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2019

SUSTAINABLE LIVING REPORT

People n Planet: partnering
for a better tomorrow

Pick n Play

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and governance**ABOUT THIS REPORT**

The Pick n Pay Sustainable Living Report (SLR) 2019 provides a view of how our business is responding to social and environmental challenges. The report focuses on our activities during the past financial year, which ended 3 March 2019.

This report is interactive. Navigation tools are at the top right of each page and throughout the report:

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The internet is required to access additional information on the web.

INTRODUCTION

Our launch of People n Planet marks a transition from exploration and consolidation to outreach and scale. For over 50 years, we've believed that doing good is good business. It hasn't just been a part of our business – it is our business. We've known from day one that caring for our people, serving our customers and participating in the communities in which we work and live are the best ways to build a better tomorrow – for our business and for all South Africans.

People n Planet is about partnering with our employees, customers, suppliers and many other stakeholders to reduce the negative impact we might have on the environment and increase the positive impact we can have on every life we touch. It's about taking bigger steps and leaving smaller footprints. It's about putting the customer first, fighting for them today and fighting for their tomorrow.

People n Planet is our commitment. It's at the heart of how we serve our customers today so that we can be around to serve their children tomorrow. We know it's a task that's bigger than any one of us. That's why we invite you to partner with us as we create a better tomorrow.

In this seventh Sustainable Living Report (SLR), we provide a glimpse of our work in FY2018/19 to achieve a world where both People n Planet can thrive.

The Pick n Pay Sustainable Living Report 2019 focuses on our performance during the past financial year (FY), which ended 3 March 2019, and in several instances reviews our activities in FY2018. The scope of this report includes all Pick n Pay-owned stores in South Africa, as well as our distribution centres and regional offices. The SLR is part of a suite of reports (available at picknpayinvestor.co.za) generated from our integrated reporting process, and supplements the high-level information included in the Pick n Pay Integrated Annual Report 2019.

People n Planet
Partnering for a better tomorrow





CHAIRMAN'S INTRODUCTION

GARETH ACKERMAN | CHAIRMAN

Our Sustainable Living Report provides a more holistic reflection on our business in context. It gives everyone who has a stake in Pick n Pay the opportunity to read more broadly about what really informs our business ethos, and how we set about making a real difference.

This year, I am proud to announce the launch of People n Planet, the umbrella under which all our sustainable development programmes fall. This presents our commitment to reduce the negative impact we have on the environment and increase the positive impact we have on every life we touch. It is our promise to take bigger steps and leave smaller footprints.

People n Planet isn't just part of our business – it is our business. It's a journey we have followed since the late 1980s, growing each year in focus and intensity. Our sustainability strategy is linked to our business strategy; as we deepen our understanding of business in context, we make these links more effective and more inextricable. These links help us to build integrity within the business and alignment with society beyond it. Aligning with context and relevance – whether with the needs of a small crèche in Khayelitsha or with the global sustainability goals – is the basis for long-term business viability.

Our efforts align directly with seven of the United Nations Sustainable Development Goals (SDGs), including: SDG 2 | Zero hunger; SDG 3 | Good health and well-being; SDG 8 | Decent work and economic growth; and SDG 14 | Life below water.

Given the size and reach of our company, our business touches the lives and livelihoods of millions of South Africans. Our direct supply chain sustains hundreds of thousands of jobs. As we grow, our impact grows. This is why we source 95% of our Pick n Pay branded products locally in the various countries where we trade.

But more than that: we support entrepreneurs who are job creators, innovators, and help the economy develop skills and economic growth.

Our Enterprise and Supplier Development Programme has done incredible work to assist small businesses enter the retail market by putting their products in front of our customers. In the 2019 financial year, we spent over half a billion rand with small black-owned businesses. I'm delighted that R180 million of this was spent on small, black women-owned businesses. Our Spaza-to-Market Store conversion programme in conjunction with provincial governments and other funding partners continues to grow and the results so far are promising. This inspiring project develops entrepreneurs and brings quality products and services at great prices closer to communities who need them most.

People n Planet also includes our commitment to reduce the amount of plastic in the supply chain. Our blue 100% recycled and recyclable plastic bag, introduced in August last year, will keep 2 000 tonnes of plastic out of the environment every year. We are increasing the range of reusable bag options, including our green R5 Budget Bag, a low-cost reusable carrier bag manufactured from green PET bottles. The number of customers who opt for a plastic bag is starting to show signs of dropping. Over the last year, over 20% more customers purchased reusable bags in-store.

A major priority is to reduce single-use plastic throughout our supply chain. During the year, we introduced our new "nude fruit and vegetable" walls as a trial in 13 stores around the country. Twelve different seasonal products are included, all of which are sold "nude" – or without any plastic packaging. Some of the vegetables, like butternut, are even without labels, with price and weight details lasered onto them. The customer reaction has been more than even we expected, and we'll shortly be reviewing the possibility of rolling this out to more stores.

Turning commitments into action requires people who are prepared to work hard and stay tuned to opportunities

for greater impact. On any given day, Pick n Pay people are reaching over 3 300 schools through our School Club, working on water and food resilience, helping to establish community gardens, organising donations to FoodForward SA, and so much more.

Our impact is felt internally too. Retail is still the biggest employer in South Africa. We provide direct employment to 90 000 people across our owned and franchise businesses. In FY2019, we added 4 675 net new jobs across the Group and offered over 330 different training programmes to our people, ranging from basic literacy and numeracy, computer-based training and management, and leadership programmes, including empowerment programmes focused on our future female leaders. We invested just under R67 million in training and education, across 800 training interventions, reaching over 16 000 of our people.

In building a sustainable business, we look forward to working with the new government to build our economy. It has never been more important for business to play a supporting and advisory role in public policy. In this, we will be working hard to increase co-operation between different government departments to bring better coherence to policy decisions. These include issues such as the need for greater security for retail stores during social grant pay-outs, which has reached very worrying levels, tackling obesity in South Africa by working to promote healthy lifestyles, and reducing salt in our own brand products.

People n Planet is working tremendously well. With the right energy and focus, we are presented with boundless opportunity to make a real difference.

Gareth Ackerman
Chairman
21 June 2019

Turning commitments into action requires people who are prepared to work hard and stay tuned to opportunities for greater impact

THE SEVEN UNITED SUSTAINABLE DEVELOPMENT GOALS IDENTIFIED AS MOST RELEVANT TO PICK N PAY





SHARING IN A DYNAMIC VALUE CHAIN

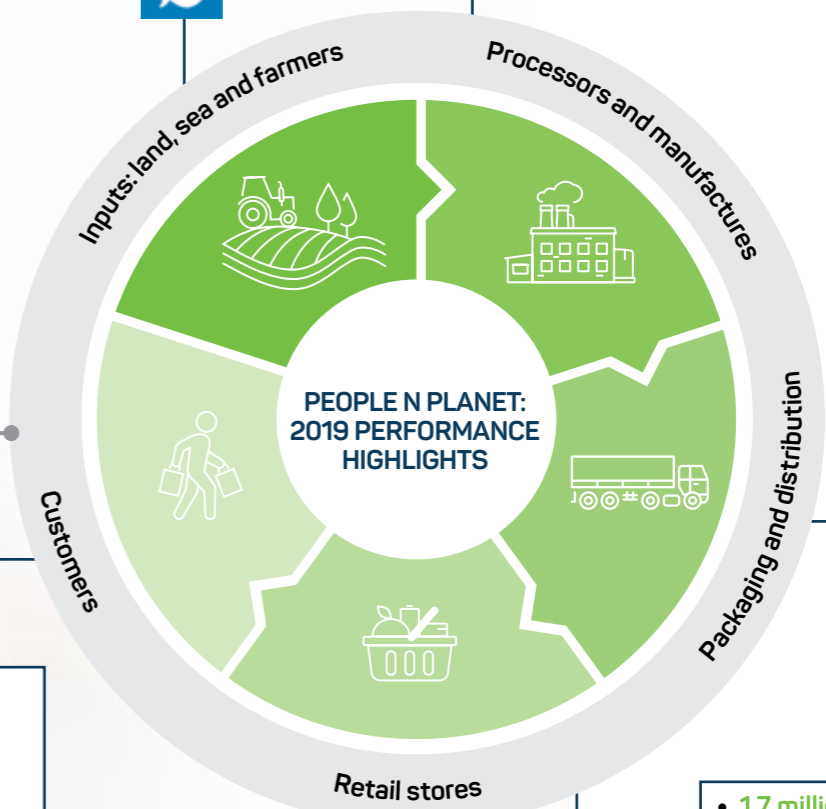
PEOPLE N PLANET: WORKING TOGETHER FOR A SUSTAINABLE FUTURE

Our sustainable living strategy takes a value chain perspective, recognising the contributions and interactions of stakeholders upstream and downstream of our retail operations.



