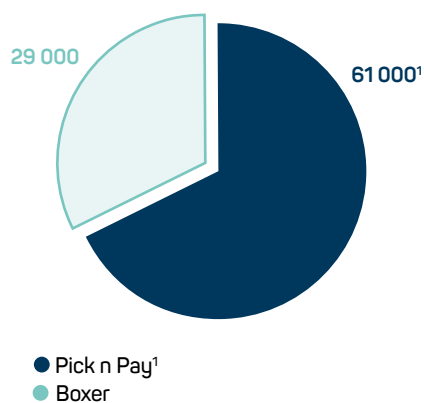
	Pick n Pay		Boxer	TM	
	Owned	Franchise	Owned	Associate	Total
Formats:					
Hypermarkets	21	–	–	–	21
Supermarkets	325	473*	296	61	1 155
Clothing	366	19	–	–	385
Liquor	295	230	150	12	687
Build	–	–	31	–	31
	1 007	722	477	73	2 279
Country:					
South Africa	982	640	468	–	2 090
Zimbabwe	–	–	–	73	73
Namibia	–	36	–	–	36
Eswatini	–	23	9	–	32
Zambia	23	–	–	–	23
Botswana	–	19	–	–	19
Lesotho	–	4	–	–	4
Nigeria	2	–	–	–	2
	1 007	722	477	73	2 279

* Including 269 Supermarkets, 195 Express stores and 9 Market stores.

Turnover split

	South Africa Rbn	Rest of Africa Rbn	Total Rbn
Pick n Pay	71.3	3.6	74.9
Boxer	36.8	0.6	37.4
Total	108.1	4.2	112.3

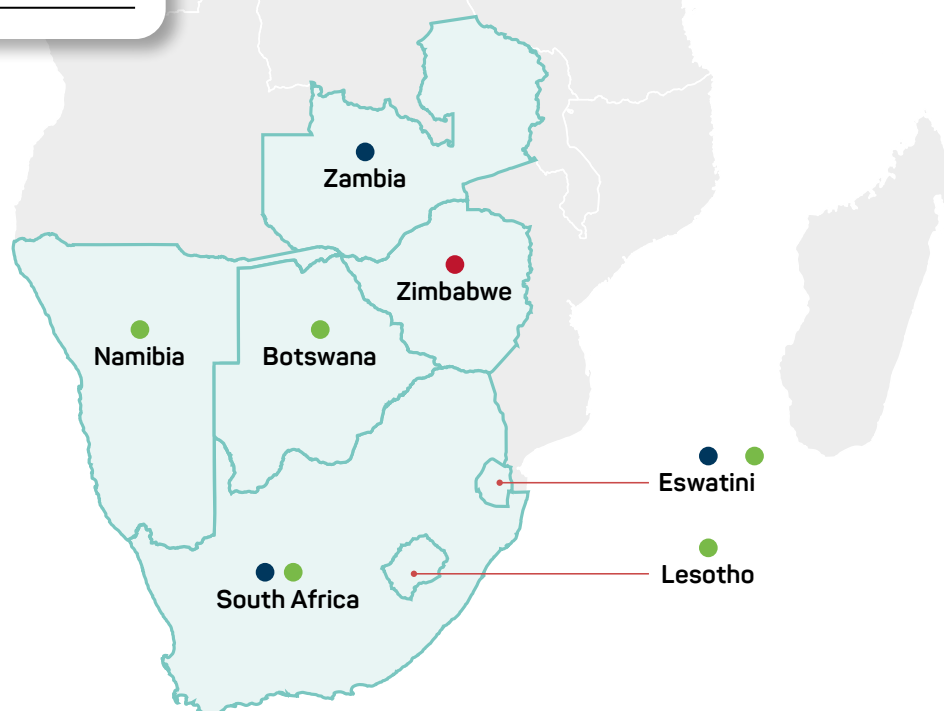
Split of our 90 000 employees across our operations:



¹ Includes an estimate for employees across our Pick n Pay franchise operations

Geographic footprint

- Company-owned stores
- Franchise stores
- Business investment





Pick n Pay is a much-loved brand in southern Africa with a rich 57-year history, operating across eight countries and in six retail formats.

Pick n Pay operates an extensive network of owned and franchised stores across southern Africa on a multi-format and multi-channel basis, and remains a leader in inclusivity and community enrichment.

Pick n Pay has a diverse portfolio that includes a wide range of food, grocery, liquor, clothing, and value-added services and serves a broad spectrum of customers from the most affluent to the budget-conscious. The brand is committed to growth and modernisation,

particularly in under-served communities, by introducing smaller, more convenient store formats and enhancing its online platforms to meet evolving consumer preferences.

Leveraging the expertise of its franchise partners, Pick n Pay continues to innovate and drive accessibility, striving to ensure that every customer can find quality and value in every visit. This strategy strengthens our market presence and underlines our commitment to inclusivity and sustainability.

1 007

Pick n Pay owned stores

*Stores directly owned and operated
by Pick n Pay*

The Company manages all aspects of its owned network, including capital investment, buying, inventory management, marketing, pricing and promotions, store operating standards and staffing.

Company-owned stores allow Pick n Pay to maintain strict control over brand standards, store layouts, range development and customer service quality.

722

Pick n Pay franchise stores

*Stores owned and operated by independent retail entrepreneurs
under a franchise agreement with Pick n Pay*

Franchisees pay a royalty fee and in return receive the right to use the Pick n Pay brand, access to the Company's business systems, and ongoing support including training, systems support, logistics, and marketing.

Franchisees are responsible for their own capital investment, operating costs, employees, and day-to-day management. They are able to source inventory through Pick n Pay's supply chain, benefitting from the Group's purchasing power to receive competitive pricing and access to a cost-effective, efficient central distribution network.

Pick n Pay franchisees are strategic partners who enhance the brand's presence and act as key ambassadors in local communities. The Group benefits from their local expertise and community involvement, with many franchise stores ranking among the most profitable in the Pick n Pay estate due to their more compact size and commitment to cost savings and operational efficiencies.

We also have 57 associate stores trading as Pick n Pay in Zimbabwe. Refer to page 22.

Pick n Pay Hypermarkets

The Pick n Pay hypermarket is our largest store format. As a "one-stop-shop", it provides 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 the smaller Pick n Pay supermarket formats. It also provides a growing wholesale offer to cater for independent traders.

Customers are increasingly seeking greater convenience through smaller stores located close to home, work and transport. Therefore, we have focused on smaller format stores in recent years, and there are no plans to open additional hypermarkets. However, we will continue to optimise our current stores as destination shops by offering targeted promotions, including multi-pack, bulk-buy, and combination deals, and an increasingly tailored range of clothing and general merchandise.

Each hypermarket offers a unique shopping experience, significantly differentiated by its location and the demographic it serves. As part of our Pick n Pay turnaround strategy, we will develop a customised plan for each hypermarket over the medium term, ensuring they meet the evolving needs of their respective markets, including shrinking the size of our hypermarkets to improve space utilisation and trading densities. Refer to page 57 for further information.

Key numbers

**Operates in
South Africa**

21
Owned stores

12 875m²
Average size



Pick n Pay Supermarkets

Pick n Pay supermarkets cater to a broad and diverse customer base, offering a wide selection of food, groceries, clothing, general merchandise, and value-added services. The stores feature fresh produce and butchery sections, complemented by in-store bakeries, delis and hot food counters, allowing customers to find everything required from daily top-up essentials to larger weekly or monthly purchases. These stores stock up to 18 000 product lines.

Stores in lower- to middle-income communities focus on providing low prices, great quality, and deep value on essential items, catering to budget-conscious customers. Conversely, supermarkets in middle- to higher-income areas offer an expanded range of innovative and convenient products, including experiential meat, produce, and bakery lines that emphasise freshness and convenience. This customer-centric approach ensures that all customers, regardless of their budget, have access to products that meet their needs and preferences, reinforcing Pick n Pay's commitment to accessibility and inclusivity.

Pick n Pay's strategy has several key initiatives to target under-performance in Pick n Pay supermarkets, including resolute focus on improved customer service, stronger ranges, consistently competitive pricing and an enhanced Smart Shopper loyalty programme. Refer to page 57 for further information.

Key numbers

Operates in
8 countries

325
Owned supermarkets

278*
Franchise supermarkets

2 900m²
Average size

* Including 269 Supermarkets and 9 Market stores.

Pick n Pay Clothing

Pick n Pay Clothing offers high-quality, fashionable wardrobe essentials for the whole family at exceptional prices. While womenswear remains a cornerstone of the division's success, notable progress has been made in expanding our childrenswear and menswear lines.

Our clear customer value proposition and highly efficient operating model have consistently driven strong market share gains across all segments for several years. Local sourcing accounts for over 40% of total clothing sales, and innovative collaboration opportunities with local designers and entrepreneurs also assists in reducing order lead times and ensuring consistent availability.

Pick n Pay Clothing remains a strategic priority under the new strategy, targeting expansion through new stand-alone stores, enhanced space allocation in supermarkets and hypermarkets, and a strengthened online presence. Refer to page 57 for further information.

Key numbers

Operates in
2 countries

366
Stand-alone owned stores

19
Stand-alone franchise stores

Available in **21** hypermarkets
and **118** supermarkets

450m²
Average size

Pick n Pay Liquor

Pick n Pay Liquor stores are strategically positioned adjacent or close to our supermarkets and hypermarkets and offer a unique and convenient shopping experience. These specialised stores offer an extensive range of alcoholic beverages, including a curated selection of wines, a wide range of spirits, and a variety of beers. We emphasise innovative local craft products that cater to evolving consumer tastes.

The close proximity to our supermarkets allows for a convenient one-stop shopping solution. Our special events and promotions provide customers with an opportunity to discover and enjoy high-quality and specialty beverages.

Pick n Pay Liquor is committed to promoting safe and informed alcohol consumption. This commitment is part of our broader strategy to meet customers' needs responsibly and sustainably, ensuring Pick n Pay remains a trusted name in retail.

Key numbers

Operates in
6 countries

295
owned stores

230
franchise stores

170m²
Average size

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. It 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 situated in high-traffic-flow areas, including high-density residential areas and public transport intersections. Pick n Pay's Smart Shopper loyalty customers can buy fuel with accumulated Smart Shopper points.

Key numbers

Operates in
South Africa

195
Forecourt franchise stores

300m²
Average size

Pick n Pay Online

The Group's online grocery strategy continues to deliver strong sales growth. Our omnichannel offer includes:

- Pick n Pay Online** Caters for customers planning ahead with larger food and grocery deliveries, scheduled for convenience.
- Pick n Pay asap!** A rapid on-demand service ensures delivery of essential items within an hour, offering ultimate convenience.
- Pick n Pay on Mr D** A strategic on-demand partnership with the Takealot Group on the Mr D app, which extends our reach and flexibility in meeting customer demands.
- Click n Collect** Customers can order products online and collect them at designated Pick n Pay stores, reducing lead times and delivery costs.

We continuously enhance our online retail platforms, including our digital Clothing and Home offer, with improvements in systems functionality, order fulfilment rates and customer service. Our commitment to digital excellence continues to improve our performance, firmly establishing Pick n Pay as a strong player in online retail in South Africa.

Pick n Pay

BOXER

Pick n Pay and Boxer supermarkets offer value-added services, such as third-party bill payments, travel ticketing, money transfers, insurance, mobile solutions, and various financial services. These enhance customer convenience, affordability, and financial inclusion. Financial services, particularly retail banking, have grown in cash in/out services and in-store transfers. We now offer a wide range of digital payment options, including Crypto, Store Cards, MobiCred, and PayJustNow. Additionally, our Pick n Pay Hypermarket and Clothing stores successfully expanded their cellular handset and accessory offerings to meet customer demands.





Boxer supermarkets, established in 1977 and acquired by Pick n Pay in 2002, is the premier limited-range soft discounter in South Africa. Boxer serves middle- to lower-income urban, peri-urban, and rural communities in South Africa and Eswatini. The stores are strategically located near public transportation hubs and boast a market-style atmosphere.

The brand is predominantly rooted in KwaZulu-Natal and the Eastern Cape, and plans to open 200 new stores between FY22 and FY26. This expansion underscores the brand's commitment to meeting the needs of under-served communities through its focused product range, competitive pricing, and community-integrated employees. Refer to page 63 for further information.

Key numbers

477
Owned stores

468 in South Africa **9** in Eswatini

3
Formats

Boxer Supermarkets

These supermarkets offer a compelling value proposition with a curated selection of approximately 3 000 essential food and grocery items. It ensures exceptional customer value through a straightforward, cost-efficient, and highly effective operational approach.

As full-service supermarkets, they provide high-quality fresh meats, produce, essential commodities, health and beauty products, and general merchandise, complemented by combination and bulk-buy promotions. The butcheries, bakeries, and deli sections offer a variety of prepared convenience meals.

Key numbers

296
Owned stores

290 in South Africa **6** in Eswatini

1 977m²
Average size

Boxer Liquor

Boxer Liquor stores are adjacent or close to Boxer supermarkets, but with separate entrances. These stores provide a selection of wine, spirits and beers, all within easy reach for convenient one-stop shopping.

Boxer Liquor is dedicated to safe and responsible drinking, reinforcing its commitment as a trusted retailer.

Key numbers

150
Owned stores

147 in South Africa **3** in Eswatini

220m²
Average size

Boxer Build

Boxer Build offers a wide selection of building and hardware supplies for DIY and home improvement projects at competitive prices.

Customers benefit from savings cards and access to short-term credit options. Delivery services are conveniently available directly from the store.

Key numbers

Operates in
South Africa

31
Owned stores

410m²
Average size



Supermarkets

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

TM Supermarkets, operating under the TM and Pick n Pay brands, is a respected retailer in Zimbabwe promising "Real Value Always". The stores offer a diverse range of groceries, perishables, and select general merchandise, catering to all community and income groups.

Despite the challenging economic conditions marked by significant food and general inflation, currency devaluation and illiquidity and food shortages, TM Supermarkets continues to serve its customers. The Group revalued its investment in TM Supermarkets to a fair value of nil because of the challenges in the region. Refer to page 76.

We remain proud of our association with the TM brand and its incredible team that consistently ensure the availability of high-quality food and grocery essentials under demanding circumstances.

Key numbers

61
Supermarkets in Zimbabwe

45
Trading as Pick n Pay

16
Trading as TM

12
Pick n Pay Liquor stores

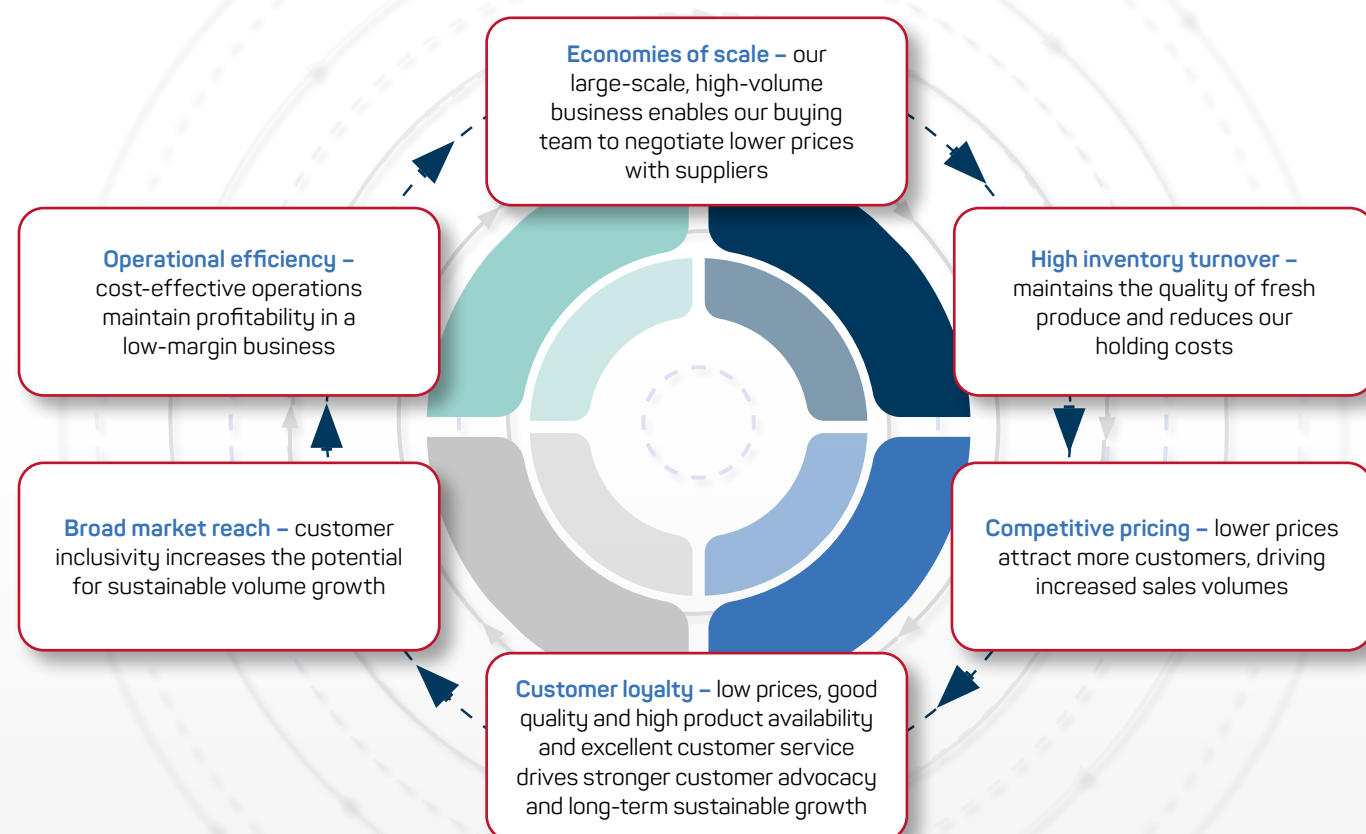




A business model that seeks to maintain a virtuous circle

The Group's business model is designed to uphold our position as a leading retailer in the fast-moving consumer goods industry of southern Africa. Pick n Pay and Boxer aim to provide customers with quality products at competitive prices, maintaining a virtuous circle of value, volume and growth.

Our business model is underpinned by the following key principles:



Our business model is reliant on consistently strong sales volumes to generate profit, particularly in an environment of escalating operating costs.

The resilience of the Group's business model was significantly tested in FY24 by a rapid deterioration in the performance of the core Pick n Pay supermarket business. Strategic missteps in the implementation of the previous Ekuseni strategy, including in product assortment, product availability and customer service led to a decline in sales volumes over the year and a contraction in gross profit margin which was unable to absorb rising operating costs. Pick n Pay did not sustain the virtuous circle required by its operating model, resulting in profit margin erosion and operating losses. The Pick n Pay business was built on a solid foundation of strong brand equity, corporate and social governance, respectful and highly valued stakeholder relationships and careful management of our financial resources. It was these attributes that enabled the business to respond quickly to the challenges of FY24 and to develop a robust operational and Recapitalisation Plan to restore the Pick n Pay business to growth. The Pick n Pay store estate will contract in the short term with the conversion or closure of under-performing stores. This will result in a smaller but more effective business, well positioned for long-term growth in the right store formats and store locations.

Boxer, by contrast, provides an excellent example of a highly effective retail model, consistently delivering market-leading sales growth and an increase in underlying profitability in a difficult and highly contested market, through its resolute commitment to business efficiency and sustained investment in its strong and competitive customer offer.

Our enduring values, corporate governance, modern store estate, secure supply chain, robust IT infrastructure and skilled teams are the pillars that will restore and sustain our long-term value creation.

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



Financial capital

Our financial capital encompasses equity and debt funding. These financial resources are essential for funding our operating and working capital needs, enhancing the quality of our estate and our customer offer, investing in new infrastructure, systems, and technologies, upskilling and developing our employees and advancing our long-term strategic objectives.



Manufactured capital

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



Intellectual capital

Our intellectual capital encompasses the Group's retail skill and experience, data, systems and processes which enable us to understand our customers and how we can serve them better. Centralisation, including advanced forecasting and replenishment systems, supports greater operational efficiency, alongside our outstanding information technology infrastructure. Our range of own brand and confined label products suit every customer's budget. The strength of our Pick n Pay and Boxer brands allows us to compete effectively across the diverse South African customer spectrum.



Human capital

Our human capital consists of our valued Pick n Pay and Boxer colleagues and franchise partners whose critical skills, talent, ambition, and diversity form the backbone of our effective team. We rely on and invest in our human capital to ensure customers have convenient and reliable access to high-quality, safe, and competitively priced products and value-added services, delivered with exceptional service in outstanding stores.



Social and relationship capital

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



Natural capital

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

We effectively and efficiently utilise the six capital inputs across our operations to optimise our capital outputs and outcomes. We strive to balance the needs of our key stakeholders in a fair and equitable manner, while managing the trade-offs between capitals. The stability and balance provided by the Group's operating model – always guided by the principle that doing good is good business – has underpinned the Group's sustainability for 57 years. This approach will guide the restoration of the Pick n Pay supermarket business and advance the growth of the Group's highly successful Boxer and Pick n Pay Clothing businesses.

We have a strong team of retail specialists, driven by a high-performance culture

Our people are at the heart of what we do and our customer-focused teams are critical to the successful execution of long-term strategy. In striving to be an employer of choice, we are committed to providing our employees with rewarding jobs, competitive pay, training and development, good working conditions and an opportunity to progress. Our commitment to community employment, transformation and equality ensures that our team is representative of the communities we serve.



We source and buy products effectively and responsibly

We buy better on behalf of our customers, underpinned by a commitment to ethical sourcing and high food safety standards that contribute towards securing sustainable future supply of essential food and groceries. We work closely with our suppliers to build a compelling and relevant range, to maintain high levels of availability and to advance product innovation.

We run cost-effective and efficient operations

The Group has built an increasingly efficient centralised supply chain, more efficient store operations and support offices, and an effective franchise model. Cost and efficiency savings are invested into lower prices for our customers.



We provide a competitive customer offer

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

Everyone is welcome at Pick n Pay and Boxer

Our Pick n Pay and Boxer brands serve customers across a broad and diverse socio-economic demographic. While everyone is welcome in our stores, Pick n Pay primarily caters for middle- to upper-income consumers, while Boxer serves our middle- to lower-income communities. Our broad reach and strong brand equity in each name is a strong competitive advantage for the Group.

We contribute to economic and social upliftment within the communities we serve.

Our business model supports ongoing investment in the communities we serve. As our communities thrive and grow, so do we.



Our capital outputs

Our capital outputs include the wide range of products and services that we sell to our customers under our Pick n Pay and Boxer banners, including food, groceries, clothing, general merchandise, liquor and other value-added services. As a result of our retail operations, we produce by-products and waste (including food waste, packaging impacts and carbon emissions). Due to our broad reach, our by-products and waste must be properly managed to mitigate any adverse impact on the availability of natural capital and to safeguard our social licence to operate in the short, medium and long term. Read more in our 2024 Sustainability Report.

Our capital outcomes

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

Constraints and challenges faced in FY24 and the action taken to restore value for stakeholders



Financial capital

The Group raised long-term debt to fund its previous Ekuseni strategy, increasing net gearing from R3.7 billion to R6.1 billion over the year. The strategy inadequately addressed the operational challenges in Pick n Pay and despite strong results from Boxer and Clothing, the Group recorded a R3.2 billion loss for FY24, including a R2.8 billion impairment of Pick n Pay store assets. The losses resulted in a more difficult financial position at the end of FY24, with negative shareholder returns and a highly leveraged business. The Group will launch a R4 billion Rights Offer in mid 2024, followed by a listing of its Boxer business at the end of 2024 to provide an equity capital injection for the Group which will discharge net debt and reposition the Group for long-term sustainable growth.

Highlights

- Strong sales, earnings and investment returns from Boxer
- Strong sales growth across Pick n Pay Clothing, Pick n Pay Online and value-added services
- Strict management of controllable costs

Constraints and challenges in FY24

- Lower sales volumes and gross profit margin contraction in Pick n Pay
- Higher provisioning against Pick n Pay franchise debt
- Higher interest costs related to increased levels of gearing

Action taken to restore sustainable value for stakeholders

- Implementation of a new turnaround strategy in Pick n Pay
- New skills across Pick n Pay buying, marketing and store operations
- Close engagement with funders to secure debt covenant waivers and a debt restructure
- The advancement of a two-step Recapitalisation Plan



Human capital

The Group employs 60 000 people in its Pick n Pay and Boxer company-owned operations. The Group provided R9.0 billion in employee pay and benefits this year, across company-owned operations, with R103.7 million invested in training and development programmes. The operational challenges experienced at Pick n Pay over the past few years, alongside the impact of a number of voluntary severance programmes, has had an impact on employee morale and retention in Pick n Pay. We have worked hard to improve employee morale through more regular and transparent communication and have redoubled our efforts on training, development and employee wellness.

Highlights

- Implemented an employee wellness programme in Pick n Pay focused on mental, physical and financial well-being
- Launched MyPnP – a new integrated employee communication and task management platform
- Updated and relaunched our ethics, whistle-blowing and health and safety policies
- Boxer was recognised at the W&RSETA Good Practice Awards for its exceptional dedication to skills development and named as the Best Super Large Retailer in Skills Development for 2023

Constraints and challenges in FY24

- Lost skill and experience in Pick n Pay through multiple voluntary severance programmes negatively impacting employee morale and motivation
- Once-off R307 million of employee restructuring costs
- Skill and talent retention in a highly competitive market

Action taken to restore sustainable value for stakeholders

- Implementation of a strengthened and streamlined Pick n Pay leadership team
- Implementation of a new Pick n Pay regional operational structure
- Reintroduction of store roles weakened by the previous voluntary severance programmes
- Enhanced customer service and other training and development programmes
- Planned internal marketing campaign to recapture the "Hearts and Minds" of Pick n Pay employees

Constraints and challenges faced in FY24 and the action taken to restore value for stakeholders



Manufactured capital

The Group's retail operations extend to 2 279 Pick n Pay and Boxer stores, across a number of formats and on an owned and franchise basis. The Group's physical store estate is complemented by a growing online retail platform. The Group is supported by 18 distribution centres and a number of support offices. The Group invested R3.8 billion in capital projects in FY24 and increased its spend on repairs and maintenance by 18.2%. Sustained investment in the Group's stores, distribution centres and digital platforms is critical to long-term sustainable growth.

Highlights

- 50 new Boxer stores
- 55 new Clothing stores
- Completed the move from Longmeadow to Eastport distribution centre
- New Boxer distribution centre in Gauteng, with planned developments in KwaZulu-Natal and the Eastern Cape
- Acquisition of Tomis abattoir and meat packing facility
- Energy resilience plan delivered R226 million cost savings and reduced impact of load-shedding

Constraints and challenges in FY24

- R2.8 billion impairment of Pick n Pay store assets
- Capital constraints to invest in new stores and refurbishments in Pick n Pay
- The availability of prime sites for Boxer's growth ambitions
- Once-off R116 million duplicated logistics costs on the move to Eastport
- The ongoing cost and disruption of load-shedding in South Africa

Action taken to restore sustainable value for stakeholders

- Sold non-strategic properties and realised R1.0 billion of proceeds to strengthen liquidity
- Capital investment focused on high-return Boxer and Clothing businesses
- Closed 53 under-performing stores to enhance overall estate, with further closures and conversions planned under the Pick n Pay store re-set
- Boxer supported by growing centralised distribution channel
- Tomis acquisition will improve the Group's fresh meat offer and enhance margins



Social and relationship capital

The Group's social and relationship capital includes valued connections with suppliers, service providers, landlords, franchisees, and customers. These relationships are essential for running and growing our business effectively and earning customer and community trust. Stronger relationships enhance our ability to positively impact communities, support small businesses, and engage in outreach. The challenges in the Pick n Pay supermarket business in FY24 led to some negative press and stakeholder concerns. Our new leadership team is actively engaging with key suppliers and landlords to address these concerns, prioritise key relationships and collaborate on mutual growth strategies.

Highlights

- R53.1 billion spend with BBBEE businesses in Pick n Pay and R39.4 billion in Boxer
- Boxer assisted 584 rural farmers in the Eastern Cape as part of its small scale farming initiative
- Pick n Pay supported 658 rural and urban community food gardens
- Increased local procurement of children's clothing from 58% to 73%
- 900 tonnes of edible surplus food donated to FoodForward SA
- 1 million meals distributed by Feed the Nation
- 3 280 schools supported by the Pick n Pay School Club

Constraints and challenges in FY24

- The impact of low economic growth and high unemployment on the communities we serve
- The impact of load-shedding across our value chain, particularly small and emerging suppliers
- Community protests in response to inadequate municipal service delivery

Action taken to restore sustainable value for stakeholders

- The Pick n Pay strategy to restore service and operational excellence for Pick n Pay customers
- Implemented a new interim Pick n Pay franchise model to drive mutual value creation
- Strengthened store operations and frontline teams, including dedicated customer service managers in Pick n Pay
- Increased stakeholder engagement with suppliers and landlords in Pick n Pay
- Boxer's Ubuntu Projects programme supports thousands of individuals and organisations across communities in need



Intellectual capital

The Group continues to invest in retail skill, product expertise, systems and processes which enable us to understand and serve our customers better, including through investments in data analytics, automation, operating efficiencies and digital innovation. Staff restructuring and efficiency initiatives led to some loss of key skill and experience in Pick n Pay over a number of years, particularly in buying, marketing and our in-store produce, bakery and deli departments. These deficiencies have been addressed as part of the Pick n Pay strategy.

Highlights

- Relaunch of Pick n Pay asap! with enhanced app functionality and improved service
- Online sales growth of 74.4% with 102.3% growth from the Pick n Pay asap! and Mr D on-demand platforms
- Progress in Pick n Pay Clothing and Pick n Pay Home online offers
- Targeted investment into the development of an integrated digital platform
- 13.0% growth in income from value-added services, with enhanced banking and other financial services
- Ongoing investment in supply chain capability and automated forecasting and replenishment across Pick n Pay and Boxer

Constraints and challenges in FY24

- Access to and retention of digital expertise in a highly mobile and competitive market
- Increased global concerns around cyber and information security
- Digital connectivity during extended periods of load-shedding
- Securing key retail skills in buying and marketing in Pick n Pay
- Ensuring a strong pipeline of store managers to support the Boxer expansion

Action taken to restore sustainable value for stakeholders

- Ongoing investment in systems and innovation
- The turnaround strategy prioritises the development of a stronger Pick n Pay brand and offer
- The QualiSave stores will be rebranded Pick n Pay over time
- Greater use of data analytics and automation
- Improvements to the Group's Smart Shopper loyalty programme



Natural capital

The Group continues to expend environmental resources in the running of our operations, including in sourcing, producing, delivering and selling merchandise. With thousands of suppliers and millions of customers, we are acutely mindful of our broad reach and impact. Pick n Pay's new Sustainable Impact Framework targets a sustainable supply chain, eco-resilience and zero waste. Please refer to page 66 for further information.

Highlights

- Energy resilience plan resulted in lower energy consumption
- 31.5% reduction in food waste against 2019 baseline
- 25.0% reduction in water intensity against 2018 baseline
- 93.3% Pick n Pay branded packaging is now recyclable/re-usable
- 55.7% of general waste diverted from landfill
- 18 company-owned stores converted to climate-friendly natural refrigeration
- All our Pick n Pay distribution centres now run on natural refrigeration systems
- We have begun the roll-out of e-waste recycling bins in Pick n Pay stores

Constraints and challenges in FY24

- Direct and indirect impacts of climate change, including more frequent severe weather events
- Water scarcity in some areas
- Store expansion led to a 5% increase in absolute emissions (scope 1 and scope 2), but we achieved an 11% reduction in emission intensity per GLA
- Disrupted water supply during load-shedding
- Higher fresh waste in Pick n Pay due to lower sales volumes

Action taken to restore sustainable value for stakeholders

- Pick n Pay's new Sustainable Impact Framework emphasises integrated sustainability initiatives that drive long-term value through revenue growth, cost savings, and resource efficiency. It targets key business areas with significant sustainability risks and opportunities, prioritising those with the greatest potential for scale, value creation, and innovation.
- Waste reduction initiatives in Pick n Pay.
- Setting credible carbon emission reduction targets through the Science Based Targets Initiative (SBTi).

Balancing the trade-offs between our capitals to achieve a balanced outcome for our business and our stakeholders

Management will use considered judgement to manage the Group's capital resources and prioritise stakeholder needs, aiming for a balanced outcome and sustainable long-term value creation. Capital trade-offs are inevitable, and we anticipate several in FY25 specifically related to our turnaround strategy for Pick n Pay and our expansion strategy for Boxer. Prioritising stakeholder needs and capital resources is crucial to ensure growth, adaptation, and innovation without undue risk to stakeholders. Our strategic plan aims to bring the Group closer to its customers and accelerate the recent progress delivered.

Reprioritisation of capital spend

The Group will prioritise liquidity and debt repayment until the completion of its two-step Recapitalisation Plan. As such, capital investment will be limited to around R2.2 billion in FY25, significantly lower than the R3.8 billion invested in FY24. Capital investment will be prioritised in the Group's high-performing Boxer, Clothing and Online businesses to maximise investment returns, with full capital allocations for these businesses. Capital spend in Pick n Pay supermarkets will be limited to the critical spend required to maintain the quality of the estate and improve like-for-like volume growth. The curtailment in capital spend is a trade-off between short-term space growth in Pick n Pay and greater profitability and stability over the longer term.

Pick n Pay

Capitals impacted:

Short-term



Financial



Manufactured



Social and relationship



Longer-term



Financial



Manufactured



Social and relationship



BOXER

Capitals impacted:

Short-term



Financial



Manufactured



Social and relationship



Longer-term



Financial



Manufactured



Social and relationship



Cessation of dividend

The Group does not expect to declare any dividends to shareholders until the two-step Recapitalisation Plan has been executed, a sustainable capital structure is in place and the core Pick n Pay business has returned to meaningful profitability. The decision is a trade-off between providing short-term returns to shareholders and investing retained earnings into the long-term sustainability of the Group and the opportunity for long-term share price appreciation.

Capitals impacted:

Short-term



Financial



Social and relationship



Longer-term



Financial



Social and relationship



Training and upskilling of people

Staff cost savings and efficiency measures undertaken over the past few years have resulted in a weakening in certain key skills and experience in Pick n Pay. The new strategy will see a refocus on skills training and development and succession planning, with a particular focus on improved customer service. These initiatives will come at a cost in the short term, but the trade-off is improved customer service and operational execution in key areas of the business and an improved Pick n Pay customer offer and shopping experience over the longer term. Staff costs will grow in Boxer as it expands its store estate and trains and develops new store managers, but will be closely managed as a percentage of turnover.

Pick n Pay

Capitals impacted:

Short-term



Financial



Social and relationship



Human



Longer-term



Financial



Social and relationship



Human



BOXER

Capitals impacted:

Short-term



Financial



Social and relationship



Human



Longer-term



Financial



Social and relationship



Human



Rebuilding the Pick n Pay range

Pick n Pay will restore unsuccessful range decisions from recent years that negatively impacted its performance by expanding our product range in more stores. Pick n Pay will enhance its product ranges by focusing on fresh food to increase competitiveness and regain customers, rebuilding own brand and confined label items and resetting general merchandise in hypermarkets. These range optimisation measures require investment and may result in higher inventory balances in the short term as the team refines the range to best meet customer needs. Over the longer term, a stronger range will drive customer advocacy, volume growth and lower levels of waste.

Pick n Pay

Capitals impacted:

Short-term



Financial

Social and
relationship

Longer-term



Financial

Social and
relationship

Natural



Future availability of capital resources

Our two-step Recapitalisation Plan, strategic advantages and investment case, detailed on pages 56 to 62, bolster the resilience of our business model. The sustainability of our operations depends on essential capital resources, including financial capital (debt or equity financing), robust manufactured capital (strong store base and resilient procurement and distribution channels) and skilled labour across our retail operations, procurement, and information technology.

Key risks to future resource availability include:

- Economic slowdown
- Ongoing load-shedding
- Food security concerns
- Civil unrest
- Cost inflation and margin pressure
- System security and stability
- Access to and retention of skilled talent

We are confident in our ability to execute on our new strategy effectively and responsibly in Pick n Pay and our expansion strategy in Boxer, supported by our ethical value system. Our decisions are guided by a robust risk management framework that accounts for the social and environmental impacts of our actions and operations.



Managing and leveraging market dynamics



03



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Understanding our South African operating environment

Economic output in South Africa recovered reasonably quickly after the devastating effects of the Covid-19 pandemic. By 2022, the level of real GDP was back at its pre-pandemic level, having expanded by 4.7% in 2021 and 1.9% in 2022. Due to several constraints, including load-shedding and global supply chain disruptions, economic growth fell to 0.6% in 2023.

According to the Bureau for Economic Research (BER), economic growth momentum is expected to accelerate in 2024 and 2025. Part of this expected growth is related to the implementation of much needed economic reform (mainly across industries such as transportation and energy), with added benefit from less strain on households as consumer inflation moderates to the mid-point of the 3 to 6% target range, which will allow for a more accommodative monetary policy.

The ruling ANC party lost its majority in the May 2024 government elections. As a result, a number of political parties have worked together to form a Government of National Unity (GNU) to foster unity, stability and collaborative governance. The effective implementation of a GNU may enhance policy consistency, reduce political risk and improve sector confidence. Indeed, the currency strengthening and positive response in equity and bond markets confirm this confidence in the GNU. Additionally, collaborative governance could lead to more effective and inclusive economic policies.

Consumer spending grew 2.5% in 2022, slipping to 0.7% in 2023. The recent moderation in growth, while broad-based, was more pronounced in the non-durable goods and durable goods sector. Overall, consumer spending is predicted to increase by 1% in 2024, with growth closer to 2% expected on average between 2025 and 2027.

Several adverse developments have kept inflation elevated in recent years, including supply chain disruptions as a result of the Covid-19 pandemic, particularly as a result of China's prolonged lockdown. Geopolitical conflict across the globe also lifted the oil price and food prices. Food prices were also adversely affected by various climate phenomena and, domestically, the outbreak of diseases such as foot and mouth and avian flu. In addition, load-shedding as well as sporadic supply shocks and transport infrastructure constraints continue to fuel food and non-food inflation. Transport inflation (including petrol) was the single biggest contributor to the 6.9% consumer inflation in 2022. This declined significantly in 2023, while food inflation (and non-alcoholic beverages) contributed more, resulting in 2023 consumer inflation of 5.9%. Looking ahead, the expectation is that the transport, food and non-alcoholic beverages components of CPI will move within a much lower range.

The lower inflation outlook provides room for interest rate relief. After reaching a low of 3.5% in 2020, the Monetary Policy Committee of the South African Reserve Bank has hiked the repo rate by a cumulative 475 basis points. While the repo rate has remained unchanged over the past few meetings, it is still above its pre-Covid-19 level. The BER expects the repo rate to be lowered by 100 basis points over 2024 and 2025, likely boosting consumer spending for highly leveraged households. It is very likely however that the SARB will move in lock-step with the US Fed – where commentators predict one or two rate cuts in 2024.

Unfortunately, even though employment has recovered to its pre-Covid-19 level, the unemployment rate remains elevated at 32.4%. Unemployment is expected to remain stubbornly high over the medium-term, albeit lower than the 2021 peak, reflecting the ongoing challenge of long-term structural unemployment in South Africa.

Higher disposable income and a recovery in consumer spending are predicted this year, following a weak showing in 2023, due to:

- Lower consumer inflation
- Sustained employment growth of just below 2%
- Continued social grant spending

As a result, spending on durable goods and services is likely to register a more pronounced acceleration over the next few years, alongside growth in spending in household goods and food and beverage categories of non-durable goods, all positive signs for food, grocery and apparel retailers in South Africa.

South Africa's 2024 outlook¹:

1.3% GDP growth

5% to 6% grocery retail sales growth

5.2% headline CPI

5.1% food CPI

11.6% prime lending rate

1.0% real household expenditure

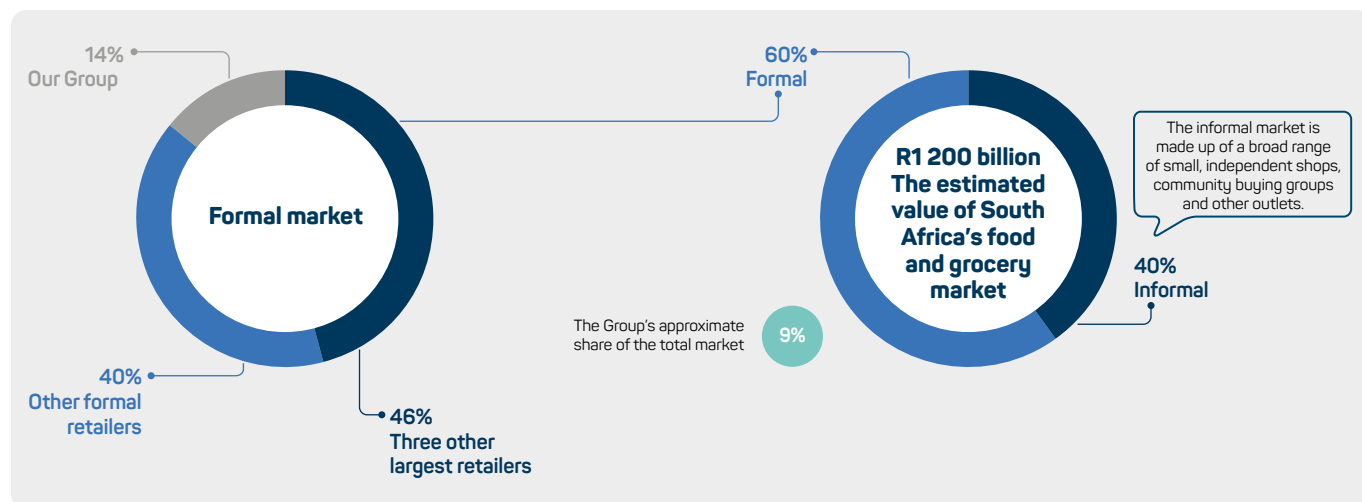
32.0% unemployment

¹ 2024 calendar year.

An overview of the South African market

South Africa's retail market is diverse, with large differences in income and shopping habits. The food and grocery sector comprises a modern formal sector and a large informal sector. The total market had an estimated value of around R1 200 billion in FY24. Although estimates may vary, at least 60% of the market is considered formal and around 40% informal.

The formal South African food and grocery market is highly competitive. Four large retailers, including our Group, account for approximately 60% of formal sales. With turnover of R108.1 billion from its South African segment in FY24, our Group has an estimated 14% share of the formal market and an estimated 9% of the overall market.



An integrated view of risks and opportunities

The risks and opportunities presented in this section are those that have a potential material impact on the Group's strategic objectives and ability to create sustainable value for our stakeholders over the long term. We view these as the Group's material matters which guides the information included in this Integrated Annual Report.

Integrated risk management programme

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

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

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

The senior management team regularly engages with providers of financial capital, including large shareholders and strategic funding partners. This provides an understanding of the independent perspective of key stakeholders and their material concerns, which provides input in the identification of material matters. The Group Audit, Risk and Compliance Committee (GARCC) monitors the risk management process across the Group's divisions.

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

Determining materiality

We apply materiality to focus discussion and decision-making on the significant matters to the Group. This improves the quality and relevance of available information and enables an efficient and productive allocation of capital.

We consider various inputs to determine our material risks and opportunities, including:

- The environment we operate in, including changing industry and consumer trends (page 34)
- Our stakeholders' expectations and concerns (page 44)
- The Group's underlying capitals, which provide the resources we rely on (page 25)
- The outcomes of the Group's risk management process (page 38)

How our approach to risk changed over the course of the year

The Group completed a risk maturity assessment and developed a target operating model for its integrated risk function during FY24. This work included revising and strengthening our risk frameworks and methodologies, including our:

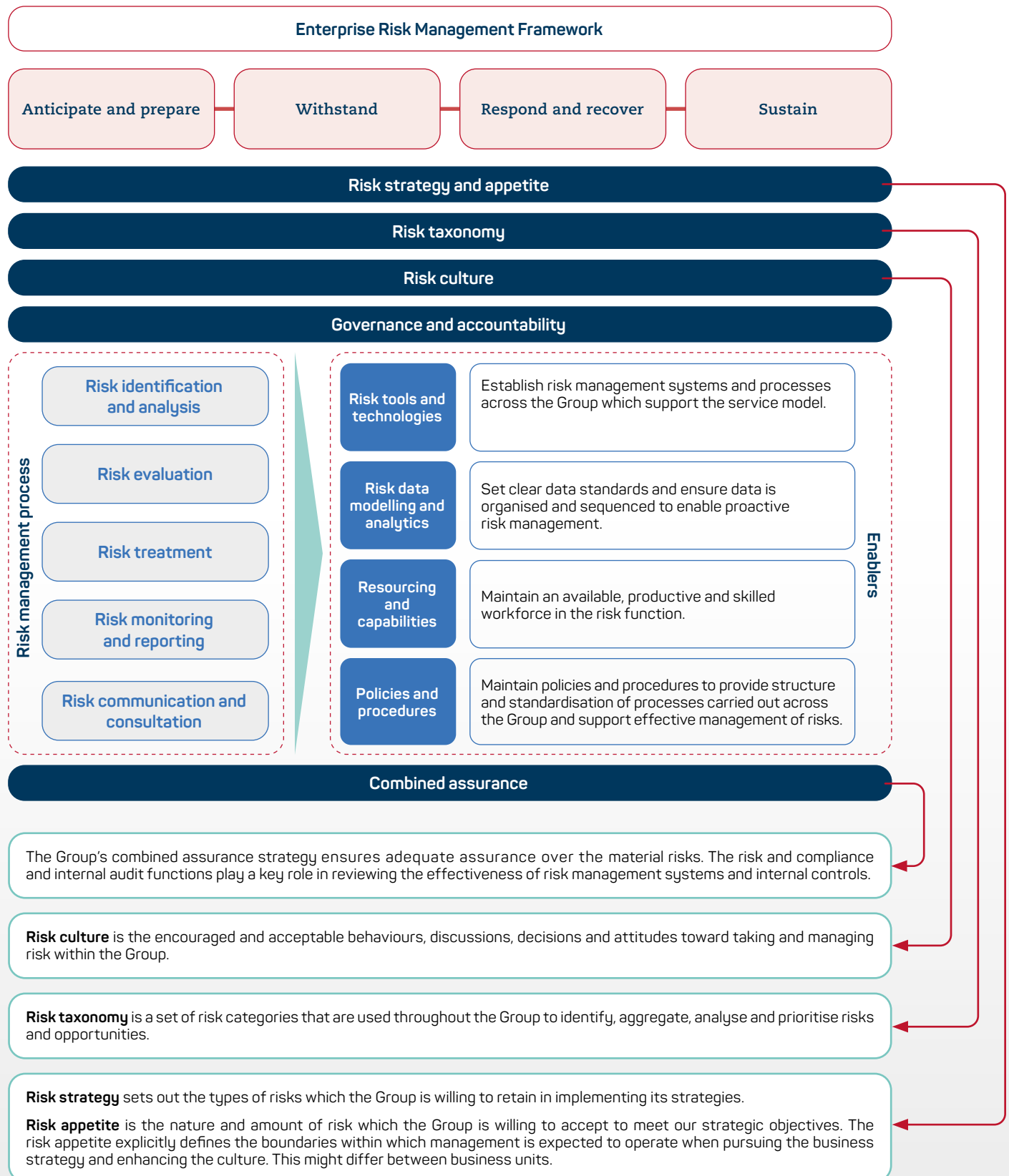
- Enterprise risk management framework (ERMF)
- Risk management policy
- Risk appetite framework
- Combined assurance framework charter
- Corporate governance charter

The Group's risk and compliance function undertook the following key activities with the assistance of an independent risk management consultant:

- Conducted formal interviews and workshops with key executives to identify top risks
- Aligned the risk strategy with the Pick n Pay strategy and the Boxer and Clothing expansion plans
- Provided training on updated risk methodologies for the first line of defence
- Revised risk registers across the Group
- Conducted deep dive investigations into key risk areas
- Enhanced risk reporting to management and the Board
- Analysed industry emerging risks and their potential impacts on the Group
- Put forward an FY25 combined assurance plan to the GARCC for approval

Enterprise Risk Management Framework

The ERMF provides a set of principles that guide effective and efficient risk management processes, communicating its value and explaining its intention and purpose.



Year-on-year residual risk profile changes

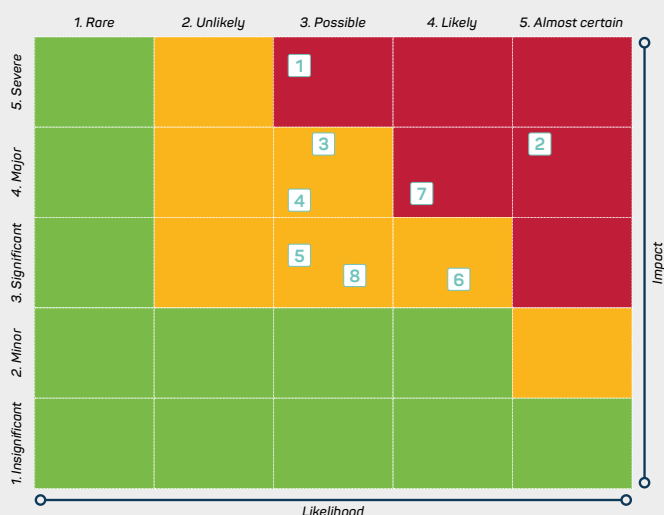
The enhancements in our risk methodology and the detailed work performed in FY24 have led to revisions in our top risks. These updates reflect improved risk identification and mitigation processes and account for developments over the year.

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

The heat map presented below illustrates the potential likelihood and impact of the Group's material risks at a residual level. 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.

FY23 risks

- 1 Customer value proposition
- 2 Operational disruption and business resilience
- 3 Health and safety
- 4 Digital stability and security
- 5 Foreign investment returns
- 6 Talent retention and diversity
- 7 Climate change
- 8 Successful execution of strategy



FY24 risks

- 1 Financial resilience
- 2 Execution of strategy
- 3 Customer experience and satisfaction
- 4 Success of the franchise model (new)
- 5 Brand and reputation (new)
- 6 Operational disruption and business resilience
- 7 Digital stability and security
- 8 Talent retention and diversity
- 9 Compliance with laws and regulations
- 10 Environmental and social risk



Governance at work

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

During the year, our Board undertook several discussions related to material matters that could impact our ability to create and protect value for our stakeholders. These discussions are presented on page 36 and unpacked in more detail in our Corporate Governance Report. They reflect the risks and opportunities the Group identified as material in FY24, how these are being mitigated and, where relevant, viewed as growth opportunities through our long-term strategic plan.

The table below demonstrates the management and Board oversight responsibilities for the top 10 risks.

FY24 risks	Executive Committee	Audit, Risk and Compliance Committee	Social, Ethics and Transformation Committee	Finance and Investment Committee	Nominations and Corporate Governance Committee	Remuneration Committee
1 Financial resilience	✓	✓	✓	✓		✓
2 Execution of strategy	✓	✓	✓	✓	✓	✓
3 Customer experience and satisfaction	✓	✓	✓			
4 Success of the franchise model	✓	✓		✓		
5 Brand and reputation	✓	✓	✓			
6 Operational disruption and business resilience	✓	✓	✓	✓		
7 Digital stability and security	✓	✓		✓		
8 Talent retention and diversity	✓	✓	✓		✓	✓
9 Compliance with laws and regulations	✓	✓	✓		✓	
10 Environmental and social risk	✓	✓	✓		✓	✓



Our material risks and associated opportunities

1. Financial resilience

The Group's ability to withstand economic disruptions, market fluctuations and other financial challenges by maintaining required liquidity and solvency.

Risk context	Risk to value creation	Mitigation and opportunity
The deterioration in the financial performance of the Pick n Pay supermarket business led to substantial operating losses and resulted in increased pressure on Group liquidity as net debt increased to R6.1 billion at FY24 year-end. The Board launched a two-step Recapitalisation Plan and secured liquidity through a restructure support agreement with funders. Refer to the CFO report for further information. Change in residual risk Increased	- Sustained sales and gross profit margin pressure in Pick n Pay supermarkets - Unsuccessful execution of Recapitalisation Plan - Breach of financial covenants Potential consequence - Further losses in Pick n Pay, higher borrowings and reduced cash flow - Constrained working capital and access to capital investment funding across Pick n Pay, Boxer and Clothing	Risk management - The strategy to turn around the Pick n Pay business - Appointed independent advisors for the successful delivery of the Recapitalisation Plan - Constructive engagement with shareholders - Appointed professional debt and cash flow advisors to strengthen cash flow forecasting and reporting - Regular engagement with funders and the development of KPIs and early warning triggers Opportunity for value creation The recapitalisation of the business will reduce debt and provide the necessary resources to invest in the growth of the business, while unlocking the value of the Group's Boxer business for shareholders.

2. Execution of strategy

The Group's ability to successfully implement its new long-term turnaround strategy.

Risk context	Risk to value creation	Mitigation and opportunity
The previous Ekuseni strategy succeeded in areas such as Boxer, Clothing, and Online but failed to stop declining sales and earnings in Pick n Pay supermarkets. The Board made key senior leadership changes, and the new CEO launched a strategy to transform the Pick n Pay business. The strategy will be implemented in a difficult economic and highly competitive trading environment. Refer to the CFO report and Strategy section for further information. Change in residual risk Increased	- Insufficient human capital to execute strategy - Inadequate planning and oversight of strategic execution - Deviation from plans and timelines - Lack of executional discipline - Lack of available store sites for expansion in Boxer and Clothing Potential consequence - Loss in market share - Further financial losses in Pick n Pay - Limited expansion in high-growth businesses	Risk management - Strengthened leadership team and organisational structure implemented - Detailed implementation plan with performance measures and monitoring - Regular collaborative engagements across divisional management - Executive performance and retention incentives tied to strategic KPIs - Strengthened regional and operating structures, with new appointments to address skill and capacity constraints - Enhanced training and development - Increased Board oversight Opportunity for value creation The new long-term plan is built on strategic principles that are considered realistic, actionable and defensible. The plan has already brought stability to the business, with encouraging growth across key KPIs.

Our material risks and associated opportunities

3. Customer experience and satisfaction

The Group's ability to provide customers with an excellent shopping experience that meets their expectations.

Risk context	Risk to value creation	Mitigation and opportunity
South Africa's challenging economic environment, characterised by high unemployment and rising household costs, has intensified competition among retailers for a shrinking consumer wallet. The Group's customer value proposition must meet customers' needs for lower prices and greater value. Change in residual risk Increased	- Uncompetitive product range - Poor customer service - Poor operating and store standards - Inadequate employee training - Poor stock quality and availability - Worsening macro- and socio-economic conditions Potential consequence - Declining customer satisfaction and loyalty - Reputational damage - Loss of market share - Further losses in Pick n Pay	Risk management - Strong, skilled and experienced management team in Boxer - Strengthened leadership and regional structures in Pick n Pay with clear accountability - Range and space optimisation initiatives - Reinstated fresh food cornerstones in Pick n Pay - Strengthened store management, including customer service managers - Training and development programmes - Regular monitoring and analysis of customer satisfaction metrics Opportunity for value creation The turnaround strategy is entirely focused on improving Pick n Pay for its customers, including through range development, store optimisation and customer service. The proven Boxer customer value proposition can be rolled out to white space to create value for the Group.

4. Success of the Pick n Pay franchise model

The Group's ability to advance an effective franchise model in a difficult economic environment that delivers sustainable mutual value.

Risk context	Risk to value creation	Mitigation and opportunity
Pick n Pay operates 722 franchise stores in five southern African countries and across a number of retail formats. The success of Pick n Pay is closely bound to the success of these highly skilled and experienced franchise partners – who play a valuable role in the Group's growth strategy and as brand ambassadors. Change in residual risk Increased	- Difficult market conditions that reduce sales volumes and profit margins - Slow or inadequate response to changing market dynamics - Misaligned goals and needs between franchisor and franchisee - Franchisee concentration Potential consequence - Deterioration in franchise relationships - Reputational damage - Higher franchise debt	Risk management - Implementation of the new interim franchise model with revised terms to drive mutual value creation - Regular franchisee engagements - Formal franchise debt management processes Opportunity for value creation Pick n Pay manages a dynamic and responsive franchise model which provides additional financial and operational support to franchisees when required to ensure mutual value creation. The store reset plan (page 59) will leverage the competitive advantage of the franchise model in the Pick n Pay strategy.

The Group's risk management, mitigation and monitoring processes responded quickly to the downturn in the Pick n Pay performance and related operational and financial challenges, with action taken to effect change in leadership and strategy and protect liquidity.



5. Pick n Pay brand and reputation

Pick n Pay's ability to maintain trusted relationships with stakeholders, including customers, investors, employees, franchisees, suppliers, landlords and the broader public.

Risk context	Risk to value creation	Mitigation and opportunity
Pick n Pay is an iconic brand in South Africa with a rich history of innovation, excellence and ethical corporate responsibility. As a prominent brand, Pick n Pay attracts significant media attention, which can impact its relationships with stakeholders. The negative FY24 financial performance from the Pick n Pay supermarket business reflects decreased customer advocacy and market share, which resulted in negative media and analyst coverage. Change in residual risk Increased	• Inability to improve customer offer and service • Sustained under-performance impacting franchise network stability • Market share decline affecting supplier and landlord relationships Potential consequence • Reputational damage • Deterioration in stakeholder relationships • Loss in market share	Risk management • New leadership across the key areas • Revised brand and marketing strategy • Integration of marketing and customer service • Planned launch of internal communications "Hearts and Minds" strategy • Enhanced customer service training • Sales and marketing initiatives to drive customer loyalty • Continuous monitoring and response to media and social media coverage • Ongoing commitment to environmental and corporate social responsibility initiatives Opportunity for value creation Streamlined leadership structure for clear accountability and stakeholder engagement to ensure careful brand and relationship management.

6. Operational disruption and business resilience

The Group's ability to maintain security and stability across its business operations and value chain.

Risk context	Risk to value creation	Mitigation and opportunity
The Group anticipates disruptive events that could impact its ability to trade effectively, including system failures, power outages, riots, and natural disasters. The Group assesses its systems, processes, and people to resist and recover from these events, crucial in the South African context of frequent load-shedding and infrastructure challenges. Change in residual risk Decreased	• Political instability and social unrest • Labour unrest • Increased load-shedding • Water shortages from ageing municipal infrastructure and load-shedding • Fires, floods and natural disasters Potential consequence • Catastrophic loss of assets and infrastructure • Disruption in the supply of essential food and groceries • Food waste • Breakdown in digital connectivity and communication • Disruption in operations due to labour unrest	Risk management • Business continuity and disaster recovery plans • Crisis management protocols and executive working groups • Alternative distribution centres as backup supply • Generators in all stores and distribution centres • Strengthened functional outsource arrangements, and labour union engagement • Enhanced security measures across the store estate • Comprehensive insurance covers Opportunity for value creation Our commitment to local procurement protects customers against the impact of international supply chain disruptions. Distribution centres with solar and water-efficient operations allow the Group to conserve resources. Stronger labour relations and community support.

Our material risks and associated opportunities

7. Digital stability and security

The Group's ability to maintain and protect its IT infrastructure, online platforms and databases.

Risk context	Risk to value creation	Mitigation and opportunity
The risk to system stability and security due to increased global cyber and ransomware attacks, accelerated digitalisation, expansion of the overall estate and increased online transactions. Change in residual risk Decreased	- System disruptions impacting customer service and business operations - Cyber attacks compromising confidential information - IT systems failing to support growth - Inaccurate or delayed information affecting decision-making Potential consequence - Loss of customer trust and loyalty - Financial losses from operational disruption - Regulatory fines and reputational damage - Competitive disadvantage due to outdated systems	Risk management - Specialist team maintaining and protecting IT infrastructure with global best practices - Migration of most Pick n Pay systems to cloud services - Daily backups of core systems for quick restoration - Regular cybersecurity assessments and updates Opportunity for value creation The Group's ongoing digital innovation advances our online retail offer, drives the growth in value-added services and enhances our Smart Shopper loyalty programme.

8. Talent retention and diversity

The Group's ability to build and retain a talented, diverse and motivated workforce.

Risk context	Risk to value creation	Mitigation and opportunity
The competitive talent environment may make it difficult for the Group to attract and retain key talent. Change in residual risk Increased	- Inability to compete for critical and transformed skills - Difficulty in recruiting and training effective store managers - Lack of training and development to support succession and expansion plans - Increased employee costs - Labour stoppages Potential consequence - Key-man dependencies and capacity constraints - High employee turnover - Negative impact on customer service and operating efficiency - Limited pipeline for new store managers to support growth - Labour force not representative of the South African demographic	Risk management - Remuneration policies promoting diversity, career progression, training and incentivisation - Clear transformation targets - Industry benchmarked remuneration policies - Employee engagement through employees roadshows, wellness campaigns and surveys - Planned "Hearts and Minds" campaign to improve culture and morale - Constructive relationship with labour unions - Ongoing investment in training and education Opportunity for value creation We remain committed to providing rewarding career opportunities for a team that reflects the diverse communities that we serve. This will unlock competitive advantage in the South African retail industry.

9. Compliance with laws and regulations

The Group's ability to uphold the highest standards of food safety, occupational health and safety and legislative compliance.

Risk context	Risk to value creation	Mitigation and opportunity
The highly regulated South African retail industry requires robust compliance frameworks covering consumer protection, fair competition, health and safety, employment equity and privacy. As a trusted retailer we are committed to providing our customers with high-quality food and groceries and a safe and secure shopping experience, through compliance with applicable law and standards. Change in residual risk Decreased	- Non-compliance with safety standards in stores, distribution centres or offices - Business partners do not adhere to minimum health and safety standards - Stocking or preparing unsafe food or other grocery products - Inadequate compliance processes to ensure we operate within the ambit of the required legislations Potential consequence - Health or injury risks to customers or employees - Reputational damage - Penalties and fines	Risk management - Robust food safety protocols across the value chain - Rigorous health and hygiene standards - Guidance from expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases - Regular food safety, occupational health and safety and supplier audits - Appointment of Group Compliance Officer and implementation of strengthened compliance framework Opportunity for value creation We have been proactive in ensuring compliance with laws and regulations and reduced the cost of compliance.

10. Environmental and social risk

The Group's ability to reduce its impact on scarce resources and maintain operations in the face of environmental degradation and social discord.

Risk context	Risk to value creation	Mitigation and opportunity
Climate change and food security is a concern for the Group and its 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 committed to reducing its impact on the environment and building the resilience of our operations. Change in residual risk Unchanged	- Climate change impacting food security and resource availability - Worsening socio-economic conditions increasing poverty and hunger - Inadequate ESG strategies to respond dynamically to changing risks - Misalignment of stakeholder and business needs - Incomplete or inaccurate ESG reporting Potential consequence - Reputational damage - Loss of market share - Reduced investor support	Risk management - Formal ESG strategies and targets - Monitoring and reporting to ESG Steering Committee - Provisioned ESG budget - Independent assurance of ESG reporting - Ongoing community engagement Opportunity for value creation Pick n Pay has approved a comprehensive new sustainability strategy which is focused on profit-impact projects which reduce costs or increase revenue.

The summary of the Group's material risks and associated opportunities provided in this chapter, represents the most material residual risks facing the Group, after taking into account the controls in place to mitigate those risks. The Group faces many other risks in the ordinary course of its business which are mitigated through a framework of standard operating controls, processes and procedures. A more comprehensive list of the risks facing the Group will be provided to shareholders in a detailed Rights Offer Circular ahead of the launch of the Rights Offer in July 2024.

Balancing the needs, interests and expectations of stakeholders

Effective stakeholder engagement anchors our understanding of our role in society, fosters accountability, drives performance and allows us to navigate dynamic market conditions that impact our business. Constructive engagement leads to improved services and decision-making and keeps our strategies aligned with emerging risks and opportunities.

We are committed to building strong and trusted relationships with our stakeholders, built on transparent, constructive and authentic engagements that prioritise long-term value creation.

Identifying and understanding our stakeholders

The Group's value creation is linked to the strength of its stakeholder relationships. We continuously review our stakeholder landscape to ensure we are engaging with all groups that could significantly impact our operations. The Group's integrated programme of stakeholder engagement ensures that the business remains accessible and accountable to key stakeholders and that it engages regularly on material matters.

The Board is dedicated to maintaining stakeholder engagement that is constructive, fair, and transparent, reflecting the Group's core values. The Board oversees the governance of key stakeholder relationships, supported by the Social, Ethics and Transformation and the Nominations and Corporate Governance Committees. It entrusts the CEO and senior management team with the implementation and execution of stakeholder engagement strategies.

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

How we engage

We prioritise engagement with stakeholders who significantly impact or influence our operations and value creation. Our tailored engagement methods include direct interactions, meetings, forums, surveys, portals, conferences, roadshows, joint planning, and development initiatives.

We conduct targeted engagements as needed to address specific matters that emerge.

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

We engage to

- Gain insight into the quality of our relationships with key stakeholders
- Identify and address matters impacting stakeholders and our business
- Understand stakeholders' expectations, aspirations, and interests
- To strengthen valued relationships through transparency and accountability
- Factor in stakeholders' needs and interests when identifying strategic opportunities and risks

3. The Board seeks to ensure that the Group's long-term strategy balances the needs, interests and expectations of key stakeholders in the best long-term interests of the business. We consider our key stakeholders' legitimate needs and interests when making business decisions, pursuing strategy and driving performance. The Board receives reports on all material stakeholder engagements, including emerging risks and opportunities.

Responsibilities

Key stakeholders	Responsible executives reporting to CEO
 Customers	Managing Executive: Pick n Pay Managing Executive: Boxer Managing Executive: Clothing
 Employees	Chief People Officers: Pick n Pay and Boxer
 Franchisees	Head: Pick n Pay Franchise
 Suppliers	Heads of Commercial: Pick n Pay and Boxer
 Landlords	Heads of Property: Pick n Pay and Boxer
 Equity and debt funders	Chief Finance Officer Head: Treasury and Investor Relations
 Communities	ESG Officers: Pick n Pay and Boxer





Our customers

Why our customers are important

Customers are the heart of our business – they are our primary revenue source and provide crucial insights that guide strategic decisions. We are committed to offering a broad and relevant range of high-quality, competitively priced products and services. We ensure our customer offer meets expectations and adapts to changing demands by understanding and anticipating customer needs.

What our customers ask of us

- **Value:** competitive pricing and personalised loyalty rewards
- **Strong range:** with consistent high levels of product availability
- **Quality:** high product quality with guaranteed food safety and traceability
- **Convenience:** closer store proximity and easier ways to shop
- **Great shopping experience:** modern and secure stores with outstanding customer service
- **Privacy:** protection of personal information
- **Conscious retailing:** community support and environmental sustainability

How we respond

- **Price investment:** operating efficiency enabling competitive prices and promotions
- **Range development:** continuous product enhancement, including private label development and value-added services
- **Modern retail offer:** expanding and modernising our physical stores and enhancing our digital presence
- **Optimising loyalty:** ongoing enhancement of the Smart Shopper loyalty programme
- **Prioritising customer service:** increasing customer-focused employee training
- **Community and environmental stewardship:** actively supporting the communities we serve

How we engage

- **Daily engagements:** customer interactions in physical stores and on our online platforms
- **Social media:** social media platforms to encourage customer feedback
- **Focus groups:** to refine and enhance customer offer and experience

Key engagement themes and actions

The previous Ekuseni strategy sought to reposition customers at the heart of the Group's long-term vision, most notably with customised product ranges and more competitive pricing. The strategy delivered for our customers in three key areas of the business – Boxer, Pick n Pay Clothing and Online. However, strategic execution in the Pick n Pay supermarket business did not deliver the strategic targets set for our core supermarket customer.

The deterioration in Pick n Pay's performance indicates that we have not improved our business for Pick n Pay customers and need to do much more to become their supermarket of choice. Feedback from customer engagements has highlighted three critical areas requiring immediate attention and improvement in Pick n Pay:

- **Customer service:** enhancing the quality and responsiveness of customer service to ensure a consistently positive shopping experience
- **Range:** broadening and tailoring our product range to better meet the diverse needs and preferences of customers
- **Pricing:** revisiting the pricing strategy to ensure everyday competitiveness and value for money





Our employees

Why our employees are important

Employees are the cornerstone of our business and the primary point of contact with our customers. From procurement to the shop floor, our diverse teams shape the shopping experience at Pick n Pay and Boxer through customer service, retail expertise and a commitment to quality and efficiency. We leverage the strength of our team by aligning our workforce with our strategic goals, enhancing our productivity, and fostering a culture of accountability and recognition.

What our employees ask of us

- **Competitive compensation:** fair wages and market-related benefits
- **Job security:** stable employment with certainty of hours and shifts
- **Inclusivity:** a diverse and equitable workplace
- **Safety:** a secure and healthy work environment
- **Professional growth:** opportunities for training and advancement
- **Work-life balance:** wellness programmes that support personal and professional lives
- **Corporate responsibility:** employment within a conscientious and ethical company

How we respond

- **Fair compensation and benefits:** ensuring our remuneration remains competitive and equitable, including share and cash reward and incentive schemes
- **Empowering structure:** streamlined operations to enhance accountability, efficiency and employee satisfaction
- **Comprehensive training programmes:** enhancing customer service capabilities through targeted training initiatives
- **Health and wellness:** integrating wellness campaigns to support overall employee well-being
- **Flexibility:** balancing productivity and personal needs

How we engage

- **Regular communication:** one-on-one and team meetings, performance reviews and strategic updates
- **Digital engagement:** increased use of technology for employee roadshows, social platforms and digital media to foster a connected workplace
- **Union engagement:** regular meetings with labour partners

Key engagement themes and actions

The Group's negative FY24 financial performance and subsequent changes in executive leadership and operational structures negatively impacted employee morale and raised concerns of business stability and job security, specifically in Pick n Pay.

In response, we implemented a new leadership model and management structure designed to clarify lines of responsibility, drive accountability, streamline decision-making, and incentivise innovation and performance. Our engagements with employees and labour partners emphasised:

- **The strength of our brands:** and the importance of Pick n Pay and Boxer to the communities we serve
- **What set us apart:** the growth opportunities within our business
- **Our new strategy:** what we need to achieve together to restore the success of Pick n Pay
- **The critical first steps:** to re-organise leadership and regional structures to empower teams and to improve customer experience in Pick n Pay
- **Simplicity and productivity:** the importance of streamlining operations to deliver lower costs and improved service for customers
- **The importance of relationships with our labour unions:** to align goals and foster a collaborative environment that contributes positively to the long-term success of the Group





Our Pick n Pay franchisees

Why our franchisees are important

Franchise stores are an integral part of the Pick n Pay business, extending our store network and acting as key brand ambassadors within the communities we serve. We support franchisees in developing profitable and sustainable businesses. This support is rooted in the strength of the Pick n Pay brand and bolstered by efficient distribution and administrative platforms, which ensures franchisees are equipped to meet local customer needs, while upholding Pick n Pay's values and standards.

What our franchisees ask of us

- **Valued partnerships:** opportunities for building profitable, valuable and sustainable businesses
- **Comprehensive business support:** assistance in governance, training, systems and marketing
- **Strong product range:** access to quality products at competitive prices
- **Reliability of supply:** consistent and timely delivery of high-quality, safe products
- **Operational efficiency:** support in managing energy, water, waste, and logistics costs
- **Accessible leadership:** regular and constructive engagement with Pick n Pay management
- **Ethical brand:** a trusted association with a corporate leader with strong ethics and values

How we engage

- **Regular communication:** routine correspondence to provide updates and address urgent needs
- **Franchise forums:** structured meetings to address challenges and share best practice
- **Training sessions:** in the latest technologies and operational practices
- **Conferences:** opportunity for comprehensive business reviews, networking, strategic planning and community building
- **Performance reviews:** evaluations to assess franchise performance and discuss strategic goals
- **Store visits:** personalised and expert support to ensure compliance with franchise standards and to help optimise operations

How we respond

- **Proven franchise model:** offering one of the most successful and mutually beneficial franchise models in the retail industry, responsive to changing market conditions
- **Competitive pricing:** leveraging high volumes and an efficient distribution network to provide a cost-effective product offer
- **Flexibility and support:** supporting start-up businesses, smaller formats, or those struggling in tough trading environments with additional management and administrative support and more favourable trading terms
- **Efficient supply chain:** providing consistently reliable and effective logistics

Key engagement themes and actions

The economic challenges that impacted the Group in FY24 were felt across our franchise network. Many franchisees, particularly those in lower-income areas of South Africa, faced lower sales volumes and shrinking margins amid increased retail competition and tighter consumer budgets. Despite these challenges, many franchise partners continue to excel. They consistently achieve some of the highest trading densities in our network by operating smaller neighbourhood supermarkets equipped with extensive retail knowledge and keen customer insights.

The Group introduced a new interim franchise model enhancing loyalty rewards for purchases from Pick n Pay's supply chain to support franchisee profitability. Please refer to page 70 of the CFO report.





Our suppliers and service providers

Why our suppliers and service providers are important

They are fundamental to our success in the highly competitive retail sector. We procure goods and services from a broad network, including SMMEs that were mentored through our enterprise development programmes. We engage to source high-quality products at the best price and ensure food safety, sustainable and ethical business practices, innovation and consistent on-shelf availability.

What our suppliers and service providers ask of us

- **Fair engagement:** transparent negotiation, reasonable contract terms and fair prices
- **Efficient administration:** consistent and timely payments in line with contract terms
- **Sustainable partnerships:** the opportunity for long-term mutual growth
- **Innovation:** support for research and development and opportunities to innovate
- **A responsible partner:** support small business development and environmental sustainability, including energy, water and waste efficiency
- **Showcase for range:** comprehensive offer to display innovation

How we respond

- **Fair business practices:** a commitment to fair, efficient and mutually beneficial relationships, with an emphasis on local procurement
- **Support for small businesses:** developing small, diverse, and ethical suppliers, including expanding own brand and confined label products
- **Strategic partnerships:** ongoing enhancement of our value-added services offer and Smart Shopper loyalty programme through strategic collaborations
- **Financial support:** Pick n Pay Fast Pay provides a competitive funding platform to suppliers for the early settlement of invoices

How we engage

- **Ordering and replenishment:** regular discussions around pricing and payment terms and ongoing co-ordination of orders, fulfilment and efficient logistics
- **Quality and compliance:** engagements to ensure products meet specified quality standards and regulatory compliance, including audits, product testing, and certification processes
- **Performance reviews:** to discuss key performance metrics, address issues and provide feedback
- **Product development:** collaborate to improve existing products or develop new products
- **Risk management:** assess and mitigate risks related to supply chain disruptions, including geopolitical factors or economic changes that could impact the supply chain
- **Collaboration on ESG initiatives:** improve sustainability in areas like sourcing, packaging, and logistics

Key engagement themes and actions

On his return as CEO, Sean Summers initiated comprehensive discussions with key suppliers to understand their views on Pick n Pay supermarket's performance. This provided independent insights to identify business practices that had potentially contributed to the decline in sales volumes and profitability. Additionally, he explored ways to enhance collaboration with key suppliers to help restore profitability.

As a direct result of these engagements, Pick n Pay:

- **Appointed a new buying leadership team** across fresh produce, groceries and general merchandise
- **Strengthened regional structures** to allow for more local procurement and quicker decision-making
- **Increased integration** across buying, marketing and supply chain logistics





Our landlords

Why our landlords are important

The Group manages its store estate primarily on a leasehold basis, with landlords providing the physical space to operate and serve customers. Strong relationships with landlords ensures favourable lease terms, continuity of business operations and the flexibility to adapt to changing market dynamics through store expansion or conversions. We engage to provide insights into our business, transparency in terms of trading conditions and to align strategic objectives.

What our landlords ask of us

- **Fair engagement:** transparent negotiation and reasonable lease terms
- **Efficient administration:** consistent and timely payments in line with lease agreements
- **High-quality stores:** attract customers to the shopping centres in which we trade
- **Sustainable partnerships:** opportunity for long-term mutual growth
- **A responsible tenant:** ethical business practices and environmental sustainability, including energy, water and waste efficiency
- **Store pipeline:** to support our growth drivers Boxer and Pick n Pay Clothing

How we respond

- **Transparency:** candid and fair dealings in all lease negotiations to foster trust and collaboration
- **Financial reliability:** consistent and timely payments in line with lease agreements
- **Store standards:** attracting customers with modern and well-maintained facilities
- **Long-term partnerships:** building relationships that encourage mutual growth and resilience
- **Ethical practices:** committing to responsible retailing and environmental sustainability

How we engage

- **Lease negotiations:** establish or renew lease terms
- **Operational co-ordination:** regarding maintenance, security and logistical support
- **Site inspections:** compliance with all agreed-upon standards and regulations
- **Risk management:** assess and mitigate risks to the security of premises and safety of customers

Key engagement themes and actions

FY24's financial losses were directly attributable to weak sales within the Pick n Pay supermarket business, affecting turnover-linked rentals and raising landlord concerns about the Group's financial stability.

Our swift action to protect liquidity and plans to recapitalise the business have ensured the continued fulfilment of all lease obligations. Under the new strategy, engagements with landlords are focused on optimising our store portfolio to adapt to changes in market dynamics and consumer behaviour changes. Our discussions have emphasised:

- **Store closures** where changes in market dynamics have meant that sites are no longer viable
- **Store conversions** to potentially more profitable formats, such as Boxer or a Pick n Pay franchise
- **Store reconfigurations** to optimise space utilisation and trading densities
- **Investment** in our commitment to growth and refurbishment across Pick n Pay Clothing and Boxer





Our equity and debt funders

Why our funders are important

Equity shareholders and debt funders are vital to the Group's long-term success, providing the capital required for operational stability, growth and innovation. We engage with funders and the broader investment community to provide a comprehensive and well-understood investment case that takes a sustainable long-term view. We maintain open dialogue with our funders to ensure they can make informed investment decisions and that our share trades at a fair value.

What our funders ask of us

- **Consistent investment returns:** sustainable returns with managed risk
- **Robust corporate governance:** ethical leadership that fosters trust and stability
- **Effective risk management:** strategies to mitigate economic, social and environmental risks
- **Transparent financial reporting:** compliance with international standards for timely and accurate disclosure
- **Clear business insights:** detailed insight into the business model, strategy and key profit drivers

How we respond

- **Strong governance framework:** upholding high standards in transparency, accountability, and ethics
- **Commitment to long-term growth:** focused strategy on restoring sustainable profitability and expansion of our growth drivers
- **Innovation within risk boundaries:** encouraging innovation while controlling risk
- **Enhancing capital efficiency:** maximising returns through strategic capital management

How we engage

- **Market communication:** regular updates via market announcements, result presentations and trading updates
- **Direct interactions:** investor and lender roadshows, broker-hosted conferences, and one-on-one meetings
- **Regular communication:** telephone and email correspondence
- **Annual engagements:** increased interaction for annual and extraordinary shareholder meetings

Key engagement themes and actions

The past year presented significant challenges, driven by the under-performance within the core Pick n Pay business. The previous Ekuseni strategy did not achieve expected sales and earnings targets, resulting in higher gearing. In response, the Board implemented leadership changes, approved a revised strategic plan and advanced a two-step Recapitalisation Plan. This aims to provide the Group with the resources required to stabilise the business and return to a growth position. We engaged closely with major institutional investors and long-term funders to:

- **Address concerns and provide clarity** on the challenges faced and explain the corrective measures being implemented in Pick n Pay
- **Provide insight into the turnaround strategy** and provide confidence in its prospects
- **Restructure funding** to secure the necessary liquidity
- **Secure support for the Recapitalisation Plan** to recapitalise the Group, settle debt, reinvest in the Group and rebuild profitability





Our communities

Why our communities are important

Our success depends on the well-being of the communities we serve. Our business grows hand-in-hand with our contribution to society. We engage to provide meaningful socio-economic support and create opportunities for sustainable economic growth.