- **98%** of SA fresh produce procured locally
- **R18 million** invested in marine conservation over the past decade
- **3 318** home and community gardens established by Ackerman Pick n Pay Foundation

- **R830 million** procurement spend with small black-owned businesses
- **R180 million** procurement spend with small black women-owned businesses
- **240 tonnes of salt** reduced in bakery and butchery lines
- **24% reduction in sugar** in Pick n Pay Carbonated Soft Drinks



- **2 million learners** supported through Pick n Pay School Club
- Donated **1 680 tonnes of food**
- Donated **R7.6 million** worth of clothing
- **R34 million** corporate social responsibility spend

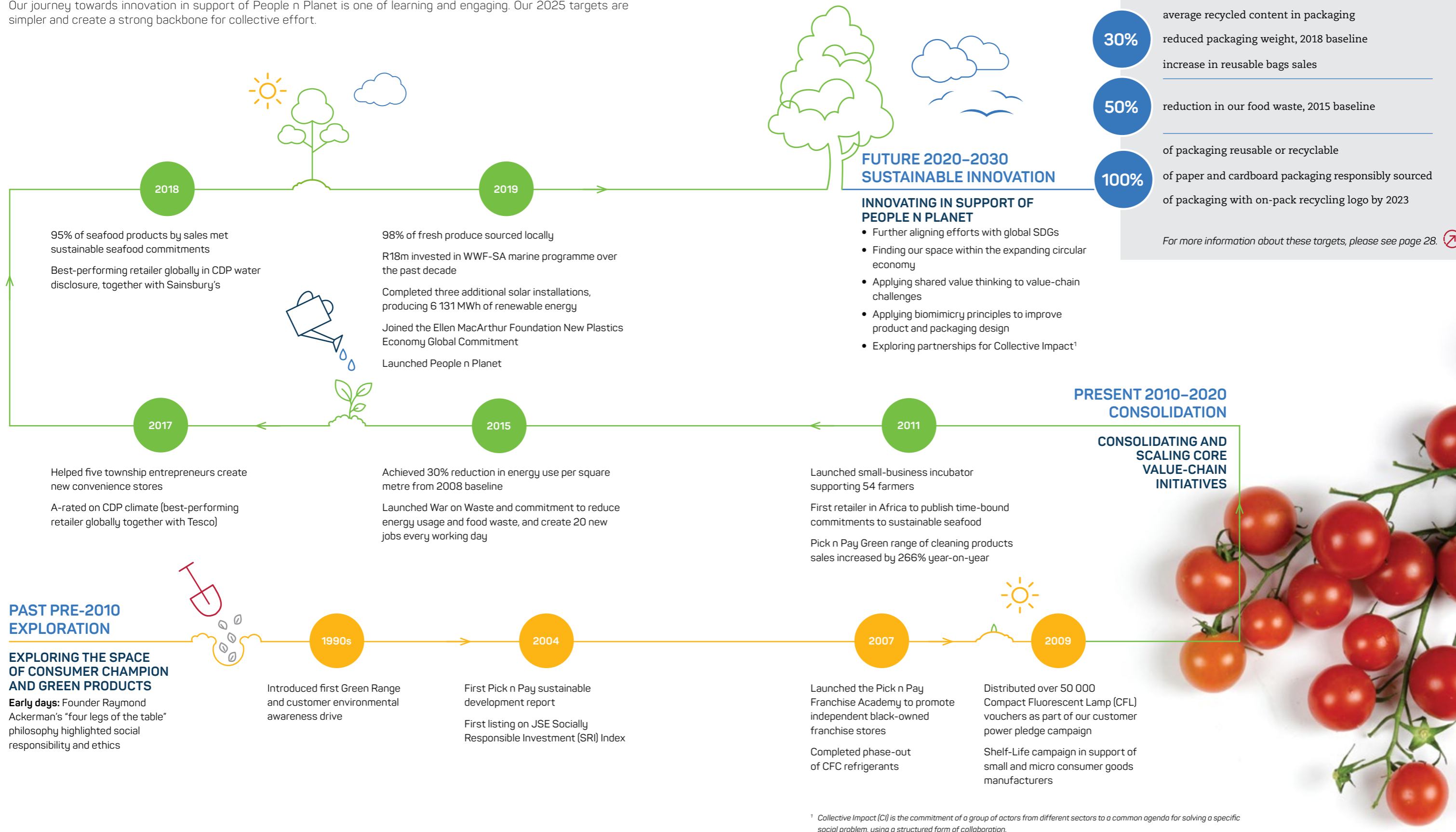
- **4 675** new jobs created
- **21 township grocers converted** into neighbourhood convenience stores
- **R67 million** invested in employee education, 16 000 staff reached
- **53.5% of waste diverted** from landfill
- **40% reduction in water** usage in Western Cape during the recent drought
- **Solar energy** generation offset carbon footprint by 6 000 CO₂e
- **36.9% reduction in energy** usage per square metre since 2007
- **Recycled 17 104 tonnes** of cardboard and plastic at our stores

- **1.7 million reusable** shopping bags sold
- New **100% recycled** and recyclable plastic bag will keep **2 000 tonnes** of plastic out of the environment each year
- More than **400 000 jobs** sustained through the reach of our supply chain



MILESTONES AND 2025 TARGETS

Our journey towards innovation in support of People n Planet is one of learning and engaging. Our 2025 targets are simpler and create a strong backbone for collective effort.



¹ Collective Impact (CI) is the commitment of a group of actors from different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration.



OUR SDG ALIGNMENT



Square & Round



Dikeledi Mosime, CEO and owner of Tin-Pac promotional packaging

BUILDING AN INCLUSIVE AND ETHICAL VALUE CHAIN

As one of the biggest retailers in South Africa, we embrace our responsibility and the significant opportunity to support local, small-scale black- and women-empowered businesses to become part of the retail sector and contribute to a sustainable South African economy. We are also committed to working with all our suppliers to ensure that we provide our customers with great quality food that is produced responsibly and ethically.

Supporting small businesses is fundamental to creating jobs and growing the local economy. Enabling township retailer entrepreneurs to develop their stores into convenience stores provides impetus to township economies and builds a new generation of business leaders. Building a resilient supplier network enables us to help existing suppliers address social and environmental risks, deepen relationships within our supplier network, and comply with empowerment requirements.

KEY OUTCOMES

83% of our seafood products by species and **95%** of our products by sales meet our sustainable seafood commitments

More than **400 000 jobs** sustained through the reach of our supply chain

98% of our fresh produce is procured from South African suppliers

R170 MILLION invested in more than 100 entrepreneurs and small businesses through mentorship and business development support

R4 BILLION spend on black-owned businesses
R2 BILLION spend on black woman-owned businesses

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INCREASING LOCAL SOURCING AND SUPPLIER DIVERSITY

We have a substantial impact on the South African economy through our direct supply chain, sustaining more than **400 000 jobs** across the country. We procure goods and services from **10 000** local suppliers and service providers, including many small to medium-sized businesses that have been mentored through our enterprise development programmes.

We procure 98% of our fresh produce from South African suppliers, up from 96% in 2017. We actively expand our positive impact by developing and sourcing from an increasing number of local emerging farmers and manufacturers. We collaborate with our local suppliers to find innovative ways of supporting their businesses while retaining quality standards and a value-for-money offering. In this way we are able to give our customers what they want: global best quality through locally sourced products. A locally focused supply base also provides an advantage in addressing long-term food security and environmental and social challenges. A diverse supplier base promotes a broad variety of products and a strong pipeline of innovation.

Our preferential procurement strategy drives increased sourcing from black- and women-empowered/owned small businesses, youth and persons with disabilities. We continue to make progress across our key performance indicators.

PREFERENTIAL PROCUREMENT

	FY2019	FY2018
Spend on BBBEE compliant businesses	R51 billion	R32 billion
Spend on black-owned businesses	R4 billion	R1 billion
Spend on black women-owned businesses	R2 billion	R406 million
Spend on SMMEs	R1.5 billion	R506 million
Spend on black-owned SMMEs	R830 million	R105 million

* Year-on-year increases are due to higher availability and collection rate of BBBEE certificates.

SUPPORTING SMALL BUSINESSES IN OUR SUPPLY CHAIN

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

We recognise that many small suppliers have challenges in accessing funding, growing at scale and achieving a viable business. We therefore actively identify entrepreneurs with innovative product concepts or start-up enterprises. Through our Enterprise and Supplier Development (ESD) team, we maintain a leading role in mentoring, encouraging and enabling small-scale entrepreneurs to become sustainable suppliers to the retail industry. This diverse pool of entrepreneurs provides a pipeline of new and enterprising products for our shelves and acts as a lever to drive product innovation.

In FY2019, Pick n Pay partnered with more than 100 small businesses and invested approximately R170 million in mentorship and business development to support these entrepreneurs.

The ESD team works closely with other divisions, such as the merchandising and supply chain teams, to provide technical advice, workshops and guidance to the small-business owners.

The PnP Small Suppliers Toolkit is a step-by-step guide designed to empower small suppliers with information on how to do business within the retail environment. It includes guidance on how to develop a product or service and become a successful and sustainable supplier to Pick n Pay. The toolkit is available in English, Afrikaans, Xhosa and Zulu at picknpay.co.za/supplier-toolkits.

We are building our "Pick Local" brand, which endorses goods and services of small local producers, suppliers and service providers in South Africa who demonstrate a commitment to creating jobs in South Africa, are BBBEE compliant, and ensure that their raw materials are produced or manufactured, assembled or packaged in South Africa. Participating suppliers feature a Pick Local brand stamp on their products. We encourage all kinds of small businesses – be it a family business, local shop, online business, farmer, small manufacturer or entrepreneur – to get involved.

Taking our support for local small-business brands a step further, we started to trial the introduction of dedicated shop space for selected small suppliers in early 2019. This showcases their products and tell customers about their business journey. We want our customers to know that by buying one of these local South African products, they are supporting small business, helping to create employment and uplifting local communities. The initiative is being implemented in eight hypermarkets across South Africa over a three-month period.



Pick n Pay will be partnering with Flower Valley Conservation Trust to ensure that responsible and ethical practices are used in the harvesting of fynbos. Starting on World Habitat day in October 2019, Pick n Pay will donate R1 to the Flower Valley Conservation Trust for every fynbos bouquet sold to support the training of fynbos pickers.



SMALL SUPPLIER OF THE YEAR AWARD WINNERS

Every year, we select and award Pick n Pay's top performing supplier from our ESD programme. The winner is selected based on the exceptional growth performance and job creation of their business.

2019 WINNER: PETER NYATHI, FOUNDER OF TROPICAL MUSHROOMS

Peter Nyathi started out as a worker on a mushroom farm and founded Tropical Mushrooms in 1999. With dedication and financial assistance he has more than doubled his farm's capacity over the last 10 years to become one of South Africa's biggest black-owned mushroom farms.

During Tropical Mushrooms' first full year as a small supplier to Pick n Pay (2007), we bought just over R2.5 million worth of mushrooms. In 2017, we procured over R11 million worth of produce for over 330 stores in the inland regions. Supported by Absa and Pick n Pay's ESD programme, Nyathi is building capacity by 25% to grow the business further.

Peter Nyathi's business employs 150 people from the Magaliesburg community and produces more than 800 tonnes of mushrooms annually

"It is very good to know that someone is available to listen to and support you when it is needed. It helps you run your business to the best of your ability, but it's even more important to have a major retailer like Pick n Pay backing you," says Nyathi.

2018 WINNER: PORTIA MNGOMEZULU, FOUNDER OF PORTIA M SKIN SOLUTIONS

Portia Mngomezulu's local skincare business began after she successfully treated stretch marks with Marula oil during her pregnancy in 2010. She initially bought Marula oil directly from rural women in Limpopo, bottled it herself and began selling it as a sideline business, reinvesting the profits into her business. From there, she progressively built her local skincare business into what is today: a multi-million-rand enterprise that employs 27 full-time staff and is rapidly expanding into Africa.

In 2016 the Pick n Pay ESD programme enabled her to grow her brand by providing access to internal corporate experts for support, business development advice and market access.

"The programme gave me the opportunity to pitch my products to a buyer and, within a week, I was told I had secured a spot on their shelves. This was the greatest day of my business life," says Mngomezulu.

In 2015 her products were available in 20 corporate and family stores. Between 2016 and 2017 sales jumped by nearly 2 000% as the store list expanded nationally.



Portia Mngomezulu's products are now available in 432 stores and in 2018 her sales were up by more than 61%



SUPPORTING INNOVATION AND ENTREPRENEURSHIP

Our supplier partners share our philosophy that business is about more than just making a profit and that doing good is good business. For example, Happy Earth People (left) has the objective of making natural, whole foods more accessible so that more people could experience the benefits of good nutrition.

It is always a huge pleasure to see new start-ups grow. At Pick n Pay, we are uniquely placed to provide an opportunity for entrepreneurs to put their products in front of the consumer. We remain dedicated to support, scale and sustain them.

– Richard Brasher, Pick n Pay's CEO

Below from left: Bliqees Essa, co-founder of Comessa Food Services, supplying freshly baked flatbreads, tortilla wraps, rotis and naan breads; Gladys Mawoneke, founder of BREVA craft beverages; Katie Coetzee, Musgrave Gin, producing artisan gin; Patrick Langeveldt, founder of Greenworld Chemical Services and Supplies, supplying firelighters; and Diana Swales, founder of The Allergen Baker, supplying gluten-free baked goods.



Some of the entrepreneurs from Pick n Pay's ESD programme showcase their innovative products as part of the Pick n Pay Meet the Maker initiative.



EMPOWERING INDEPENDENT SMALL RETAILERS

Since 2016, Pick n Pay has led a collaborative partnership with the government and other strategic partners to help small, independent township grocers revitalise and regenerate their stores and turn them into thriving neighbourhood convenience stores.

The success of the programme can be ascribed to entrepreneurial passion and effective public/private sector partnerships. The evolving “spaza” modernisation programme is now called the Pick n Pay Market Store Partnership with Independent Traders programme. Refer to case study (see page 18–19). It is unique in that it enables local township retailer entrepreneurs to remain independent but equips them with cutting-edge systems and retailing techniques to create a unique township shopping experience. The store owners can source products other than those offered by Pick n Pay and we set minimum standards of operation, range and pricing to ensure that the model is successful. We provide extensive mentorship, as well as in-store and classroom training. This includes store systems and point of sale (including banking and cash management), finance management, customer service and entrepreneurial development. The shop’s staff also receive training to advance their skills.

Township retailers benefit from our supply chain and systems capability, value-added services and loyalty programme. By combining these with their local knowledge, we are able to bring something special to customers: state-of-the-art grocery retailing in an extremely convenient neighbourhood location. Importantly, we are helping neighbourhood customers to access the goods they need close to home, which reduces the need to travel for their shopping. The upgraded stores also offer new services including money transfer, ticketing, airtime and data, bill payments, lottery tickets and prepaid electricity, adding to the convenience.



The programme was initially piloted with five stores in 2016 in partnership with the Gauteng Department of Economic Development, and steadily rolled out in Gauteng thereafter. Each revitalised store received a great response from its surrounding community, with strong earnings and profit growth. Successful township businesses help the broader community by creating jobs and encouraging the development of a wide range of skills. These include technology and customer service, as well as specific retail skills in butchery, bakery and other areas.

In 2018, the programme expanded into the Western Cape in collaboration with the Western Cape Department of Economic Development and Tourism and the City of Cape Town. Hybrid funding is provided by the Old Mutual Foundation and the Masisizane Fund, the National Empowerment Fund and Brimstone. To date, the programme has opened 18 stores in Gauteng and three in the Western Cape.

RESPONSIBLE AND ETHICAL SOURCING

To ensure the sustainability of our resource base, we recognise the importance of promoting resilience throughout our value chain and supporting our carefully selected suppliers to meet effective standards.

Our sourcing policy provides clear guidance on employment practices and the social and environmental standards we expect to be upheld in the process of supplying Pick n Pay-branded products. Ensuring strict product quality control also builds trust with our customers. We support ethical initiatives, including offering consumers sustainable alternatives, supporting producers who proactively manage animal welfare and environmental issues, and advancing sustainable seafood sourcing.

SUPPORTING ETHICAL INITIATIVES

To offer consumers sustainable alternatives, we provide a range of organic, free-range and Fairtrade-certified products.

Our eco-friendly Pick n Pay Green range of cleaning products is certified as vegan, cruelty free and not tested on animals. In committing to ethical and responsible farming practices, all Pick n Pay-branded pork (fresh and processed) is sourced from sow-crate-friendly farms, where sows spend a maximum of eight weeks in an individual gestation crate. We continue to add additional farms to the programme and all are independently audited.

In supporting Fairtrade – a trading partnership aimed at equitable international trade practices based on transparency, dialogue and respect – we give preferential access to locally produced, fairly traded products. All Fairtrade produce is farmed in environmentally ethical ways.

Pick n Pay is a Fur Free Retailer.

PROMOTING ETHICAL AND ENVIRONMENTAL STANDARDS

By helping suppliers meet responsible and ethical standards, we are able to offer customers greater choice, provide an opportunity for active customer engagement and reduce supply chain and reputational risks.

All our business partners are required to comply with Pick n Pay’s Code of Ethical Conduct, and are expected to ensure that all their subcontractors and secondary suppliers comply with this Code.

This includes compliance with all local laws regarding health and environmental standards, promoting animal welfare and taking steps to minimise any negative impact on the environment that may result from the processes and operations of the business.

We promote ethical standards across our supplier base through initiatives like WWF-SASSI and GLOBALG.A.P. and LOCALG.A.P. certification, an internationally recognised set of farming standards linked to Good Agricultural Practice.

Our technical division’s auditing process ensures that animal welfare standards are met, that suppliers comply with labour legislation and that organic suppliers are correctly certified.

Pick n Pay’s environmental standards focus on minimised and safe use of agrochemicals, proper and safe management of waste and maintenance of soil fertility and water resources.

All farms are audited by independent third-party veterinarians. Abattoirs, processing facilities, distribution facilities and Pick n Pay stores that take part in the Pick n Pay sow-crate-friendly programme are audited by the South African Meat Industry Company (SAMIC).

Follow-up audits are undertaken where required, to ensure compliance. Pick n Pay technologists follow up on traceability audits when visiting facilities. Any facility or farm that fails the audit is suspended and corrective action must follow together with a re-audit before supply can recommence.

Greater transparency is important to ensure that ethical and environmental standards are upheld. Traceability of our food is controlled through our food health and safety audits. We have also traced ingredients with high environmental and social impacts, such as palm oil and soya, to facilitate sustainable sourcing. Any Pick n Pay-branded product containing palm oil is indicated on our labels.

In 2018, we initiated a new system to collect data from our suppliers on their palm oil sourcing and use. We are working closely with our suppliers to verify that the palm oil used in our products is sourced from responsible growers and that best practices are implemented. We are in the process of finalising and verifying the collected data.

As a longstanding member of the international Consumer Goods Forum (CGF) and the Consumer Goods Council of South Africa, we are working hard to address societal challenges in areas such as public health, product safety, climate change, responsible advertising, crime prevention, waste reduction and consumer protection.

Over the past three years, Pick n Pay has accelerated its efforts to align our activities and progress towards meeting the CGF’s ambitious environmental and social targets. For example, all our new and refurbished stores are being fitted with more natural refrigeration systems, and we are committed to working towards zero net deforestation. This includes a strong focus on the sustainable sourcing of key commodities, such as palm oil, and a commitment to work collaboratively with our extended supply chain to mitigate our impact on deforestation.





FOOD QUALITY AND SAFETY MANAGEMENT

We are committed to providing customers with safe, high-quality food in a safe and secure shopping environment. This requires ongoing investment in best practice health, safety and security standards.

All suppliers are contractually bound to be compliant with all legislated health and safety requirements, including certain additional minimum standards set out by the Group, where relevant. All food suppliers are audited by a third party. FSA/Intertek audits are undertaken on all national and private label suppliers supplying products to Pick n Pay. Non-compliance with food safety standards results in termination of supply agreements until compliance is restored. All stores undergo stringent food safety audits on a regular basis. In South Africa, we remain in close contact with the Department of Health regarding all food safety matters.

In FY2019 we had 550 suppliers of Pick n Pay-branded products. Our team of 41 food technologists conducted 917 visits to these suppliers and 591 food and safety audits were conducted by third-party auditors. In FY2019, we delisted two produce suppliers, and 16 butchery suppliers were stopped or closed down due to poor quality. There were 87 product recalls (53 private label and 34 national). Routine tests were conducted on 2 381 products.