What our communities ask of us

- **Food security:** access to affordable, quality food in clean and safe environments
- **Hunger alleviation:** support for feeding schemes and community outreach programmes
- **Literacy and education:** investment in our School Club and other educational initiatives
- **Job creation:** fostering local economic development and opportunity, including in small scale farming
- **Education on nutrition:** programmes to promote healthier food choices
- **Environmental sustainability:** environmental consciousness

How we engage

- **Charitable foundations:** active community involvement through the Feed the Nation Foundation and the Ackerman Pick n Pay Foundation
- **Community forums:** collaborate with co-operatives, university partnerships and the Pick n Pay School Club
- **Local programmes:** engage through store-based social outreach programmes, support small business development, and Boxer's farming programmes
- **Environmental initiatives:** address environmental concerns, including reducing plastic use and providing reverse vending machines for in-store recycling

How we respond

- **Responsible practices:** integrating environmentally and socially responsible practices across our operations
- **Supporting local:** engaging with diverse and ethical local suppliers to enhance community ties
- **Employment initiatives:** local community employment through long-term sustainable growth
- **Promoting health and sustainability:** advocating for healthier lifestyles and sustainable living

Key engagement themes and actions

Our social investment strategy is committed to empowering our communities. We focus on reducing food insecurity and enhancing education through literacy and nutrition programmes. Our efforts extend to supporting cultural, sports, and environmental projects, which all reflect our deep commitment to the community welfare and development. Please refer to our 2024 Sustainability Report for further information.



Building on the Group's rich legacy

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CEO's reflections: restoring and revitalising Pick n Pay

Sean Summers
Chief Executive Officer



My return to the Pick n Pay Group was driven by a deep sense of purpose and commitment to making a meaningful difference. Together, we will navigate the challenges ahead and create a brighter future for our Group, our people, our customers and our shareholders.

I returned to the Group in September 2023 with a sense of sadness at the passing of our founder, Raymond Ackerman, and a deep sense of responsibility to the Group that had given me and my family so much. I "grew up" in Pick n Pay and it was an immense privilege to forge my career with one of South Africa's most iconic retail brands and lead the Group for 11 years as CEO before my departure in 2007 after a 31-year career.

While I was away from the business for 17 years, I continued to watch its journey with keen interest and remained close to the Ackerman family. When Wendy and Gareth approached me to consider taking the reins once again, I instinctively knew that the Group was in a difficult place. It was clear, even from afar, that the brand had lost the close connection with its customers, its people and the in-store experience that had made it so special.

I found a business that despite its rich history, admired brand and strong market presence, had critically lost its sense of purpose and momentum. It was clear that the results for FY24 were on a steep downward trajectory, driven by substantial losses in the core Pick n Pay supermarket business. On the positive side, I also

found pockets of excellence, with extraordinary performances from Boxer, Pick n Pay Clothing, the development of a world-class online retail platform in asap! as well our growing value-added and financial services operations.

More importantly, I found a team that was more than willing to be motivated to transform the Pick n Pay business and restore it back to its rightful place in the retail landscape.

The decline in Pick n Pay had happened over a protracted period. Deep cost-cutting, a series of voluntary severance programmes, a reliance on external consultants and advisors had weakened the operational leadership and taken the Group's focus away from its core competence and customers. This was further exacerbated by under-investment in existing and new stores. The brand was struggling for relevance in a highly contested market further compounded by a confusing brand split and proposition.



The urgent need for immediate action quickly became evident – a simple but effective strategy that would refocus the Pick n Pay team on the fundamentals of retail, streamline operations, strengthen our product offer, and re-engage our people. Critically, the strategy would be led, implemented, and owned by the people of Pick n Pay without any dependence on professional consultants.

All of this was compounded by a challenged balance sheet and debt structure which will be resolved by the two-step Recapitalisation Plan underway, comprising the Rights Offer followed by the Boxer IPO.

Our turnaround is built around six key priorities designed to revitalise our Pick n Pay core retail business and restore its profitability.

1. Leadership and people

We introduced a simplified leadership structure, bolstered with the return of seasoned executives who bring a wealth of experience and a deep understanding of both the retail industry and Pick n Pay.

The new leadership team is focused on local decision-making, enhanced accountability and strong succession planning. Each operating region now has dedicated buying and store management teams to better meet the specific needs of its local customers.

2. Resetting our store estate

We are taking a hard look at our store portfolio to create a more sustainable and profitable estate. This involves converting some stores to Boxer, securing experienced franchisees for others, and closing those stores that are no longer viable.

This strategic reconfiguration will help us optimise our footprint and better serve our customers.

3. Improving our offer to drive sales

We are refocusing on products and services that matter most to our customers. This includes restructuring our commercial teams, enhancing our fresh produce and private label offerings, and ensuring competitive pricing and promotions.

Strengthening our store management and employee training will also improve the overall shopping experience.

4. Optimising our operating model

Efficiency is key to improved profitability. We are simplifying processes, reducing waste, and driving productivity across the Group.

This will result in a more efficient head office, a streamlined store estate, and a robust supply chain.

5. Leveraging the strength of our partnerships

Our success hinges on strong relationships with our key stakeholders, including franchise partners, suppliers and employees. We are committed to strengthening these relationships through regular engagement, training, and collaboration.

Our goal is to create a capable, engaged, and empowered team that can drive our Group forward.

6. Recapitalising the business

A solid capital raising plan supports our transformation. The anticipated Rights Offer and the planned listing of Boxer will provide the necessary funds to recapitalise our balance sheet, invest in our business and rebuild our profitability.

The recapitalisation is crucial to implement a sustainable capital structure and for long-term financial stability.

Our determined ambitions for the growth of our Boxer, Pick n Pay Clothing and Online divisions remain in place notwithstanding the immediate priority to stabilise the Pick n Pay supermarket business. These ambitions are on track and supported by a strong and capable leadership team and clear KPIs. I am inspired by the management teams of these businesses who have made such an indelible mark on the South African retail landscape, continuing to deliver outstanding growth against much larger competitors.

Rebuilding Pick n Pay into a resilient and agile business that can adapt to changing market conditions and meet the evolving needs of customers is our goal. I am confident that we will position Pick n Pay for long-term success with a clear vision, a committed team and robust and actionable deliverables.

I am particularly excited by the transformation of Boxer into a strong national brand which has consistently delivered market-leading sales growth in the 22 years since we acquired it. Boxer's planned listing on the JSE provides it with an exciting runway for growth.

To date, our turnaround strategy has delivered encouraging early results, with positive like-for-like growth recorded for the Group in the first quarter of FY25. However, this is just the beginning. Over the next few years, we will continue to roll out our strategic initiatives, measure our progress, and adjust as needed to ensure that we stay on track.

The full implementation, as I indicated six months ago, will be a multi-year journey. I thank shareholders for their support of our strategy and for their open and constructive engagement.

I am optimistic about the future of Pick n Pay despite the challenges we face as we go about restoring the legacy of Raymond and Wendy Ackerman and all that Pick n Pay has always stood for.

Sean Summers

Chief Executive Officer

26 June 2024

Our strategy

The Group's strategy is focused on unlocking and growing shareholder value by:

- Returning the Pick n Pay segment to profitability via execution of a turnaround strategy in Pick n Pay supermarkets
- Continuing to accelerate the key growth drivers of Boxer, Pick n Pay Clothing and Online (the latter two businesses reported within the Pick n Pay segment)
- Listing the Boxer business to ensure Boxer is accorded a market value which appropriately reflects its superior growth and Return on Invested Capital (ROIC)
- De-gearing the Group via the two-step Recapitalisation Plan, which will substantially reduce Group debt service costs, reduce risk, and provide management with the operational flexibility and resources to drive the Pick n Pay segment's return to profitability

The primary objective of the Pick n Pay strategy is a return to operational excellence and long-term business sustainability. The overall success of the Group is highly dependent on the performance of its core Pick n Pay supermarkets business (groceries, liquor and general merchandise). As such, the Group's strategy is keenly focused on returning Pick n Pay to profitability over the medium term, while continuing to drive the exceptional growth of its Clothing and Boxer businesses.

Pick n Pay

The strategy focuses on improving the performance of Pick n Pay supermarkets and hypermarkets, primarily by driving like-for-like sales growth through a strengthened customer offer, while sustaining the strong growth in our Pick n Pay Clothing and Pick n Pay Online divisions.

The plan seeks to meet the needs of the Pick n Pay customer, with minimal overlap with our Boxer customer. Product and price are critical elements of the plan and Pick n Pay will strengthen and maintain a sustainable gross profit margin by building a compelling product range with competitive pricing. Promotions will target the products that matter the most to our customers to strengthen sales volumes and profitability.

Pick n Pay understands the importance of improved customer service, which will be key to unlocking improved like-for-like sales growth. This will be achieved through strengthened leadership and operational structures, and an internally focused "Hearts and Minds" campaign aimed at step-changing advocacy of our people.

The reach of our supermarket estate is a strategic advantage for the Group and enhancing the quality of our Pick n Pay supermarkets is a key element of the plan. We will address the structural inefficiencies in our company-owned estate by closing loss-making stores or converting those stores to Pick n Pay franchise or Boxer stores. Critical capital investment will modernise the balance of the estate over time, through a targeted refurbishment and repairs and maintenance programme. We will work closely with our landlords to address structural issues in store size and store layout to improve the customer experience and our sales per square metre.

Key principles

The new Pick n Pay strategy is premised on three key principles:

1. **Reasonable** – it can be achieved
2. **Defendable** – it stands up to scrutiny
3. **Actionable** – it has the human and capital resource required

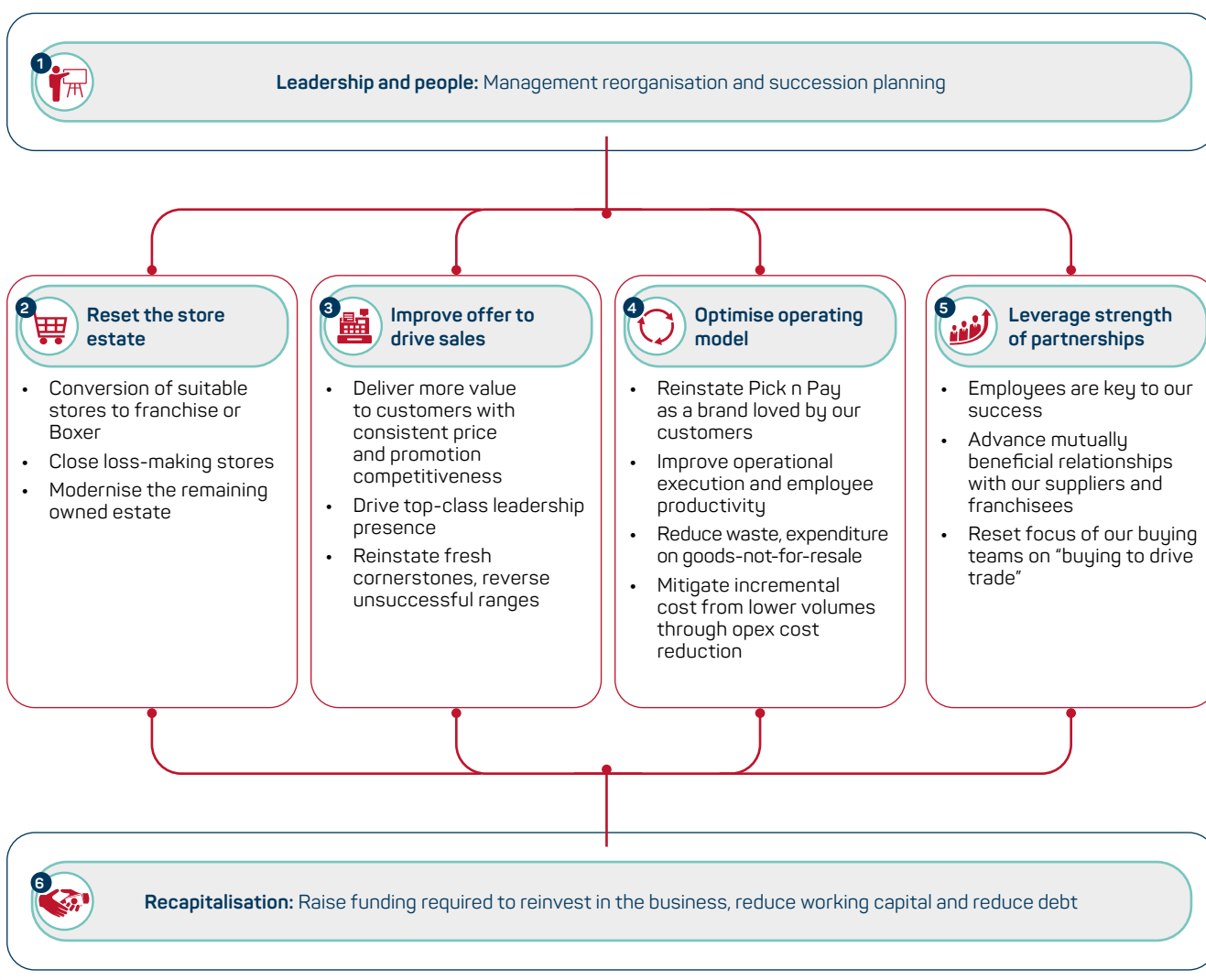
Our determined effort on operating efficiency and cost discipline will continue, including targeted action on waste, staff productivity, store operating costs and overheads.

The success of the strategy is highly dependent on the people of Pick n Pay and on the strength of its partnerships. The plan has prioritised the development of a highly effective leadership and operational structure to drive performance and accountability and increase our collaboration with our franchisees, suppliers, landlords and other key stakeholders.

The Group's two-step Recapitalisation Plan is a critical priority under the plan and will allow the Group to largely settle its debt, reduce its interest charges and implement a sustainable capital structure that allows for adequate investment in the turnaround of Pick n Pay. The Recapitalisation Plan will be supported by strong working capital and cash management.

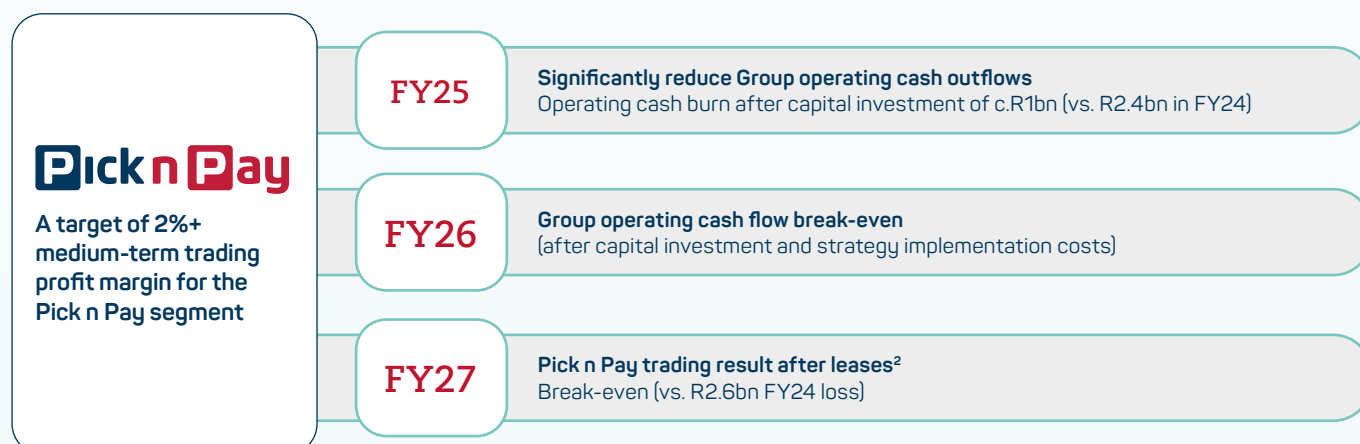
Restoring Pick n Pay to profitability will take time and management has no illusions about the magnitude of the task. Prior to FY24 Pick n Pay had consistently traded at a profit and the Group is confident that this can be restored over the medium term. The Group will prioritise the strength of its balance sheet and does not expect to declare any dividends until Pick n Pay cash generation and profitability has been restored.

The Pick n Pay strategy has six major priorities:



Ambitions and associated targets¹

Our key priorities are the driving force to return the Pick n Pay segment to profitability



¹ This forward-looking information is the responsibility of the directors and has not been reviewed or reported on by the Group's external auditors. Please refer to page 5 for further information.

² Trading profit after net lease interest costs.



Priority 1: Leadership and people

Pick n Pay's people underpin all its strategic undertakings. The Group implemented a new leadership structure in March 2024 that enhances role clarity and management accountability, increases focus on key product categories and strengthens our regional operating structures.

Objective:

Enhanced leadership and operational structures to restore a capable, motivated and empowered team

Key impact:

The right people in the right roles to drive sales and realise margin improvement

Senior leadership and regional structures

Pick n Pay's senior leadership team has been strengthened with the appointment of experienced executives with proven track records. These retail experts have identified key improvement areas, developed detailed plans and progressed to implementation. We are implementing a strong and structured succession plan to ensure institutional resilience and continuity across all levels.

Pick n Pay has been reorganised into six trading regions (up from three) to strengthen operational leadership. The new structure provides each operating region with greater autonomy, decision-making rights, and full profit and loss accountability. The structure embeds regional buying teams with representation across fresh produce, groceries and general merchandise, ensuring closer engagement with stores. This approach aims to improve our customer offer and drive like-for-like sales growth through local and agile teams that understand and respond to regional conditions and consumer preferences.

Store operations

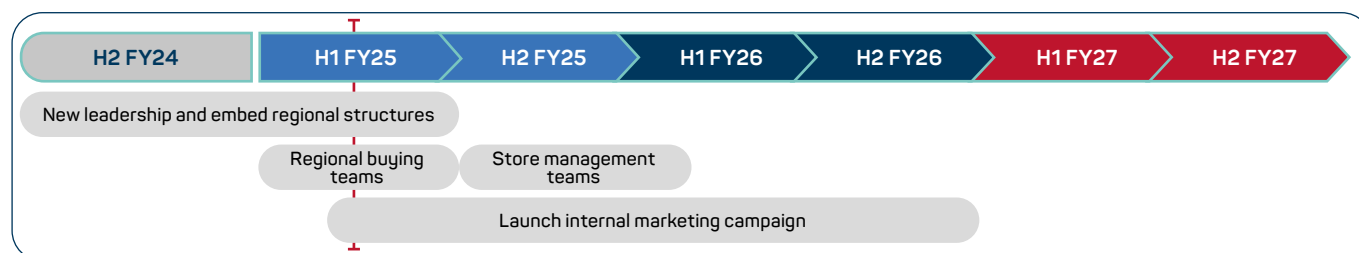
Store operations will be strengthened by restoring key management roles that had been reduced in recent years. Our focus is on store managers, frontline staff, and fresh areas such as deli, produce, bakery and butchery. We will ensure a strong pipeline of managers through our updated trainee management programme, supplemented by graduate intakes. Leadership, management and operational skills training programmes are being implemented to advance career development across the business.

Culture and employee relations

Pick n Pay has launched an internal "Hearts and Minds" campaign to boost employee advocacy. The campaign will communicate the need for Pick n Pay to adapt to its new competitive reality and transition to a more efficient operating model, while also working together to regain our collective sense of purpose and pride in the Pick n Pay brand.

Our strengthened regional structures will play a crucial role in implementing the campaign, ensuring clear and consistent messaging through regular regional manager meetings, and establishing open communication channels between local management and staff. The initiative is supported by our new employee communication and task management platform, MyPnP, powered by Yoobic, which allows us to deliver more targeted communication to our entire workforce.

Timeframe:





Priority 2: Reset the store estate

The Group undertook a comprehensive review of the quality and profitability of the Pick n Pay company-owned store estate on a store-by-store basis. The review focused on loss-making stores to clearly understand the reasons for the under-performance and the prospects for returning each store to profitability. The results of the review informed Pick n Pay's determined estate reset plan. Under-performing stores will be converted into Boxer stores, converted into Pick n Pay franchise stores or closed entirely.

Objective:

All stores converted to sustainable operating models
A modern high-quality store estate

Key impact:

Over 100 under-performing stores under strategic review
Targeting R850 million of cost savings / loss avoidance

Moving forward, the Group's focus for Pick n Pay will not be 'scale-at-all-cost'. We will focus on being a smaller but more profitable business in the short term, with fewer but better stores. This will ensure long-term sustainability and generate genuine growth opportunities in the future.

Sean Summers, CEO

Conversions to Boxer

As we focus the Pick n Pay brand on middle-income and more affluent customers, we aim to limit the overlap with our Boxer brand, which targets less affluent segments of the market. During our review of loss-making stores, we identified several Pick n Pay locations better served by Boxer. Converting these stores will help avoid further Pick n Pay losses and support the new store pipeline for Boxer.

Conversions to Pick n Pay franchise

Our Pick n Pay franchise supermarkets often achieve stronger trading densities than our company-owned supermarkets, primarily driven by keen owner-managed focus on store operations and customer service. The conversion of loss-making company-owned stores to franchise stores will benefit both parties by improving store economics, restoring profitability and retaining supply volumes. We have begun engaging potential franchisees, especially in areas where existing franchisees have a solid footprint and strong understanding of the market.

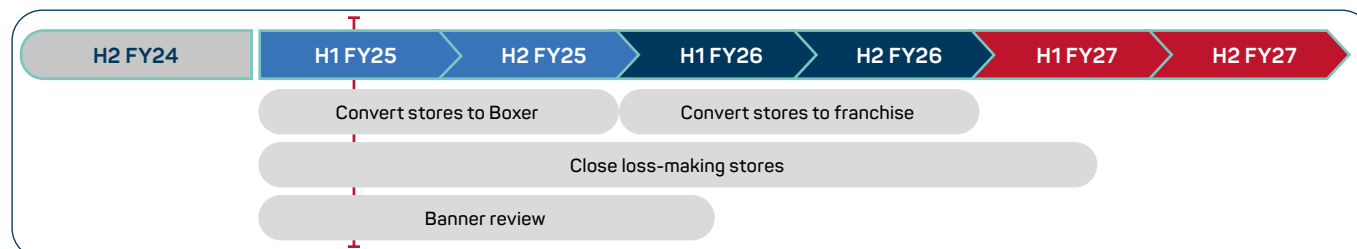
Store closures

Certain loss-making stores are not suitable for conversion to Boxer or Pick n Pay franchise stores and will be closed. The remaining lease term and liabilities in some instances present beneficial pay-back periods on closure.

Modernising the estate

The Pick n Pay property team is engaging with landlords to redress store layout deficiencies over time. These discussions include resizing stores to hand back space in certain shopping centres, potentially converting space to line shops or other uses. The reset will allow Pick n Pay to reduce the size of several supermarkets and hypermarkets. Critical investment spend will be aimed at store refurbishment and a strengthened repairs and maintenance programme to improve the overall quality of the Pick n Pay supermarket estate.

Timeframe:





Priority 3: Improve offer to drive sales

Objective:

Win back customers by reinstating a more competitive offer
Revitalise the passion for the Pick n Pay brand across our customers and staff

The Group aims to strengthen Pick n Pay's customer offer in the following key areas set out below.

Key impact:

Improvement in like-for-like sales growth to unlock incremental annual profit

Price and promotions

Pick n Pay will offer customers consistent value and competitive prices across a core basket of goods, driving better execution on promotions and offering lower prices on key product lines to achieve a balanced margin outcome. Our strengthened price position will be supported by our new regional structures and local marketing campaigns.

Pick n Pay is optimising its use of data across internal and external data sources and is working closely with suppliers to improve price and promotional strategies. Pick n Pay will utilise its advanced IT systems to drive large-scale personalised customer engagement, enhanced promotional effectiveness and improve its fulfilment processes.

Product range

Pick n Pay recognises the need to focus more on fresh food, a key area to become more competitive and win back customers. Pick n Pay will significantly improve its fresh offer and reinstate fresh food cornerstones across bakery, butchery, produce, and deli segments. We will restore unsuccessful range decisions from recent years that negatively impacted performance by expanding our range in more stores.

In addition, we will rebuild our own brand and confined label products to reduce costs and improve margins, emphasising local ranges where opportunities exist to better meet customer needs. Our plan includes a significant reset of general merchandise in hypermarkets and supermarkets, expanding the range across various categories and leveraging our imports programme to improve the margin mix.

Customer service

Our "Hearts and Minds" campaign will play a pivotal role in improving customer service, supported by our strengthened regional structures that will champion customer service initiatives and training. We will enhance service levels through multi-skilling and role flexibility, allowing staff to be redeployed to customer-facing areas during busy times. These roles include cashiers, till packers and service area assistants, who are being re-trained to ensure consistent service delivery, with over 7 000 employees currently on the frontline multi-skilling programme.

Hypermarkets

The hypermarket offer needs to be more differentiated from supermarkets in order to attract more footfall, and enhance its appeal as a destination shopping journey. In addition to the hypermarket general merchandise range reset, Pick n Pay will place greater emphasis on fresh food, unique promotions and bulk discounts. Pick n Pay will pursue opportunities to reduce excess space across its hypermarkets estate without impacting sales, as opportunities exist to improve sales densities and reduce store costs.

Pick n Pay Clothing

Pick n Pay Clothing offers value-focused essentials and commercial fashion for the whole family. Our casualwear is built on high-quality fabrics and comfortable fits, with everyday value and easy accessibility. Pick n Pay Clothing is available in over 500 locations, including stand-alone stores, supermarkets, hypermarkets and online. We will accelerate growth in our clothing business through new stores, more targeted space in supermarkets and hypermarkets and by building on our established ladieswear line and expanding our kids (including schoolwear) and menswear segments.

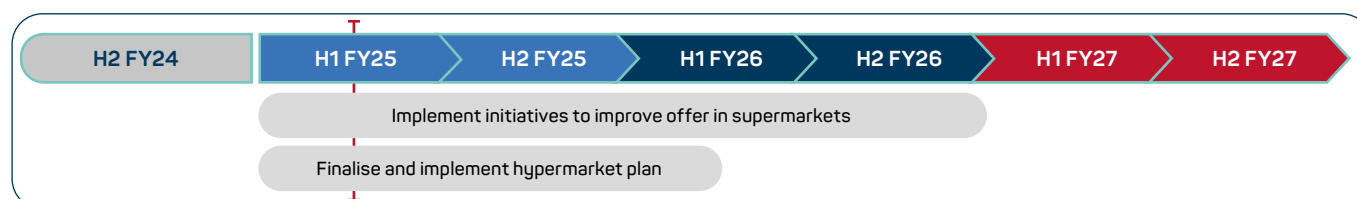
Pick n Pay Online

Pick n Pay continues to achieve strong growth in online sales, driven by underlying improvements in its asap! on-demand food and grocery offer. Pick n Pay will continue to invest in innovation and integration in its various online platforms, improve picking times through in-store efficiencies and reduce delivery costs using fulfilment partners.

Value-added services

This area presents an attractive long-term growth opportunity across banking and financial services, sports betting and mobile data and accessories. Pick n Pay will build on its strategic partnerships with key retail banks and leverage broader financial services through additional institutions.

Timeframe:





Priority 4: Optimise operating model

Objective:

Refocus management attention on store operations to improve customer service and productivity
Save on all costs that do not directly support customer specific initiatives

Key impact:

Improved customer service levels
R1.3 billion of cost savings and efficiency gains over three years

The Group's strategy to optimise Pick n Pay's operating model is dependent on reforms to its store operations, marketing and advertising spend, supply chain management and support offices.

Pick n Pay can trade significantly better through heightened operational execution, which will be key to unlocking growth in like-for-like sales.

Marketing and loyalty

We will reinstate Pick n Pay as a much-loved brand. Our focus will be on emphasising the value we offer to customers with clear promotional strategies and simpler messaging. We will review our expenditure to ensure we extract maximum value from every rand spent by integrating all our marketing activities to enhance customer relevance, improve efficiency and avoid duplication of spend. At the same time, the marketing team will work closely with regional buyers to improve its local marketing content. We will improve the relevance of the Smart Shopper loyalty programme and value we offer our loyalty customers.

Store operations

Regional leadership and in-store management will predominantly focus on driving simplification and delivering better execution across the Pick n Pay store estate. Employee productivity will be improved through training, multi-skilling and role flexibility and greater levels of responsibility and accountability.

Store operations will be further optimised through expense savings across several areas, including waste and goods-not-for-resale (packaging, diesel, outsourced services and other overheads).

More efficient supply chain

Pick n Pay has implemented a cost mitigation plan to offset the impact of lost volumes from store closures and conversions. Cost savings will be unlocked through:

- Lower distribution centre operating costs and higher picking productivity at the new Eastport distribution centre, driven by labour multi-skilling, improved warehouse layout and space utilisation, and the semi-automated picking tunnel
- Transport savings through improved delivery scheduling and fleet utilisation
- Incorporating the Group's Africa distribution centre into Eastport and re-allocating certain areas to third-party logistics providers

Support offices

The Group will implement a multi-year programme to ensure it resources the key skills and experience required to deliver the strategy. Concurrently, it will eliminate excess costs in areas where Pick n Pay is over-staffed or where certain functions have become redundant. There are three phases to this plan:

Phase 1: Establishing the new Pick n Pay senior leadership structure.

Status – implemented in January 2024.

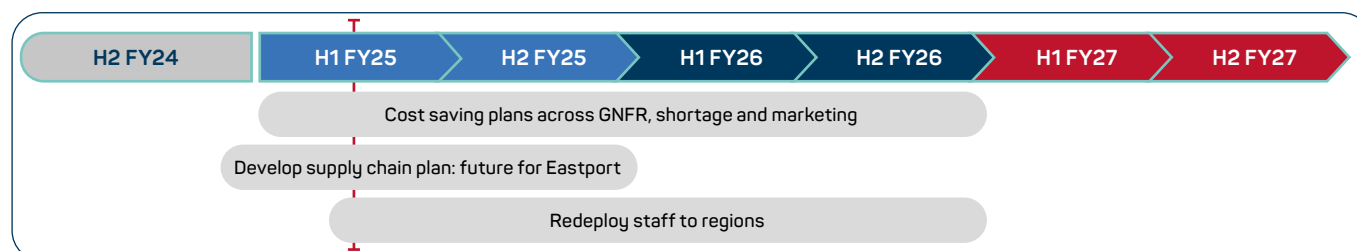
Phase 2: Implementing the changes to Pick n Pay's operational structure required to deliver the strategy, including the appointment of strong and experienced heads for each of the six trading regions.

Status – implemented March 2024.

Phase 3: Reinforcing Pick n Pay's store management structures, including reassigning store employees to new or existing roles in stores, and redeploying some head office employees to the regions and stores.

Status – in progress.

Timeframe:





Priority 5: Leverage strength of partnerships

Objective:

Strong and mutually beneficial relationships with our key stakeholders, including our own staff, franchisees, suppliers and landlords

Key impact:

Positive impact on revenue growth drivers and enhanced profit margins

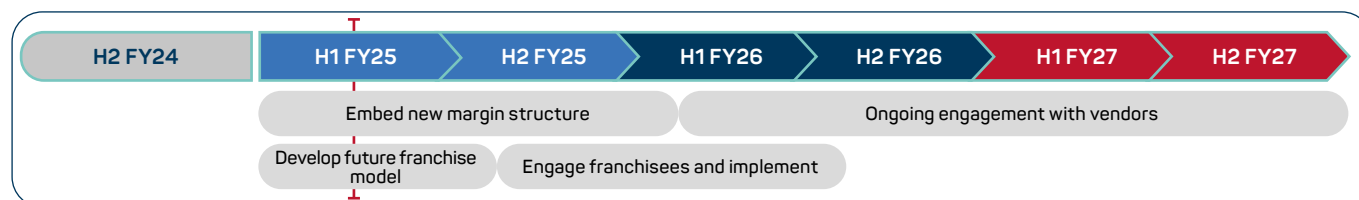
Employees are key, not only in the implementation of the strategy, but in the strengthening of Pick n Pay's relationships with its stakeholders. The comprehensive "Hearts and Minds" campaign is critical to the journey over the next few years.

Pick n Pay's three newly appointed Commercial Executives in Fresh, Groceries and General Merchandise are regularly meeting suppliers to maintain and enhance strong partnerships. The engagements focus on creating mutually beneficial plans to drive sales and align on store-level priorities for growth.

Pick n Pay is working with its franchisees to modernise its franchise model so that both parties can increase their respective profits with a revised long-term sustainable model. The introduction of an interim franchise model in FY24 has improved the commercial terms with our key franchise partners. Broadly, franchisees have been in support of this change.

Pick n Pay is working closely with its landlords on its plans to reset the store estate, including store closures, store conversions and the resizing of selected supermarkets and hypermarkets.

Timeframe:



Priority 6: Recapitalisation

Objective:

Recapitalisation of the Group to meet Pick n Pay's funding needs, facilitate a more efficient capital structure and unlock value from Boxer
Free up cash tied up in working capital in Pick n Pay

Key impact:

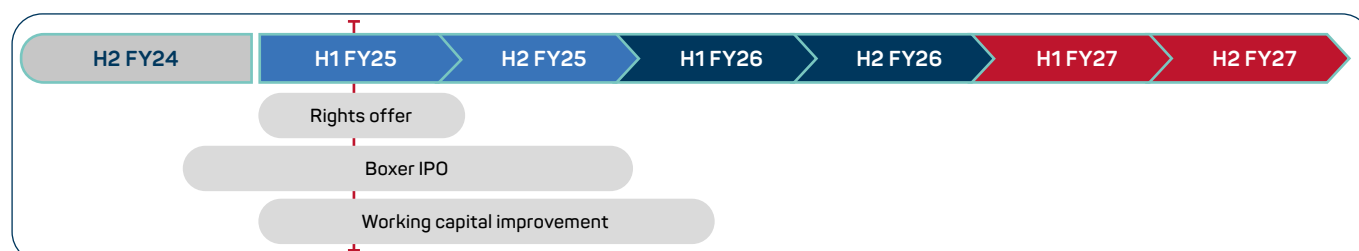
R500 million in annualised interest savings
R1 billion from working capital optimisation

The Group's two-step Recapitalisation Plan comprises a rights offer to existing shareholders in mid 2024, followed by the listing of the Group's Boxer business on the JSE towards the end of 2024. The proceeds from the Recapitalisation Plan will be used primarily to settle the Group's debt, net of continuing working capital facilities, which will realise a substantial saving in funding costs and allow for the development of a more efficient and sustainable capital structure.

Working capital benefits will arise from the Pick n Pay store estate reset, improved in-store inventory protocols and through the implementation of a new stock forecast and replenishment process which targets a meaningful reduction in inventory days. The process is supported by a new integrated SAP forecasting system, which does not require manual intervention, is data-driven, and calculates orders more accurately at the most granular level in stores. In addition, the Group will realise sales proceeds from the conversion of company-owned stores to franchise stores and the sale of certain non-core assets.

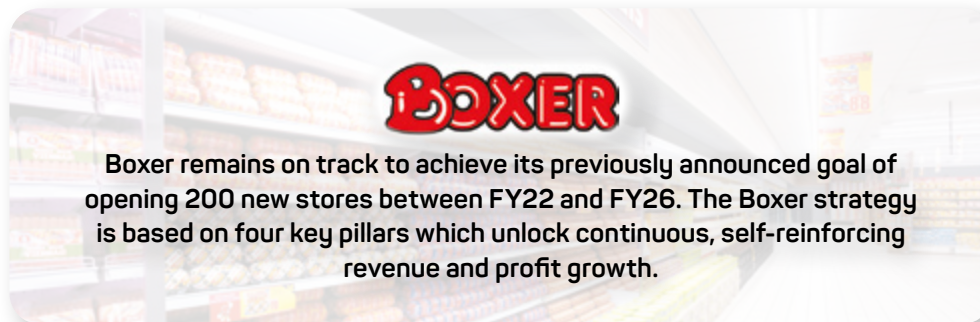
The Group plans to achieve its recapitalisation targets through its two-step Recapitalisation Plan, working capital improvements and the disposal of certain non-core assets.

Timeframe:



Boxer is a limited-range soft discounter with a focused range of 3 000 products, aimed at delivering low prices and additional value for its customers through a strong fresh offer and service counters. Boxer drives strong volume growth through highly competitive pricing and highly effective promotions on the essential food and groceries that matter the most to its customers. Boxer's limited product range allows it to "punch above its weight", with significant market share in those product categories in which it participates. This allows Boxer to source extremely competitively, reinvest those savings on behalf of the customer and drive strong volume growth.

Volume



Value

Boxer offers its customers great value for money via innovative promotional offerings, including branded product combos, free product add-ons, and e-coupons. Boxer's strong confined label offering consists of a broad range of high-quality and competitively priced confined label products.

Efficiency

Boxer maintains a low-cost, highly efficient and highly resilient operating model. Boxer uses a variety of technology-enabled solutions to streamline its overall business model and generate efficiencies, including bespoke core business systems and industry-specialised software systems such as the Relex integrated supply chain management platform.

Expansion

Boxer aims to grow its overall footprint through a multi-faceted approach. Besides the opening of new Boxer supermarkets, it opens new Boxer Liquor and small-format stores where the opportunity arises, and will benefit from the conversion of certain Pick n Pay stores into Boxer stores. Boxer will also enhance and extend its supply chain with the opening of a new distribution centre in KwaZulu-Natal.

South Africa's Pre-eminent Discounter



Winning Retail Format

Pioneering retailer of the discount grocery model in South Africa

Powerful Brand recently recognised as one of the two best known retail brands in its market segment¹

Compelling Customer Value Proposition which has produced industry-leading sales growth

Compelling Growth Story

One of the fastest growing grocery retailers globally with 19% annualised sales growth over the past 3 financial years

Consistent like-for-like sales growth with an average of 7.6% across FY23 and FY24

Opportunity to triple size of store estate over the medium to long term

Strong Investment Returns

Cash generative
100% self-financed growth through strong cash conversion

Attractive returns on investment
<3-year store investment pay-back period and >20% ROIC²

477
Stores

R37.4
billion
Sales

¹ According to a 2023 BMi research report.

² Return on Invested Capital after IFRS 16.

Doing good is good business

The Group has long believed that doing good is good business and we have embedded ESG considerations into our decision-making processes since the 1970s. Over time, the lens through which we have viewed our responsibility to do good has evolved from philanthropic to a strategic and competitive advantage.

Our strategic ESG framework

Our strategic ESG framework focuses our decision-making and action across the Group, aligned with the six Sustainable Development Goals (SDGs) where we believe we can have the biggest impact.

ESG spend in Pick n Pay declined year-on-year in line with the division's prudent and careful capital and operating expense control in all areas to protect its sustainability over the longer term. ESG spend and investment in Boxer was not curtailed and remains a critical priority for that business. The following graphic outlines the four pillars of our strategic ESG framework and indicate our performance. We unpack progress against our ESG commitments on page 66, with more detail available in our 2024 Sustainability Report.