Our team of 41 food
technologists conducted
917 supplier visits in
FY2019



PICK N PAY'S LONGSTANDING COMMITMENT TO THE CONSUMER GOODS FORUM AGENDA

Pick n Pay's Chairman, Gareth Ackerman, was privileged to co-chair the international CGF for two years (2016–2017) and remains the chair of the Consumer Goods Council of South Africa. The international forum brings together consumer goods manufacturers and retailers from around the world to address some of the most important opportunities and risks facing our industry globally, and to drive positive change.

The CGFs main achievements in recent years include:

- Passed a refrigeration resolution to tackle climate change and the implementation of this will have a positive effect on global warming
- Combating forced labour in many parts of the world
- Resolutions on the environment are reducing deforestation through global projects on soy, palm oil and beef production
- Continued efforts to address health and wellness issues across the globe through local initiatives and launching of many innovative and successful pilots in Latin America, the United States and soon in the United Kingdom

The CGF is focusing energy on more core objectives, such as:

- Managing and mitigating food waste
- Investing in both gender and racial diversity in the industry
- Taking action on the growing issue of counterfeit goods
- Including non-food product safety in its work over and above the good work done by the Global Food Safety Initiative over many years

SOURCING SUSTAINABLE SEAFOOD

For over a decade, Pick n Pay has been a partner of the World Wide Fund for Nature's (WWF) efforts to transform South Africa's fisheries sector.

The collaboration between our network of over 1 700 stores and the expertise of WWF-SA have been a catalyst for far-reaching sustainable improvements. These improvements have yielded a significant benefit for the South African marine environment. In November 2018, WWF-SA and Pick n Pay released "A decade of impact" report detailing the impact of building long-term partnerships to help secure responsible fisheries and healthy marine ecosystems.

Pick n Pay invested more than R18 million in marine conservation efforts during its period as core funder of the WWF-SA sustainable seafood partnership, 2011–2016. We have led the way through the transformation of our own seafood procurement practices to mitigate the risks of overfishing. In 2018 we launched the first Aquaculture Stewardship Council (ASC) certified salmon on our shelves and have already sold more than 3 tonnes of the product. The ASC is the gold standard for responsible seafood farming and we are committed to increase the offering of sustainably certified seafood products.

Currently, 83% of our seafood products by species and 95% of our products by sales meet our sustainable seafood commitment. To address the remaining 5%, we work with WWF, suppliers and fishermen in implementing strategies to foster responsible environmental governance and sustainable fishing practices. The WWF Southern African Sustainable Seafood Initiative (WWF-SASSI) programme has trained more than 1 000 people from the culinary and restaurant industries in sustainable practices, and almost 2 000 fishers, skippers, observers, compliance officers and law enforcement officials have been trained since 2008.



Mindful of the massive problem of plastic ocean pollution and litter, we have intensified our plastic and packaging reduction initiatives (see page 29) and efforts to motivate our customers to reduce, reuse, recycle and repurpose plastic.

95% of our
seafood products
are sourced in
accordance with our
sustainable seafood
commitments



RESPONDING TO SOUTH AFRICA'S LISTERIOSIS OUTBREAK

Food safety has always been recognised as one of our material risks. This became a stark reality in March 2018 with an outbreak of a deadly strain of listeriosis that was traced to a large food producer in South Africa. We reacted quickly and decisively to contain the public's risk to listeriosis.

All Pick n Pay and Boxer stores immediately removed all products with contents from the manufacturing sites identified by the Department of Health from their shelves. The listeriosis outbreak affected a very small number of our own brand products. All recalled items were isolated and safely destroyed in accordance with the Group's formal product recall and disaster management protocol.

All fridges and food preparation areas in Pick n Pay stores were cleaned to prevent cross-contamination. At the facilities where Pick n Pay brand ranges of polony, cold meat rolls and viennas are produced, all items were tested to ensure they were safe for consumption. We openly engaged with customers and encouraged them to return any products they were concerned about for a full refund. We issued some food safety tips for consumers on what to do if they had eaten, or possibly eaten, a product affected by the listeriosis outbreak. We released a full list of products that were guaranteed to be listeriosis free and safe for consumers to eat.

As a responsible retailer and through our representative organisations, we took action to ensure that a similar outbreak will not happen again. This included hosting a workshop in Gauteng with 182 suppliers to discuss various food safety-related topics.



PICK N PAY MARKET STORE PARTNERSHIP WITH INDEPENDENT TRADERS PROGRAMME

Something Nice Market, Blue Downs, Western Cape

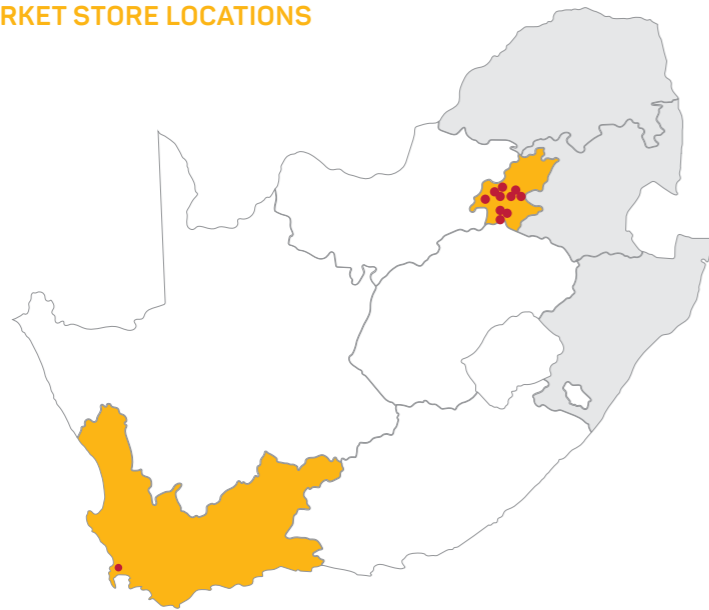
Something Nice Market is run by Armien and Yasmina Adams, who began their entrepreneurial journey in 1995 in partnership with a bakery owner. Six years later, they had accumulated sufficient capital to purchase the flagship bakery in Blue Downs. With their newly upgraded business, the 300 m² store has created 30 jobs in the local community.

"The Pick n Pay team has given us incredible retail training and support. With the new systems and processes available to us, I can manage my stock better and no longer have to take an afternoon off to do weekly bulk shops. This will give me more time to focus on growing my business," says Armien.

"This partnership shows the opportunities we can unlock when big business and emerging entrepreneurs work together. It's an exciting model that holds a lot of promise for the future. I commend Pick n Pay for sharing in our commitment to support emerging entrepreneurs."

– Alan Winde, Western Cape Premier

MARKET STORE LOCATIONS



Dinny's Market, Sebokeng, Gauteng

Dinny's Market is run by Johannes Letswalo, whose love of retail started in primary school, when he helped his uncle sell fresh fruit and vegetables, first out of a bakkie and then at a market the family set up on their street. After finishing school, he joined Pick n Pay and worked his way up the ranks to manage his own branch. When visiting one of the programme's market stores early in 2018 he fell in love with the concept and applied to open his own store.

"It is true that the community you live in will build you. When I was selling fruit informally, people told me to keep up the good job and that one day I will own a big produce store," says Letswalo.

Dinny's Market currently employs 23 first-time workers. "This has been a dream come true and we are really happy to be serving the people of Sebokeng Zone 12 who have welcomed us with open arms."

"Partnering with a strong retail brand, such as Pick n Pay which has extensive distribution networks countrywide and years of retail expertise, will ensure that these township businesses receive all the support required to operate their own successful businesses. We look forward to further unlocking township potential and transforming the township landscape through the programme."

– Eldene Govender, Investment Principal for the National Empowerment Fund's iMbewu Fund

"We've worked closely with all involved in this project by offering both financial and non-financial support. We share a common goal – to enable entrepreneurs to grow their stores into sustainable businesses. This is a very important partnership, providing funding, mentorship and training to entrepreneurs who are being given every opportunity to be the best they can be."

– Millicent Maroga, Head of the Old Mutual Foundation



OUR SDG ALIGNMENT



PROMOTING HEALTHY LIVING

In addition to making healthier foods available to customers, we recognise that we have an important role to play in educating customers on good nutrition and encouraging healthier eating habits. Combined with physical activity, a nutritious and balanced diet can reduce the risk of chronic conditions such as cardiovascular disease, obesity and diabetes, thereby promoting overall health.

We help our customers to lead healthy lives by providing them with access to safe and sustainable products, as well as information they can use to make informed choices about what they eat and how they live. We run promotions that make healthier foods more affordable and provide various channels to communicate health- and nutrition-related information. We raise awareness of the importance of a healthy diet and exercise in maintaining good health and well-being, and offer wellness screening tests at our pharmacies.

KEY OUTCOMES

240 TONNES

reduction in salt content through reformulating 29 bakery lines and 43 butchery lines

Launched our CARB SHARP

brand of products with a low carbohydrate content

24% REDUCTION

in sugar content across the range of our Pick n Pay Carbonated Soft Drinks and 19% reduction in our No Name carbonated soft drinks

Year-on-year sales of LIVE WELL

products increased by 13%

200 PICK n PAY

stores across South Africa started offering free fruit to shoppers' children under the age of 12

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OFFERING IN-STORE
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HEALTHY AND SUSTAINABLE FOOD CHOICES

Nutrition and health-related issues are increasingly becoming a driver for purchase among Pick n Pay customers. In a 2018 Smart Shopper survey, 83% of customers indicated that healthy eating is important to them and their families.

We are continually improving the range of products we offer and the nutrition credentials of the foods we produce to help consumers meet the requirements of a healthy and balanced diet. Pick n Pay has a robust policy under which all our private label food suppliers are audited. This includes independent third-party monitoring to ensure that we deliver an excellent range of safe, quality products and that our suppliers ensure the welfare of animals and use responsible environmental practices. Our centralised distribution system enables us to deliver products more efficiently and frequently, meaning fresher products on shelves and greater availability of stock.

TARGETED OWN BRAND PRODUCTS

We have progressively expanded the range of products within our own brand portfolio that offer special or important health credentials to help address customers' nutrition and health needs.

LIVE WELL

"Live Well" products offer holistic, superior nutrition benefits when compared to other foods in their categories. They contain less sugar, salt and saturated fat, while encouraging the intake of protein, fibre and good-quality carbohydrates. Year-on-year sales of Live Well products increased by 13% in FY2019.



FREE FROM

"Free From" products are designed to meet the needs of customers with a food allergy or intolerance to a particular ingredient, seeking a "free-from" alternative. The brand highlights product solutions that are free from wheat, gluten, lactose or dairy, for example, gluten-free breakfast cereal.



CARB SHARP

"Carb Sharp" products offer customers products with a low carbohydrate content (≤ 5.0 g per 100 g), or have a lower carbohydrate content in comparison to a parent product (at least 25% fewer carbs).



To promote healthy food choices, over 200 Pick n Pay stores across South Africa offer free fruit to shoppers' children under the age of 12. We have also added more deals on fresh fruit and vegetable combinations.

SALT AND SUGAR REDUCTION

As part of collective efforts to decrease the incidence of hypertension, or high blood pressure, among South Africans, all of Pick n Pay's private label products are compliant with the 2016 government-regulated salt content targets. In 2018, we reformulated products to meet the required levels by 2019, in total cutting out 240 tonnes of salt (calculated as grams reduction per product sold). This included an average 36% less salt in key bakery products, 12% less salt in our raw processed meats and 48% less salt in our fat spreads and margarines. We continue to work towards achieving and surpassing the required reductions in all regulated categories.

Our sugar reduction efforts over the past two years have achieved an average 24% decrease across the range of our Pick n Pay carbonated soft drinks and an average 19% sugar reduction in our No Name carbonated soft drinks. We continue to partner with the Department of Health to reformulate and develop more products with less added sugar. In April 2018, the South African government introduced a sugar tax, as part of measures aimed at reducing the prevalence of obesity in the country.

RELIABLE AND ACCESSIBLE INFORMATION

In promoting healthy food choices, we recognise the importance of empowering customers to make informed buying decisions.

Our product labelling policy ensures that customers are given reliable and accessible information on the items they buy.

We proactively label all our pre-packaged own brand products with nutrition information, and use the Guideline Daily Amount (GDA) front-of-pack labelling scheme to bring the key facts regarding our products' nutrition credentials to customers' attention.

We ensure ongoing compliance with South Africa's labelling regulations, which govern the content and method of communication on packaging and in advertising. This ensures that information is accurate and not misleading.

To extend health education to our customers, we distribute a range of nutrition and health-related leaflets in Pick n Pay pharmacies, provide educational materials in schools, and have a library of nutrition and health-related articles on our website.

Pick n Pay employs 41 food technologists to ensure that our products comply with all the relevant legislation in terms of quality, content standards and labelling.

The Pick n Pay online shopping platform provides a filter for easier navigation to find healthy foods, like wholegrains, fresh produce, foods lower in saturated fat and foods free from particular allergens.

Customers and staff can address any queries relating to nutrition and food or health-related issues to Pick n Pay's registered dietitian through the company's tollfree Health Hotline: 0800 11 22 88; email: healthhotline@pnp.co.za.





PARTNERING TO PROMOTE HEALTHY LIVING

SECTOR EFFORTS

We continue to engage with the national Department of Health and the Consumer Goods Council of South Africa on collective industry measures aimed at reducing and managing health and obesity risks for all South Africans. Pick n Pay is a signatory of the Consumer Goods Forum's South African Marketing to Children Pledge, publicly committing to market communications to children of 12 years and under only to promote healthy dietary choices and healthy lifestyles. We also continue to engage with the government on proactive commitments to reformulate certain categories of foods to improve their nutrition credentials.

LOYALTY PROGRAMMES

To improve access to cost-effective healthier products, our Smart Shopper loyalty programme – voted South Africa's favourite loyalty programme for six years in a row – seeks to encourage customers to make healthier choices. Through our partnership in the Vitality Pick n Pay Healthy Food™ programme, Vitality members receive a 25% cash back discount on healthy food purchases at Pick n Pay stores. The average cashback on healthy food purchases was 13.8% in FY2019.

DIABETES GUIDE

During Diabetes Awareness Month in October 2018, we partnered with Diabetes SA to develop a Diabetes Lifestyle Guide and supplied 10 000 free guides to customers with diabetes all around the country. The booklet received welcome feedback and will be used on an ongoing basis by Diabetes SA.

CAPE TOWN CYCLE TOUR TITLE SPONSOR

Pick n Pay has maintained a strategic position in promoting physical fitness and a healthy lifestyle, as a longstanding major sponsor of the annual Cape Town Cycle Tour, the world's largest timed cycling event, which attracts up to 35 000 participants.

OFFERING IN-STORE HEALTHCARE SERVICES

We currently have 33 PnP Pharmacies of which five are franchised. We are planning to open more pharmacies in our existing and new PnP stores to have a national footprint. We strive to make healthcare more affordable and accessible to all our customers and pride ourselves on our professional service. All our pharmacies are contracted with most medical aids and our friendly pharmacist and assistants will assist with counselling and authorisations for over-the-counter, acute and chronic prescriptions.

To further improve our service offering, we are upgrading selected pharmacies with a new look and feel and we plan to introduce more specialised natural products to meet our customers' wellness needs.

Pharmacies with clinics offer additional services such as: wellness screenings, a range of medical tests, vaccinations, baby wellness and milestones, wound care, dietary advice and family planning (free in the Western Cape for government patients).

Part of our convenience offer is the Pharmacy Plus Application which can be downloaded to any smart phone. This application allows you to order medication and health articles at a PnP Pharmacy to then collect at a convenient time or ask to have it delivered to your work or home address. When you hand in your repeatable prescription, you can ask to be added to a "PackMyMeds" reminder service. You will receive a monthly SMS three days before your medication is due. Then you can choose which medication you want the pharmacy to prepare for collection, or ask to have it delivered.

We are passionate about our customer's health and encourage a Live Well lifestyle. We are here to serve the South African communities to work towards a healthier nation.



EDUCATIONAL MATERIALS IN SCHOOLS

Through our School Club programme, we have encouraged healthy eating and an active lifestyle across 3 325 schools, reaching 1 725 000 learners since 2003.





OUR SDG ALIGNMENT



Solar Installation at Pick n Pay on Nicol

BEING ENVIRONMENTALLY RESPONSIBLE

As a retailer with thousands of suppliers and millions of customers, we are mindful of our broad reach and the environmental impact we have across our value chain. We are committed to reducing our impact, enabling our customers to play their part in protecting the environment, and working with our suppliers and partners to innovate for a healthy planet.

In a country already challenged by a scarcity of arable land and water, South Africa's depleting seafood stocks and the projected impacts of climate change pose considerable challenges to developing a sustainable food system. We therefore recognise our responsibility to raise awareness about important system components such as waste and the impacts of climate change on the food value chain.

KEY OUTCOMES

1.7 MILLION

reusable shopping bags sold, representing a 20% year-on-year increase

36.9%

reduction in energy usage per square metre (2008 baseline)

53.5%

 of waste diverted from landfill

6 131 MWh

of solar energy generated, reducing our carbon footprint by almost 6 000 tonnes CO₂e

2.4%

 overall reduction in water used

40% REDUCTION

 in Western Cape water usage during the recent drought

Introduced a 100% recycled and recyclable plastic bag – will keep

2 000 TONNES

of plastic out of the environment every year

649 192

CO₂e TONNES

carbon footprint – down 1.2% on last year

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A DECADE OF PARTNERING WITH TOWNSHIP PATTERNS



OUR TARGETS FOR 2025

We are committed to achieving:

30%

average recycled content across all Pick n Pay packaging

30%

reduction in average packaging weight of Pick n Pay branded products, FY2019 baseline

30%

increase in sales of reusable bags, FY2019 baseline

50%

reduction in our food waste, FY2015 baseline

100%

of Pick n Pay packaging will be reusable or recyclable

100%

of cardboard and paper used for Pick n Pay packaging sourced from responsibly managed forests

100%

of Pick n Pay-branded products will feature an on-pack recycling logo by 2023

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

Increasing levels of excess food distribution is a strategic focus and driver of our progress towards meeting our 2020 War on Waste targets. Offering customers alternatives to traditional plastic shopping bags is another key focus as part of our commitment to reduce our plastic and packaging impacts on the environment. This year we have joined the following collaborative initiatives aimed at advancing our progress and contribution towards a healthier planet.

- The New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation
- The Roundtable for Sustainable Palm Oil, expanding our efforts to increase the percentage of sustainable palm oil used in our products
- Sedex, which will enable us to work collaboratively towards a more responsible and ethical value chain
- MetPac-SA, a membership organisation focused on maximising the recycling of metal packaging in South Africa
- South African Initiative to end Plastic Waste in the Environment



1.7 million reusable bags sold in FY2019, 20% increase from last year



LEADING CHANGE IN REDUCING PLASTIC USE

Offering customers alternatives to traditional plastic shopping bags is one of our key strategies to reduce the level of our plastic/packaging impacts on the environment. Over the past year we have trailed various different alternatives, as well as expanded our range of reusable shopping bag options.

The environmental damage caused by the use of plastic and the impact on our oceans has become increasingly clear. Experts fear that at current rates of pollution, the total weight of plastic in our oceans could outweigh fish by 2050. This a highly complex issue, with our reliance on plastic driven by issues such as food safety standards, convenience and affordability. Pick n Pay has accelerated its efforts to lead change in reducing plastic waste.