Food is a basic human need. Meeting this need sustainably requires working with multiple players across the food system. As a large retailer, we can play an influential role up and down the value chain and focus on:

- Affordability of basic goods
- Promoting healthy eating and providing quality products produced responsibly, sustainably and ethically
- Engaging and working with suppliers to promote smart, sustainable and inclusive food supply chains
- Increasing supplier inclusion, particularly working with small, local suppliers
- Reducing food waste

Pick n Pay	FY24	FY23	FY22
Spend on BBBEE businesses in rand (billion)	53.1	53.4	50.8
Number of entrepreneurs enrolled in our enterprise and supplier development (ESD) programme	177 ¹	198	187
Sustainable seafood percentage by number of species (South Africa only)	79%	79%	83%
Percentage private label sow crate-friendly pork	100%	100%	100%
Reduction in food waste against a 2019 baseline	31.5%	27.9%	31.9%

Relevant SDGs



Partnering to transform the food system



We provide a wide range of products to consumers, which impact the environment throughout the product life cycle. Our teams work together to systematically reduce our negative impacts by:

- Decarbonising the value chain and exploring options for renewable energy
- Pursuing energy and water efficiency
- Converting to natural refrigerants
- Prioritising waste reduction, recycling and re-use, with a focus on packaging
- Working with suppliers and partners for innovative environmental solutions
- Improving data accuracy and monitoring

Pick n Pay BOXER	FY24	FY23	FY22
Total scope 1 and scope 2 carbon emissions (million tCO ₂ e)	1.2 ²	1.1	1.0
Percentage of stores using natural refrigeration	12.2%	9.5%	6.4%

Pick n Pay	FY24	FY23	FY22
Reduction in water intensity against a 2018 baseline	25.0%	12.0%	11.0%
Pick n Pay branded packaging that is recyclable/re-usable	93.3%	91.8%	88.4%
Waste diverted from landfill	55.7% ³	62.0%	55.0%

Reducing environmental impact



Relevant SDGs



¹ The difficult operating environment impacted SMMEs who opted not to trade in the FMCG industry. Our support to SMMEs has remained unchanged.

² Increased store footprint led to higher absolute emissions but lower emission intensity.

³ Reduced budgets resulted in decreased waste management expenses, leading to lower waste diversion.



Relevant SDGs



Supporting communities



South Africa continues to be challenged by stark inequalities, and many people struggle to access what they need each day. Our corporate social responsibility (CSR) strategy is based on long-term partnerships and focuses on empowering communities by:

- Supporting access to quality educational initiatives
- Promoting awareness of social and environmental issues
- Responding to household food insecurity, including crisis interventions and supporting local farmers and emerging small businesses
- Creating jobs through a strong store pipeline in Boxer and Pick n Pay Clothing

Pick n Pay	FY24	FY23	FY22
Corporate Social Investment (CSI)/Socio-economic Development (SED) expenditures (R'millions)	29.2	39.1	37.9
Volume of products donated to FoodForward SA (tonnes)	901	882	841
Number of schools in the Pick n Pay School Club	3 280	3 280	3 185
Value of distributions on behalf of Feed the Nation (R'millions)	12.9 ¹	17.8	30.6
BOXER	FY24	FY23	FY22
New stores (90% of employees from local communities)	50	54	35
New jobs created	1 566	3 072	2 012

Investing in our people



The Group's operations engage thousands of employees. We are committed to creating fulfilling and rewarding careers and promoting diversity, equity and inclusion, focusing on:

- Being an employer of choice by providing sound working conditions, effective training, competitive remuneration and opportunities to progress
- Creating a diverse, inclusive and equitable workplace with a focus on aligning with BBBEE provisions

Pick n Pay BOXER	FY24	FY23	FY22
Total number of employees (000s)	60.3	59.9	57.0
Percentage of management (top and senior) deemed Historically Disadvantaged South Africans (HDSA)	80%	78%	77%
Percentage of employees who are deemed HDSA	99%	99%	99%
Percentage of employees who are women	64%	64%	64%
Investment in learning and skills development (R'millions)	103.7	102.0	102.6

Relevant SDGs



¹ Feed the Nation relies on public donations, which declined year-on-year.

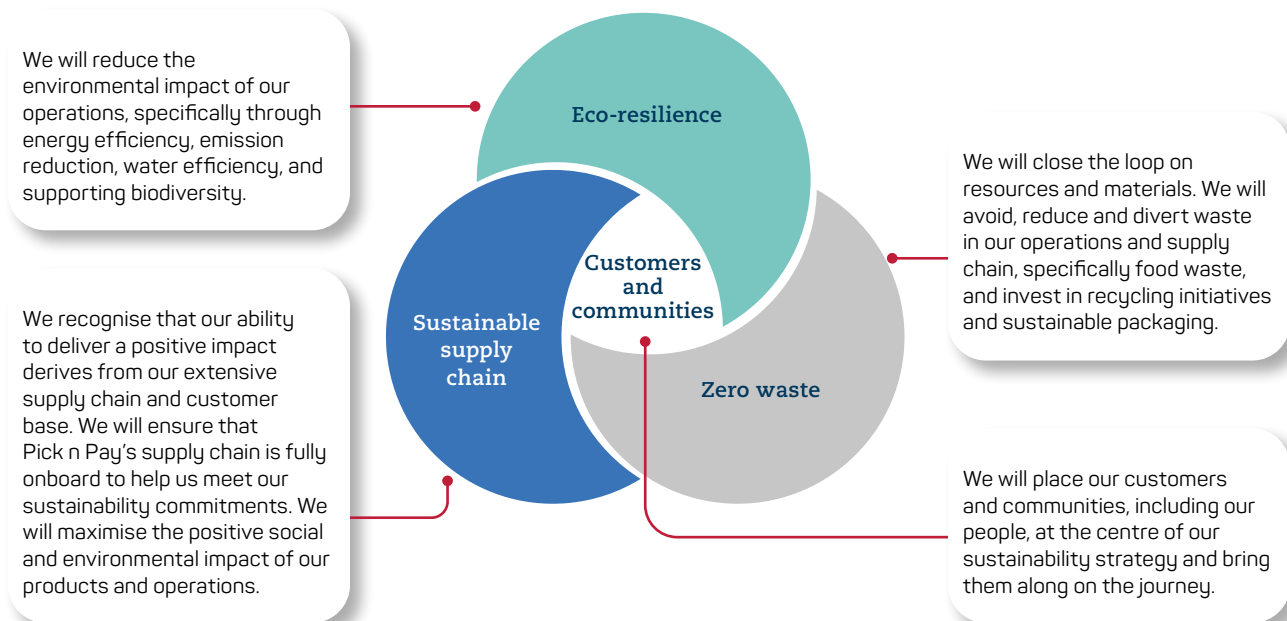
Integrating our strategic ESG framework into business strategy and planning

We will continue to evolve our ESG strategy to support a move away from philanthropy to value creation through sustainability. We have positioned this evolution in our sustainability strategy in Pick n Pay as The Shift, which will take us forward into FY25 and beyond.

The Shift encapsulates our ambition to create value by unlocking and scaling profit-enabled, customer-focused sustainability projects that drive revenue, reduce costs or create a material and measurable positive impact within key business functions. Our new ESG strategy aims to increase Pick n Pay's adaptive capability in the face of environmental and social stress. It will further support Pick n Pay's strategy to re-establish business sustainability and operational excellence, with the objective of returning Pick n Pay to profitability.

Introducing Pick n Pay's Sustainable Impact Framework: The Shift

The Shift builds on the four pillars of our strategic ESG framework. It was approved in the first quarter of FY25 and is in the early stages of integration into the business. We have clear objectives and will report on progress in the FY25 report. Importantly, The Shift puts our customers and communities at the centre of our sustainability ambitions. Building on lessons we have learned in prior years, the revised framework focuses on the critical areas of our business that represent significant sustainability-related risks and opportunities. We position this focus alongside areas where we see the most potential for scale, value creation, and innovation.



Pick n Pay's existing public ESG targets will remain in place. We will identify and invest in new and existing projects to achieve these targets, supported by a comprehensive set of internal targets to drive performance.

As Pick n Pay starts integrating and rolling out its Sustainable Impact Framework in FY25, we will rely on the following enablers:

- The turnaround strategy
- Governance
- Data-driven reporting
- Customer centricity
- Resilient partnerships
- Active and adaptive learning

The Shift requires us to leverage the existing skills and capabilities within Pick n Pay, which necessitates strengthened collaboration between key business functions. To support strategy implementation, we are relooking at the oversight and implementation of sustainability initiatives.

Certain existing governance and management functions, such as our Sustainability Steering Committee and Executive: ESG, will remain in place. We will supplement these functions by appointing Sustainability Champions in Pick n Pay, who will act as the engine room for the innovation and integration of profit-enabled impact projects while maintaining sustainability compliance. A new Operational Sustainability Co-ordinating Committee will support our Sustainability Champions by activating our Sustainable Impact Framework and ensuring effective co-ordination across our sustainability initiatives.

Significant capital trade-offs we anticipate making in FY25

While non-negotiable, the cost of replacing harmful refrigerants with natural refrigerants is significant. We remain committed to converting to 100% natural refrigeration in Pick n Pay company-owned and Boxer stores by 2040.

However, we will need to carefully manage the pace of investment alongside the Group's financial and operational performance.



Burning diesel generators to mitigate the impacts of load-shedding adds significant costs and negatively impacts the environment. While we continue to invest in our energy resilience plan, expanding renewable energy usage at stores and distribution centres depends on our landlords installing solar solutions.

In FY25, we will continue negotiating with landlords to maximise solar installations.



In the face of an increasingly challenging economic environment, we need to strategically allocate our resources to execute our sustainability ambitions and maximise the impact of community-focused initiatives. However, we will continue to invest in achieving our sustainability targets, including finding ways to optimise and enhance our sustainability approach and foster long-term partnerships that drive lasting and positive change.



Management's judgement in prioritising stakeholder needs and capital resources will be significant to ensure our business continues to grow, adapt and innovate without placing our stakeholders or the environment at undue risk.

Boxer highlights:



90

solar installations

90%

of new store employees from local communities

99.5%

of stores on LED light systems

90

small scale rural farmers supplying Boxer Eastern Cape stores

100%

plastic waste collected at Boxer DCs recycled and used in shopping bags

1 100

learners benefitted from Boxer Youth Leadership programme

15

stores converted to natural refrigeration (CO₂)

250

permanent jobs created through recycling projects

A review of the FY24 performance



05



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Chief Finance Officer report: reflecting on a difficult year

Lerena Olivier
Chief Finance Officer



The Group faced significant financial and operational challenges during FY24, primarily driven by a sharp deterioration in the performance of our core Pick n Pay supermarkets business.

Acknowledging the past

The Pick n Pay supermarkets business, a key area of the Group, was facing severe pressure in FY22. Lower sales volumes and rising operating costs led to negative operational leverage and margin pressure. While the Group's high-performing Boxer business provided a strong buffer against a weakening Pick n Pay, we recognised that further Pick n Pay under-performance would place the entire Group at risk.

In response, the Group implemented the ambitious Ekuseni strategy in FY23, aimed at improving the Pick n Pay supermarkets business, and driving growth in the Boxer, Clothing, and Online divisions. The strategy required substantial capital investment, leading the Group to raise long-term debt in FY24 and extend the maturity profile of our existing debt portfolio.

The strategic investments in our Boxer, Clothing and Online divisions delivered strong financial and operational results. However, after initial encouraging results, the performance of Pick n Pay supermarkets began to decline, with negative volume growth, gross profit margin contraction and rising costs. In July 2023, we announced that the Group expected a first half loss in FY24,

exacerbated by once-off employee restructuring and logistics costs and the ongoing cost of load-shedding.

It became clear that certain strategic issues in Pick n Pay, including with range and promotion, had led to a decline in sales volumes and the Pick n Pay business was unable to withstand mounting cost pressure. Our internal financial forecasts indicated that unless the Pick n Pay performance improved significantly, particularly over the crucial November and December trading periods, operating losses would escalate, debt levels would increase and the Group faced the risk of breaching its long-term debt covenants.

The Group was facing a crisis and swift and decisive action was required to stem the losses, stabilise the balance sheet and secure Group liquidity over the longer term.

Taking decisive action

The Board responded by appointing Sean Summers as the new CEO on 30 September 2023, who swiftly implemented substantial changes in our senior leadership and operational structures. Sean moved quickly to identify and understand the underlying operational issues within the Pick n Pay business and appointed a new and experienced retail leadership team. Together with the team, he developed a turnaround strategy to appropriately address those issues, while providing ongoing support and stability for the high-performing operations.

Liquidity and gearing management became increasingly critical over the course of the year and our finance and treasury teams worked tirelessly to prioritise balance sheet stability. We implemented several key measures to protect Group liquidity, including:

- rigid cost control;
- the sale of non-strategic properties;
- eliminated all non-essential capital spend in Pick n Pay;
- prioritised high-return investments in Boxer and Clothing; and
- materially reduced stock levels.

These measures played a critical role in preserving liquidity. However, the disappointing Pick n Pay operational performance resulted in the Group's net debt increasing to R6.1 billion, up from R3.7 billion last year. This contributed to the Group's February 2024 announcement of a two-step Recapitalisation Plan.

Lender support was absolutely critical to our successful navigation of these challenges and in the effective development of our Recapitalisation Plan.

The Board worked closely with independent corporate finance advisors to assess the various capital raise alternatives open to the Group. The Board approved the two-step Recapitalisation Plan, comprising of:

1. A near-term Rights Offer to existing shareholders of R4.0 billion
2. Listing the Group's Boxer business on the Main Board of the JSE, with the intention to retain a majority stake in Boxer (Boxer IPO)

We remain confident that the two-step Recapitalisation Plan is the best course of action to stabilise the Group's balance sheet, strengthen its liquidity and provide adequate capital funding for sustainable growth. The plan also provides investors with the opportunity to invest directly in the Group's high-performing Boxer business and to share in the value that its strong growth trajectory provides.

Our team engaged transparently and constructively with our long-term funders during the year and was able to agree on a debt covenant waiver at the end of February 2024. In addition, we secured a restructure agreement with all our short-term and long-term funders early in May 2024, which guarantees the Group's borrowing facilities until 1 September 2025. Group net debt will be reduced through the two-step Recapitalisation Plan.

Disappointing financial results

The Group reported a loss of R3.2 billion (compared to a profit of R1.2 billion last year), primarily due to the significant trading loss in the Pick n Pay business, which overshadowed the strong performance from Boxer. The loss was exacerbated by substantially higher finance costs from the increased gearing and a R2.8 billion non-cash store asset impairment in the Pick n Pay segment.

The Group's substantially higher debt position drove a R437.7 million year-on-year increase in the Group's net cost of funding to R608.8 million, compounded by higher interest rates over the year. The Group will use the proceeds of the Rights Offer and Boxer listing to repay all Group debt, excluding ongoing working capital facilities. This will eliminate the pressure of debt servicing costs.

The Group's Pick n Pay segment recorded a trading loss of R1.5 billion compared to a trading profit of R1.3 billion last year. The operational challenges and resultant financial losses in this segment necessitated a comprehensive impairment assessment of the Pick n Pay segment assets. The outcome was that the Group recognised a R2.8 billion non-cash impairment of Pick n Pay supermarkets store assets.



Providing confidence for a stronger FY25

There is little doubt that FY24 has been the most challenging year in the Group's history. It is times like these that test a company's resilience, its ability to change and modernise, and the mettle of its senior management team. It has been a transformative year for the Group and we have achieved remarkable progress under trying circumstances:

- Our Boxer and Pick n Pay Clothing businesses have both delivered market-leading sales growth and continue to record strong earnings growth and consistently high returns on invested capital. Our Online business strengthened its market position through significant improvements in its Pick n Pay asap! and Mr D on-demand retail platforms.
- The Pick n Pay division has a new and experienced leadership team and a clear strategy. This has re-energised the business and already delivered positive momentum, specifically in Pick n Pay company-owned stores, in the first quarter of FY25.
- We have clear line of sight across the entire Pick n Pay supermarket estate and a solid plan to close or convert loss-making stores, with decisive remedial action planned for more marginal stores.
- Strengthened the quality of our relationships with franchisees and operational collaboration to improve the effectiveness of our businesses and the strength of our brand.
- Our management of controllable expenses in the face of significant cost pressure has been remarkable, restricting the increase in like-for-like trading expenses to just 5.5%¹.
- The Group's energy resilience plan delivered annual savings of R226 million in energy costs in FY24.

- We have made strong progress against our Recapitalisation Plan, and secured invaluable support from funding partners. Our Boxer business is on track for its JSE listing by the end of the 2024 calendar year, which will unlock shareholder value and provide Boxer with a solid platform for long-term growth. Significant work is underway to ensure Boxer is listing-ready, including the development of a robust stand-alone corporate governance framework and the constitution of a strong, independent Boxer board.

We remain realistic about the size of the task ahead and acknowledge that it will take several years to restore the Pick n Pay segment to meaningful profitability.

The Group's controlling shareholder, the Ackerman family, has provided its unequivocal support for the new management team, the new Pick n Pay strategy and the Recapitalisation Plan. More critically, the family has confirmed that it will follow its pro rata rights under the planned Rights Offer – a firm vote of confidence in the future of the Pick n Pay Group.

Pick n Pay has previously consistently traded at a profit and we are confident in the strategic action already taken in FY25 to change the trajectory of the business.

¹ Excluding the once-off employee restructuring costs of R307 million and the R435 million incremental increase in the expected credit loss allowance in the income statement.

Acknowledging our team

I extend my heartfelt gratitude to our incredible Pick n Pay and Boxer colleagues across the Group. Your unwavering dedication during these challenging times has been remarkable.

I sincerely thank my finance and treasury team for their exceptional work. Despite the complexities we faced, they upheld the highest standards of corporate governance, compliance, and financial reporting. Your commitment and resilience are invaluable.

Lerena Olivier

Chief Finance Officer

26 June 2024

Detailed review of financial performance

for the 52 weeks ended 25 February 2024

Detailed statements of comparable earnings, financial position, changes in equity and cash flows are provided from page 120.

The Group's R3.2 billion loss was driven by trading losses within the Pick n Pay business, despite the robust performance from Boxer, higher finance costs due to increased leverage, and a R2.8 billion non-cash impairment on store assets within the Pick n Pay segment.

Key financial indicators	FY24 Rm	FY23 Rm	% change
Turnover	112 294.8	106 561.8	5.4
Gross profit	20 279.9	20 936.6	(3.1)
Gross profit margin	18.1%	19.6%	(1.5)
Trading expenses	(22 548.4)	(20 153.9)	11.9
Trading profit	385.0	3 048.0	(87.4)
Trading profit margin	0.3%	2.9%	(2.6)
Comparable (loss)/profit before tax and capital items	(R1 672.7)	1 823.6	(191.7)
(Loss)/profit after tax	(R3 190.1)	1 169.9	(372.7)
	Cents	Cents	% change
Comparable HEPS ¹	(254.72)	264.12	(196.4)
Total dividend per share	–	185.15	

¹ Comparable earnings exclude all non-cash hyperinflation gains and losses related to the Group's TM business in Zimbabwe. Comparable HEPS provides the clearest view of underlying profit performance on a year-on-year basis.

Turnover

Group turnover growth was 5.4%, with like-for-like sales growth of 2.9%. Internal selling price inflation for the year was 7.3%, well below Statistics SA Food CPI of 9.7%, as the Group maintained its commitment to delivering low prices for customers.

Turnover	FY24 Rbn	FY23 Rbn	% change	Like-for-like % change
Pick n Pay	74.9	74.7	0.3	0.7
Boxer	37.4	31.9	17.3	8.1
Group	112.3	106.6	5.4	2.9

Boxer continued to deliver against its strategic objectives

Boxer achieved 17.3% sales growth in FY24, driven by 8.1% like-for-like growth (11.6% in H2) and a strong expansion programme. Boxer opened 50 new stores this year, including 18 supermarkets and 32 liquor stores, bringing its total estate to 477 stores. Boxer's success is fuelled by its value-focused branded and private label grocery range and quality offerings in butchery, bakery, and fresh produce.

Disappointing Pick n Pay supermarket performance

Pick n Pay recorded 0.3% sales growth in FY24, with like-for-like sales growth of 0.7%. The South African performance was weaker, with sales declining by -0.2% (+0.2% like-for-like). The weak performance was particularly evident in hypermarkets and company-owned supermarkets. Franchise supermarkets fared slightly better, but still not at levels the Group would consider satisfactory.

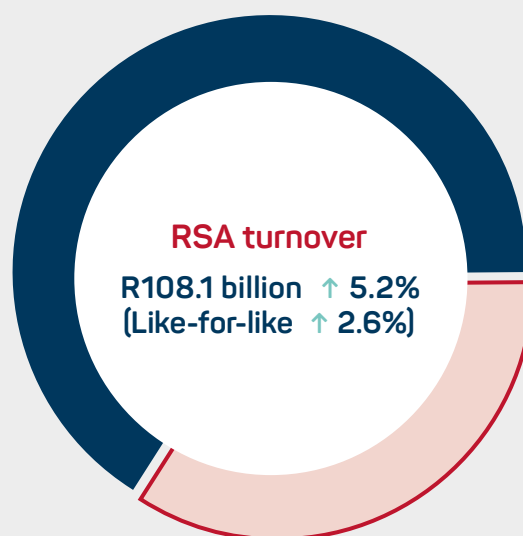
South Africa

Pick n Pay

Omnichannel sales growth
74.4%

R71.3 billion ↓ 0.2% (Like-for-like ↑ 0.2%)

Sales participation: 66% (FY23: 69%)



BOXER

R36.8 billion ↑ 17.5% (Like-for-like ↑ 8.1%)

Sales participation: 34% (FY23: 31%)

The total number of company-owned supermarkets decreased by a net three stores, while franchise supermarkets decreased by a net 11 stores. The Pick n Pay under-performance is attributed to unsuccessful strategic initiatives which impacted the quality and breadth of the Pick n Pay product range, in-store execution and customer service. The new strategy addresses all of these issues.

Pick n Pay Clothing continues to drive market share growth

Pick n Pay Clothing continued to deliver strong results, recording sales growth from stand-alone stores of 17.0% (7.7% like-for-like). It gained market share across all market segments in FY24, with the highest gains in menswear and kidswear, including schoolwear.

Pick n Pay Clothing opened 58 company-owned stores this year (55 new stores and three franchise conversions), to bring the total estate to 385 stores.

On-demand grocery platforms drive online sales growth

The Group's total online sales growth for FY24 is 74.4%, maintaining its strong online momentum. Growth was driven by a 102.3% year-on-year increase in the Group's on-demand offers – Pick n Pay asap! and the Pick n Pay partnership with Mr D.

Franchise model modernisation impact on gross profit and franchise income

The Group embarked on a collaborative journey with our franchisees to modernise the franchise agreement and ensure we continue to offer the best franchise model in South Africa. The core element of the new interim model is a higher purchasing rebate to franchisees to encourage them to increase purchases through our chain (loyalty) in exchange for a higher franchisee royalty.

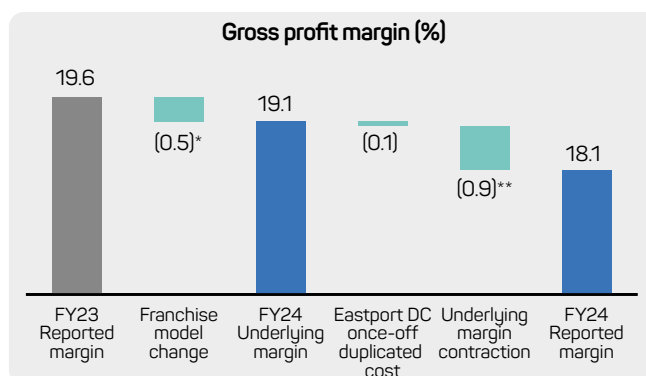
The objective is to create a win-win situation through an increased franchisee loyalty rate where franchisees gain (through a reduced purchase price from Pick n Pay) and can operate more profitably, and Pick n Pay gains (due to extra volumes through its system and a higher royalty fee). The purchasing rebate is recorded against sales and the royalty fee in other income.

As a result of the model change, FY24 gross profit margin has decreased, with an offsetting increase on franchise income, recorded within other income. The initial phase of the new interim franchise model was implemented with effect from June 2023. The impact of the changed model on Group profit for this year was broadly neutral with benefits expected to come into the future.

Gross profit

Gross profit decreased by 3.1% to R20.3 billion, with the gross profit margin contracting by 1.5% to 18.1%. The change in the Group's franchise model had a 0.5% impact on the gross profit margin, which was offset by a corresponding increase in other income. The move from the Group's Longmeadow distribution centre to its new Eastport facility resulted in one-off duplicated logistics costs of R116 million (0.1% gross profit margin impact).

Excluding these impacts, the underlying FY24 gross profit margin contracted by 0.9% year-on-year, reflecting an increase in promotional participation and lower supplier incentive income, particularly in the second half of the year. The gross profit margin contraction was all in the Pick n Pay segment. Key initiatives to mitigate further contraction going forward is detailed in the Pick n Pay strategy on page 56.



* -0.5% GP contra +0.5% franchise fee income

** Includes PnP owned stores stock provisioning -0.1%

Other income

Other income increased by 17.1% to R2.7 billion, impacted by a R564 million increase from the change to our franchise model in FY24. However, this increase was partly offset by the R261 million insurance recovery in FY23 related to the 2021 civil unrest. Excluding these factors, other income grew by 4.2%.

Franchise fee income increased 128.2% to R1.0 billion, and was impacted by the change to the franchise model. Excluding this impact, franchise fee income increased 2.2%. As detailed above, when considering the impact on gross profit margin, the impact of the new franchise model on FY24 Group profit was broadly neutral.

Commissions and other income is a broad category and includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Commissions and other income grew 8.5% year-on-year to R1.5 billion. Within this category, value-added services grew 13.0% year-on-year as the Group drives to maximise this opportunity, particularly in a compelling suite of point of sale banking services.



Trading expenses

Trading expenses increased by 11.9% year-on-year to R22.5 billion. Excluding R434.8 million incremental credit loss allowance and the one-off R307 million employee restructuring cost, underlying expense growth was 8.2%, with like-for-like expense growth contained at 5.5%.

	FY24 Rbn	% change	Like-for-like % change*
Trading expenses	22.5	11.9	5.5
Employee costs	9.0	7.8	1.7
Occupancy	3.4	12.6	9.0
Operations	6.1	13.6	9.1
Merchandising and administration	3.4	6.0	7.8
Expected credit loss allowance	0.6	>100	>100

* Like-for-like excludes employee once-off restructure costs of R307 million and incremental debtors provisioning (ECL) allowances of R435 million.

Employee costs

increased 7.8% to R9.0 billion. Excluding once-off restructuring costs, underlying growth was 4.5% (1.7% like-for-like). Tight control was maintained despite aggressive store rollouts in Boxer and Pick n Pay Clothing.

Occupancy costs

increased 12.6% (9% like-for-like) to R3.4 billion, driven by store rollouts and increased security (+14%) and rates costs (+14.9%). Insurance costs, which spiked post the July 2021 civil unrest, are now in the base, with a low single-digit increase in FY24.

Operations costs

increased 13.6% to R6.1 billion (9.1% like-for-like). Energy costs rose by 10.3%, with R698 million spent on diesel for generators. Energy-saving initiatives saved R226 million. Repairs and maintenance grew by 18.2%, and depreciation and amortisation by 14.4%.

Merchandising and administration costs

increased 6.0% to R3.4 billion, with careful control over variable expenses and a focus on the effectiveness of marketing.

Expected credit loss allowance

increased R434.8 million (+218.6%) to R633.7 million. The increase is driven by a R201 million provision for the Botswana franchise and additional provisioning across the Group's franchise debtor book, considered prudent in the current economic climate.

Trading profit

Rbn	FY24			FY23		
	Pick n Pay	Boxer	Group	Pick n Pay	Boxer	Group
Sales	74.9	37.4	112.3	74.7	31.9	106.6
Trading (loss)/profit	(1.5)	1.9	0.4	1.3	1.7	3.0
Trading (loss)/profit margin	(2.1%)	5.2%	0.3%	1.7%	5.5%	2.9%
Trading result after leases ¹	(2.6)	1.6	(1.0)	0.4	1.5	1.9
Trading margin after leases ¹	(3.5%)	4.3%	(0.9%)	0.6%	4.6%	1.8%

Group trading profit declined by 87.4% to R385.0 million due to:

- Boxer** trading profit increased by 9.4% year-on-year to R1.9 billion, with a trading profit margin of 5.2%. The FY23 base year included a R170 million insurance recovery related to the 2021 civil unrest. Excluding the impact of the once-off recovery, underlying FY24 trading profit rose by 21.1%, with a margin improvement of 0.2%. Boxer's solid FY24 earnings performance reflects its market-leading sales growth, strong gross profit management and tight cost control.
- Pick n Pay** reported a trading loss of R1.5 billion, a sharp reversal from the R1.3 billion trading profit recorded in FY23. As described above, the loss was due to several factors including weak sales growth, gross profit margin contraction, once-off employee restructuring and duplicated logistics costs as well as increased franchise debt provisioning.

¹ Net lease interest costs.

Net finance costs

Net finance costs, including implied interest charges under IFRS 16, increased 52.7% to R2.0 billion.

Funding interest – the Group's net funding cost (net of trade receivables interest received) increased 255.8% from R171.1 million to R608.8 million, reflecting increased gearing and higher interest rates during the year (100 basis point repo rate increase between February 2023 and February 2024). Excluding interest received on trade receivables, net debt service costs increased by R466.9 million to R701.8 million.

Lease interest – implied net interest charges under IFRS 16 increased 22.5% year-on-year to R1.4 billion. The increase was driven by the Boxer and Pick n Pay Clothing store rollouts, and starting operations at the leased Eastport distribution centre (the previous Longmeadow distribution centre was owned by the Group).

Associate earnings – TM Supermarkets in Zimbabwe

Income from TM Supermarkets, the Group's 49% investment in associate, increased 182.0% to R211.5 million largely driven by a R249.1 million non-cash hyperinflation net monetary gain. Excluding this adjustment, the underlying loss was R376 million, compared to a profit of R98.4 million in FY23.

Due to worsening economic conditions in Zimbabwe and the impact of hyperinflation accounting, the Group impaired the book value of this investment to zero, resulting in an impairment loss of R253.6 million.

Impairments

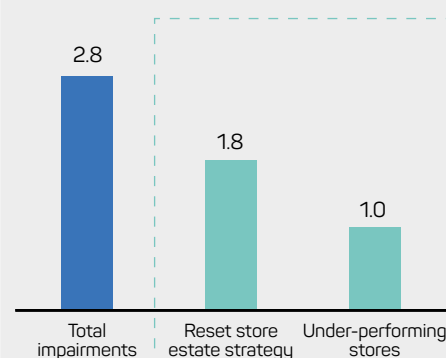
The severe FY24 deterioration in the Pick n Pay business' trading profit (R1.5 billion loss versus R1.3 billion profit the previous year) required the recognition of a R2.8 billion non-cash impairment of Pick n Pay supermarkets store assets.

The impairment, which covers tangible and intangible assets, including right-of-use and physical store assets, has two components:

- R1.8 billion impairment of assets of more than 100 loss-making company-owned Pick n Pay stores which will be closed or converted to Pick n Pay franchises or Boxer stores under the Group's strategic plan to reset the store estate.
- R1.0 billion impairment of under-performing company-owned stores that will remain open. This reflects the revaluation of the assets of stores where the profitability is below the value of assets, but the Group chose to retain the stores and drive improved performance over time.

The Group's total asset impairment of R3.1 billion includes the R253.6 million write-down of the TM business detailed above.

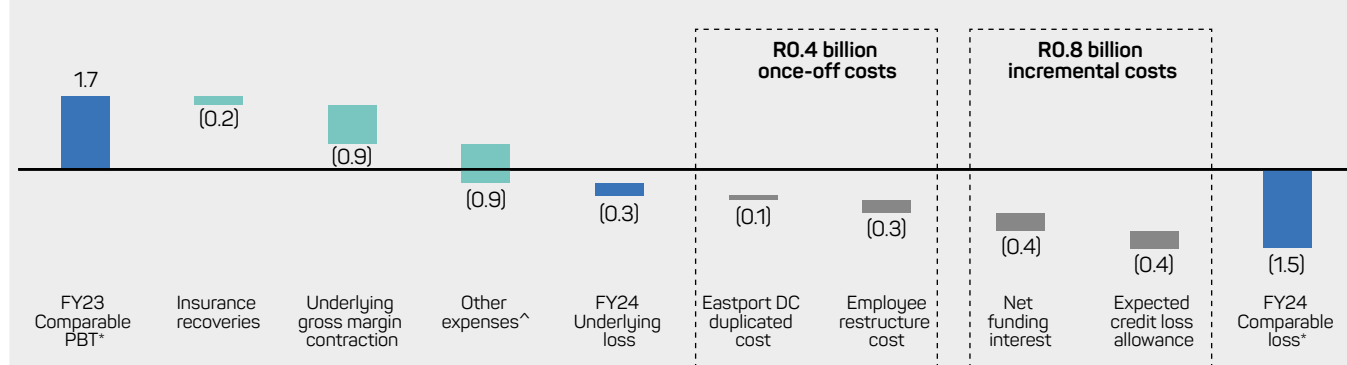
PnP SA Impairments (Rbn)



FY24 Comparable profit before tax (PBT)

The Group's comparable PBT before capital items declined by 191.7% to a loss of R1.7 billion. This is a negative margin of 1.5% compared to the positive FY23 margin of 1.7%.

Comparable PBT margin (%)



* Comparable PBT excludes all capital items and non-cash hyperinflation gains/losses related to the TM business in Zimbabwe.

^ Other expenses includes share of TM's result & IFRS16 financing cost.

If the once-off costs relating to duplicated supply chain (R116 million) and employee restructure costs (R307 million), incremental credit loss allowance (R435 million) and incremental net funding increase is removed, the underlying loss was at a negative margin of 0.3%. This was driven by the gross profit margin contraction and expense growth higher than turnover growth, both in the Pick n Pay segment.

The once-off costs will not be repeated next year and the Group's Recapitalisation Plan will address the interest cost. The strategy aims to address the operating model of the Pick n Pay segment with the objective to return the Pick n Pay business to historical levels of profitability. Refer to page 82 for further information.



Detailed review of financial position

at 25 February 2024

Group net debt (excluding leases) increased from R3.7 billion at February 2023 to R6.1 billion at February 2024. The increase, combined with the deterioration in Pick n Pay earnings, placed significant pressure on Group's medium- and long-term debt covenants, with net debt increasing from 1.1 to 6.3 times EBITDA.

The Group agreed a covenant waiver with its long-term funders at the end of February 2024 with relaxed covenants to end August 2024. In addition, the Group reached agreement with its short-term and long-term lenders on a debt restructuring agreement which secured the Group's liquidity and funding to 1 September 2025. The agreement determines that the proceeds from the Rights Offer and listing of Boxer (the Recapitalisation Plan) will be used to settle all Group debt, except to the extent that lenders elect to provide ongoing working capital facilities post the listing. All of the Group's debt is guaranteed by Boxer and secured by the Group's shareholding in Boxer. The guarantee and security will be released prior to Boxer's listing.

The significant swing in Group earnings coupled with the acceleration in Group debt required a considered assessment of the liquidity and solvency position of the Group and its ability to continue trading as a going concern over the foreseeable future. The Board considered several key factors over the course of the deliberations, including detailed multi-year financial forecasts, the effectiveness of the debt restructure to secure Group liquidity, the value of underlying assets and the progress delivered under the Recapitalisation Plan. The Board concluded that the presentation of the Annual Financial Statements on a going concern basis remained appropriate.

	25 February 2024 Rm	27 August 2023 Rm	26 February 2023 Rm
Total debt	11 445.8	8 466.3	5 669.4
Cash and cash equivalents	(5 383.2)	(4 627.9)	(1 997.8)
Net gearing	6 062.6	3 838.4	3 671.6
Net debt : EBITDA	6.3	1.6	1.1

	2024 Rm	2023 % change
ASSETS		
Intangible assets	1 076.0	1 424.4
Property, plant and equipment	9 190.6	8 893.2
Right of use assets	11 596.1	11 195.0
Net investment in lease receivables	1 901.9	1 949.1
Deferred tax asset	2 133.5	734.1
Other non-current assets	290.2	423.7
Non-current assets	26 188.3	24 619.5
Inventory	10 186.6	10 647.0
Trade and other receivables	4 255.3	4 472.0
Cash and cash equivalents	5 383.2	1 997.8
Net investment in lease receivables	417.8	333.4
Other current assets	25.7	45.4
Current assets	20 268.6	17 495.6
Non-current asset held for sale	56.0	250.0
TOTAL ASSETS	46 512.9	42 365.1
EQUITY	(182.6)¹	3 702.8
Non-current liabilities		
Lease liabilities	16 464.8	15 133.2
Borrowings	4 500.0	-
	20 964.8	15 133.2
Current liabilities		
Trade and other payables	15 184.1	14 661.0
Lease liabilities	2 904.3	2 470.8
Borrowings	6 944.8	5 669.4
Other current liabilities	697.5	727.9
	25 730.7	23 529.1
TOTAL EQUITY AND LIABILITIES	46 512.9	42 365.1

¹ The Group is currently in a negative equity position on a book value basis. The Board has taken into account the fair value of all assets with specific reference to the fair value of Boxer and has determined that the Group is solvent.

Working capital

The Group released R1.1 billion of liquidity from working capital during FY24, representing the combined impact of an inventory reduction, a trade creditor increase, and a receivables reduction:

Inventory

Inventory declined 4.3% year-on-year to R10.2 billion, releasing R494.8 million of liquidity. Boxer inventory increased by R0.4 billion during the year (a consequence of new stores and the opening of a new distribution centre), while Pick n Pay inventory declined by R0.9 billion largely related to the unwind of duplicate stock held ahead of the opening of the Group's Eastport distribution centre.

Pick n Pay held excess stock at the end of December 2023 because of below-expectation November and December sales; however, the majority of this inventory was cleared by the end of February 2024.

Trade and other receivables

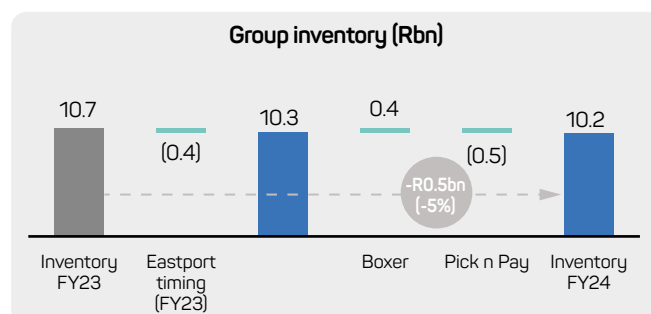
Trade and other receivables decreased by 6.6% year-on-year to R4.3 billion. Gross trade receivables (predominantly franchise debt) rose 1.2% to R4.4 billion, while net trade receivables declined 7.7% to R3.8 billion as a result of the increased trade receivables provision. The credit loss allowance included in the income statement equated to 13.9% of gross trade receivables, against an average of 3.6% over the prior four years.

Creditors

Trade and other payables increased 3.6% to R15.2 billion, releasing R289.8 million of liquidity.

	FY24 Rbn	FY23 Rbn	Change Rbn
Working capital	(1.5)	(0.4)	1.1
Inventory	10.2	10.7	0.5
Trade and other receivables	4.3	4.6	0.3
Trade and other payables*	(16.0)	(15.7)	0.3

* Trade and other payables include supplier financing.

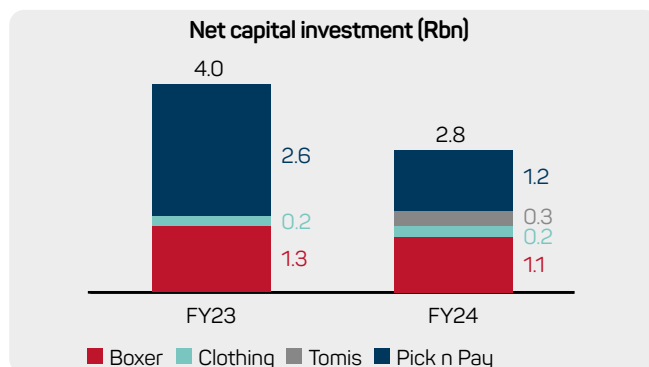


Capital investment

The Group invested R3.8 billion in capital projects in FY24, a 3.8% decrease on the R4 billion invested in FY23. Net capital investment (i.e. net of proceeds from asset disposals) was R2.8 billion, a 29.2% decline from the R4 billion invested in FY23. Included in the R3.8 billion capital investment for the year is R1.1 billion for Boxer (R1.3 billion for FY23) and R0.2 billion for Clothing (R0.2 billion for FY23).

Asset disposals for the year totalled R1.0 billion, including R0.5 billion proceeds from the Longmeadow DC sale and R0.5 billion from the sale of two of the Group's retail properties.

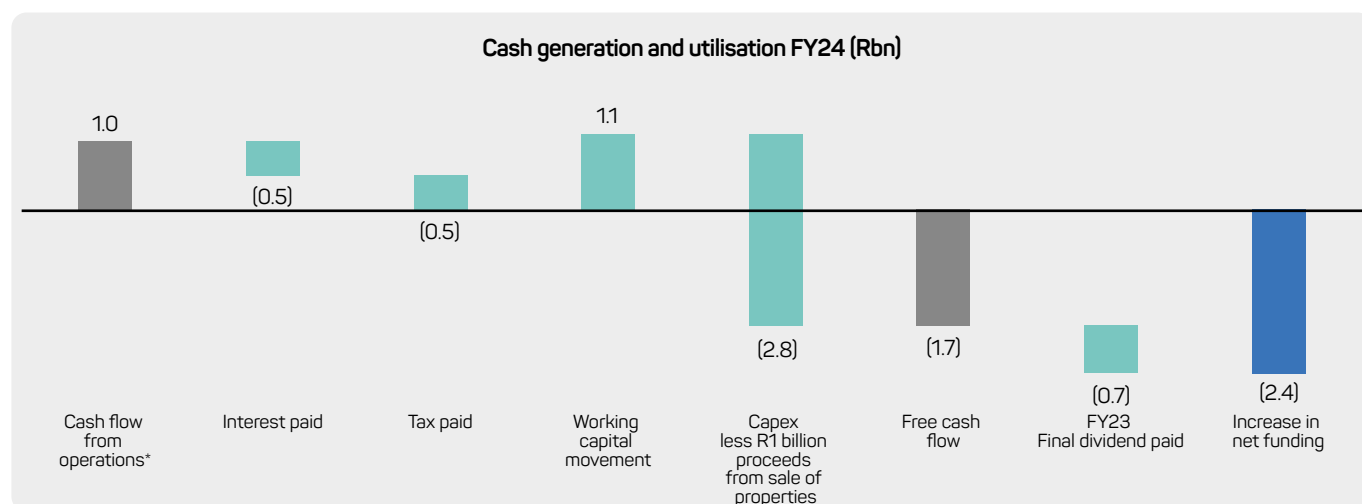
Gross capital investment for full year FY25 is likely to be approximately R2.2 billion, including approximately R1.3 billion for Boxer. The Group continued to prioritise the investment in Boxer and Clothing, with full capex allocations to these growth engines in FY24 and FY25.



* Pick n Pay includes Rest of Africa and R1bn proceeds from sale of property.

Cash outflows and cessation of dividends

Owing to the comparable loss recorded over the year, the Board did not declare a FY24 dividend. The Group does not expect to declare any dividends until the successful execution of the two-step Recapitalisation Plan, the implementation of a sustainable capital structure and the return to sustainable profitability and cash generation.



* Before non-cash flow impact of IFRS 16.



Commitment to corporate governance

06

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Reflections from our lead independent director

James Formby
Lead independent director



I joined the Group in October 2022, shortly after the implementation of the Ekuseni strategy. The Group was at a critical juncture. The Board had recognised increasing pressure in the Pick n Pay supermarkets business and the Group's new ambitious strategy, under the leadership of CEO Pieter Boone, sought to revitalise the brand with bold action.

Strategic initiatives included the development of the Pick n Pay QualiSave brand aimed at middle- to lower-income customers, substantial capital investment in store refurbishments, and significant range reductions based on customer segmentation. The aim was a more modern and competitive supermarket offer, tailored to the customer served, while at the same time accelerating the expansion of its growth drivers Boxer, Pick n Pay Clothing and Online.

The Group remained stable throughout FY23, demonstrating resilience in the face of more difficult economic conditions and higher levels of load-shedding. The Group had not targeted improved profitability in FY23 as the strategy was still in its early stages, with considerable and planned upfront strategic investment costs. However, there were initial encouraging indications of sales uplift in the refurbished stores and the Group closed FY23 with a stable balance sheet, continued confidence in the strategy and intent to fund the strategic capital investment required with long-term debt.

Strategic challenges in FY24

Unfortunately, as FY24 progressed, it became clear that the strategy was no longer delivering against key Pick n Pay performance targets. While the Group's Boxer, Clothing and Online businesses continued to deliver strong growth, Pick n Pay supermarket sales volumes came under further pressure in a highly contested market and profit margins were under severe pressure in Pick n Pay. The capital investment required to support Ekuseni was not generating the required returns and the Group was facing the dual challenge of falling earnings and rising debt. Several critical strategic issues began to emerge, including:

Range reductions – undertaken to streamline operations, frustrated Pick n Pay customers and diluted our margin mix, which became unaffordable for the Pick n Pay cost structure

Fresh produce – over-investment in uncompetitive fresh ranges resulted in higher levels of waste

Execution – accountability across the management team was not clear enough and staff efficiency measures over the years had eroded critical retail skills, particularly on the shop floor, leaving the operations team without the capacity or experience to deliver the strategy effectively

Brand relevance – strong market overlap between QualiSave and Boxer led to internal competition and confusion among customers



Board response and leadership change

At the July 2023 AGM, we announced that the Group expected to record the first interim loss in its history. The announcement marked a significant turning point for the Board. I assumed the role of lead independent director at that time, on the retirement of Jeff van Rooyen, and the mood was sombre and deeply concerned.

In September 2023, we experienced the loss of our founder, Raymond Ackerman. His passing was a time of deep sadness and reflection for the Group and the Board was keenly aware of the need to protect the business and his incredible legacy. The Board had lost conviction in the Pick n Pay strategy and its execution and made the difficult decision to part ways with Pieter Boone and re-appoint Sean Summers as CEO. These decisions are never easy, and I commend the Board for taking decisive action just 15 months after the launch of the strategy.

This was also a time of deep introspection, reflecting on the reasons for Pick n Pay's weakened performance, which had not happened over 15 months, but over an extended period of time where capital investment, in-store execution, innovation and customer service had not been adequately prioritised.

Back to retail basics

Sean Summers' previous tenure with Pick n Pay had been immensely successful, with Pick n Pay positioned as the number one supermarket in South Africa under his leadership. His continued close relationship with Pick n Pay and the Ackerman family gave him a keen understanding of the challenges we faced.

Sean is first and foremost an operational CEO. He spent his initial months travelling around our stores, meeting with employees, franchisees, suppliers, landlords, and other key stakeholders. His hands-on approach and focus on the basics of retail have been instrumental in re-igniting the energy and confidence of our people. Sean has developed a straightforward turnaround plan centred on improving customer service and getting the basics right. While the road to recovery is long, Sean's return has had a positive impact on the Group and we have already observed a tangible lift in energy, motivation and confidence. Pick n Pay is fundamentally a customer service business and all of our initiatives going forward are linked to one key theme: How can we serve our customers better? The Board has strong confidence in Sean's leadership, retail acumen, and ability to execute under challenging conditions.

In September 2023, we experienced the loss of our founder, Raymond Ackerman. His passing was a time of deep sadness and reflection for the Group and the Board was keenly aware of the need to protect the business and his incredible legacy.

Leadership development and succession planning

The Board recognises that the success of Pick n Pay does not rest on the shoulders of a single individual. Leadership development and succession planning are crucial cornerstones of Pick n Pay's turnaround. One of Sean's key performance indicators is the development of a strengthened leadership structure that reflects our commitment to race and gender transformation and he has delivered early progress in transforming the Group's operational structures to enhance regional decision-making, accountability, and agility. The future leaders of Pick n Pay will emerge from these structures, having played integral roles in the restoration of the business.

The role of the Board in a difficult year

I would like to thank the Board members for their support during such a tumultuous year, which required many more Board and Committee meetings and significant time investment. Our committees have provided invaluable guidance, upholding corporate governance, ethical behaviour, and transparent financial reporting. They have been instrumental in guiding key engagements with our funders to secure covenant waivers and liquidity support, and in deliberating and approving a critical two-step Recapitalisation Plan for our Group. Many of our deliberations were highly complex and the decisions taken not without uncertainty and risk.

The demands of the debt restructure and Recapitalisation Plan are significant, and I have had the privilege of working closely with CFO Lerena Olivier and her finance and treasury team, providing guidance and oversight. I have been struck by the professionalism, skill and dedication of this team which has delivered a number of important milestones in the development of a sustainable capital structure for the Group. There is still a great deal of work ahead to deliver a successful Rights Offer and Boxer IPO, but I have every confidence in the ability of the team to get this done. I know too that they will provide incredible support to the Boxer team to ensure that Boxer is ready for its IPO and the additional demands of the listed environment.

I extend thanks to Gareth and the Ackerman family, who have provided steadfast support under the most difficult of circumstances. The loss of Raymond Ackerman has left a void, but through their loss the family has navigated a path towards a stronger Pick n Pay. The family has agreed that it is the right time to revitalise the Board and strengthen its independence. As such, Gareth and Suzanne have stepped down from our Nominations and Corporate Governance Committee and Finance and Investment Committee.

In addition, David Robins will retire from the Board at the 2024 AGM after 22 years of service and Gareth will step down as Chair after the publication of the FY25 results, after 14 years in the role. We have further committed to retiring our long-serving independent non-executive directors over the next 12 to 18 months, in order to introduce new talent and fresh perspectives to the Board. These changes are important because they demonstrate the confidence the Ackerman family has in the Board, the management team and the turnaround strategy.

Looking forward

Notwithstanding the immense challenges of FY24, I remain cognisant of just how much has been achieved under difficult circumstances. I look forward with optimism for the future. The Group's enduring values, strong governance and committed and determined leadership team will guide us on the path to restoring Pick n Pay's growth, growing Boxer and sustaining long-term value creation.

James Formby

Lead Independent Director

26 June 2024

What the Board focused on in FY24

The Board is dedicated to managing the Group in a transparent, equitable and responsible manner, in the best interests of all stakeholders. The Board recognises that long-term strategy, the identification of material issues, effective risk management, commitment to social and environmental sustainability, and robust financial performance are all integral components of sustainable long-term value creation. The Board strives to maintain excellence in all these areas and to react rapidly and decisively when challenges arise.

Directors engage in thorough and informed discussions to provide clear direction, robust governance, and effective leadership for the Group. Every Board member is fully aware of their duty to act with integrity and to represent the interests of all stakeholders.

The Board endorses a materiality approach, focusing on integrated reporting that addresses the issues, risks, and opportunities with significant impacts on the Group's sustainable performance in the short, medium, and long term. This approach ensures that stakeholders receive comprehensive reports that allow them to make well-informed assessments of the Group's performance and future prospects. The Board remains accountable for the Group's overall performance and steers the business by considering both material and emerging risks and opportunities. This ensures that our business strategy remains responsive, relevant and resilient.

Key Board and Committee focus areas over the year included:

Operations

Critical assessment of the Ekuseni strategy

The Board increased its strategic and financial oversight over the course of the year, closely and critically assessing the performance of the business against financial and operational targets. It became increasingly important for the Board to understand whether under-performance in the Pick n Pay business could be attributed to the more difficult economic environment (factors outside of management control) or the emergence of potential strategic missteps and/or poor execution. The Board closely monitored the performance of the Pick n Pay supermarket business, including sales growth, gross profit margin evolution (including the impact of waste), expense control and stock holdings.

Leadership change

The Board effected a change of executive leadership, appointing Sean Summers as CEO on 30 September 2023. It was a difficult considered decision and followed significant Board deliberation. The Board considered Sean's previous successful tenure with the Group, his extensive local and international retail experience and his deep understanding of the challenges of the South African retail market. Further, the Board oversaw the development and implementation of the new streamlined senior management team and the new regional operating structures for Pick n Pay, bolstered by previous and seasoned Pick n Pay executives.

Strategy

The Board oversaw the development of the new strategy for Pick n Pay, including all the initiatives aimed at redressing the failings of the Ekuseni strategy. The strategy seeks to restore the Pick n Pay division to profitability over the medium term, with financial targets that are reasonable, defensible and actionable, while advancing the growth of the Group's high-performing Boxer, Clothing and Online businesses.

Debt funding and liquidity

The Board guided and approved the raising of long-term debt to fund capital investment under Ekuseni, including the extension of the overall term profile of the Group's debt programme. As Group earnings deteriorated, the Board provided critical guidance and oversight in engagements with key funders to assure Group liquidity under covenant waiver and debt restructure agreements.

Capital assets

As earnings began to fall, the Board quickly scaled back on the Group's ambitious capital investment programme in Pick n Pay and prioritised critical capital spend only. Full capital investment allocations remained for high-yield Boxer and Clothing investments. One of the critical investments over the year included the acquisition of the Tomis Group, a state-of-the-art abattoir and meat processing and packaging business. The acquisition is expected to enhance the Group's fresh meat offer to Pick n Pay and Boxer customers and unlock vertical integration synergies across the Group's supply chain. The Board approved the sale of the Longmeadow distribution centre and two non-core shopping centres to boost Group liquidity, alongside the decision to lease rather than buy the new Eastport distribution centre.

Supply chain efficiency

The Board oversaw Pick n Pay's move from its Longmeadow distribution centre in Gauteng to the larger and more modern Eastport facility. The transition resulted in the once-off duplication of logistics costs and a short-term increase in inventory balances, but the move happened seamlessly without any disruption to the Pick n Pay supply chain. Going forward the Board will focus on the work required at the large-scale facility to deliver the required economies of scale.

Working capital management

The Board prioritised the close management of working capital to support liquidity initiatives and oversaw the careful and considered reduction of the Pick n Pay inventory overhang post the disappointing November and December trading period. Oversight extended to the careful and prudent provisioning of slow-moving inventory and outstanding franchise debt.

New interim franchise model

The Group worked closely with its Pick n Pay franchisees to modernise the terms and conditions of its long-standing franchise agreement to ensure mutually beneficial and long-term sustainable growth for all. A new interim model has been implemented and will be refined over time through a collaborative process with our franchisees. The Group's relationships with its broader franchise community remains strong and constructive.



Performance of the Rest of Africa operations

The Board is exploring opportunities to minimise risk and improve the operating models in its Rest of Africa operations, particularly in Nigeria, Botswana and Namibia. The company-owned operations in Zambia have significantly improved over the past two years, with stronger sales growth and improved profit margins.

Recapitalisation

The Board prioritised and approved the development of a critical Recapitalisation Plan in order to reduce Group debt and provide capital for investment into the Pick n Pay turnaround, while looking for opportunities to unlock shareholder value. The Board appointed independent corporate equity advisors through an RFP process, and subsequently considered and deliberated a number of recapitalisation alternatives. The Board approved a two-step Recapitalisation Plan in February 2024 – comprising a Rights Offer to existing shareholders (mid 2024) and the offer and listing of shares in the Group's Boxer business on the Main Board of the JSE (late 2024).

People, culture and diversity

Diversity

The Board monitored efforts to achieve workforce diversity at all levels, ensuring fair pay and non-discrimination in recruitment and remuneration. Analysis showed no pay disparities by gender or race. The Board will continue focusing on retaining and upskilling employment equity employees, especially in senior roles and removing barriers to entry.

Staff welfare, productivity and efficiency

The Group aims to build a sustainable business by enhancing productivity and efficiency, reducing duplication and creating long-term employment opportunities. The Board remained mindful of the impact that a succession of voluntary severance and other staff restructuring measures have had on staff morale and on skill and talent retention over the past few years. As such, the Board receives regular feedback on the results of staff surveys, the effectiveness of improved training and development programmes and the implementation of the Pick n Pay staff wellness programmes.

Financial reporting

Proactive monitoring by the JSE of financial statements

The Audit, Risk and Compliance Committee considered the findings in the JSE's report back on proactive monitoring of financial statements in 2023 and confirmed that, where relevant, the Group had improved its Annual Financial Statements disclosure.

CEO and CFO sign-off on internal financial control

The Group's CEO and CFO have signed off on the internal financial control responsibility statement in terms of paragraph 3.84(k) of the JSE Listings Requirements, confirming that, to the best of their knowledge and belief, following due, careful and proper consideration, the Annual Financial Statements have been prepared in accordance with the accounting framework and are suitable for reliable economic decision-making.

Comparable earnings

The equity accounted earnings of the Group's investment in its associate, TM Supermarkets in Zimbabwe, was accounted for under IAS 29: Financial Reporting in Hyperinflationary Economies. The Group's share of associate's income, recognised within profit before tax and headline earnings, included non-cash hyperinflationary accounting net monetary adjustments. The impact of hyperinflation accounting does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year performance. As such, and in line with normal Group practice, the Group has excluded hyperinflation net monetary adjustments from its comparable earnings.

Segmental financial reporting

The Board approved new segmental financial reporting for its Pick n Pay and Boxer segments, augmenting previously provided segmental turnover information, with key earnings and balance sheet information.

Areas of significant judgement

The Board, supported by the Audit, Risk and Compliance Committee, focused on areas of significant judgement in the FY24 results, which included the R2.8 billion impairment against Pick n Pay store assets, the R633.7 million credit loss allowance against franchise debt (including a R201 million increase related to our Botswana franchise), the recoverability of deferred tax assets and the solvency assessment on a fair value basis.

Going concern

The Board conducted a formal assessment of the Company and its subsidiaries' ability to continue as going concerns. This included a detailed review of the Group's economic environment, medium-term budgets and cash flow forecasts, insurance adequacy, and available borrowing facilities.

Governance

Board committees

Committee structure and membership were re-assessed. The allocation of non-executive directors to committees was reviewed and adjusted where it was felt they were best placed to make a contribution based on sector experience. Please refer to the Corporate Governance Report for further information.

Governance frameworks and policies

The Board, guided by its Nominations and Corporate Governance Committee and Social, Ethics and Transformation Committee undertook a significant review of the Group's governance framework, including its Board and Committee charters, Code of Ethics and all related employee and governance-related policies. Our updated framework is close to finalisation and clearly sets out the behaviours we expect of our Board members and all our employees.

ESG performance and reporting

The Board continued to monitor the Group's progress against its ESG targets, including its environmental impacts and contribution to social upliftment. In addition to progress made against targets, the Board continued to guide improvements and transparency in external ESG reporting which reflect the Group's impact, both good and bad, on the environment and people. Improvements in reporting are informed by relevant codes, regulations and frameworks, including JSE Guidelines on Sustainability and Climate Disclosure. The decline in the financial performance of Pick n Pay resulted in a decrease in the ESG spend in that segment, aligned with the cost control measures undertaken in all areas.

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, contribute to value creation over the long term by emphasising:

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

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

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

The Pick n Pay Stores Limited Board

The Board assumes full accountability for the Group's performance, guiding and overseeing the business by considering both material and emerging risks and opportunities to ensure the business strategy remains relevant and responsive. The Board recognises that the strength of its strategy, the identification of material matters, effective risk management, commitment to social and environmental sustainability, and financial performance are integral to long-term value creation.

The Board

- Has a good balance between the experience of long-standing directors and the fresh insights from more recently appointed directors, and has committed to retire all long-serving independent non-executive directors in the normal course of director rotations over the next 12 to 18 months
- Is satisfied that the independent non-executive directors have met the criteria for independence as established by King IV, the Companies Act and the JSE Listings Requirements
- Confirms the Group's risk management, mitigation and monitoring processes were effective and limited the impact of risks on the business during FY24
- Supports the concept of materiality, which emphasises integrated reporting based on issues, risks and opportunities that could materially impact the performance of the business over the short, medium and long term
- Is satisfied that its internal evaluation process improves its performance and effectiveness
- Confirms the Company Secretary has the qualifications, competence and expertise necessary for the role

Board attendance

The Board ensures the Group is managed transparently, equitably, and responsibly for the benefit of all stakeholders. The Board meets at least four times a year, with 100% attendance at these standard meetings and full director attendance at the 2023 AGM.

Due to significant strategic and financial challenges in FY24, the Board held an additional seven formal meetings.

Despite many of these being called at short notice and conflicting with directors' existing commitments, attendance remained high. Additionally, directors received regular financial and operational updates and engaged more frequently with the senior management team through various forums.

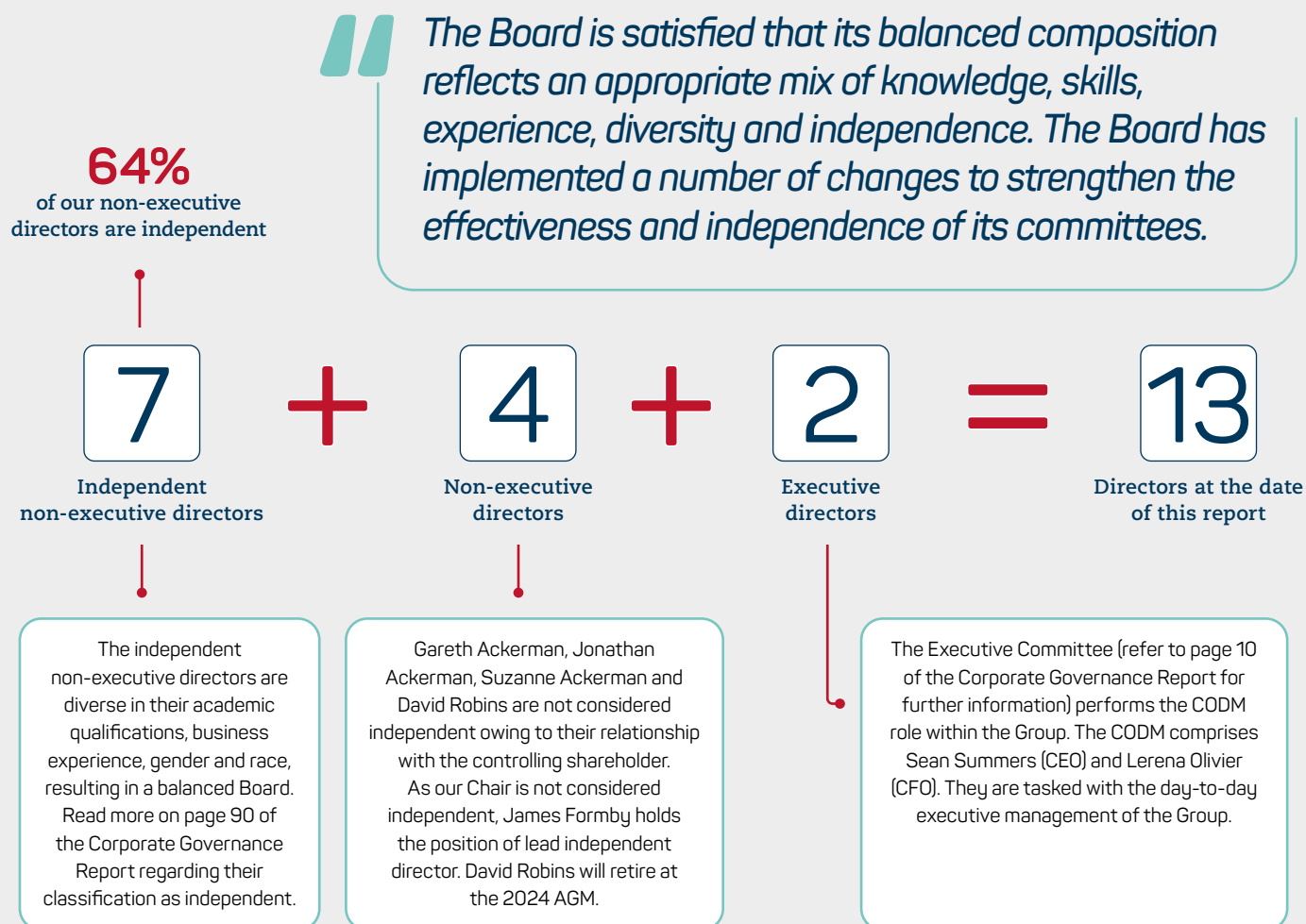
	Standard meetings	Additional meetings
Gareth Ackerman	4/4	7/7
Jonathan Ackerman	4/4	7/7
Suzanne Ackerman	4/4	7/7
Haroon Bhorat	4/4	5/7
Pieter Boone ¹	2/2	2/3
Mariam Cassim	4/4	3/7
James Formby	4/4	7/7
David Friedland	4/4	7/7
Bakar Jakoet	4/4	6/7
Audrey Mothupi	4/4	6/7
Lerena Olivier	4/4	7/7
David Robins	4/4	6/7
Sean Summers ¹	2/2	4/4
Annamarie van der Merwe	4/4	7/7
Jeff van Rooyen ²	2/2	1/1

¹ Sean Summers replaced Pieter Boone as CEO on 30 September 2023.

² Jeff van Rooyen retired from the Board on 19 July 2023.

Board composition at June 2024

Our directors are strong-minded individuals of integrity who are successful and experienced professionals in their respective fields. The Group has actively sought to appoint business people to its Board, looking for individuals who play an active role in business, are in a position to offer retail, commercial, financial, accounting, IT and digital, ESG, legal and regulatory knowledge to the Board, and add value through wisdom and practical business acumen. Please refer to page 90 for further information.



The Board committees

Audit, Risk and Compliance Committee

FY24 Membership	Attendance
A Jakoet (Chair)	3/3
H Bhorat	3/3
M Cassim	2/3
J Formby	3/3
D Friedland	3/3
A Mothupi	3/3

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. The Committee acts as a liaison between the Board and external and internal auditors. The Committee meets at least twice a year, although sub-committees of this committee meet more regularly (at least quarterly) to address areas of material risk and opportunity.

Nominations and Corporate Governance Committee

FY24 Membership	Attendance
G Ackerman (Chair)	2/2
S Ackerman	2/2
H Bhorat	2/2
D Friedland	2/2
A Mothupi	2/2
A van der Merwe	2/2

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. In addition to scheduled meetings, the Nominations and Corporate Governance Committee holds ad hoc meetings with all the non-executive directors to discuss and guide succession plans and committee membership. The membership of the Committee was amended in May 2024 to strengthen both its effectiveness and its independence. Gareth Ackerman and Suzanne Ackerman stepped down from the Committee, which will be chaired going forward by Annamarie van der Merwe. Committee membership has been refreshed to include all the other Committee Chairs, with the exception of the Social, Ethics and Transformation Committee, which is represented by Annamarie van der Merwe.

Social, Ethics and Transformation Committee

FY24 Membership	Attendance
S Ackerman (Chair)	3/3
J Ackerman	3/3
D Robins	2/3
A van der Merwe	3/3

The Committee, supported by key management personnel, is tasked with ensuring that the Group's enduring values underpin the Group's long-term strategy and are applied daily in all areas of the business, and that our ESG strategy is closely aligned with the United Nations Sustainable Development Goals most relevant to our business. The membership of the Committee was amended in May 2024 to strengthen its independence, with the retirement of David Robins and the appointment of Haroon Bhorat.

Remuneration Committee

FY24 Membership	Attendance
A Mothupi (Chair)	4/4
G Ackerman	4/4
H Bhorat	4/4
J Formby	2/2
A Jakoet	4/4
J van Rooyen	2/2

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. Jeff van Rooyen retired from the Board and the Committee in July 2023 and was replaced by new lead independent director James Formby.

Independent Board Committee

FY24 Membership
J Formby (Chair)
H Bhorat
M Cassim
D Friedland
A Jakoet
A Mothupi
A van der Merwe
J van Rooyen

The Corporate Finance Committee has been renamed as the Independent Board Committee and comprises only independent non-executive directors, chaired by the lead independent director. This Committee is not a key standing committee and is convened only for major regulated transactions or investment decisions. Jeff van Rooyen retired from the Board in July 2023 and was replaced by lead independent director James Formby. No formal meetings were held in FY24, with the two-step Recapitalisation Plan led by the Treasury sub-committee, Audit, Risk and Compliance Committee and the full Board.

New Board Committee in FY25

Finance and Investment Committee

FY25 Membership
J Formby (Chair)
H Bhorat
M Cassim
D Friedland
A Jakoet

Effective 27 May 2024, the Treasury sub-committee has been reconstituted as the Finance and Investment Committee, a key standing Board committee. This Committee oversees balance sheet management, including liquidity, capital investment, and treasury function. Responsibilities include monitoring cash flow and working capital, ensuring financial compliance, reviewing borrowing and investment strategies, managing the property portfolio, advising on strategic financial decisions, assessing and mitigating financial risk, maintaining lender relationships, and overseeing treasury activities to safeguard assets and support financial performance.



Executive Committee

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

Audit, Risk and Compliance Committee FY24 focus areas included:

- The AFS, interim results, results announcements and trading updates, and the IAR's compliance with IFRS, the Companies Act, the JSE Listings Requirements and King IV
- The Group's capital structure, gearing, liquidity, dividend policy and going concern assessment
- The Group's two-step Recapitalisation Plan
- The effectiveness of the Group's risk management function in identifying, evaluating and mitigating issues which may have a material impact on the Group's ability to protect and create sustainable stakeholder value
- Review and modernisation of the Group's combined framework of compliance
- Considered the skill, experience and independence of the Group internal audit function and concluded that the internal audit function was appropriate and effective for the Group. The Committee positively assessed the skill and experience of the CFO and the Group finance function
- The Group's key external audit matters
- Concluded that it was satisfied with the level of service rendered by EY and was satisfied with EY's independence and JSE accreditation and proposed to re-appoint EY as the external auditors for FY25 at the upcoming AGM

Nominations and Corporate Governance Committee FY24 focus areas included:

- New CEO and senior leadership appointments
- Reviewed the rotation of directors and recommended the directors' re-appointment for either a three-year or one-year term (Refer to the AGM notice for more detail)
- Recommended changes in the composition of Board committees to strengthen the independence and effectiveness of committees
- Recommended the appointment of the new Company Secretary
- Reviewed the succession planning for the Board and committee membership and reviewed CEO and senior executive succession planning
- Evaluated the performance of the directors and composition of the Board and committed to the recruitment of at least two additional independent non-executive directors over the coming months
- Confirmed the independence of directors classified as independent non-executive directors
- Reviewed and modernised the corporate governance charter and all Board committee terms of reference for approval in FY25

Social, Ethics and Transformation Committee FY24 focus areas included:

- Partnering to shift the food system, including affordability of basic goods, sustainability attributes of products, supply chain efficiency and inclusion, and reducing food waste
- Reducing the Group's environmental impact, including decarbonising the value chain, energy and water efficiency, waste reduction, recycling and re-use
- Supporting communities through investments that address areas of critical importance to our business
- Investing in our people and relationships, including promoting supplier ESG compliance, stakeholder engagement and community outreach
- Monitored the whistle-blowing hotline and the appropriate resolution of all issues raised
- Monitored the implementation of staff restructuring programmes and ensured staff were treated with care and respect
- Monitored the implementation of staff wellness programmes
- Actively monitored diversity and was satisfied that the legacy of the Group in promoting diversity was honoured by the progress achieved

Remuneration Committee FY24 focus areas included:

- Assessing underlying performance and awarding short-term and long-term incentives in a highly disrupted environment, to reward personal achievements and manage retention risk
- Provided oversight of the implementation of employee restructuring programmes to ensure undertaken in line with the values of the Group
- Oversight of the capacity of management to deliver on the strategy and the ongoing review of staff morale at all levels of the organisation
- Engagement with independent remuneration specialists to advise on the effectiveness and appropriateness of the Group's variable incentive schemes
- Ongoing market benchmarking of remuneration across all levels of the organisation and statistical analysis of pay parity and the provision of fair and reasonable remuneration

More detail is set out in the remuneration report, starting on page 96.

For more detailed information on the Board committees' focus areas and deliberations, please refer to the individual committee Chair reports contained within the full Corporate Governance Report at www.picknpayinvestor.co.za/governance.php.

Our directors' skill and experience

The Board underwent a formal and independent peer-to-peer performance evaluation during the year under review. One of the outcomes of the process was the development of an up-to-date Board skills matrix. Members were requested, through a process of self-assessment, to score their level of skill and experience across a range of competencies relevant to the Pick n Pay Group and its operations in the FMCG industry. The individual director scores in each category (ranging from zero for no experience or competency, through to four indicating high expertise) and the resulting matrix provided a valuable tool for Board succession planning and the identification of training and development needs.

The skill and experience of our directors was measured across key competencies:

Retail

Experience in the local retail industry at a senior executive level, including marketing, buying, supply chain logistics and digital commerce.

Digital and data

Experience in implementing digital systems and technologies, leveraging technology for value creation, and utilising customer and business data and data analytics to enhance performance.

Financial reporting

Experience in financial accounting and international financial reporting standards, internal financial controls, and the critical assessment of financial performance and disclosures.

Treasury management

Experience in cash flow and working capital management, debt and liquidity management, capital allocation, and the critical assessment of return on invested capital.

Risk management

Experience in integrated and business-wide risk management processes, the development of robust frameworks and controls, and addressing control breakdowns.

Legal and compliance

Proficient in law, regulatory environments, and compliance within the Group's trading landscape.

Remuneration and human resources

Skilled in developing and implementing fair and effective remuneration policies to drive performance and talent retention.

Corporate governance

Deep understanding and knowledge of governance practices, trends, and international codes. Experienced in implementing high standards of governance in publicly listed companies or large organisations.

Corporate social investment

Experience in the development and implementation of formal corporate social investment programmes and initiatives that are targeted to social upliftment and addressing societal needs, including the ethical governance thereof and post-implementation impact assessments.

Environmental sustainability

Knowledgeable in climate change and biodiversity issues. Experienced in implementing initiatives to reduce organisational environmental impact, including carbon emissions, energy and water consumption, plastic usage reduction, and waste management.

Board directors skills or experience



Wendy Ackerman remembers René de Wet

A memorial service was recently held for one of our past and much loved directors, René de Wet. René dedicated many years to Pick n Pay, starting as a Chartered Accountant (CA) in our finance division in 1969 and quickly advancing to the position of General Manager of the Gauteng region. On his return to Cape Town, René took over as the Head of our HR division and was instrumental in building a strong Pick n Pay retail team based on the values of mutual respect, equality, and service.

René de Wet had an extensive 29-year career at Pick n Pay, spanning a number of key executive roles. He joined the Board of directors in 1975. In 1993, he was appointed as Joint Managing Director, and in 1995, he became Deputy Chair. He retired as an executive director in 1999 but continued to serve as a non-executive director on the Pick n Pay Holdings Board until his retirement in 2008.

René was a man of great humanity, understanding, and integrity. He worked closely with Raymond Ackerman as his Deputy Chair, and they spent countless hours together debating issues and resolving problems. René loved people and was at his happiest travelling around our stores and engaging with our staff and customers. I was privileged to work very closely with René, as I did with my husband, and we became a close-knit team until he retired as a non-executive director in 2008.

René was a keen pilot, and we have many warm memories of him flying our senior executives around the stores, particularly in the Gauteng region. In his spare time, René joined the Red Cross AMS and, for virtually the rest of his life, he flew emergency transplant organs and critically ill patients around South Africa.

René was given a very warm farewell by the Stellenbosch Flying Club, where he was a well-respected member. Those of us who worked with René at Pick n Pay will truly miss him. He had such a warm personality, a great laugh, and an ability to put at ease all of those who nervously came to see him.

Rest in peace, René. Thank you for all you meant to the Pick n Pay family.



Our Board of directors

as at June 2024

The Board has broad local and international retail experience. All Board members are conscious of their obligation to act with integrity and as representatives of all our stakeholders.

Non-Executive Chair



Gareth Ackerman (66)
BSocSci, CMS and AMP (Oxon)

- Appointed 1990
- Years of service to the Group: 40
- Years of service on the Board: 34

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 GS1 SA and is previous co-chair of the International Consumer Goods Forum. Gareth sits on the Board of Business Unity South Africa and was a trustee of the Masisizane Fund and was a member of the global board of the Young Presidents' Organization (YPO). He is a member of the board of advisors of UJ Business School and a Trustee of WWF SA. He is an associate Fellow at Green Templeton College, University of Oxford. Gareth chairs the Ackerman Family interests.

Committee membership: Remuneration Committee

Executive directors



Sean Summers (70)
Chief Executive Officer

- Appointed 2023

Sean Summers worked for the Group between 1974 and 2007, rising to become Managing Director in 1996, and CEO in 1999. He left the Group in 2007 and advanced his career in international retailing. He has a unique understanding of the Pick n Pay and Boxer businesses and South African grocery retailing and was reappointed as CEO of the Pick n Pay Group in September 2023.



Lerena Olivier (48)
Chief Finance Officer (CFO) CA(SA)

- Appointed 2019
- Years of service to the Group: 13
- Years of service to the Board: 4

Lerena joined the Group 13 years ago, taking responsibility for Group financial reporting and the finance team. During her more than 20 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise across a number of key business areas, including corporate finance, risk management, strategy, debt restructuring, corporate actions, information systems, governance and compliance, value-added and retail-related financial services, accounting and tax.

Non-executive directors



Suzanne Ackerman (61)
BA, Fellow: Aspen Business
Institute; First Movers; International
Professor of Practice, Rutgers
School of Business–Camden

- Appointed 2010
- Years of service to the Group: 29
- Years of service on the Board: 14
- As executive director: 12
- As non-executive director: 2

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



Jonathan Ackerman (57)
BA Marketing

- Appointed 2010
- Years of service to the Group: 31
- Years of service on the Board: 14
- As executive director: 13
- As non-executive director: 1

Committee membership: Member of the Social, Ethics and Transformation Committee

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



David Robins (70)
BBusSci

- Appointed 2002
- Years of service to the Group: 30
- Years of service on the Board: 22

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. David remains on the Board as a non-executive director and as a representative of the controlling shareholder until the 2024 AGM, when he will retire after an exceptional career with the Group.

Independent non-executive directors



Haroon Bhorat (55) **PhD in Economics**

- Appointed 2020
- Years of service on the Board: 4
- Other listed company directorships: Sygnia Asset Management

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. Haroon is the Independent Non-Executive Chair of Sygnia Asset Management and serves as the Co-Chair of its Investment Committee. Haroon 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.

Committee membership: Member of the Audit, Risk and Compliance Committee, Finance and Investment Committee, Remuneration Committee, Social, Ethics and Transformation Committee and the Independent Board Committee



James Formby (54) **Lead independent non-executive director**

CA(SA); Masters in Philosophy in Management Studies

- Appointed 2022
- Years of service on the Board: 2
- Other listed company directorships: Vukile Property Fund Limited

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

Committee membership: Chair of the Finance and Investment Committee and Independent Board Committee, and member of the Audit, Risk and Compliance Committee, Remuneration Committee and Nominations and Corporate Governance Committee

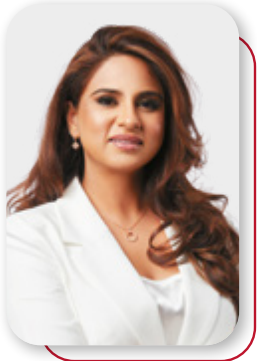


Aboubakar (Bakar) Jakoet (68) **CA(SA)**

- Appointed 2019 as a non-executive director
- Years of service to the Group: 38
- Years of service on the Board: 13
- As executive director: 9
- As non-executive director: 4
- Other listed company directorships: Oceana Group Limited and Sygnia Asset Management

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.