ALTERNATIVES TO PLASTIC CARRIER BAGS

In 2003, Pick n Pay was the first retailer in South Africa to introduce a reusable bag as a substitute for plastic bags – our “Green Bag” is made with environmentally friendly fabric and has become ubiquitous in South African retail. Since then, we have offered customers a range of alternatives that include cotton and RPET (recycled polyethylene terephthalate) bags.

In FY2019 we sold 1.7 million reusable bags, representing a 20% year-on-year increase. This included selling 220 000 bags produced by the community-based programme, Township Patterns. In partnership with the cooperative, we launched a colourful 100% RPET reusable bag in 2017 that is manufactured from material made from recycled plastic bottles. This boosted sales to achieve an 84% increase in FY2018. With R6 of every Township Patterns bag sold going to the cooperative, this amounted to a R1.32 million contribution in FY2019.

Our customers have told us they want an alternative to plastic bags and would like to “refuse the bag”. We know that there are many considerations, such as size, durability and price, so we are working closely with our customers to trial various options.

In February 2019, we trialled the sale of our green R5 Budget Bag, a low-cost reusable carrier bag made out of two green plastic bottles, at 23 stores. This was the lowest-priced reusable alternative to plastic carrier bags yet in South Africa. We sold 11 500 of these bags during the month, which resulted in a 3.41% reduction in plastic bag sales across the stores compared to the same period last year. This demonstrates that customers are willing to make responsible choices if the right options are available. We will be rolling out the R5 reusable bags to all our stores by the end of CY2019.

We want as many people as possible to have access to reusable bags. Lasting for years, a reusable shopping bag can help prevent the unnecessary purchase of hundreds of plastic bags. Therefore, our objective is to promote the circular economy by creating greater demand for recycled plastic, and simultaneously providing customers with an affordable and durable alternative to plastic shopping bags. We want to have a positive impact on the recycling industry while also reducing the demand for plastic shopping bags.

We have also piloted alternatives to plastic bags, such as paper and compostable bags, as well as cardboard boxes. As there are no large-scale composting facilities available in South Africa, rolling out a compostable bag project is not yet feasible. The trial of selling paper bags that took place in six stores in January 2019 was successful, with a 5% reduction in plastic bag sales at the trial stores.

RECYCLABLE COFFEE CUPS SUPPORTING POSITIVE SOCIAL CHANGE

At our campus coffee shops in Kensington and Kenilworth in Cape Town, we introduced a limited edition of African Spirit coffee cups to support the uMbuyisa School of Arts and Culture in Soweto, which aims to serve the community by providing sponsored training in agriculture, life skills, art and literacy for children. The recyclable cups were individually designed by children from the school and represent Africa Day, Youth Day and Mandela Day. Our staff enjoyed making a difference by purchasing the cups to raise funds to further the school children’s education.



Pick n Pay introduced the most affordable reusable bag in South Africa in February 2019



We introduced reusable netted fruit and vegetable fresh produce bags in a further effort to discourage unnecessary plastic bag usage

Your cup of COFFEE IS CHANGING LIVES

We're introducing new, recyclable African Spirit cups



100% Recyclable 100% Recycled FSC Certified paper



BEING ENVIRONMENTALLY RESPONSIBLE

We have also started introducing a reusable netted fruit and vegetable fresh produce bag in a further effort to discourage unnecessary plastic bag usage. Customers can now also bring their own transparent and sealable reusable bags in-store for loose selling produce.

USING RECYCLED CONTENT IN OUR PACKAGING



In countering the environmental damage from the non-recycling of plastic bags, we have developed a new blue Pick n Pay plastic carrier bag that is available in all stores. These bags have zero added calcium and are made from 100% recycled material – 60% from post-consumer waste, and 40% from manufacturing waste. We estimate that more than 2 000 tonnes of post-consumer recycled plastic will be used every year to make these bags. This is equivalent to 500

garbage trucks filled with plastic every year.

Using recycled content in our packaging is one of our key strategies to work towards an improved circular economy in South Africa. If we maximise the recycled content we use, we will provide an incentive for recyclers to increase the amount of plastic that is recycled in South Africa. There is also significant potential for job creation in the circular economy, as borne out by PnP's experience in promoting plastics recycling. Please see case study on page 31.

REDUCING PLASTIC PACKAGING IMPACTS

We're making an effort to cut down on packaging through a number of interventions, including having loose-serve fresh produce. We've introduced recycled material in the packaging of a range of our own brand products. Pick n Pay-branded containers of dishwashing liquids and all-purpose cleaners now include a minimum of 25% recycled material, while carbonated soft drink bottles include a minimum of 20% recycled material. The plastic punnets used in the packaging of our fresh fruit and vegetables contain a minimum of 25% recycled material and we will



continue to roll out this practice to more categories.

OTHER PLASTIC REDUCTION INITIATIVES

At our store at the V&A Waterfront in Cape Town, in February 2019 we trialled the introduction of a recycling vending machine, which rewarded customers for recycling any recyclable waste product with a relevant barcode.

Pick n Pay-branded earbuds now have inners that are made with paper rather than plastic.

Plastic straws at checkouts have been replaced with paper straws, which are only available at the cold drink kiosks.

Coffee shops at our office in Kenilworth and Kensington offer a discount for using reusable coffee cups instead of regular cups.



GOING FORWARD

This is just the start of our packaging and plastic reduction project. Customers can expect more initiatives and commitments to reduce packaging impacts. In addition to the extensive work on our own branded products, we will partner with key suppliers to roll out the packaging and plastics reduction programmes that has been implemented internationally.

We are working closely with the Consumer Goods Council in finding industry-wide solutions, with a priority given to reducing single-use plastic. In 2019, Pick n Pay also joined the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation. The collaborative initiative brings together retailers, brand owners and industry bodies in setting long-term common targets for the whole plastics value chain to support – from design – use – collection – recycling. It is focused on "circularity" and transforming the plastics system – keeping the plastics in the economy and out of the environment. Pick n Pay is also a member of the South African Initiative to end Plastic Waste.

There are no easy or quick fixes, but working in collaboration with our partners, industry bodies and suppliers, we will continue to lead change in reducing the impact of plastic on the environment.



We will launch a plastic and recycling education programme through the Pick n Pay School Club that will reach more than 2 million learners

WORKING TOWARDS CIRCULAR SYSTEMS TO REDUCE PLASTIC WASTE

By driving an increase in demand for reusable bags made out of RPET bottles, Pick n Pay is working towards a circular system that will drive job creation through the value chain and boost the textile sector. Each reusable bag is manufactured from approximately two green PET bottles.





FROM PLASTIC WASTE TO ACTIVIST ART

Pick n Pay continues to partner in initiatives to create greater awareness about the crucial need for recycling.

We partnered with the V&A Waterfront in Cape Town to draw attention to the problem of plastic waste while raising awareness for South African's endangered rhinos. The campaign featured a life-size rhino sculpture which had been creatively decorated with plastic waste. This was designed by local artist, Heath Nash, known for his ability to repurpose post-consumer plastic waste into artwork and innovative products.



20 years of supporting national beach clean-ups

ENERGY EFFICIENCY AND REDUCING CARBON

Pick n Pay has been implementing an energy strategy in partnership with Energy Partners since 2010.

Since starting our energy-efficiency journey, we have reduced our energy use per square metre by 36.9% against a 2008 baseline and we have reduced our CO₂ emissions per square metre by 6.4% against a 2015 baseline.

The plan for improving our energy efficiency and reducing our carbon emissions has three pillars: behaviour, technology and renewable energy.

Behaviour: Simple actions such as installing energy-efficient lighting systems and turning off lights or equipment not in use at stores, distribution centres, warehouses and offices.

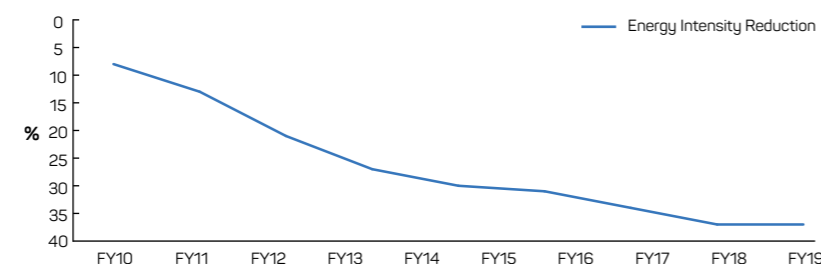
Technology: In fulfilling our commitment to the Consumer Goods Forum's targets for reducing refrigeration impacts, all our new and refurbished stores are being fitted with more natural refrigeration systems. We now have 84 refrigeration systems using refrigerants with a lower impact on global warming than our previous systems. In FY2019 we went one step further and commissioned five CO₂ transcritical refrigeration systems. These systems have a close to negligible global warming impact compared to traditional refrigeration systems and are much more energy efficient. Over the past financial year, our CO₂e emissions from refrigerant gases have decreased by 14% as a result.

Renewable energy: As part of our increasing commitments to renewable energy, we installed three new solar installations over the past year, with more being planned in future. We currently have five solar installations: three at our distribution centres and two at stores, which collectively generated 6 131 MWh during FY2019. This represents a 215% increase compared to FY2018 and has reduced our carbon footprint by almost 6 000 tonnes CO₂e.

Pick n Pay was one of the best-performing retailers in South Africa in the 2018 CDP (previously known as the Carbon Disclosure Project) with a B rating in recognition of our efforts to reduce the impact we have on climate change.

RECYCLING AND REUSING

ENERGY INTENSITY VERSUS FY2010 BASELINE



OUR CARBON FOOTPRINT:

		FY2019	FY2018	FY2017
SCOPE 1	Mobile and stationary fuels	15 272.68	7 457.25	8 877.19
	Refrigerant gases	85 648.68	95 271.48	90 482.46
SCOPE 2	Electricity	726 742.62	758 219.16	743 873.20
	Upstream and downstream distribution	49 758.81	47 023.24	32 441.00
SCOPE 3	Business travel	4 823.68	3 915.57	4 502.70
Total		882 245.91	911 886.69	880 176.56



PROGRESS AGAINST OUR WAR ON WASTE ENVIRONMENTAL COMMITMENTS

2020 target	FY2019 performance
50% reduction in our energy use per square metre (2008 baseline)	36.9%
25% reduction in our CO ₂ emissions per square metre (2015 baseline)	6.4%
20% reduction in the amount of food waste we send to landfill (2015 baseline)	11.4%

REDUCING FOOD WASTE

Food waste is one of the most vital social, economic and environmental issues facing our planet.

There is a huge opportunity to reduce hunger levels in South Africa by effectively managing excess food and redirecting safe edible food for human consumption rather than sending food waste to landfills. This is a strong focus for Pick n Pay. In 2015, we set goals to deliver significant shifts in waste reduction by 2020, including diverting 20% of our food waste from going to landfill. We have partnered with various organisations to meet this goal. We are getting more accurate in our procurement and replenishment, and we are steadily reducing the amount of food which goes to waste in our stores. Any food that has passed its sell-by date, but not its expiry date, is donated. Our donation of more than 1 600 tonnes of food every year to NGOs reduces our carbon footprint by more than 5 000 tonnes each year. Details about our collective efforts in partnership with FoodForward SA to target hunger are provided on page 44.



BEING WATER WISE

South Africa is a water-scarce country and the steady decline in the availability and quality of water is heightening water security as a social and business risk.

The prolonged droughts in recent years have had a severe impact on farmers and communities throughout South Africa. In the Western Cape, which experienced its worst drought in 2018 since 1904, we engaged with our fresh produce suppliers to evaluate the potential impact the drought might have on our supply chain. We implemented diverse water-saving initiatives as well as water awareness campaigns for our staff and customers. We achieved and have maintained a 40% reduction in our water usage in the Western Cape. Interventions at stores included installing water tanks, aerators and restrictors that reduce the water flow, and online water meters. We are rolling out real-time monitoring and leak detection to all our stores nationally. Outside our operations, our contribution to promoting water resilience in communities is reviewed on page 45. In FY2019 we consumed an estimated 1 128 megalitres of water, in line with last year (FY2018: 1 161 megalitres). Pick n Pay was one of the best-performing retailers globally in the 2018 CDP water disclosure, with a B rating. We tied with Sainsbury's as the best-performing food retailer in the water category.



In addition to our focus on reusing plastic, we have various initiatives supporting our commitment to recycling and reusing. We provide collection points for customers wishing to recycle light bulbs, batteries, plastic bags and ink cartridges, and we continue to introduce enterprising recycling initiatives, many of which create opportunities for employment.

As examples of our initiatives and outcomes, this year we sold 300 000 items of clothing that included recycled content in our ladies' leggings, kids' fleece tops, men's track suits and pullover ranges. Used cooking oil from our stores was used locally to manufacture 300 000 litres of bio-diesel in FY2019. During the past year, we recycled 4 800 tonnes of waste in our reverse logistics project. The project involves Pick n Pay trucks transporting recyclable materials from stores back to our distribution centres to be recycled. Our ongoing support of the Phahama Project in Gauteng provides tricycles, clothing and training to informal recyclers. We measure the amount of recycling we do and have significantly increased levels in all areas. In FY2019 we recycled a total of 17 100 tonnes of store waste, accounting for 50% of waste generated at stores. This comprised:

15 211 TONNES
of paper and cardboard

138 TONNES
of organic waste (composting)

18 TONNES
of metal

1 738 TONNES
of plastic

67 TONNES
of glass

2 TONNES
of e-waste

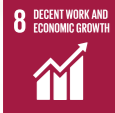
A DECADE OF PARTNERING WITH TOWNSHIP PATTERNS

Since 2009, we have proudly partnered with Township Patterns, a women-owned cooperative operating in the Western Cape that employs more than 70 women. To date it has supplied Pick n Pay with more than a million reusable bags made from non-genetically modified cotton. Bag sales over the last three years have generated R2.4 million in commission for the cooperative. The partnership continues to grow and unlock opportunities to deliver positive outcomes.





OUR SDG ALIGNMENT



ADVANCING EMPLOYEE OPPORTUNITY AND DIVERSITY

In South Africa, creating jobs, building skills and accelerating opportunity and empowerment are essential to the well-being of the nation and to reducing poverty and inequality. Each of these areas is a priority for Pick n Pay, ensuring that our business makes a valuable contribution to our economy and social cohesion.

We continue to work towards our ambitious job creation targets (creating on average 18 jobs per working day) and strive to be an employer of choice. This means providing good jobs, effective training and development initiatives, competitive pay, good working conditions and an opportunity to progress. We seek to ensure that the composition of our employee base at all levels accurately reflects wider society. We use our skills base and diversity as an advantage in building an engaged, innovative and successful business.

KEY OUTCOMES

4 675
NEW JOBS
created across the Group

R67 MILLION
in training and education,
across 800 training interventions,
reaching over 16 000 of our people

97%
training spend on black employees
trained as a % of total spend

24 520
total number of employees
participating in training interventions

355
number of learners in learnerships,
internships and apprenticeship
programmes

64%
training spend on female employees
trained as a % of total spend

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AND WELLNESS



CREATING OPPORTUNITY

Pick n Pay is one of Africa's largest retailers, with 1 628 stores (968 corporate, 660 franchise) across seven countries. We drive job creation through long-term sustainable growth. Over the past three years, we have invested R5.3 billion in opening and refurbishing stores and building our supply chain. By doing so, we have been able to create 13 700 net new jobs, increasing our total number of employees to 55 000 in our company-owned business and 35 000 across our franchise stores. The jobs we create often benefit young people who have not previously been employed. A job with Pick n Pay creates the opportunity to earn a decent wage, to learn new skills and, with hard work, to progress within the industry.

Pick n Pay's social impact is broad: we work with about 10 000 suppliers, which provides jobs to more than 400 000 people. Pick n Pay franchise owners employ about 21 000 people and play a critical role in promoting the growth of small suppliers. The relationships they develop help small suppliers integrate into the formal supply chain and a national market. Many are emerging farmers.

Through our increasing levels of local procurement and enterprise development initiatives, we help to create thousands of indirect jobs across the country each year. Read more about this from pages 11–12. By providing these small-business owners with mentorship and access to markets, we enable them to grow their businesses and, in turn, employ more people.

We believe at least 1 million people are directly affected by Pick n Pay by way of employment throughout our value chain.

CARING FOR OUR EMPLOYEES

An engaged and satisfied workforce is key to enabling a high-performance culture and having an advantage over our competitors.

Key areas that our employees tell us are most important to them are:

- competitive remuneration and benefits
- training and career development
- fair and reasonable working hours, with certainty of hours and shifts
- sustainable business performance
- wellness programmes
- work-life balance
- working for a responsible and ethical corporate citizen.

In responding to employee needs, we focus on:

- building South Africa's most talented retail business
- implementing a remuneration policy that drives fair and competitive remuneration and the recognition and development of talent
- providing numerous training and development programmes to upskill our staff
- building a lean and effective organisational structure for the benefit of all
- advancing employee opportunity and diversity.

Pick n Pay was awarded the Future of HR Awards as "Employer of Choice" for 2018

PROMOTING DIVERSITY, TRANSFORMATION AND EQUITY

We aspire to create a work culture in which diversity is integral, evident and valued for the benefits it brings us. Our customers should see in Pick n Pay's people a reflection of themselves and their communities.

To promote diversity, transformation and equity, we have policies and plans in place to advance our progress. We also implement diversity programmes to further integrate and create awareness within our organisation at all levels.

In implementing our five-year employment equity (EE) plan for 2014 to 2019, we have achieved steady progress in meeting diversity targets at senior and top management levels. Our strategy is to promote from within and fast-track external candidates from designated groups. To develop a diverse talent pipeline, we implement programmes to attract more diverse graduates into the retail sector and offer skills development opportunities (see below). In consultation with our stakeholders, including trade unions and Human Resources leadership, we are drafting an EE plan for 2019–2024.

We have well-established EE forums across the business, which include employees, senior managers and trade union members. These forums provide a formal environment in which to engage and consult on the EE plan and its implementation. In addition, delivery against the five pillars of BBBEE forms part of all senior managers' performance reviews.

We are focusing more on our franchise stores – nearly a third of which are black owned and nearly 40% of which are either Exempted Micro Enterprises or Qualifying Small Enterprises. This includes working with the Consumer Goods Council of South Africa and the Department of Trade and Industry to talk about better recognition for these small businesses and franchisees on the BBBEE scorecard.

EMPLOYMENT EQUITY

HDSA representation	FY2019	FY2018
Top management	26%	24%
Senior management	55%	51%
Professionally qualified middle management	79%	78%
Skilled technical and junior management	94%	93%
Semi-skilled and discretionary decision-making	99%	99%
Unskilled and defined decision-making	99%	99%

BBBEE SCORECARD

Element	Element weighting	Score
Ownership	25	15.96
Management control	15	9.67
Skills development	20	9.07
Enterprise and supplier development	40	25.15
Socio-economic development	5	5.00
Overall score		64.85



DEVELOPING AND RETAINING SKILLS

SKILLS DEVELOPMENT

	FY2019	FY2018	FY2017
Total investment in training, including bursaries	R67.8 m	R66.5 m	R71.8 m
Total number of employees participating in training interventions	16 310	10 976	23 286
Number of learners in learnerships, internships and apprenticeship programmes	355	350	298
Training spend on female employees trained as % of total spend	63.77%	60.81%	61.89%
Training spend on black employees trained as a % of total spend	97.23%	95.77%	94.37%

NUMBER OF LEARNERS IN LEARNERSHIPS, INTERNSHIPS AND APPRENTICESHIP PROGRAMMES

	FY2019
African	334
Coloured	13
Indian	6
White	2
Total	335

A successful retail business is dependent on a skilled workforce. Good skills ensure effective and efficient management and delivery of our products and services, and better customer service.