Committee membership: Chair of the Audit, Risk, and Compliance Committee, member of the Finance and Investment Committee, Remuneration Committee, Nominations and Corporate Governance Committee and Independent Board Committee



Mariam Cassim (42)
CA(SA); MBA

- Appointed 2020
- Years of service on the Board: 4

Mariam Cassim is the Chief Executive Officer of Vodacom Financial and Digital Services and a member of the Vodacom Group's executive committee. Mariam's professional experience includes corporate finance and deal structuring, mergers and acquisitions, debt structuring and commercial evaluation. Her flair for innovation, disruption and new business development allows Mariam to generate creative business solutions that have a strong purpose element and thereby benefit business as well as society. Mariam served on the board of Super Group Limited until December 2020.

Committee membership: Member of the Audit, Risk, and Compliance Committee, Finance and Investment Committee and Independent Board Committee



David Friedland (70)
CA(SA)

- Appointed 2013
- Years of service on the Board: 11
- Other listed company directorships: 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. David served on the Boards of Investec Limited and Investec plc until August 2022.

Committee membership: Member of the Audit, Risk and Compliance Committee, Finance and Investment Committee and the Independent Board Committee



Audrey Mothupi (54)
BA (Hons)

- Appointed 2013
- Years of service on the Board: 11
- Other listed company directorships: Life Healthcare Group, Altona plc (listed on the Aquis Stock Exchange)

Audrey is the Chief Executive Officer of South African based SystemicLogic Group, a global financial innovation, data, and technology company in which she took a majority shareholding in 2014. The company has a proven track record for delivering practical solutions to clients across a wide range of industries and geographies, helping them improve productivity and profitability, and has acquired businesses such as Knowledge Factory in 2019, to enable them to provide end-to-end data analytics solutions. Audrey was awarded Female CEO of the Year for Best Financial Innovation & Technology Disruptor CEO (South Africa) in 2022. Audrey holds numerous leadership positions including G100 Global Chair - AI/Data and Cybersecurity. Audrey is a Fellow of the Africa Leadership Initiative (ALI), a board member of the International Women's Forum of South Africa (IWFSa), and a member of the International Women's Forum (IWF).

Committee membership: Chair of the Remuneration Committee, member of the Audit, Risk, and Compliance Committee, Nominations and Corporate Governance Committee and Independent Board Committee



Annamarie van der Merwe (60)
B.Juris, LLB, LLM, EMP

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

Annamarie is the Executive Chair of the FluidRock Governance Group, a business that she co-founded 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.

Committee membership: Chair of the Nominations and Corporate Governance Committee and member of the Social, Ethics and Transformation Committee and Independent Board Committee

Company Secretary



Vaughan Pierce (41)
BA, LLB, LLM

- Appointed 2024
- Years of service to the Group: 13

Vaughan Pierce served as Senior Legal Advisor for the Group for 13 years. During his tenure, he performed a number of other key roles, including as Vice Chairperson of the Pick n Pay Medical Aid Scheme and as Trustee on the Ackerman Pick n Pay Foundation and Feed the Nation Foundation. Vaughan assumed the role of Executive for ESG for the Group two years ago, and he continues to oversee the integration of environmental, social and governance considerations across the Group's operations.

Honorary life presidents

Raymond and Wendy Ackerman

Raymond and Wendy Ackerman founded Pick n Pay in 1967. Over 57 years, their remarkable partnership, based on shared values of consumer sovereignty and ethical business practices, built one of South Africa's most successful and beloved retail brands. Raymond's passing in September 2023 was deeply mourned and his visionary leadership has left a lasting legacy. Wendy continues to inspire with her indomitable spirit and unwavering support and dedication to the people of Pick n Pay and Boxer.





Remuneration report



Audrey Mothupi
*Chair: Remuneration
Committee*

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- 110 **Section 4: The remuneration implementation report for FY24**

Our commitment to employees

We recognise that retail is a people business, and we invest in our people's growth and well-being.

We take deliberate action to achieve diversity and inclusivity at all levels of the Group.

Our people practices are fair and consistent.

We guarantee equal pay for equal work.

We live the Group's values and encourage our people to do so by leading by example.

Section 1: An overview of the Remuneration Committee

Mandate of the Remuneration Committee

In line with best practice, the Committee, which is appointed by the Board, has delegated authority in accordance with its terms of reference or charter, available on our website at www.picknpayinvestor.co.za.

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

- Aligned to good corporate governance as set out in King IV
- Aligned to reward best practices to attract, retain and motivate employees
- Fair, responsible and transparent, in rewarding individual, divisional and Group performance
- Aligned to the Group's business strategy and objectives
- Aligned with the interests of shareholders and value creation

The role and responsibility of the Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Group remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The Committee also assists the Board by ensuring that the Group remuneration policies and practices are aligned to the Group's objectives for value creation and are benchmarked to ensure fairness and competitiveness in attracting and retaining key talent and critical skills to deliver on business results.

This is achieved by ensuring that an appropriate remuneration policy is in place, effectively implemented and aligned with the principles of good corporate governance and comply with legislative and regulatory requirements and the needs of the Group. The remuneration policy must cover remuneration at all levels, including that of executive directors and non-executive directors.

Members and attendance at meetings

The Committee meets at least four times a year, is chaired by an independent non-executive director and comprises only non-executive directors. In addition to the Committee members, the CEO, CFO and Chief People Officers of Pick n Pay and Boxer are permanent invitees to Committee meetings. All are recused from the meeting when their individual remuneration is being discussed. Independent external advisors and other human resource executives are invited to attend the meetings as and when required.

The Committee operates in terms of a Board-approved charter, which the Board reviews annually. Four Committee meetings were held over the course of and in respect of FY24.

	Remuneration Committee meeting attendance
Audrey Mothupi (Chair)	4/4
Gareth Ackerman	4/4
Haroon Bhorat	4/4
Aboubakar Jakoet	4/4
Jeff van Rooyen*	2/2
James Formby*	2/2

* During the year under review, Jeff van Rooyen retired on 19 July 2023 and did not offer himself for re-election. James Formby was appointed on 19 July 2023 to replace Jeff van Rooyen.

Shareholder engagement and voting outcomes

The Remuneration Committee maintains strong relationships with shareholders and strives to be transparent in our remuneration approach to ensure that the Group delivers a fair return to shareholders. The Committee ensures a high level of disclosure on our remuneration approach.

The non-binding advisory votes by shareholders for the past three years are summarised below:

% Vote in favour	2021	2022	2023
Remuneration policy	74.3%	75.6%	79.6%
Implementation report	63.2%	78.1%	75.8%
Director's fees	80.7%	82.0%	83.9%

The Committee is satisfied that it met its responsibilities in terms of its charter, and that the remuneration policies it applied and the decisions it took fulfilled the objective of fair and responsible remuneration.

Section 2: Report from the Remuneration Committee Chair

Guide for stakeholders

This section provides context to FY24, including:

- Key focus areas, decisions taken and priorities going forward
- Internal and external factors that influenced remuneration decisions and the discretion applied
- Remuneration policy changes

Statement from the Chair

On behalf of the Remuneration Committee, I am pleased to present the Group's FY24 remuneration report, in compliance with best practice reporting as recommended by the King IV Report on Corporate Governance for South Africa 2016.

The report will reflect on the past year, which was extraordinary in many aspects and can only be described as the most challenging year in the Group's history. We have navigated a challenging trading year; tough economic conditions continue to prevail and the leadership shifts within the Group are among some of the top challenges faced this year.

This report provides shareholders and other stakeholders with an:

- overview of the Group's remuneration policy
- alignment of our remuneration policy with the Group's business strategy and priorities
- implementation report for the period ended 25 February 2024 (FY24)

Our reward philosophy informs our reward strategy with the underlying principles of fair and equitable pay. The reward strategy is focused on rewarding employee performance, motivating excellence and retention of key and high calibre talent, thus enabling the execution of the overriding business strategy. The reward policies are continuously reviewed to ensure that it remains relevant and continue to achieve the desired objectives in a rapidly changing business environment.

For the period under review, the Group's Pick n Pay segment performance was severely constrained, while Boxer continued to outperform the market, and this guided the Committee's heightened focus on appropriate programmes to mitigate against low employee morale, increased risk of employee retention and rewarding individual or divisional performance, where appropriate. The Committee spent substantial time in reviewing the strategic people initiatives, which began with the restructure of the Pick n Pay leadership team.

The Group's executive leadership team have led the execution of the Group's strategy anchored on the strategic pillars of consumer sovereignty, maximising business efficiency and doing good is good business, while navigating a turbulent year in yet another pressurised consumer market which has once again been exacerbated by the ongoing energy crisis, high food inflation and low economic growth.

Despite the economic challenges faced, Boxer and the Pick n Pay Clothing businesses generated strong top line growth. Severe under-performance in the Group's core Pick n Pay Supermarket business resulted in a substantial trading loss at a Group level, as outlined in detail in the CFO's report.

The Group did not achieve the threshold result for PBTA, which impacted the payment of short-term incentives, and the vesting of long-term incentives.

The Board has viewed the under-performance of the Pick n Pay business in a very serious light, which led to a change in executive and senior leadership teams.

As announced on 1 October 2023, the Board and Pieter Boone jointly agreed that he steps down as CEO. The terms of the separation were mutually agreed upon and disclosed on page 113. The incoming CEO, Sean Summers, commenced service on 30 September 2023. His remuneration details are disclosed on page 110.

Sean Summers' appointment comes with a clear mandate to fix the core Pick n Pay business. The main drivers of the strategic plan has a key focus on improving the performance and profitability of the company-owned Pick n Pay stores and the rest of the business. The strategic objectives to expand the Boxer and Pick n Pay Clothing businesses remains unchanged.

The Group's remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution to value creation for shareholders. This is achieved through formal pay structures that support the principles of pay for performance. On this basis, the Pick n Pay leadership (CEO, CFO and the senior management team) have received no short-term incentive payments for FY24. These executives have also forfeited all their holdings of the long-term incentives which were due to vest in June 2024 (RSP 2).

Due to the FY24 result, the in-flight RSP 3s (due to vest in June 2025) three-year CAGR targets will not be met at a target and stretch level. In-flight RSP 3 awards have been forfeited accordingly, with the threshold allocation of 40% to be evaluated during FY25 based on individual performance KPIs, in line with scheme rules.

The newly appointed Pick n Pay leadership team's salary packages have been reviewed and benchmarked against their new roles and relevant market data to ensure appropriateness of pay. Where necessary, salary packages have been adjusted to align to the new roles and expectations of the role. The same benchmarking has been applied to the Boxer leadership team.

The Committee has a particular focus on fair and equitable pay at all levels of employment within the Group. Amid the rising cost of living, lower salary increases and the shortage of specialised skills in the labour market, particularly in the retail sector, retention of key and critical skills within the Group is of paramount importance to the Committee. Pick n Pay has for decades adopted the principle of remunerating our employees with terms and benefits over and above the legislated requirement, thus reflecting our commitment to provide employees with a market benchmarked pay and benefits to attain an acceptable standard of living.



The period in review

The period under review has been challenging and disappointing, leading to significant organisational changes. The poor financial result prompted the Board to take decisive action by embarking on a change in the strategic leadership.

The appointment of our new CEO Sean Summers, a veteran of Pick n Pay having occupied the position of CEO previously, was the most logical choice of succession to restore the business to its former position in the market.

As a result of this change, all allocations of the restricted shares (RSPs) under the Group's long-term incentives were paused until the incoming CEO had sufficient time to re-assess the organisational structures and effectiveness thereof. This was to ensure that we are rewarding and retaining the right talent and ensuring that we have the key people required to effectively turn around the business.

Retention of key talent is a key focus area of the Committee due to the competitive nature of the retail sector. To ensure that appropriate retention mechanisms are in place to achieve the desired objective of retention, a review of the short- and long-term incentive schemes are undertaken annually. This was a key focus area for the Committee during the year.

The Committee has an important role to play in ensuring that incentives paid to management are measured against the Group's performance measures. However, the Committee must also consider the macro-economic conditions and factors outside of management's control that have an impact on achieving the desired results.

The Group's strategy is focused on unlocking and growing shareholder value by returning the Pick n Pay segment to profitability and continuing to accelerate the key growth drivers of Boxer, Pick n Pay Clothing and Online. This will be supported by the Group's two-step Recapitalisation Plan, including the Boxer IPO, and thus unlocking value for shareholders.

This new Pick n Pay leadership team is tasked with leading the business through the turnaround phase and positioning it for future success.

In a rapidly changing environment, it is imperative to keep in touch with the workforce to ensure that people are engaged, energised and focused. Across the Group, various people initiatives have taken place in the year to measure employee engagement and ensure employee well-being.

Quarterly dipsticks were conducted in Pick n Pay to measure employee net promoter scores and the results have been favourable for most of these measurements. In areas where employees raised concerns or the scoring was low, a deep dive into those issues were conducted and unpacked to understand the issues and find solutions.

Employee well-being has become a key focus area and various initiatives focusing on mental, physical and financial well-being have been implemented and continue to be executed. Regular wellness initiatives have been held to provide employees with the resources and tools to enhance their well-being.

Measuring performance

In terms of the Group's short-term incentive (STI) scheme design, the Group must meet the threshold value of PBTAE for the STI to become payable. During the period under review, the Group did not deliver on the FY24 targets and have not met the threshold target for PBTAE. The Group's loss has been as a result of the trading loss in Pick n Pay Supermarkets business. The Committee therefore recognised the market-leading performance of the Boxer business, and achievement of their performance targets. A resolution and allocation of an STI at stretch for the Boxer recipients was passed. No STI was paid to the Pick n Pay recipients.

The key performance measures for the FY24 STI were sales growth and PBTAE.

Fair reward

The Committee seeks to strike the right balance of attracting, motivating and retaining key talent, while delivering a fair return to shareholders. Remuneration paid to executive directors and senior management must be appropriate, fair and responsible and our reward programmes are designed to attract, motivate and retain a diverse and high-performance team to ensure a consistently high-performance culture.

Pick n Pay has undergone tremendous change in the past few years and subsequently employees have faced uncertainty and have been under immense pressure to deliver results in a difficult environment. In such circumstances, it is often very difficult to motivate and retain key talent, especially when there is no additional reward for the added responsibility and pressure. In a constrained business such as Pick n Pay, with long-term incentives are unrealised and no short-term incentives are payable, it is a bleak outlook for many employees. The risk exists that our talented employees will be the first to leave the Pick n Pay business and hence it is imperative to have measures in place to ensure that deserving employees receive some recognition for their commitment and dedication.

In light of the above, the Committee has approved an ex gratia payment for divisions in Pick n Pay that have met their performance goals and deserving employees that have performed exceptionally well. This ex gratia payment was targeted at a pool of talented and critical employees at middle management levels.

In line with the Group's commitment to fair pay, we ensure that our pay policies demonstrate our commitment to ensuring equality and fairness. We continuously assess our pay gaps and address any income disparities to ensure that we are consistent with our reward philosophy.

Shareholder engagement

The Remuneration Committee is committed to shareholder engagement and will take the following steps if 25% or more of the total votes exercised by shareholders at the AGM are against the remuneration policy or implementation report:

- A SENS announcement will be issued requesting shareholders to engage on their specific concerns
- Dissenting shareholders will specifically be engaged by inviting them to one-on-one meetings to engage on their concerns
- The shareholder concerns and report on the outcomes of the engagement and measures taken will be reported on in the next remuneration report

Focus areas in FY24

During the year under review, the Remuneration Committee undertook the following initiatives:

- Reviewed Pick n Pay's remuneration structure by migrating to a cost-to-company salary approach.
 - › In terms of our commitment to disclosure on our remuneration practices, Pick n Pay has adopted a total-cost-to-company approach for management employees. This allows the Pick n Pay business to ensure fair and transparent pay and also to mitigate against escalating salary costs.
 - › This also allows employees the flexibility to structure their pay according to their needs within the necessary taxation parameters.
- Revised and implemented operational incentive schemes to drive profitability of stores in Pick n Pay.
 - › Incentivising performance more tangibly through focused and simplified incentive schemes for store managers in the Pick n Pay Supermarket and Clothing divisions.
- Reviewed the RSP LTI scheme in terms of performance conditions not being met and considered additional appropriate retention mechanisms to secure key talent.
- Approved the salary increase mandate for management employees.
- Approved a new leadership structure for Pick n Pay.
- Oversight over the successful conclusion of the three-year wage negotiations in Boxer and Pick n Pay as per mandate for non-management bargaining unit employees.

Remuneration focus areas for FY25

The focus areas are designed to ensure that the Committee remains abreast of the latest remuneration trends and market best practice as well to deliver in terms of our responsibilities to employees and shareholders.

Key focus areas for FY25 will include the following:

- Review of the reward strategy and remuneration policy to ensure that it is relevant to the Group's current operating environment and to drive retention and a high-performance culture
- Benchmarking of total reward of the non-executive and executive directors and senior management against a relevant identified comparator group of JSE-listed companies
- Continued focus on the framework and model for gender and race pay equity in line with our commitment to fair and responsible pay
- Refinement and review of the short-term incentive scheme
- Design an appropriate job architecture model to support fair and responsible pay
- Future long-term incentive schemes
- Refinement of the performance management process
- Succession planning for key roles
- Embedding ESG performance measures at all levels of management
- Alignment of labour union contracts

Achievement of policy objectives

The Committee is satisfied that it has met its responsibilities in terms of its mandate and that the remuneration policy achieved its stated objectives.

Labour productivity and efficiency

Our people strategy is aligned to and aims to deliver on the Group's strategy. Remuneration is one pillar of our approach to providing a holistic employee value proposition. Other initiatives include offering relevant employee benefits, recognition, learning and development opportunities and career development opportunities.

Labour wage agreements

In May and June 2024, Boxer and Pick n Pay successfully concluded and signed three-year wage agreements for their non-management bargaining unit employees. Our supply chain wage negotiations were also successfully concluded with an agreement over a two-year period.

The agreements not only align with inflation rates, ensuring that our employees' wages keep pace with the cost of living, but more importantly, they provide our employees with fair and competitive remuneration. These agreements grant the Group a level of stability that is essential as we navigate the critical years ahead. By securing predictable labour costs and fostering employee satisfaction, we are better positioned to focus on our strategic initiatives and achieve our long-term business objectives.

The Group has continued with the implementation and effective delivery of certain efficiency-led people initiatives that began in FY23.

Workforce productivity – Key initiatives across workforce planning to optimise staff productivity and operating costs remain a critical priority for the Group.

Talent and pipeline – The growth forecast for the Boxer and Pick n Pay Clothing divisions presents a key need for sites and staffing at all levels. The sourcing and training of staff was a key focus area this year, with several initiatives undertaken internally and staff sourced externally. Transformed succession and capacity building will continue to be a key driver in FY25.

Training – Training in food retail plays a crucial role in enhancing overall customer experience, which is a central goal of the Group. Pick n Pay focused on frontline training, store management leadership and specialised training in fresh and service areas, while Boxer continued to strengthen store management skills and succession planning. As a Group we aim to equip all our employees with the skills and knowledge necessary to deliver better service and maintain high standards of product quality. Across all division we strengthened our partnership with the Wholesale and Retail SETA, to support our investment in training to improve operational efficiency and fosters a more knowledgeable and engaged workforce.



Application of Remuneration Committee discretion

A number of mechanisms are available to the Committee to ensure pay outcomes appropriately reflect individual and business performance, and the wider economic and societal climate. This includes the ability to apply malus, claw-back, the good and bad leaver contract provisions and responsible discretion to override formulaic outcomes under the short-term and long-term incentive schemes. Throughout the year, the Committee carefully considered pay arrangements and where it might, or indeed might not, be appropriate to apply discretion. After meaningful deliberation, the Committee concluded it was appropriate to apply discretion in the following areas:

Vesting of the RSP 2 awards

The Group did not achieve the targets for RSP 2 at a target and stretch level. Therefore, in line with the Group's remuneration policy, the RSP 2 awards vested at 40% for those participants that have met their personal KPIs. In certain limited exceptional outperformance instances, RSP 2 was vested at 100% for participants in the Group's successful growth businesses. In line with the scheme rules, RSP 2 was forfeited 100% for the CEO, CFO and the Pick n Pay senior management team.

Ex gratia payment to middle management

Pick n Pay has undergone tremendous change in the past few years and subsequently, employees have faced uncertainty and have been under immense pressure to deliver results in a difficult environment. In such circumstances, it is often very difficult to motivate and retain key talent, especially when there is no additional reward for the added responsibility and pressure. In a constrained business such as Pick n Pay, with long-term incentives unrealised and no short-term incentives payable, it is a bleak outlook for many employees. The risk exists that our talented employees will be the first to leave the Pick n Pay business and hence it is imperative to have measures in place to ensure that deserving employees receive some recognition for their commitment and dedication.

In light of the above, the Committee has approved an ex gratia payment for divisions, in Pick n Pay, that have met their performance goals and deserving employees that have performed exceptionally well. This ex gratia payment was targeted at a pool of talented and critical employees at middle management level.

The discretion utilised will be key to achieving retention in a highly competitive and volatile trading environment.

Considering our shareholders' views on remuneration

I encourage all our shareholders to continue to engage with myself and the Board on remuneration and other strategic matters, so that shareholder concerns continue to be reflected in the decisions taken.

The process we will follow for the 2024 AGM

The Remuneration Committee values open and constructive engagement with shareholders. We encourage shareholders to engage with the Committee on all material remuneration concerns to ensure that they are informed when voting on the Group's remuneration policy and the application thereof. Please direct all comments and queries to our Company Secretary via email at CompanySecretary@pnp.co.za

The role of independent external advisors

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

The Group utilised the services of REMchannel and 21st Century during the year for various aspects of remuneration benchmarking.

The Committee is satisfied that these remuneration specialists all provided objective and independent advice and services to the Group.

The Committee's role has been pivotal in striking the right balance between attracting, motivating and retaining employees in a challenging market and aligning remuneration outcomes with operational performance and shareholder interests. It is not an easy balance to get right, and I hope that shareholders are able to see how we have applied careful judgement in the application of our remuneration policies in order to achieve fair and reasonable outcomes.

I trust that our commitment to listen carefully to our shareholders, and amend our policies and actions where necessary, was evident in the constructive engagements we held with shareholders and with our improved disclosures this year. The Committee will continue to review and evolve the Group's remuneration policies in a measured and responsible manner that considers the needs of all stakeholders.

Audrey Mothupi

Chair: Remuneration Committee

26 June 2024

Section 3: Understanding the Group's remuneration policy

Guide for stakeholders

This section provides information on the Group's remuneration policies and practices, including:

- Key principles underlying the remuneration strategy
- Remuneration structures, including detail on guaranteed and variable remuneration
- Service contracts, termination benefits and minimum shareholding requirements
- Malus and claw-back

The Group's remuneration policy is forward-looking and will be voted on by shareholders at the AGM on 27 August 2024.

The Group strives to build a diverse and high-performance team that is fairly rewarded and incentivised to deliver on the Group's strategic objectives over the short, medium and long term.

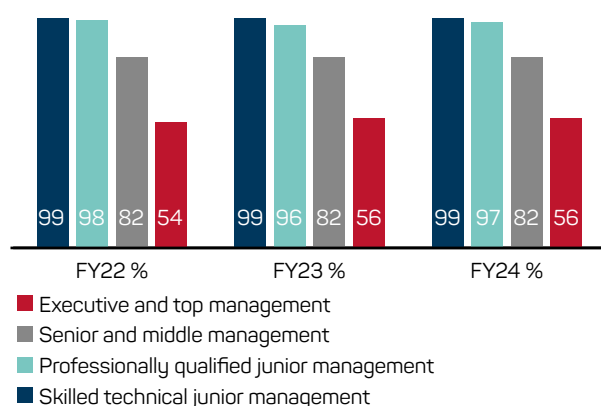
The Group's framework of remuneration policies is designed to provide employees with fair, responsible and balanced reward that recognises the attainment of short-term goals, while incentivising long-term, sustainable value creation.

Overview of remuneration policy

The interests of our team are aligned with those of our stakeholders through governance practices based on four key principles.

1 Promoting diversity and building talent

- The Group provides equal opportunities to people from all walks of life to ensure our team adequately reflects the communities we serve
- Remuneration packages are benchmarked at all levels and are designed to attract, develop, motivate and retain the retail industry's most talented employees
- Our employment equity representation at the various occupational levels have been consistent with the previous year



2 Efficient and productive workforce

- The Group is committed to building a high-performance culture that rewards performance. Greater focus is being placed on having a robust performance management process that is aligned to reward outcomes.
- The business strategy is focused on building a winning team, and unlocking productivity and efficiency gains across our supply chain, stores and support operations.
- Regular reviews of operational effectiveness ensure efficiency and cost discipline are achieved through ongoing improvements in employee structures.
- Group and individual performance targets increasingly focus on key measures of employee efficiency and productivity.

4 Responsible executive remuneration

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

3 Fair and responsible remuneration

- The Group is committed to fair and responsible remuneration for all employees, in line with market benchmarks
- We provide adequate opportunities for development and career progression by providing training programmes and bursaries and study grants for further education
- There is equal opportunity for growth and development, and employees are recognised and advanced based on performance



Fair and responsible remuneration

The Group is committed to a total reward offering built on a foundation of fair and responsible pay that is linked to our remuneration policy of pay for performance.

The current minimum wage in South Africa is R27.58 per hour in 2024. It became valid on 1 March 2024. The Group is committed to and complies with all legal and statutory requirements, including the application of the minimum wage across all employee categories.

Fair and responsible

The Group assesses remuneration as fair and responsible in the context of the following criteria:

- Fair and responsible for the role performed (internal equity)
- Fair and responsible in terms of compliance with relevant legislation
- Fair and responsible in terms of agreements with unions
- Fair and responsible in terms of market benchmarks (external equity)
- Fair and responsible in terms of long-term sustainability

Equal pay for equal work

The Group follows an equal pay for equal work policy and does not discriminate based on race, ethnicity or gender. Salaries are benchmarked annually against the REMchannel salary survey to ensure external equity. Benchmarking is conducted at a national and retail level to ensure that our salaries are competitive and relevant at both levels.

We ensure internal equity by constantly assessing pay gaps relative to similar jobs within the Group as well as against our pay scales.

We also follow a job grading methodology that is consistent and provides a fair and accurate job grade that allows for appropriate salary benchmarking.

Unjustifiable pay disparities are addressed during the annual salary review process, where we assess and adjust the salaries of unjustifiably underpaid employees in line with the prevailing income disparity pay mandate. The salary adjustment is capped at a pre-determined approved percentage to limit exorbitant increases. Specific focus is given to African, Coloured, Indian and Female employees. Employees in roles that are classified as scarce and critical skills are also considered during this process to ensure that the pay gap is gradually narrowed.

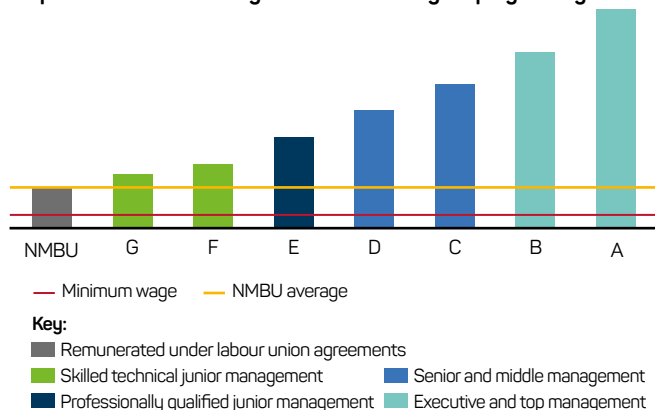
The income gap

The Group's statistical analysis of its income distribution across its full-time employees demonstrates large income disparity, driven by the high number of unskilled and semi-skilled workers employed across its retail store estate. This is reflective of norms in the retail industry, with higher levels of guaranteed and variable remuneration paid to skilled and senior management.

The analysis does not yet consider variable-time employees. The significant variation in hours worked across the variable-time labour force does not allow for reasonable comparability.

The below graph shows our average pay at the various grade levels within the Group and in line with our commitment to paying our employees terms and benefits over and above the legislated requirement, thus reflecting our commitment to provide employees with a market benchmarked pay and benefits to attain an acceptable standard of living.

Representation of average remuneration by employment grade

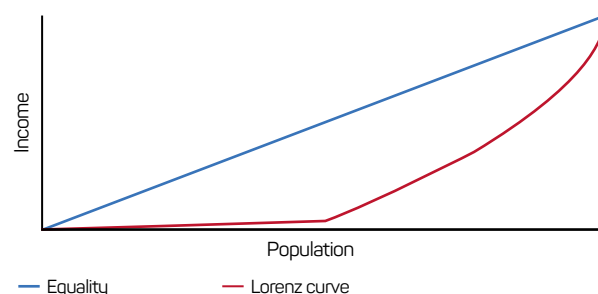


In the non-management bargaining unit population, the average salary is between 11% and 28% above the Sectoral Determination 9 average minimum prescribed salary.

In recent years, there has been an increased focus on pay gap reporting to bring into focus and promote a fairer and more equal society. In line with the Companies Act amendment bill and reporting requirements, the Group's pay gap methodology compares the average of the top 5% highest earners in the Group with the average of the lowest 5% full-time, permanent employees, giving us an income differential ratio of 18.37.

A statistical analysis of the pay gap within the Group is expressed in terms of the Gini coefficient, which is 0.59, translating into a significant pay gap between the top 5% and bottom 5% of earners. It is widely accepted that South Africa is one of the most unequal societies in the world. In this respect, the Gini coefficient for the country stands at about 0.66. In contrast, the Group Gini coefficient is at least significantly below the national Gini – estimated at 0.59. However, despite this lower level of internal wage inequality within the Group, the Group will continue to strive to reduce wage disparities with a view to maintaining the balance between equity and incentives as part of its annual salary review process.

Relative income equality[#]



[#] The Group has refined the way it reports on relative income equality. In the prior year relative income equality was measured across all employees. This year, in line with proposed changes to the Companies Act, relative income equality is now measured across the top and bottom 5% of earners.

In addition, we also follow a systematic approach in our daily decision-making by ensuring that we have adequate remuneration processes in place to enable the business to make responsible pay decisions when promoting or appointing new employees. We ensure that our pay ranges are aligned to market benchmarks by matching jobs to similar jobs in the market and guidance is provided to the business in terms of the minimum salary to be offered.

Non-management bargaining unit (NMBU) employees

The Group undertakes collective bargaining for wages and benefits, with two different national negotiation committees, in Boxer and Pick n Pay. Boxer has 30% of union participation and Pick n Pay has 65% employees belonging to a union. Employees remunerated under contractual agreements with labour unions are paid in accordance with agreed hourly pay scales and additional benefits, without any differentiation based on race, gender or disability. Negotiations with our labour unions consider:

- Statutory minimum wage requirements in South Africa and the retail sector
- Individual job categories as defined in the SD9 regulation*, as well as the Basic Conditions of Employment Act
- The economic environment, including the inflation outlook
- Additional benefits provided for the well-being of our employees
- Affordability, with a particular focus on the projected percentage increase in like-for-like sales growth relative to the percentage wage increase and the increase in other costs, to determine whether the wage increase is affordable for the Group, or whether it is likely to reduce our overall competitiveness and our capacity to offer greater value to customers through lower prices

* Sectoral Determination 9 – applying to the employment of employees in the Wholesale and Retail Sector in South Africa.

Management employees

Guaranteed pay and variable incentives are benchmarked against the market to ensure employees are remunerated competitively. The Group is committed to improving the pay gap and will ensure that appropriate policies are in place to manage the income gap.

The Committee will continue to ensure that remuneration is benchmarked to the market at all levels, that we provide industry-leading benefits, and that the Group continues to award higher annual salary increases to lower levels of management. Refer to page 110 for historic increases.

Benchmarking remuneration to the market

Guaranteed pay and variable benefits at each employment grade are benchmarked annually against industry norms to ensure employees are remunerated competitively in relation to the broader employment market and the retail industry specifically. Remuneration is generally positioned at the market median. Key or scarce skills and high performers are remunerated at the upper quartile of the market. Independent experts assist with remuneration benchmarking for senior leadership level positions, to ensure that decisions are objective and fair.

Employees below senior executive level

The Group utilises REMchannel national surveys to benchmark remuneration annually against the national and retail markets.

Senior executive benchmarking

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

Clicks, TFG, Mr Price, Shoprite, Pepkor, Spar, Truworths, Woolworths.

Remuneration framework

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

Guaranteed remuneration

Fixed salaries and benefits across the Group are set at levels that are competitive with the rest of the market. This enables the Group to attract, motivate and retain the right calibre of diverse people to achieve our strategic business objectives.

Base pay

- Tailored to reflect the skills, competencies and experience required for the role
- Remuneration is directly linked to formal annual performance assessments
- Annual increases are based on the performance of the individual and their pay positioning in line with the approved salary increase mandate



Benefits

- Healthcare benefits
- Retirement funding
- Leave
- Insured benefits
- Bursaries and study grants
- Long-service awards
- Other benefits at store level, including meal, transport and uniform subsidies in Pick n Pay



The Group benchmarks its guaranteed pay and benefits against several JSE-listed and unlisted comparator companies.

Variable incentives

Variable incentives are designed to retain, reward and incentivise performance over one- (STI) to three-year (LTI) periods. Variable benefits are closely linked to achieving Group, divisional operating units and individual performance objectives.

Short-term incentives (STI)

- Annual cash bonus rewards qualifying employees based on meeting key performance targets.
- Other, more frequent bonuses are paid to qualifying employees at store level.



Long-term incentives (LTI)

- Cash retention incentive scheme (CRI)
- Restricted share plan (RSP)
- Retention and reward aimed at executive and top management (RS).



The basis for calculating STIs and LTIs is formulaic in nature. Participation in variable incentive schemes is at the discretion of the Remuneration Committee and documented in the relevant scheme rules. The Committee may exercise discretion to award ex gratia payments where extraordinary value was created or elect to moderate or withhold incentives where individual performance does not warrant an award.

Category

● Skilled technical junior management ● Professionally qualified junior management ● Senior and middle management ● Executive and top management

Remuneration mix

Remuneration is balanced between guaranteed remuneration and variable incentives to align employee and shareholder interests over the long term. To achieve a high-performance culture, a higher proportion of variable remuneration is applied to senior management employees to drive performance, with a greater emphasis on total guaranteed pay (TGP) for middle and junior management.

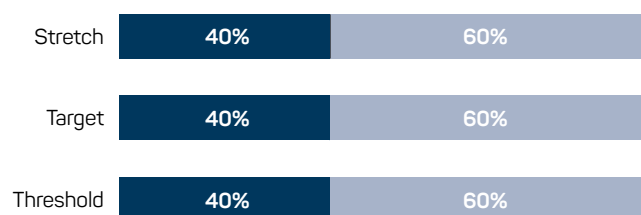
Variable remuneration consists of short-term incentives (STI) and long-term incentives (LTI) and is considered "at risk pay" as it is dependent on meeting performance targets that are closely aligned to the Group's long-term strategic plan. Performance targets are set within the Group's overall risk appetite, with the objective of being challenging but realistic, in order to achieve retention and drive performance in the broader context of the Group's economic and trading environments.

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

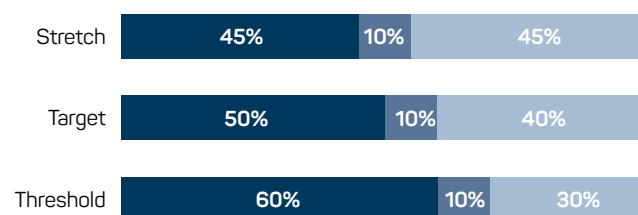
	Remuneration outcome*		
	TGP	STI award	RSP vesting
Below threshold	100%	0%	0%
Threshold	100%	80%	40%
Target	100%	100%	70%
Stretch	100%	120%	100%

* Excluding the CEO.

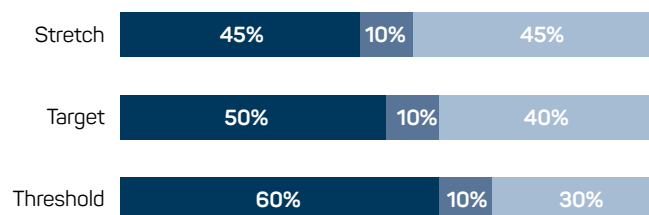
CEO*



CFO



Top management



TGP STI LTI/Retention

* The potential remuneration mix for the CEO does not include provision for a short-term incentive bonus (STI), which remains at the discretion of the Remuneration Committee.

Aligning variable pay with delivering the Group strategy

The Group's variable remuneration policies are strongly aligned with the Group's long-term plan, designed to incentivise the delivery of the Group's financial and operational objectives over a one- and three-year period.

Primary KPIs

Primary KPIs align management interests with those of shareholders:

Profit before tax and exceptional items (PBTAE)	●
Sales growth	●
Comparable HEPS, adjusted for exceptional items as appropriate	●
ROIC and Recapitalisation Plan	●

● Short-term incentive scheme – annual performance bonus ● Long-term incentive scheme – restricted share plan

Secondary KPIs

Individual KPIs drive management performance against a balanced scorecard of financial, operational, transformation and good business targets, including ESG targets, refer overleaf. ●

Individual KPIs have been introduced as a threshold target in the RSP. ●

The execution of the Group's strategy is measured against KPIs within its key strategic focus areas. The long-term strategic ambitions are aligned with the HEPS performance targets of the RSP. Future LTI schemes, including but not limited to the RSP, will be reviewed during FY25 to ensure retention and reward of key talent as the Group focuses on returning the Pick n Pay segment to profitability and the further expansion of its growth drivers Boxer, Pick n Pay Clothing and Online. KPIs are utilised to incentivise and measure the performance of senior management in the Group's annual performance bonus scheme (short-term incentive scheme).

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

↓ 50%

in food waste by 2030
(against a 2019 baseline)¹

Net Zero Carbon

(scope 1 and 2) by 2050,
-60% by 2040
(against a 2022 baseline)²

100%

packaging to be recyclable/re-usable
by 2025¹

100%

CO₂ refrigeration by 2040²

75%

of general waste diverted from
landfill by 2025¹

↓ 20%

reduction in water usage
per store 2025
(against a 2018 baseline)¹

¹ Pick n Pay company-owned stores and operations.

² Pick n Pay and Boxer company-owned stores and operations.

Please refer to the Sustainability Report for more detail.

Short-term incentives

Annual short-term bonus scheme

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

Criteria to participate in the short-term bonus scheme

Approximately 1000 executive and management employees are eligible to participate. Employees must:

- Be in the Group's employ for at least four months of the financial year, with the bonus applied pro rata
- Achieve the prescribed minimum performance level on their annual performance appraisal

Employees cannot have resigned prior to the bonus payment date or be completing a resignation notice period.

A formulaic approach to calculating the short-term bonus

- The Group must first attain the threshold target set by the Remuneration Committee for PBTA before any bonus is payable to the management team. This gatekeeper PBTA target is applied at Group or divisional level, as appropriate, and ensures the bonus is affordable for the Group.
- The PBTA target determines the maximum of the short-term bonus pool based on a formal and transparent pay-out multiple linked to participants' 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%.
- The value of the short-term bonus paid to each participant is determined through a balanced scorecard of Group performance and individual KPIs. Performance targets are determined and communicated to participants annually in advance.

Short-term incentives balanced scorecard:

Group or divisional financial performance weighting 60%

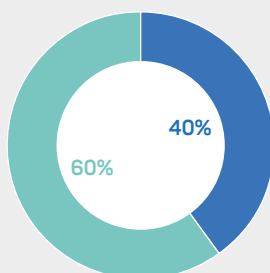
60% of the pay-out multiple is subject to the attainment of PBTAE and sales targets as set by the Remuneration Committee on an annual basis.

Focus on earnings and top-line trade performance is important to ensure that the Group delivers growth in a sustainable manner.

Weighting

Group or divisional performance targets

PBTAE	60%
Sales growth	40%



40% Individual financial and non-financial performance weighting

40% of the pay-out multiple is subject to each participant achieving two key performance targets specific to their role within the Group. This is agreed on with their line manager on an annual basis and monitored through the formal performance appraisal process.

The executive team is subject to a third key performance target linked directly to the Group's ESG objectives, as appropriate.

Weighting

Individual performance targets

Individual KPI	40%
Individual KPI	40%
Relevant ESG KPIs	20%

Application of STI methodology for the Group's CEO and CFO

The CEO and CFO did not receive any performance bonuses for the year under review due to the poor financial results.

Other short-term bonuses

Other more frequent bonuses are paid to qualified employees at store level. These incentives are directly linked to short-term sales and profit targets. Previously these bonuses were linked to seven store-related KPIs, but it was simplified and refocused during the year, to ensure that the store management teams are focused on the key in-store metrics that drive overall profitability.

Long-term incentives

Long-term incentives are an integral part of the Group's remuneration philosophy to ensure the long-term retention of skilled and key talent at all levels of management and to align the interests of senior executives with those of shareholders.

The Group maintains a long-term cash retention scheme for middle management employees and a long-term share incentive scheme for our senior management team.

Cash retention incentive scheme

The objective of the CRI scheme is to recognise and retain key talent at 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 cash salary, and vests after a period of three years.

Retention in a highly contested retail environment is the primary objective of the scheme and, as such, no performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If a participant leaves before the end of the vesting period all unvested cash awards will lapse, subject to good leaver provisions (such as retrenchment, ill health or disability).

Participants are identified through the Group's formal performance management process, and awards are made on an annual basis, allowing for participants to receive rolling annual awards as they progress through the Group.

Funding of share incentive schemes

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

Legacy share option scheme

The Group's legacy share option scheme (the 1997 employee share option scheme) was replaced by the CRI in FY22. All outstanding share options previously awarded under the scheme will vest in participants over the next four years under the original terms and conditions of the awards. No further share options are awarded under this scheme.

There is currently no fair value of the options because all of their grant prices were below the closing share price of R23.25 on 25 February 2024.

Financial period	Average grant price R	Number of options 000's
Outstanding share options may be taken up during the following financial periods:		
2025	64.08	10.1
2026	70.14	1.1
2027	65.32	0.6
2028	50.95	0.1
Total		11.9

Restricted share plan

The RSP recognises executive and top management employees who have a significant role to play in delivering the Group's strategy and its growth and sustainability.

The RSP has performance conditions attached to incentivise participating employees to deliver long-term earnings growth in line with the Group's strategic plan. An award of shares may also be used to attract talented prospective employees and progress the Group's transformation strategy.

All future LTIs, including the RSP, are currently under review and as such no RSP was issued during the year under review, with the exception of the new CEO award. The Remuneration Committee will consider all relevant options for future LTIs to ensure retention and reward during the critical years to follow in order to support the successful delivery of the Group's strategy and specifically the Pick n Pay turnaround strategy and the Group's Recapitalisation Plan.

Value	- The Remuneration Committee awards zero-strike RSP shares to participants. The values of in-flight awards were calculated as a percentage of each participant's basic annual cash salary: - CEO 150% - CFO 100% - Top management 50% – 100% - The value of shares awarded to participants is aligned to market benchmarks, each participant's individual contribution to long-term value creation, and other relevant retention and attraction considerations.
Vesting	- The shares are held by a Central Securities Depository Participant on behalf of participants over the time of the vesting period (normally three years). - Participants cannot dispose of the shares before the vesting date. - If a participant leaves the Group before the completion of the vesting period, all shares and accrued dividends are forfeited (subject to good leaver provisions).
Performance conditions/targets	- In order to drive the stated retention objectives of the RSP, threshold performance targets (40%) are linked to the attainment of individual KPIs as measured through the Group's formal performance management process. - On-target (70%) and stretch (100%) performance targets are linked to the Group's financial performance, with in-flight awards utilising compound annual growth in comparable HEPS linked to growth in CPI. - 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. - The performance targets for the CEO are separately disclosed on page 105.
Ownership rights	- Participants have full voting rights over the period. - Dividend rights are at the discretion of the Remuneration Committee, are deferred until vesting date, and are paid in direct proportion to the number of shares which vest.

Service contracts and termination benefits

Executive directors and senior management are employed in terms of the Group's standard contract of employment. They are only employed on a 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 has a three-year service contract from 30 September 2023 and has a notice period of three months. The CFO has a notice period of 12 months.

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

Remuneration policy on termination of employment

	Salary	Benefits	STI	LTI
Voluntary resignation	Paid over notice period	Paid over notice period	Lapses	Unvested awards forfeited
Dismissal / termination	Paid until termination	Paid until termination	Lapses	Unvested awards forfeited
Early retirement from 55 years of age	Paid over notice period	Paid over notice period	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved
Normal retirement	Paid until retirement	Paid until retirement	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved
Retrenchment (voluntary or involuntary)	Paid until exit	Paid until exit Severance payments apply	Paid on normal payment date Pro rata for time served	Accelerated early vesting Pro rata for time served and performance conditions achieved

Minimum shareholding requirement (MSR)

The CEO is required to retain 100% of the shares delivered under the Group's share incentive schemes (after the settlement of tax), while in the employ of the Group, with reductions of up to 50% allowed with Remuneration Committee approval.

The Committee will consider extending the MSR to the CFO and other members of the senior executive team over the coming year.

Malus and claw-back policy

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

Trigger events for the application of either malus or claw-back are set out in the policy and include:

- Fraud, dishonesty, or the misrepresentation of financial performance
- Errors or misstatements in financial results which result in greater remuneration outcomes
- Reputational damage

Non-executive director fees

Non-executive directors do not have service contracts but serve under a formal letter of appointment from the Board and are re-elected by shareholders on a rotational basis.

Fees are not linked to the performance of the Group or its share price and are paid six monthly in arrears. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. Their services may be terminated without liability for compensation.

Benchmarking is conducted on an annual basis to benchmark fees against a select peer group of South African JSE-listed companies, based on market capitalisation, turnover and total assets. Fees are proposed based on the benchmarked outcomes as well as other survey information available in the market. The Chief People Officer proposes the fees to the Remuneration Committee, who thereafter recommends the fees to the Board for final approval from shareholders.

The table below sets out the remuneration principles applied for non-executive directors' fees. These principles form the underlying basis for the directors' fees tabled for shareholder approval – refer to page 112 for the detailed fees.

Non-executive director fees have been benchmarked against an appropriate peer group of JSE-listed companies, including:

Clicks	Pepkor
Dischem	Tiger Brands
Shoprite	Truworths
Spar	Woolworths
TFG	Mr Price

Chair	The Chair's fee reflects the active role he plays in the Group's corporate governance and in formulating overarching strategies. He does not play a day-to-day role in the executive management and administration of the business but makes himself available to the executive team in an advisory capacity.
Lead independent director and other directors	Directors' fees are market-related, based on relevant benchmarks, and commensurate with the time required for directors to fulfil their duties. Annual fees are not subject to attendance at meetings, as meetings are well attended.
Committee membership	The fees reflect the additional responsibilities taken through the chairpersonship and membership of Board committees.
Consultancy fees	The fees related to additional consultancy services to the Board and its committees are determined and approved by the Remuneration Committee on an ad hoc basis, considering the nature and scope of the services rendered.
Expenses	The Group settles all travel and accommodation expenses related to the work of the Board.

Section 4: The remuneration implementation report for FY24

Guide for stakeholders

This section details how the Remuneration Committee implemented the remuneration policy over FY24, based on Group and individual performance. It includes information on:

- Guaranteed pay, including for the CEO and CFO
- The awards aligned with the STI and LTIs
- Non-executive director fees

The report on the implementation of the remuneration policy will be voted on by shareholders at the AGM on 27 August 2024.

The implementation report details the key decisions taken by the Committee this year, including the steps taken to provide fair and balanced remuneration in a year that can only be described as the most challenging in the Group's history.

The Committee has complied with the Group's remuneration framework and policy, and all policies applied are consistent with the prior year. Pick n Pay moved to a cost-to-company remuneration model in March 2023. This provides employees with greater flexibility in tailoring their guaranteed package and provides greater clarity on pay parity across the organisation.

Tables are provided at the close of this section for a summary of the remuneration paid to executive and non-executive directors.

Executive directors and senior management

Executive directors' total guaranteed pay

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

	CEO		CEO		CFO		Executive director	
	Pieter Boone*		Sean Summers*		Lerena Olivier***		Jonathan Ackerman**	
	FY24 R'000	FY23 R'000	FY24 R'000		FY24 R'000	FY23 R'000	FY24 R'000	FY23 R'000
Base salary	7 880.3	10 707.0	10 000		5 683.4	5 160.0	126.0	1 217.1
Retirement and medical	531.9	968.5	–		267.1	488.1	15.5	271.2
Other benefits	1 126.7	3 200.0	–		35.6	340.4	118.8	324.5
Termination settlement	15 776.0	–	–		–	–	–	–
Total guaranteed pay	25 314.9	14 875.5	10 000		5 986.1	5 988.5	260.3	1 812.8

* Sean Summers replaced Pieter Boone as CEO on 30 September 2023. Pieter Boone received a termination settlement in terms of his contract of employment.

** Jonathan Ackerman was employed for one month in the current financial period. He then retired but stayed on as non-executive director.

*** As part of Pick n Pay's transition to a cost-to-company model re-allocations were made between base salary, retirement and medical and other benefits, with no increase in the total guaranteed pay.

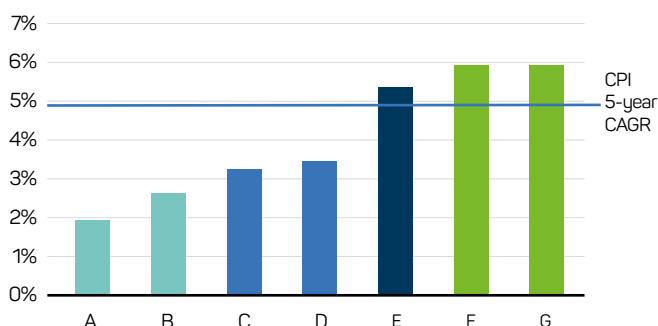
Annual salary increases

The following factors are considered in determining a fair, equitable and competitive salary increase:

- Group performance and affordability
- Macro-economic environment
- Market benchmarking

The Group distributes salary increases on a matrix based on individual performance and pay positioning to ensure that we maintain and drive our pay for performance philosophy. Additional allocations are made to specifically address income disparities and narrow the pay gap. Income disparity increases takes place bi-annually in line with our commitment to close the pay gap, where necessary.

Salary increases over five years – 5-year CAGR



Key:

- Executive and top management
- Senior and middle management
- Professionally qualified junior management
- Skilled technical junior management



The CEO and CFO, in support of the cost-saving initiatives, chose to forego any salary increase in FY23 and FY24.

Category	FY24 annual salary % increase	FY23 annual salary % increase
CEO	–	–
CFO	–	–
Top management	3.5%	2.3%
Senior and middle management	3.5%	4.5%
Junior management	4.5%	5.4%
Entry level and non-management	4.5%	5.4%

The average increase for NMBU employees in FY24, as governed by labour union agreements, was an average of 6.7% to 8.0% (FY23: 6.4% to 7.3%).

Short-term incentive

The Committee determines annual financial performance targets in advance of the Group's short-term incentive bonus scheme for the coming financial year.

FY24 performance against STI targets

	FY24 Target	FY24 Actual performance
Sales growth	8.1%	5.4%
Comparable profit/(loss) before tax (PBT)	R1 404 million	(R1 673 million)
PBTAE	R1 404 million	(R1 673 million)
PBTAE margin	1.2%	(1.5%)

The Group delivered a weak FY24 result, driven by a substantial trading loss in the Group's Pick n Pay business. Group turnover increased by 5.4% driven primarily by the strong growth from Boxer and the Pick n Pay Clothing stand-alone stores. Gross profit margin declined while gross profit in rand terms also declined 3.1% year-on-year.

Based on the above result, the primary PBTAE target had not been met and therefore under the rules of the STI scheme, no performance bonuses have been awarded and no payment made under this scheme.

Long-term incentive

No RSPs were awarded in FY24 due to the business transition and changes, except for those to the incoming CEO.

The Group's LTIs will be reviewed and the effectiveness re-assessed after the two-step Recapitalisation Plan to ensure that performance conditions are closely aligned to the strategic objectives of the business.

Proposed Restricted share plan awards: CEO

The Remuneration Committee has resolved to award Sean Summers 4 000 000 performance-based shares in terms of the Restricted Share Plan, with performance conditions linked to targets under the Group's long-term plan. As the Company is currently in a closed period due to it being under cautionary announcement in relation to the proposed two-step Recapitalisation Plan, the formal allocation of the shares and clearance to trade will be deferred until after the terms of the Rights Offer have been announced in the market, which is expected mid-July 2024, and the cautionary announcement has been withdrawn.

Cash retention incentive scheme

The cash retention scheme introduced in November 2020 is aimed at the retention of key members of middle management. The last award that the Committee approved under this scheme was the FY23 award. The next award will be issued during the second half of 2024 calendar year.

A summary of the current in-flight awards are reflected below for information purposes:

Category	2022 Award
Vesting date	June 2025
Retention period	36 months
Number of participants	260
ACI participation	64%
Female participation	45%

Restricted share plan awards

Delivery of executive share awards

	Number of shares millions	Number of participants	Base year	Three-year comparable HEPS growth target			Vesting date
				Threshold	Target	Stretch	
RSP 2021 (RSP 2)	3.2	122	FY21	Personal KPIs	CPI plus 1%	CPI plus 2%	June 2024

The original HEPS performance targets set for the scheme could not anticipate the level of trade disruption which would unfold over its three-year term, and on this basis the threshold target was amended during the previous financial year to allow for a 40% vesting based on the achievement of personal KPIs.

The restricted shares held by most of the senior leadership team were forfeited 100% due to the poor business performance delivered in FY24.

Only 60% of the participants of the RSP 2 awards benefitted from the 40% vesting applied as the threshold achievement. In limited cases RSP 2 vested at 100% where exceptional outperformance was rewarded. As a result only 0.9 million of the original 3.2 million share allocated were delivered, the rest were forfeited.

Vesting of the in-flight RSP 3 has also been impacted by the poor FY24 performance and as a result approximately 60% of the awards has been forfeited prior to vesting in June 2025.

	RSP 2022 RSP 3
Vesting date	June 2025
Retention period	36 months
Number of awards issued	2.6 million
Number of awards unforfeited	1.3 million
Three-year comparable HEPS growth targets:	
Threshold – 40% vesting	Personal KPIs
Target – 70% vesting	CPI plus 1%
Stretch – 100% vesting	CPI plus 2%
Number of participants:	
ACI participation	46%
Female participation	28%
Held by executive directors:	
CFO – Lerena Olivier (40% of original allocation)	34 800

Malus and claw-back

No incidents were identified in FY24.

Additional non-executive director fees

Background

Due to the challenges faced by the Group in FY24, three Board members provided additional support and guidance in a number of critical areas, including liquidity management, the Group's debt restructure and the formulation of the two-step Recapitalisation. The support provided was in addition to their normal Board commitments and required attendance at a significant number of additional ad hoc informal meetings. In addition the Nominations and Corporate Governance Committee proposed an increase in the Remuneration Committee Chair fee to align to that of the Audit, Risk and Compliance Committee. The Remuneration Committee Chair declined the proposal.

Proposal

A once-off fee is proposed for the three directors mentioned above, in an amount equal to the annual fee of a member of the Audit, Risk and Compliance committee, in order to adequately recognise the additional work undertaken and the valuable support provided.

Non-executive director	Ad hoc fee
James Formby	R 210 000
David Friedland	R 210 000
Aboubakar Jakoet	R 210 000

Non-executive directors' fees

Guide for stakeholders

The Committee reviewed and recommended non-executive director remuneration (including the additional non-executive directors fees detailed overleaf) to the Board, for shareholder approval at the AGM on 27 August 2024.

Chair of the Board

The Chair has for the third consecutive year foregone an annual increase for FY25 and his fee will remain unchanged from the previous year. In setting the Chair's fees, the Remuneration Committee considered the active role the Chair plays in the Group's corporate governance and in formulating overarching strategy for the individual subsidiary companies. Gareth Ackerman is recused from all discussions in respect of his annual remuneration.

Non-executive directors (NED)

At the AGM held in July 2023, Shareholders approved that a CPI increase be applied to the FY25 fees. Based on this, a 5% increase is proposed for the FY25 fees. A 25% increase is proposed for the LID fees, in line with market benchmarks.

Non-executive director fees (excluding value-added tax) for the current periods

	FY25 proposed R	FY24 actual R
Chair (including participation in all committees)	4 893 300	4 893 300
Lead independent director (including participation in all committees) ¹	1 687 500	1 350 000
Non-executive director	510 300	486 000
Chair of the Audit, Risk and Compliance Committee	441 000	420 000
Chair of the Remuneration Committee	234 150	223 000
Chair of the Social, Ethics and Transformation Committee	234 150	223 000
Chair of the Nominations and Corporate Governance Committee ²	234 150	n/a
Member of the Audit, Risk and Compliance Committee	210 000	200 000
Member of the Remuneration Committee	110 600	105 300
Member of the Social, Ethics and Transformation Committee	110 600	105 300
Member of the Nominations and Corporate Governance Committee	105 000	100 000
Member of the Finance and Investment Committee ³	150 000	–
Member of the Independent Board Committee ⁴	158 550	151 000

¹ The 25% increase reflects the significant role the LID plays on the Board and all committees, particularly his critical role on the Finance and Investment Committee.

² Previously the Committee was chaired by Gareth Ackerman who did not receive an additional fee for this role. Going forward, the Committee will be chaired by independent non-executive director Annamarie van der Merwe who will receive a committee Chair fee aligned with the other board committees.

³ Previously named the Treasury Committee – an advisory sub-committee to the Audit, Risk and Compliance Committee – now constituted as a key standing committee and renamed as the Finance and Investment Committee. The Committee is chaired by the lead independent director who does not receive an additional fee for chairing this committee.

⁴ Previously named the Corporate Finance Committee – the Committee comprises only independent non-executive directors and is chaired by the lead independent director who does not receive an additional fee for chairing this Committee. This Committee is not a key standing committee and is convened only for major regulated transactions or investment decisions. In the event that this Committee is convened during the financial period.



Total remuneration of executive directors

Executive director	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Termination settlement ¹ R'000	Gratuity ² R'000	Total remuneration R'000	Long-term share awards charges – current year ³ R'000
FY24									
Sean Summers ¹	10 000.0	–	–	10 000.0	–	–	–	10 000.0	–
Lerena Olivier	5 683.4	267.1	35.6	5 986.1	–	–	–	5 986.1	(1 413.0)
Jonathan Ackerman ²	126.0	15.5	118.8	260.3	–	–	–	260.3	141.0
Pieter Boone ¹	7 880.3	531.9	1 126.7	9 538.9	–	15 776.0	–	25 314.9	(11 616.4)
Total remuneration	23 689.7	814.5	1 281.1	39 340.1	–	15 776.0	–	55 116.1	(12 888.4)
FY23									
Pieter Boone	10 707.0	968.5	3 200.0	14 875.5	9 814.8	–	–	24 690.3	5 817.8
Lerena Olivier	5 160.0	488.1	340.4	5 988.5	3 870.0	–	–	9 858.5	3 838.0
Jonathan Ackerman	1 217.1	271.2	324.5	1 812.8	378.0	–	1 512.0	3 702.8	1 098.7
Suzanne Ackerman	252.0	23.5	28.2	303.7	–	–	–	303.7	61.4
Total remuneration	17 336.1	1 751.3	3 893.1	22 980.5	14 062.8	–	1 512.0	38 555.3	10 815.9

¹ Sean Summers replaced Pieter Boone as CEO on 30 September 2023. Pieter Boone received a termination settlement in terms of his contract of employment.

² Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date, and received a retirement gratuity of recognition of exemplary service to the Group. On retirement, a portion of outstanding RSP awards vested.

³ The long-term share awards expense or recoupment is determined in accordance with IFRS 2 Share-Based Payments and reflects the current period's charge recorded or recoupment in the Group's statement of comprehensive income and statement of changes in equity. The fair values of share awards are determined at grant date, and are recognised in the statement of comprehensive income and statement of changes in equity over the period during which the employee becomes unconditionally entitled to the award (the vesting period). Long-term share awards will vest in the future only if all the vesting criteria set out in the rules of the 1997 Employee Share Options Scheme and the Restricted Share Plan (RSP), previously named forfeitable share plan (FSP), are met. Dependent on the nature of the vesting criteria, long-term share awards expense may be reversed and recouped by the Group if the vesting criteria are not met. Vesting criteria in respect of the RSP awards, vested in June 2024 and due to vest June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, all of RSP 2 and a portion of RSP 3 long-term share awards allocated to the executive directors have been forfeited and the related expense recouped by the Group in the 2024 financial period.

Total remuneration of non-executive directors

Non-executive director	Directors' fees R'000	Lead independent director R'000	Audit, Risk and Compliance Committee R'000	Remuneration Committee R'000	Social, Ethics and Transformation Committee R'000	Nominations and Corporate Governance Committee R'000	Employee share trust R'000	Total remuneration R'000
FY24								
Gareth Ackerman	4 893.0	-	-	-	-	-	-	4 893.0
Suzanne Ackerman	486.0	-	-	-	223.0	100.0	-	809.0
Haroon Borat	486.0	-	200.0	105.3	-	100.0	-	891.3
Jonathan Ackerman ¹	445.5	-	-	-	105.3	-	-	550.8
Mariam Cassim	486.0	-	200.0	-	-	-	-	686.0
James Formby	202.5	787.5	83.3	-	-	-	-	1 073.3
David Friedland	486.0	-	200.0	-	-	100.0	-	786.0
Aboubakar Jakoet	486.0	-	420.0	105.3	-	-	-	1 011.3
Audrey Mothupi	486.0	-	200.0	223.0	-	100.0	-	1 009.0
David Robins	486.0	-	-	-	105.3	-	-	591.3
Annamarie van der Merwe	486.0	-	-	-	105.3	100.0	-	691.3
Jeff van Rooyen ²	-	562.5	-	-	-	-	-	562.5
Total remuneration	9 429.0	1 350.0	1 303.3	433.6	538.9	500.0	-	13 554.8
FY23								
Gareth Ackerman	4 893.0	-	-	-	-	-	-	4 893.0
Suzanne Ackerman	430.8	-	-	-	197.8	89.1	-	717.7
Haroon Borat	470.0	-	156.2	101.8	-	97.2	-	825.2
Mariam Cassim	470.0	-	156.3	-	-	-	-	626.3
James Formby	235.0	-	78.1	-	-	-	-	313.1
David Friedland	470.0	-	156.2	-	-	97.2	-	723.4
Hugh Herman	195.8	-	-	-	-	-	-	195.8
Aboubakar Jakoet	470.0	-	236.3	101.8	-	-	45.5	853.6
Audrey Mothupi	470.0	-	156.2	215.8	-	97.2	45.5	984.7
David Robins	470.0	-	-	-	101.8	-	-	571.8
Annamarie van der Merwe	470.0	-	-	-	101.8	97.2	-	669.0
Jeff van Rooyen	470.0	156.2	259.9	101.8	-	97.2	45.5	1 130.6
Total remuneration	9 514.6	156.2	1 199.2	521.2	401.4	575.1	136.5	12 504.2

¹ Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.

² Jeff van Rooyen retired on 19 July 2023.



Share awards held by executive directors

FY24	Calendar year granted	Award grant price R	Balance held at 26 February 2023	Forfeits ³	Exercised	Exercise price R	Balance held at 25 February 2024	Available for take-up
Pieter Boone¹								
Restricted shares	2021	Nil	500 000	(500 000)	-	-	-	n/a
	2022	Nil	178 500	(178 500)	-	-	-	n/a
			678 500	(678 500)	-		-	
Lerena Olivier								
Share options	2019	58.05	80 000	-	-	-	80 000	Now
	2019	58.05	60 000	-	-	-	60 000	September 2024
	2019	58.05	60 000	-	-	-	60 000	September 2026
Restricted shares	2020	Nil	60 000	-	(60 000)	37.75	-	n/a
	2021	Nil	87 000	(87 000)	-	-	-	n/a
	2022	Nil	87 000	(52 200)	-	-	34 800	June 2025
			434 000	(139 200)	(60 000)		234 800	
Jonathan Ackerman²								
Restricted shares	2020	Nil	15 000	-	(15 000)	37.75	-	n/a
	2021	Nil	27 000	(11 135)	(15 865)	37.75	-	n/a
			42 000	(11 135)	(30 865)		-	

¹ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023. For share awards granted to Sean Summers subsequent to 25 February 2024, refer to page 111.

² Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date. On retirement, a portion of outstanding RSP rewards vested.

³ Vesting criteria in respect of the RSP awards, vested in June 2024 and due to vest in June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, all of RSP 2 and a portion of RSP 3 long-term share awards allocated to executive directors have been forfeited, and the related expense recouped by the Group in the 2024 financial period. The remaining shares will be delivered to participants at the end of June 2025.

Directors' interest in ordinary shares

FY24	How held ¹	Balance held at 26 February 2023	Additions	Disposals	Forfeits ⁶	Balance held at 25 February 2024 ¹⁰	Beneficial/ non-beneficial interest ²
Gareth Ackerman	direct	309	–	–	–	309	Beneficial
	indirect	1 731 026	17 750	–	–	1 748 776	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	2 850 000	150 000	–	–	3 000 000	Non-beneficial
Pieter Boone ⁸	direct – RSP	678 500	–	–	(678 500)	–	Beneficial
Lerena Olivier	direct	64 050	32 100	–	–	96 150	Beneficial
	direct – RSP	234 000	–	(60 000)	(139 200)	34 800	Beneficial
Suzanne Ackerman	direct	120 528	–	–	–	120 528	Beneficial
	indirect	553 883	–	–	–	553 883	Beneficial
Jonathan Ackerman ⁹	direct	122 888	–	–	–	122 888	Beneficial
	direct – RSP	42 000	–	(30 865)	(11 135)	–	Beneficial
	indirect	828 790	36 265	–	–	865 055	Beneficial
	indirect	2 161	–	–	–	2 161	Non-beneficial
Aboubakar Jakoet	direct	8 764	–	–	–	8 764	Beneficial
	indirect*	750 000	–	–	–	750 000	Beneficial
	indirect	13 059	–	–	–	13 059	Non-beneficial
David Friedland	indirect	34 188	–	–	–	34 188	Beneficial
David Robins	direct	975	–	–	–	975	Beneficial
	indirect	90 436	–	–	–	90 436	Non-beneficial
James Formby	direct	4 000	–	–	–	4 000	Beneficial
	indirect	26 725	–	–	–	26 725	Beneficial

¹ Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.

² Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.

³ The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman in their capacities as trustees.

⁴ The indirect non-beneficial interest in Ackerman Family Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.

⁵ The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.

⁶ Vesting criteria in respect of the RSP awards, vested in June 2024 and due to vest in June 2025, have not been fully met. As a result, and as directed by the Remuneration Committee, all of RSP 2 and a portion of RSP 3 long-term share awards allocated to executive directors have been forfeited, and the related expense recouped by the Group in the 2024 financial period. The remaining shares will be delivered at the end of June 2025, subject to the attainment of performance conditions.

⁷ The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

⁸ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

⁹ Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.

¹⁰ There have been no changes in the directors' interest in ordinary shares since 25 February 2024 up to the date of approval of this report, other than the RSP shares issued to the CEO Sean Summers as detailed on page 111.

* Defined as an indirect beneficial shareholding in terms of JSE classifications. However, the director only has a 10% shareholding in the Company which holds these shares, does not exercise any control over the shares, and receives no direct benefit therefrom.



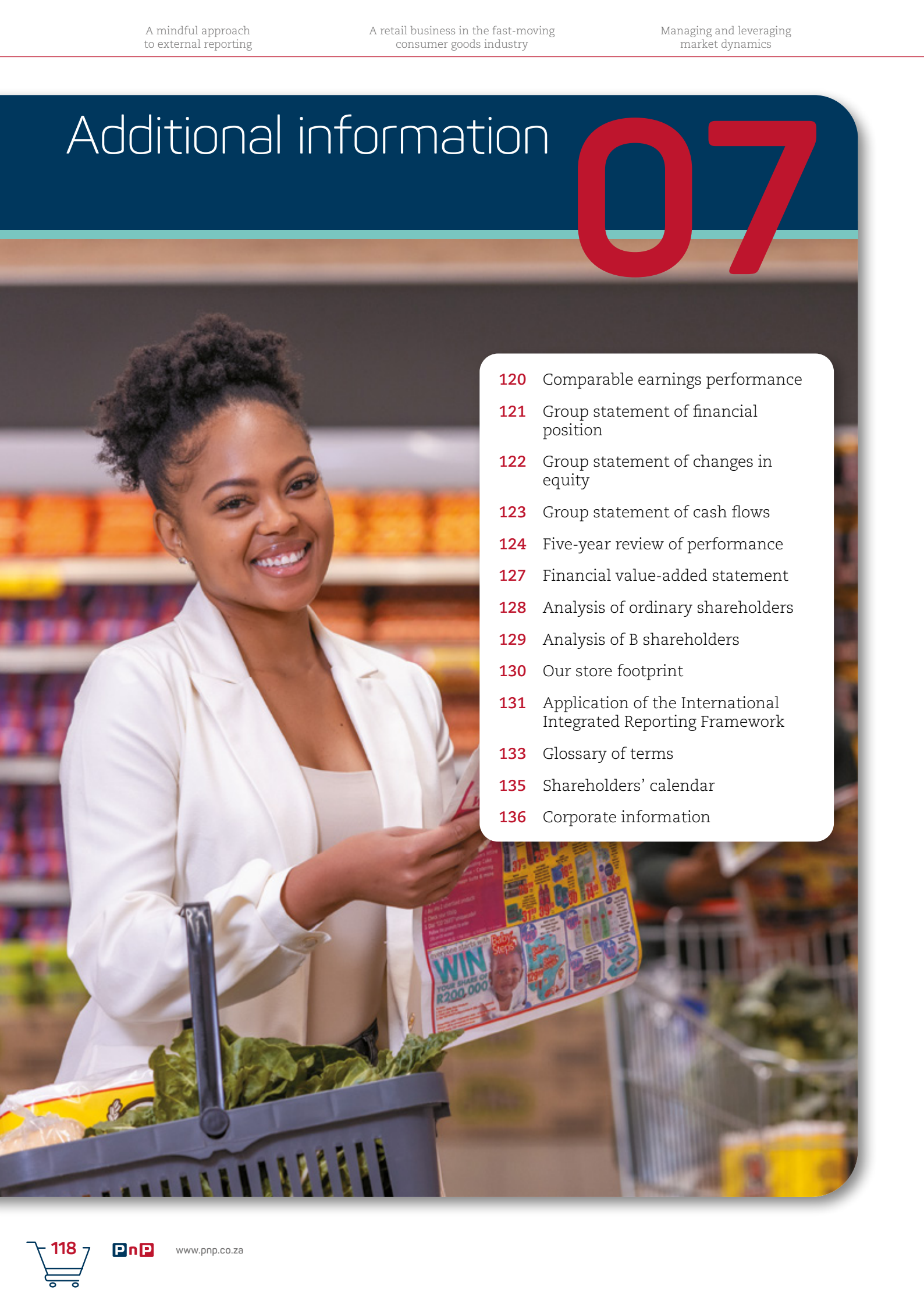
Directors' interest in B shares

FY24	How held¹	Balance held at 26 February 2023	Additions	Disposals	Balance held at 25 February 2024⁶	Beneficial/ non-beneficial interest²
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	direct	233 767	–	–	233 767	Beneficial
	indirect	926 084	–	–	926 084	Beneficial
Jonathan Ackerman ⁵	direct	243 307	–	–	243 307	Beneficial
	indirect	1 135 009	–	–	1 135 009	Beneficial
	indirect	4 280	–	–	4 280	Non-beneficial
David Robins	direct	1 931	–	–	1 931	Beneficial
	indirect	179 118	–	–	179 118	Non-beneficial

- ¹ Direct interests represent a holding in the director's personal capacity. Indirect interests represent a holding by a trust (of which the director is a trustee), a spouse or minor children of directors.
- ² Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.
- ³ The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.
- ⁴ The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.
- ⁵ Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director on that date.
- ⁶ There have been no changes in the directors' interest in shares since 25 February 2024 up to the date of this report.

Additional information

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Summary of our FY24 Annual Financial Results

Definitions of key financial metrics

This table provides the definitions of key metrics referenced in this report.

Growth	The percentage movement of an earnings metric, when compared to the immediately preceding financial period.
Margin	The value of an earnings metric (for example gross profit or trading expenses) expressed as a percentage of turnover.
Trading profit	Earnings generated from the Group's core operations, before interest, tax and before capital items.
Comparable profit before tax (PBT)	Profit for the period before tax and before capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe.
Headline earnings	Net profit for the period adjusted for the after-tax effect of capital items.
Comparable headlines earnings	Profit for the period before tax and before capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe.
Comparable headline earnings per share	Comparable headline earnings divided by the weighted average number of shares in issue for the period.
EBITDA	Comparable profit for the period, before net interest, tax, depreciation, amortisation and capital items, calculated on an IAS 17: Leases basis
Net funding/cash position	Cash and cash equivalents, net of overnight borrowings and short- and long-term borrowings.
Return on invested capital (ROIC)	After-tax trading profit, divided by the average invested capital.
Invested capital	Net asset value excluding lease liabilities and net investment in lease receivables.
Return on capital employed (ROCE)	Comparable headline earnings divided by average shareholders' equity plus secured borrowings.
Net asset value per share	Total value of net assets at period-end, adjusted for directors' valuations of property, divided by the number of shares in issue at period-end, held outside the Group.
Weighted average cost of capital (WACC)	WACC is the average post-tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis.
Weighted number of shares in issue	The weighted average number of shares in issue considers all changes in outstanding shares over the period – including new issuances, share buy-backs and changes in treasury shares held – weighted for the time period that the shares were outstanding during the period.
Market capitalisation	The price per share at period-end multiplied by the number of shares in issue at period-end.
Price earnings ratio	The price per share at period-end divided by comparable headline earnings per share.
Dividend cover	Comparable headline earnings per share divided by the dividends per share which relate to those earnings.
Dividends per share	The interim dividend declared during the current financial period and the final dividend declared after period-end, in respect of the current financial period.
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 period.

Comparable earnings performance

The table below presents the Group's earnings performance for the current and previous period on a comparable basis. Comparable earnings excludes hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).

	52 weeks to 25 February 2024 Rm	% of turnover	% change	52 weeks to 26 February 2023 Rm	% of turnover
Turnover	112 294.8		5.4	106 561.8	
Cost of merchandise sold	(92 014.9)			(85 625.2)	
Gross profit	20 279.9	18.1	(3.1)	20 936.6	19.6
Other income	2 653.5	2.4	17.1	2 265.3	2.1
Franchise fee income	1 021.8	0.9	128.2	447.7	0.4
Operating lease income	112.5	0.1	(28.5)	157.4	0.2
Commissions, dividend and other income	1 519.2	1.4	8.5	1 399.5	1.3
Insurance recoveries	–	–		260.7	0.2
Trading expenses	(22 548.4)	20.1	11.9	(20 153.9)	18.9
Employee costs	(9 000.0)	8.0	7.8	(8 347.9)	7.8
Occupancy	(3 439.1)	3.1	12.6	(3 054.2)	2.9
Operations	(6 117.5)	5.4	13.6	(5 384.3)	5.0
Merchandising and administration	(3 358.1)	3.0	6.0	(3 168.6)	3.0
Expected credit loss allowance [^]	(633.7)	0.6	218.6	(198.9)	0.2
Trading profit	385.0	0.3	(87.4)	3 048.0	2.9
Net finance costs	(2 020.1)	1.8	52.7	(1 322.8)	1.2
Net funding	(608.8)	0.5		(171.1)	0.2
Leases	(1 411.3)	1.3		(1 151.7)	1.0
Share of associate's earnings excluding net monetary adjustments*	(37.6)		(138.2)	98.4	
Comparable (loss)/profit before tax, before capital items and before net monetary adjustments*	(1 672.7)	1.5	(191.7)	1 823.6	1.7
Share of associate's hyperinflation net monetary adjustments*	249.1			(23.4)	
(Loss)/profit before tax before capital items*	(1 423.6)			1 800.2	
Loss on capital items	(2 723.1)			(92.6)	
Net profit/(loss) on disposal of assets	368.7			(20.1)	
Loss from impairments of assets	(2 838.2)			(66.8)	
Impairment loss on investment in associate	(253.6)			(5.7)	
(Loss)/profit before tax	(4 146.7)	3.7	(342.8)	1 707.6	1.6
Tax	956.6	0.9	(277.9)	(537.7)	0.5
(Loss)/profit for the period	(3 190.1)	2.8	(372.7)	1 169.9	1.1
Pick n Pay segment					
Turnover	74 875.5		0.3	74 664.7	
Trading (loss)/profit	(1 543.7)		(220.1)	1 285.2	
Boxer segment					
Turnover	37 419.3		17.3	31 897.1	
Trading profit	1 928.7		9.4	1 762.8	
Earnings per share	Cents			Cents	
Basic (loss)/earnings per share	(661.67)		(371.9)	243.37	
Diluted (loss)/earnings per share	(659.98)		(372.1)	242.54	
Headline (loss)/earnings per share	(203.06)		(178.3)	259.25	
Diluted headline (loss)/earnings per share	(202.54)		(178.4)	258.36	
Comparable headline earnings per share*	Cents			Cents	
Comparable headline (loss)/earnings per share	(254.72)		(196.4)	264.12	
Comparable diluted (loss)/headline earnings per share	(254.07)		(196.5)	263.21	

* (Loss)/profit before tax before capital items include non-cash hyperinflationary net monetary adjustments in respect of the Group's investment in associate attributable to the requirements of IAS 29. In order to present the underlying performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding these non-cash hyperinflation net monetary adjustments. In addition, the Group has presented comparable profit/(loss) metrics for the current and prior period.

[^] Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses have now been separately disclosed.



Group statement of financial position

	As at 25 February 2024 Rm	As at 26 February 2023 Rm
ASSETS		
Non-current assets		
Intangible assets	1 076.0	1 424.4
Property, plant and equipment	9 190.6	8 893.2
Right-of-use assets	11 596.1	11 195.0
Net investment in lease receivables	1 901.9	1 949.1
Deferred tax assets	2 133.5	734.1
Investment in associate	–	72.4
Loans	170.4	117.8
Retirement scheme assets	50.8	68.6
Investment in insurance cell captive	61.1	71.3
Operating lease assets	6.2	8.9
Trade and other receivables	1.7	84.7
	26 188.3	24 619.5
Current assets		
Inventory	10 186.6	10 647.0
Trade and other receivables	4 255.3	4 472.0
Cash and cash equivalents	5 383.2	1 997.8
Net investment in lease receivables	417.8	333.4
Right-of-return assets	24.0	23.4
Derivative financial instruments	1.7	22.0
	20 268.6	17 495.6
Non-current asset held for sale	56.0	250.0
Total assets	46 512.9	42 365.1
EQUITY AND LIABILITIES		
Equity		
Share capital	6.0	6.0
Treasury shares	(556.8)	(643.8)
Retained earnings	756.0	4 685.2
Other reserves	0.5	20.1
Foreign currency translation reserve	(388.3)	(364.7)
Total equity	(182.6)*	3 702.8
Non-current liabilities		
Lease liabilities	16 464.8	15 133.2
Borrowings	4 500.0	–
	20 964.8	15 133.2
Current liabilities		
Trade and other payables	15 184.1	14 661.0
Lease liabilities	2 904.3	2 470.8
Deferred revenue	323.7	377.9
Bank overdraft and overnight borrowings	5 178.7	2 800.0
Borrowings	1 766.1	2 869.4
Current tax liabilities	272.9	269.8
Provisions	100.9	80.2
	25 730.7	23 529.1
Total equity and liabilities	46 512.9	42 365.1
Number of ordinary shares in issue – thousands	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	482 131.8	480 702.1
Diluted weighted average number of ordinary shares in issue – thousands	483 361.6	482 344.2
Net asset value (property value based on directors' valuation) – cents per share	11.0	803.0

* The Board has assessed that on a fair value basis total equity is positive, refer CFO report on page 70.

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 27 February 2022	6.0	(702.1)	4 717.3	(8.6)	(296.9)	3 715.7
Total comprehensive income for the period	-	-	1 169.7	29.7	(67.8)	1 131.6
Profit for the period	-	-	1 169.9	-	-	1 169.9
Foreign currency translations	-	-	-	-	(67.8)	(67.8)
Movement in cash flow hedge	-	-	-	29.7	-	29.7
Remeasurement in retirement scheme assets	-	-	(0.2)	-	-	(0.2)
Other reserve movements	-	-	-	(1.0)	-	(1.0)
Transactions with owners	-	58.3	(1 201.8)	-	-	(1 143.5)
Dividends paid	-	-	(1 112.8)	-	-	(1 112.8)
Share purchases	-	(90.1)	-	-	-	(90.1)
Net effect of settlement of employee share awards	-	148.4	(148.4)	-	-	-
Share-based payments expense	-	-	59.4	-	-	59.4
At 26 February 2023	6.0	(643.8)	4 685.2	20.1	(364.7)	3 702.8
Total comprehensive income for the period	-	-	(3 153.1)	(20.3)	(23.6)	(3 197.0)
Loss for the period	-	-	(3 190.1)	-	-	(3 190.1)
Foreign currency translations	-	-	-	-	(23.6)	(23.6)
Movement in cash flow hedge	-	-	-	(20.3)	-	(20.3)
Remeasurement in retirement scheme assets	-	-	37.0	-	-	37.0
Other reserve movements	-	-	-	0.7	-	0.7
Transactions with owners	-	87.0	(776.1)	-	-	(689.1)
Dividends paid	-	-	(686.9)	-	-	(686.9)
Net effect of settlement of employee share awards	-	87.0	(87.0)	-	-	-
Share-based payments	-	-	(2.2)	-	-	(2.2)
At 25 February 2024	6.0	(556.8)	756.0	0.5	(388.3)	(182.6)*

* The Board has assessed that on a fair value basis total equity is positive, refer CFO report on page 70.



Group statement of cash flows

for the period ended

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023 Rm
Cash flows from operating activities		
Trading profit	385.0	3 048.0
Adjusted for dividend income	(25.0)	–
Adjusted for non-cash items	4 073.2	3 626.3
Depreciation of property, plant and equipment	1 521.9	1 320.5
Depreciation of right-of-use assets	2 395.2	2 148.2
Amortisation of intangible assets	111.5	96.6
Share-based payments	(2.2)	59.4
Lease adjustments	(39.2)	(28.9)
Movement in operating lease assets	2.7	(1.0)
Movement in retirement scheme assets	68.5	51.8
Fair value and foreign exchange adjustments	14.8	(20.3)
Cash generated before movements in working capital	4 433.2	6 674.3
Movements in working capital	1 087.4	(968.2)
Movements in trade and other payables, provisions and deferred revenue	289.8	1 668.9
Movements in inventory and right-of-return assets	494.8	(2 338.2)
Movements in trade and other receivables	302.8	(298.9)
Cash generated from trading activities	5 520.6	5 706.1
Other interest received	225.3	251.7
Other interest paid	(728.7)	(431.4)
Interest received on net investment in lease receivables	195.0	191.9
Interest paid on lease liabilities	(1 625.1)	(1 446.0)
Cash generated from operations	3 587.1	4 272.3
Dividends received	31.6	16.0
Dividends paid	(686.9)	(1 112.8)
Tax paid	(453.5)	(458.4)
Cash generated from operating activities	2 478.3	2 717.1
Cash flows from investing activities		
Investment in intangible assets	(269.5)	(231.5)
Investment in property, plant and equipment	(3 174.3)	(3 401.9)
Purchase of operations	(307.5)	(329.7)
Proceeds on disposal of intangible assets	23.6	25.7
Proceeds on disposal of property, plant and equipment	1 030.4	42.6
Insurance proceeds on capital items	–	13.8
Principal net investment in lease receipts	350.0	299.1
Lease incentives received	49.5	89.6
Loans repaid	101.8	62.4
Loans advanced	(154.4)	(94.3)
Cash utilised in investing activities	(2 350.4)	(3 524.2)
Cash flows from financing activities		
Principal lease liability payments	(2 515.6)	(2 408.8)
Borrowings raised	15 606.5	6 804.8
Repayment of borrowings	(12 209.8)	(7 938.5)
Share purchases	–	(90.1)
Cash generated from/(utilised in) financing activities	881.1	(3 632.6)
Net increase/(decrease) in cash and cash equivalents	1 009.0	(4 439.7)
Net cash and cash equivalents at beginning of period	(802.2)	3 625.3
Foreign currency translations	(2.3)	12.2
Net cash and cash equivalents at end of period	204.5	(802.2)
Consisting of:		
Cash and cash equivalents	5 383.2	1 997.8
Overnight borrowings	(5 178.7)	(2 800.0)

Five year review of performance

Financial metrics

		FY24	FY23	FY22	FY21	FY20
Consolidated statement of comprehensive income						
<i>presented on a 52 week basis</i>						
Turnover	Rm	112 294.8	106 561.8	97 872.8	93 078.8	89 186.5
Other trading income, excluding insurance proceeds	Rm	2 653.5	2 004.6	1 756.9	1 580.9	1 570.2
Trading expenses	Rm	22 548.4	20 153.9	18 014.7	17 294.8	15 997.4
Trading Profit [^]	Rm	385.0	3 048.0	2 886.5	2 707.8	3 174.5
Comparable (loss)/profit before tax	Rm	(1 672.7)	1 823.6	1 832.8	1 583.4	1 897.2
Headline (loss)/earnings	Rm	(979.0)	1 246.2	1 258.9	1 095.0	1 389.9
Comparable headline (loss)/earnings	Rm	(1 228.1)	1 269.6	1 284.0	1 124.2	1 346.7
EBITDA (before capital items)	Rm	960.4	3 313.4	3 096.9	2 849.3	3 272.1
Consolidated statement of financial position						
Total assets	Rm	46 512.9	42 365.1	40 344.5	37 816.5	33 505.3
Ordinary shareholders' equity	Rm	(182.6)[@]	3 702.8	3 715.7	3 386.2	3 010.1
Total liabilities	Rm	46 695.5	38 662.3	36 628.8	34 430.3	30 495.2
Net debt/(cash) position	Rm	6 061.6	3 671.6	377.8	(132.5)	1 037.7
Earnings performance measures						
<i>presented on a 52 week basis</i>						
Turnover growth	%	5.4	8.9	5.2	4.3	4.7
Turnover growth – Pick n Pay	%	0.3	4.7	2.9	*	*
Turnover growth – Boxer	%	17.3	20.0	11.6	*	*
Gross profit margin	%	18.1	19.6	18.8	19.8	19.7
Gross profit margin, excluding impact of new franchise fee model and 2021 civil unrest	%	18.6	19.6	19.6	19.8	19.7
Trading expenses margin	%	20.1	18.9	18.4	18.6	17.9
Trading profit margin	%	0.3	2.9	2.9	2.9	3.6
Comparable PBT growth	%	(191.7)	(0.5)	15.8	(16.5)	6.8
Comparable (loss)/profit before tax margin	%	(1.5)	1.7	1.9	1.7	2.1
HEPS growth	%	(178.3)	(1.3)	14.5	(21.4)	2.9
Comparable HEPS growth	%	(196.4)	(1.4)	13.8	(16.8)	(0.3)
EBITDA (before capital items) growth	%	(71.0)	7.0	8.7	(12.9)	*
Financial position performance measures						
Net asset value per share	cents	11.0	803.0	827.1	769.9	776.2
Net debt/EBITDA	times	6.3	1.1	0.1	(0.0)	0.3
Net finance cost cover ratio	times	1.6	19.4	144.8	51.0	28.7
Return on capital employed (ROCE)	%	(30.6)	31.4	36.2	35.2	44.6
Return on invested capital (ROIC)	%	1.2	10.3	11.4	11.4	*
ROIC excluding impact of once-off costs**	%	2.6	10.3	11.4	12.2	*
Weighted average cost of capital (WACC)	%	10.9	10.3	10.6	10.7	*
ROIC excluding impact of IFRS16	%	(3.9)	14.0 [#]	19.3	20.9	*
WACC excluding the impact of IFRS16	%	14.2	13.4	14.0	13.7	*

[^] The Company has presented its earnings for the current and prior periods on a comparable basis. In addition, the Company has adjusted the prior years (2023 and 2022) to reflect the insurance proceeds of R145.2 million received in 2023, relating to 2022 in the relevant financial year.

[@] The Board has assessed that on a fair value basis total equity is positive, refer CFO report on page 70.

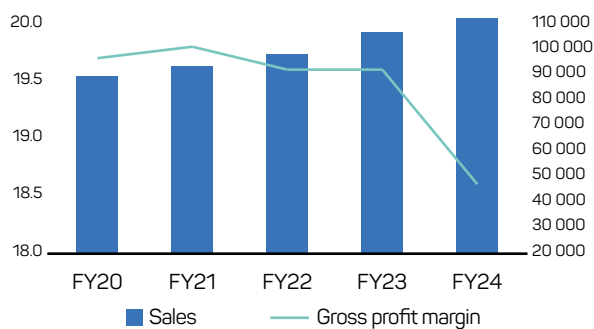
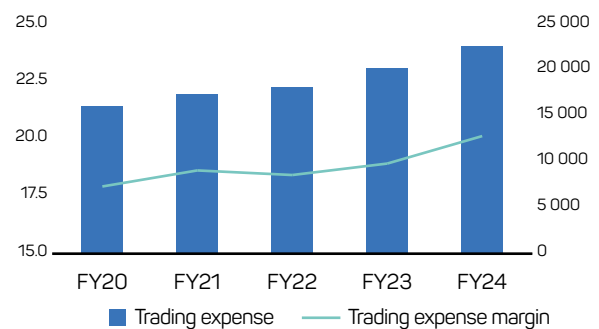
* Information not previously published.

** Once-off costs in 2024 and 2021 relate to employee restructure costs, and in addition in 2024 also relate to duplicated costs incurred during the Longmeadow to Eastport DC handover.

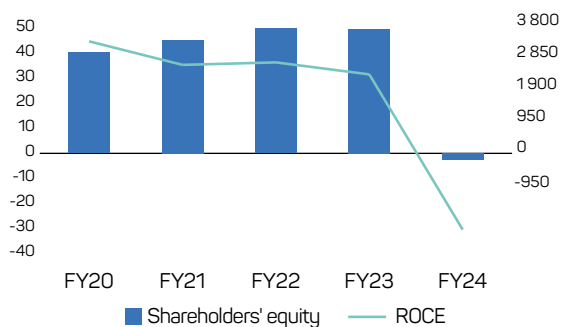
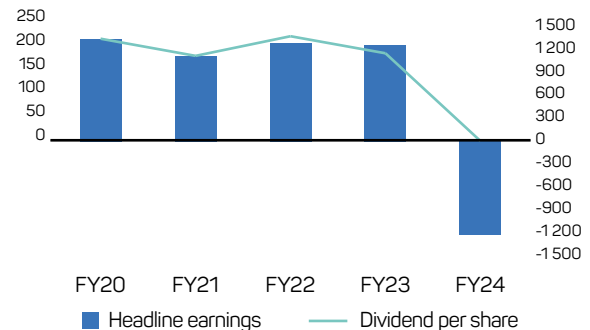
[#] 16.3% on an underlying basis excluding the impact of load-shedding in FY23.



		FY24	FY23	FY22	FY21	FY20
Stock exchange (JSE Limited) performance						
Number of shares in issue	millions	493.5	493.5	493.5	493.5	493.5
Weighted average number of shares in issue	millions	482.1	480.7	479.4	477.5	476.2
Volume of shares traded	millions	632.4	388.0	349.3	261.6	275.8
Percentage of shares traded	%	128.2	78.6	70.8	53.0	55.9
Total market capitalisation	Rbn	11.5	22.5	22.9	25.5	27.3
Market capitalisation net of treasury shares	Rbn	11.2	22.0	22.3	24.7	26.4
Market price per share						
– close at year-end	cents	2 325	4 563	4 644	5 167	5 524
– high for the year	cents	4 719	6 688	6 250	6 778	7 412
– low for the year	cents	2 022	4 302	4 612	4 515	5 155
Price : earnings ratio	times	(9.1)	17.3	17.3	21.9	19.5
Total dividend per share	cents	–	185.15	221.2	179.7	215.9
Interim dividend per share	cents	–	44.85	35.8	18.7	42.8
Final dividend per share	cents	–	140.30	185.4	161.0	173.1
Dividend cover	times	–	1.3	1.3	1.3	1.3
Dividend yield	%	–	4.1	4.8	3.5	3.9

Sales and gross profit margin***Trading expenses and trading expenses margin**

* Excluding impact of new franchise fee model and 2021 civil unrest.

Shareholders' equity and ROCE**Comparable headline earnings and dividend per share**

To improve comparability, prior period information has been restated to conform with current year definitions. Refer to page 133 for further information on the definitions applied.

Non-financial measures

		FY24	FY23	FY22	FY21	FY20
Human measures						
Developed a skilled workforce						
Number of employees	000's	60.3	59.9	57.0	55.2	54.9
Permanent employee turnover	%	23.0	19.0	16.0	15.0	17.0
Employment Equity¹						
Top management	%	56.3	56.2	53.8	49.7	48.5
Senior management	%	82.6	80.8	81.7	79.1	76.8
Professionally qualified middle management	%	96.7	96.1	95.8	95.3	93.8
Skilled technical and junior management	%	98.8	98.5	98.7	98.4	98.2
Semi-skilled and discretionary decision-making	%	99.7	99.7	99.8	99.9	99.8
Unskilled and defined decision-making	%	99.6	99.5	99.7	99.8	99.8
Social and environmental measures						
Carbon footprint (Scope 1 and 2) ²	CO ₂ e tonnes	1 202 350	1 143 345	1 000 558	889 595	987 230
Reduction in energy usage per square metre (FY10 baseline) ³	%	39.0	37.0	35.1	34.4	28.2
Waste diverted from landfill ³	%	55.7	61.0	55.0	61.0	60.0
Water used ³	megalitres	1 100	1 055	1 020.0	1 006	1 117
Total CSI spend ³	Rm	29.2	39.1	38.0	41.3	34.0
Schools in Pick n Pay School Club ³		3 280	3 280	3 185	3 155	3 025
BBBEE Level – Pick n Pay		*	Level 5 ⁴	Level 5	Level 7	Level 7
BBBEE Level – Boxer		*	Level 5 ⁵	Level 6	Level 7	Level 8
Operational statistics						
Total number of stores						
Group – excluding associate						
Pick n Pay – Owned		1 007	957	876	830	794
Pick n Pay – Franchise		722	747	773	761	774
Boxer – Owned		477	428	368	342	298
Associate						
TM Supermarkets		73	72	64	61	59
Total square metres						
Owned	m ² – millions	2.8	2.8	2.7	2.7	2.6
Franchise	m ² – millions	0.7	0.7	0.7	0.8	0.8

¹ These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories within Pick n Pay.

² Information relates to all Pick n Pay and Boxer company-owned stores and operations.

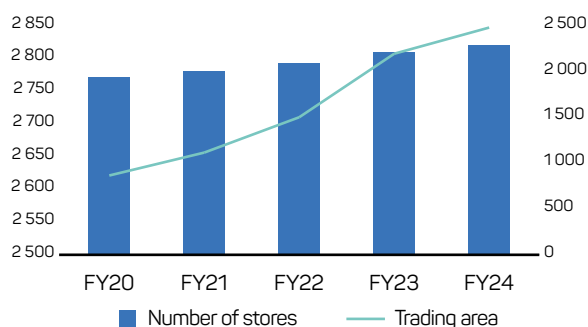
³ Information relates to all Pick n Pay company-owned stores and operations, with a roadmap to include Boxer.

⁴ BBBEE certificates expires 16 July 2024.

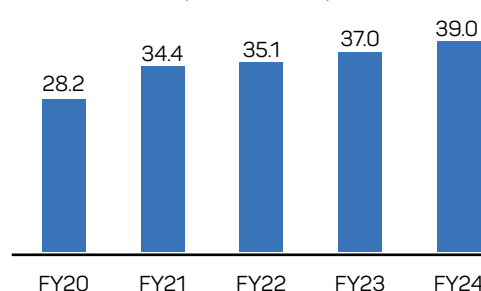
⁵ BBBEE certificates expires 7 December 2024.

* Correction 1 July 2024 - Information not yet available. BBBEE compliance audit currently underway, information to be updated on receipt of updated BBBEE rating.

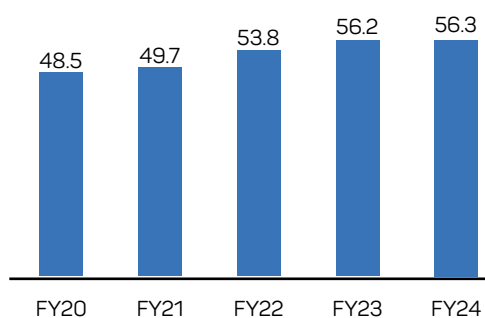
Number of stores and trading area



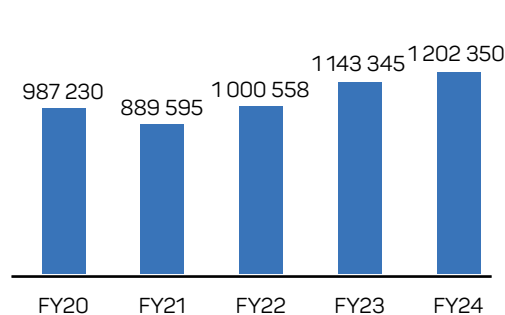
Reduction in usage energy per square metre
(FY10 baseline)³



Employment equity in top Pick n Pay management



Carbon footprint (Scope 1 and 2) – CO₂e tonnes²



Financial value-added statement

We have distributed financial value of R10.2 billion (2023: R12.1 billion) during the financial period. The value-added statement illustrates how we have distributed this value to our stakeholders. Refer to the CFO report on page 71 for further information.

	52 weeks to 25 February 2024 Rm	52 weeks to 26 February 2023* Rm	52 weeks to 27 February 2022* Rm
Turnover	112 294.8	106 562.0	97 872.8
Other income	2 653.5	2 265.3	2 505.1
Amounts paid for goods and services	(105 010.1)	(96 997.5)	(89 155.5)
Finance income (excluding IFRS 16)	227.4	260.3	319.6
Total value created	10 165.6	12 090.1	11 542.0
Distributed as follows:			
Employees			
Salaries, wages and other benefits	9 000.0	8 347.9	7 836.3
To providers of capital	1 523.1	1 403.0	1 536.3
Distributions to shareholders	686.9	881.5	1 081.1
Share purchases	-	90.1	114.2
Finance costs (excluding IFRS 16)	836.2	431.4	341.0
Government			
Taxation paid	453.5	458.4	403.9
(Utilised)/retained for growth	(811.0)	1 880.8	1 765.5
Total value distributed	10 165.6	12 090.1	11 542.0

* Prior period disclosures restated.



Analysis of ordinary shareholders

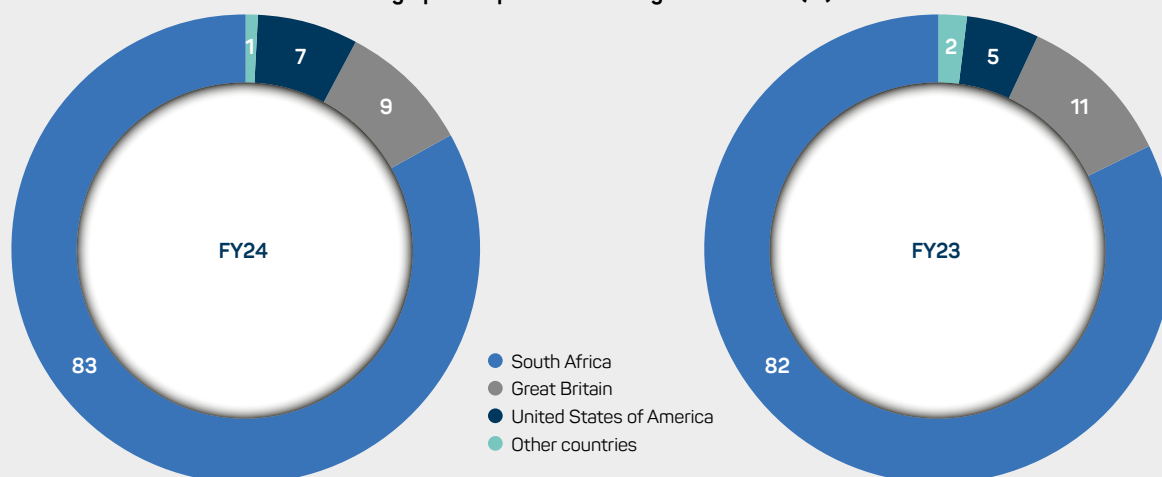
as at 25 February 2024

Shareholder spread	Number of shareholders	%	Number of Shares	%
1 – 1 000 shares	23 656	78.9	3 092 282	0.6
1 001 – 10 000 shares	4 846	16.2	16 071 284	3.3
10 001 – 100 000 shares	1 151	3.8	34 521 860	7.0
100 001 – 1 000 000 shares	268	0.9	75 227 882	15.2
1 000 001 shares and over	54	0.2	364 537 013	73.9
Total	29 975	100.0	493 450 321	100.0

Public/non-public shareholders	Number of shareholders	%	Number of Shares	%
Non-public shareholders	16	0.1	143 032 844	29.0
Ackerman Investment Holdings Proprietary Limited	1	0.0	124 677 237	25.3
Pick n Pay Retailers Proprietary Limited	1	0.0	4 408 135	0.9
Shares held on behalf of FSP/RSP participants	1	0.0	2 160 960	0.4
Boxer Superstores Proprietary Limited	1	0.0	410 500	0.1
Pick n Pay Stores Employee Share Purchase Trust	1	0.0	3 816 452	0.8
Directors of Pick n Pay Stores Ltd	8	0.0	4 457 659	0.9
The Mistral Trust	1	0.0	3 000 000	0.6
Ackerman Pick n Pay Foundation	1	0.0	101 900	0.0
Ackerman Family Investment Holdings Proprietary Limited	1	0.0	1	0.0
Public shareholders	29 959	99.9	350 417 477	71.0
Total	29 975	100.0	493 450 321	100.0

Beneficial shareholders holding 1% or more	Number of Shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 237	25.3
Government Employees Pension Fund	77 201 147	15.6
Fidelity Series Emerging Markets Opportunities Fund	23 245 699	4.7
Allan Gray Balanced Fund	15 426 835	3.1
Alexforbes Investments Solution Limited	13 904 456	2.8
Fiam Group Trust For Employee Benefit Plans	6 045 225	1.2
Norges Bank Investment Management (NBIM)	5 265 769	1.1
Vanguard Emerging Markets Stock Index Fund (US)	4 910 192	1.0

Geographical spread of ordinary shareholders (%)



Analysis of B shareholders

as at 25 February 2024

Shareholder spread	Number of shareholders	%	Number of Shares	%
1 – 1 000 shares	1	4.0	522	0.0
1 001 – 10 000 shares	7	28.0	43 599	0.0
10 001 – 100 000 shares	8	32.0	181 479	0.1
100 001 – 1 000 000 shares	4	16.0	1 582 276	0.6
1 000 001 shares and over	5	20.0	257 874 993	99.3
Total	25	100.0	259 682 869	100.0

Public/non-public shareholders	Number of shareholders	%	Number of Shares	%
Non-public shareholders	12	48.0	258 277 425	99.4
Ackerman Investment Holdings Proprietary Limited	1	4.0	246 936 847	95.1
Directors of Pick n Pay Stores Limited [#]	10	40.0	5 991 019	2.3
Mistral Trust	1	4.0	5 349 559	2.0
Public shareholders	13	52.0	1 405 444	0.6
Total	25	100.0	259 682 869	100.0

Beneficial shareholders holding 1% or more	Number of Shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman (Director of Pick n Pay Stores Limited)	3 228 383	1.2

[#] Includes direct and indirect holdings. Refer to note 4.3 of the Group Annual Financial Statements for further information.

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. All B shares are stapled to certain ordinary shares.

Control Changes

The Group's controlling shareholder, Ackerman Investment Holdings (AIH) has agreed to a number of important corporate governance changes to strengthen the independence of the PIK Board and to balance the interests of all its shareholders:

- AIH will forego majority shareholder voting control of PIK, allowing their voting rights to fall below 50% after the Rights Offer
- AIH will forego its right to nominate the Chair, CEO and CFO of the PIK Board going forward
- AIH will reduce its representation on the PIK Board from four directors to three, with the retirement of David Robins at the 2024 AGM
- The independence of the Nominations and Corporate Governance, Finance and Investment, and Social, Ethics and Transformation Committees have been strengthened
- In terms of the planned Boxer IPO, there will be no AIH representation on the Boxer board and no controlling voting structures for Boxer

Please refer to page 14 for further information.

Our store footprint

The tables that follow set out more detail on our store footprint, and the changes during FY24.

Company-owned	26 February 2023	Opened	Closed	Converted openings	Converted closures	25 February 2024
Pick n Pay	957	62	(20)	11	(3)	1 007
Hypermarkets	21	–	(1)	1	–	21
Supermarkets	328	3	(8)	4	(2)	325
Clothing	311	55	(3)	3	–	366
Liquor	297	4	(8)	3	(1)	295
Boxer	428	50	–	–	(1)	477
Supermarkets	279	18	–	–	(1)	296
Build	31	–	–	–	–	31
Liquor	118	32	–	–	–	150
Total company-owned	1 385	112	(20)	11	(4)	1 484

Franchise

Pick n Pay						
Supermarkets	272	3	(5)	2	(3)	269
Market	21	–	(11)	–	(1)	9
Express	191	8	(4)	–	–	195
Clothing	22	1	(1)	–	(3)	19
Liquor	241	3	(12)	1	(3)	230
Total franchise	747	15	(33)	3	(10)	722

Associate

TM Supermarkets	72	1	–	–	–	73
Total Group stores	2 204	128	(53)	14	(14)	2 279

African footprint

Included in total stores above	186	3	–	–	–	189
Pick n Pay company-owned	25	–	–	–	–	25
Boxer company-owned	9	–	–	–	–	9
Pick n Pay franchise	80	2	–	–	–	82
TM Supermarkets – associate	72	1	–	–	–	73

African footprint

– by country	186	3	–	–	–	189
Botswana	19	–	–	–	–	19
Lesotho	4	–	–	–	–	4
Namibia	35	1	–	–	–	36
Eswatini	31	1	–	–	–	32
Zambia	23	–	–	–	–	23
Nigeria	2	–	–	–	–	2
Zimbabwe	72	1	–	–	–	73



Application of the International Integrated Reporting Framework

The FY24 IAR was prepared in accordance with the International Integrated Reporting Framework¹. The framework comprises guiding principles and content elements and below we set out a summary of our compliance with these elements. We recognise that reporting our Group's value creation process and its outcomes is an evolving process, and we strive to improve the IAR, and the compliance to the above framework, each year. Our report has been recognised as an excellent report in the annual EY Excellence in Integrated Reporting² awards for several years.

Guiding principles

The guiding principles underpin the preparation of the IAR, informing the content of the report and how information is presented.

Strategic focus and future orientation	Our long-term strategy comprises a turnaround in Pick n Pay and the expansion of our high-performing Boxer and Clothing businesses. Our strategy is set out from page 56 and we describe our progress against various initiatives throughout the report. We provide insight into anticipated capital trade-offs and the future availability of resources in our business model from page 24. We aim to balance historic performance information with our focus areas and priorities going forward, and provide insight into the essence of the Pick n Pay Group and its investment proposition from page 12.
Connectivity of information	Our report has a clear structure and addresses the required content elements of the framework. Where relevant, we visually show connectivity through icons related to our strategy, stakeholders and the six capitals. We aim to provide insightful information where qualitative and quantitative elements are integrated, and provide comparative data where relevant. We provide clear references to related content within the IAR, and to other relevant reports and disclosures.
Stakeholder relationships	Our material stakeholder groups are clearly defined and are central to the way we do business. We disclose how stakeholder relationships are governed, as well as their needs, interests and expectations from page 44.
Materiality	We apply judgement in applying a materiality lens to the information and data included in our IAR. Our approach to reporting is disclosed on page 36, the reporting boundary on page 5 and our material matters are set out from page 39.
Conciseness	We apply our materiality lens to the IAR to ensure we report on what is material in our value-creation process. Our report has a clear structure and uses plain language, with a glossary of terms provided on page 133 and financial definitions on page 119. The IAR is supplemented with other reports and documents, as detailed on page 4.
Reliability and completeness	We aim to report accurately on all material matters. Our approach to reporting is disclosed on page 2, with our reporting procedures and Board approval process detailed on page 6.
Consistency and comparability	We aim to provide context to our performance and the underlying data. Where relevant, we provide comparative numbers. Our reporting approach is similar to FY23, although we aim to improve our reporting annually. We also strive for consistency between the various elements of our reporting suite (page 4) and between internal and external reporting.

¹ <https://www.integratedreporting.org/resource/international-ir-framework/>

² https://www.ey.com/en_zs/assurance/excellence-in-integrated-reporting

Guiding principles

An integrated report includes eight content elements that are fundamentally linked and are not mutually exclusive.

Organisational overview and external environment	We provide an overview of the Group and the environment in which it operates throughout the report. However, the chapters relating to a retail business in a fast-moving consumer goods industry (page 32) and managing and leveraging market dynamics (page 34) are most relevant to this content element.
Governance	We detail the role of the Board and its governance structures where relevant, with a focus on our Chair's report (page 10) and extracts of the governance and remuneration reports (as relevant to the IAR) starting on page 96. Note that the stand-alone Corporate Governance Report contains all compliance-related information relating to governance and remuneration. It is available at www.picknpayinvestor.co.za .
Business model	The Group's process of value creation and its outcomes are detailed throughout the IAR, with a synopsis of the six capitals, the business model and trade-offs provided on pages 24 to 31.
Risks and opportunities	An integrated review of the Group's risks and opportunities starts on page 36.
Strategy and resource allocation	The Group's strategy (page 56) and its integrated approach to ESG (page 64) provide comprehensive insight into the Group's long-term strategy and focus areas. The CFO report provides detail into how capital resources were raised and allocated over the year (from page 70).
Performance	Performance narratives are closely aligned with the Group's strategy, with specific disclosures in the CEO and CFO reports (starting on pages 54 and 70 respectively), as well as in the Strategy and ESG (doing good is good business) chapters (pages 56 and 64 respectively). We have a stand-alone 2024 Sustainability Report that provides more detail on the Group's ESG strategy and performance. It is available at www.picknpayinvestor.co.za .
Outlook	Information regarding our outlook is included in the narratives provided in our leadership reports (from pages 10, 54, 70 and 80 respectively), in our summary of resource availability (page 31), our anticipated trade-offs (page 30) and in the chapter on our market dynamics (page 32).
Basis of preparation and presentation	We explain our approach to reporting in the first chapter, starting on page 3. The material matter determination process and the material matters are explained on page 36.

Glossary of terms

Terms and abbreviations used in this Integrated Annual Report

A2X	A2X Markets, an alternative venue for secondary listing and trading shares in South Africa
ACI	African, Coloured and Indian
AFS	Annual Financial Statements
AGM	Annual General Meeting
AIH	Ackerman Investment Holdings
BBBEE	Broad-based black economic empowerment
BER	Bureau for Economic Research
Boxer IPO	An offering and listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CGR	Corporate Governance Report
CO₂e	Carbon dioxide equivalent
CODM	Chief Operating Decision Maker
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Covid-19	Coronavirus disease (an infectious disease caused by the SARS-CoV-2 virus)
CPI	Consumer Price Index – the headline inflation number in South Africa as reported by Stats SA
CPI Food	The Consumer Price Index for food and non-alcoholic beverages as defined by Stats SA
CRI	Long-term cash retention incentive scheme – aimed at middle management (Grades C – D)
CSI	Corporate social investment
DC	Distribution centre
EBITDA	Pro forma profit for the period before net interest, tax, depreciation, amortisation and capital items
ERFM	Enterprise risk management framework
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
EY	Ernst & Young Inc.
FMCG	Fast-moving consumer goods
FSP	Forfeitable share plan
FY	Financial year, for example: FY24 – our 2024 financial year, and FY23 – our 2023 financial year
GARCC	Group Audit, Risk and Compliance Committee
GDP	Gross domestic product
Gearing/de-gearing	Gearing measures the Group's leverage by comparing its debt to its equity, illustrating its reliance on debt funding to finance its operations. De-gearing refers to the reduction of net debt funding.
GLA	Gross lettable area
GNFR	Goods not for resale
GNU	Government of National Unity
GRI	Global Reporting Initiative
Group	Pick n Pay Stores Limited and all its subsidiaries and associate
H1 and H2	First and second half of FY24: H1 – first half, end August 2023, and H2 – second half, end February 2024
HDSA	Historically Disadvantaged South Africans
HEPS	Headline earnings per share
IAR	Integrated Annual Report

IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JSE	Johannesburg Stock Exchange
King IV	The King IV Report on Corporate Governance™ for South Africa, 2016
KPI	Key performance indicator
LID	Lead independent director
LTI	Long-term incentive – under the Group's long-term CRI and RSP schemes
MOI	Memorandum of Incorporation
MSR	Minimum shareholding requirement
NED	Non-executive director
NMBU	Non-management bargaining unit
PBT	Profit before tax – Profit for the period before tax and before capital items, excluding non-cash hyperinflation net monetary adjustments related to the Group's investment in TM Supermarkets in Zimbabwe – and specifically in FY24 and FY23 – accounting for insurance recoveries received in the same year as the related losses were recorded
PBTAE	Profit before tax and exceptional items
PIK	Pick n Pay Stores Limited
Q1 – Q4	FY24 financial quarters:
	Q1 – first quarter, end May 2023
	Q2 – second quarter, end August 2023
	Q3 – third quarter, end November 2023
	Q4 – fourth quarter, end February 2024
	2024 calendar quarters:
	Q1 – first quarter, end March 2024
	Q2 – second quarter, end June 2024
	Q3 – third quarter, end September 2024
	Q4 – fourth quarter, end December 2024
RFP	Request for proposal
Rights Offer	An invitation to existing PIK shareholders to purchase additional new shares in the Company. Each shareholder receives the right to purchase a pro rata allocation of additional shares at a specific price and within a specific period.
ROCE	Return on capital employed
ROIC	Return on invested capital – after-tax trading profit adjusted for once-off items, divided by the average invested capital
RS	Retention and reward aimed at executive and top management
RSP	Long-term restricted share plan – aimed at senior and top management (Grades A – B)
SASB	Sustainability Accounting Standards Board
SBTi	Science Based Targets initiative
SD9	Sectoral Determination 9
SDG	Sustainable Development Goal
SED	Socio-economic development
SENS	Johannesburg Stock Exchange News Service
SMMEs	Small, medium and micro enterprises
STI	Short-term incentive – the Group's annual cash performance bonus
TCFD	Task Force on Climate-related Financial Disclosures
TGP	Total guaranteed package
TM	TM Supermarkets (Pvt) Limited – the Group's associate trading in Zimbabwe
W&RSETA	Wholesale and Retail Sector Education and Training Authority
WACC	Weighted average cost of capital – The average post-tax cost of the Group's debt funding, which includes non-current borrowings and current liabilities, and the Group's equity funding, with each source of funding included on a proportional basis

Other relevant financial definitions have been included on page 119.

Shareholders' calendar

July 2024



- Planned launch of Rights Offer

August 2024



- H1 FY25 financial period close



- Trading Update
- Annual General Meeting¹



- Planned Shareholders' meeting required for the Boxer IPO

October 2024



- FY25 Interim financial result publication



- Shareholder interim financial result roadshow

November 2024



- Planned Boxer IPO
(dependent on shareholder and regulatory approvals and market conditions)

February 2025



- Trading Update

March 2025



- FY25 53-week financial period close

May 2025



- FY25 financial result publication
- Shareholder annual financial result roadshow

June 2025



- Publication of:
- FY25 Integrated Annual Report
 - FY25 Audited Annual Financial Statements
 - FY25 Corporate Governance Report
 - FY25 Sustainability Report / ESG Databook

¹ The 56th Annual General Meeting (AGM) of the shareholders of Pick n Pay Stores Limited will be conducted entirely by electronic communication as permitted by the Companies Act, No 71 of 2008, as amended and the Company's Memorandum of Incorporation. The live AGM webcast will be held at 08:30 on 27 August 2024. Please register for the AGM via the Lumi electronic platform at www.smartagm.co.za

Corporate information

Pick n Pay Stores Limited

Registration number: 1968/008034/06
JSE and A2X share code: PIK
ISIN: ZAE000005443

Board of directors

Executive

Sean Summers (CEO)¹
Lerena Olivier (CFO)

Non-executive

Gareth Ackerman (Chair)
Suzanne Ackerman
Jonathan Ackerman²
David Robins

Independent non-executive

Haroon Bhorat
Mariam Cassim
James Formby
David Friedland
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe

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

Transaction sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton 2196

Auditors

Ernst & Young Inc.

Principal transactional bankers

Absa Limited
Nedbank Limited

Corporate advisors

ABSA Bank Limited
(acting through its Corporate and Investment Banking division)
Rand Merchant Bank
(a division of FirstRand Bank Limited)
The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking division)

Company Secretary

Vaughan Pierce³
Email address: CompanySecretary@pnp.co.za

Promotion of access to information act

informationofficer@pnp.co.za

Investor relations

Stephen Carrott
Email address: StephenCarrott@pnp.co.za

Website

Investor relations: www.picknpayinvestor.co.za

Customer careline

Pick n Pay
Tel: +27 860 30 30 30
Email address: customercare@pnp.co.za

Boxer

Tel: +27 860 02 69 37
Email address: customercare@boxer.co.za

¹ Sean Summers replaced Pieter Boone as CEO, effective 30 September 2023.

² Jonathan Ackerman retired as an executive director on 31 March 2023 and was appointed as a non-executive director on that date.

³ Vaughan Pierce was appointed as Company Secretary effective 14 March 2024.

Pick n Pay Online

Pick n Pay
Online

Pick n Pay
asap!

Pick n Pay
HOME

Pick n Pay
Clothing

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