Staff who develop their skills are able to advance more quickly through the organisation and are more likely to stay with the Group. Last year, we promoted 500 of our people, recognising their skills and development.

We offer over 330 training programmes to employees, ranging from basic literacy and numeracy to computer-based training and management and leadership programmes. In FY2019 we invested more than R67 million in training and education, across 800 training interventions, reaching over 16 000 of our people. In addition, more than 5 000 employees completed customer-service training.

We operate a robust career development framework to help our employees meet their career goals. We implement a business-wide performance management system to drive a high-performance culture and recognise and reward performance. We are committed to providing our employees with fair and responsible remuneration, including a suite of benefits that promotes the well-being of our employees in a difficult economic climate. Our remuneration policy also provides a strong commitment to diversity, career advancement, training and incentivisation. Remuneration is benchmarked across the industry. The Group provided above-inflation increases in salaries and wages this year. For more details, please refer to our **remuneration report** in the governance section of our **2019 Integrated Report**.



Our Chartered Accountant (SA) and graduate training programmes are aimed at attracting talented young people into the business and developing them to join our management team. Our corporate academy seeks to fast-track the development of a pool of managers for our stores. The training programmes provide exposure and experience in all areas of the business, including on-the-job training supported by formal training courses. Graduates are assessed throughout the programme for suitability and possible placement in various areas of the business.

To build our talent pipeline, we offer learnership programmes that focus on scarce skills, particularly in the bakery and butchery sectors. Up to 100 learners are taken on each year to complete first-level qualifications. We seek to attract young talent at local Technical Vocational Education and Training (TVET) colleges to build a pool of local, skilled workers that can be recruited into their local community stores. Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders.

PROMOTING EMPLOYEE HEALTH AND WELLNESS

Promoting health and wellness has a positive influence on our employees' well-being and productivity, at work and beyond.

Our buildings are designed within stringent health and safety guidelines and all employees receive health and safety training as part of their induction. Specific training is provided where required. We comply with the Occupational Health and Safety (OHS) Act. This includes ensuring that health and safety representatives are appointed in each part of the business, and health and safety committees are in place. We employ OHS practitioners who coordinate all health and safety activities in the regions. They provide health advice and referrals to health centres for tests, treatments and check-ups. They also assist regions with health-related tasks such as monitoring health hazards or visiting sick employees. Our longstanding HIV/Aids programme includes the provision of anti-retrovirals to HIV-positive employees and taking care of orphans of our employees.

LISTENING TO AND ENGAGING WITH OUR EMPLOYEES

We engage regularly with our employees, primarily through surveys, monthly publications, and formal and informal staff interaction. Good internal communications help to build knowledge of the company's plans and activities, and ensure that we better understand our employees' concerns and expectations. Common issues discussed with our employees include remuneration, training, career development, company performance and BBBEE and transformation. Open and constructive relationships with labour unions and formal processes enable us to proactively manage critical issues.

Our ongoing employee engagement pulse surveys with leavers and new starters aim to help us to understand our employees' views so that we can work with our employees to address issues and improve the work environment. The survey focuses on engagement, enablement and performance, manager effectiveness, and diversity and inclusion. The survey is available to our staff in canteen and reception areas, and is sent to every employee by email.

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

Pick n Pay has 22 729 employees represented by a trade union; 19 848 are members of the South African Commercial, Catering and Allied Workers Union (Saccawu) and 2 881 are members of Jamafo. There were no days lost to protected strikes during the review period.

DEVELOPING FUTURE FOCUSED LEADERS

Pick n Pay is a longstanding supporter of the Future Leaders Programme (FLP), which is designed to create a network of young leaders that together can build a sustainable future for the consumer goods industry. The programme includes strategic, operational and leadership modules for an interactive learning experience in an international setting. It represents an investment both in the individual and in the future of their company. We currently have 50 alumni within our business who have attended the FLP over the last 30 years.



Pick n Pay offers over 330 training programmes to employees, ranging from basic literacy and numeracy to computer-based training and management and leadership programmes



OUR SDG ALIGNMENT



Pick n Pay has supported the Velokhaya Life Cycling Academy in Khayelitsha since its establishment in 2004

DOING GOOD IN THE LOCAL COMMUNITY

Through our network of stores, we are connected to communities nationwide. We seek to play a positive role in each of these communities through short- and long-term initiatives and as part of our contribution to South Africa's socio-economic transformation.

Making a positive contribution by responding effectively to local and national needs helps to build and maintain trust in and loyalty to our brand. By supporting local charities, volunteering, donating goods or services and helping local communities during crises or emergencies, we empower our stores to engage effectively with their local stakeholders. Our stores in disadvantaged areas provide jobs and opportunities where they are most needed.

KEY OUTCOMES

R34.1 MILLION
corporate social
responsibility spend

R7.6 MILLION
worth of clothing donated
to Clothing Bank

1 667 TONNES
of food at a value of R80 million
donated for the benefit of
800 NGOs

**2 MILLION
LEARNERS**
at 3 325 schools supported through
the Pick n Pay School Club

**1 582 COMMUNITY
GARDENS**
and 1 736 home gardens
established by the Ackerman
Pick n Pay Foundation

**605 000
MEALS**
collected in Mandela Day campaign,
in partnership with FoodForward SA

QUICK ACCESS TO SECTIONS

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TARGETING HUNGER

Our primary contribution towards alleviating hunger is through donating excess food from our stores and supporting income-generating rural and urban food gardens.

DISTRIBUTING EXCESS FOOD

Pick n Pay is FoodForward SA's largest retail partner. During FY2019, we contributed 1 667 tonnes of edible surplus food from our stores to the value of R80 million for distribution to 800 beneficiary organisations that collectively feed 250 000 people daily every year. This equates to providing more than 20 000 meals every single day.

A highlight of Pick n Pay's partnership with FoodForward SA is an annual collaborative Mandela Day Food Drive initiative – a national call to action for all South Africans to work together and fight hunger by either purchasing basic food ingredients in any Pick n Pay store across the country, and/or volunteering their time packing the food to stock FoodForward SA's warehouses across the country. The campaign is aimed at providing a much-needed boost during the winter months.

The second consecutive national food drive was held over the period 13–15 July 2018 and with overwhelming support from our customers and communities around Pick n Pay stores across Johannesburg, Pretoria, Rustenburg, Bloemfontein, Durban, Port Elizabeth and Cape Town, achieved inspiring outcomes – see table below.

We look forward to further broadening our partnership with FoodForward SA to include excess food in our supply chain.

MAKING PHILANTHROPY WORK

The Ackerman Pick n Pay Foundation partners with communities who actively implement initiatives that result in the reduction of food insecurity, therefore contributing to the achievement of SDG Goals 1, 2 and 3. A key outcome is improved access to food and nutrition.

	FY2019	FY2018
Total stores participating in the Mandela Day Food Drive	543	458
Weight collected	151 tonnes	130 tonnes
Number of volunteers	7 000	6 000
Number of meals	605 000	520 000



Pick n Pay partners with FoodForward SA every year in the Mandela Day Food Drive

COMMUNITY FOOD GARDENING

The Ackerman Pick n Pay Foundation, as part of its commitment to the SDGs, has supported initiatives over the past few years that address food insecurity in a sustainable manner. The Foundation partners with organisations nationally to establish rural and urban food gardens, with a strong training element that encourages replication at home. The primary objective of these partnerships is the reduction of hunger, with income generation through the sale of excess produce as the secondary objective. To date the Foundation has supported the establishment of 1582 community gardens, 32 micro farmers and 1 736 home gardens, empowering more than 15 000 people. In its efforts to promote water resilience, the Foundation has partnered with the Siyazisiza Trust to roll out drip irrigation and conservation training to these micro farmers who have 782 hectares under irrigation, benefitting more than 3 200 people. These families now have the skills to grow their own food, conserve water and sell their produce at a profit. The result has been a significant improvement in living conditions as well as confidence in their ability to become financially independent.

THE ACKERMAN PICK N PAY FOUNDATION PARTNERS WITH THE RAY MHLABA SKILLS TRAINING CENTRE

The Ray Mhlaba Skills Training Centre is a fully equipped training centre offering vocational and practical skills training programmes that have been successfully implemented over the past 13 years.

In addition to the training programmes, the centre provides assistance in the personal and social development of their students, with the incorporation of a personal development programme, namely Life Skills – Ready for Success, in the vocational training programmes.

Following successful completion of their training programmes, the centre helps graduate students to obtain meaningful employment.

In 2017, the Ackerman Foundation funded 16 students to complete their NQF Level 3 Bakery certification, and eight students to complete two advanced level Hairdressing certificates each. All, except for two of them, are either employed or self-employed in their area of qualification. Of the two, one is pursuing further education and the other had to leave the industry due to illness. In 2018, 15 students were funded by the Foundation to complete their NQF Level 3 Bakery certification. Pick n Pay hosted the Bakery students for their practicals in different stores across Port Elizabeth. The students will be graduating during the first week of July and some of them have already found employment.





USING OUR PRODUCTS FOR GOOD

In addition to supporting FoodForward SA, directly and as part of the Mandela Day Food Drive, we collaborated to develop a special range of "bonhappi-T shirts" for sale in selected Pick n Pay Clothing stores nationwide. Each purchase enabled an underprivileged person to be fed for a month. The FY2019 campaign raised R350 775, feeding 14 031 underprivileged people for a month.

Pick n Pay Clothing donated clothing to the value of R7.6 million to Clothing Bank in FY2019. The organisation has more than 700 active businesswomen, who sell clothing for a profit of R30 million every year.

In 2018 we sold 120 000 "tope" bandanas during the Sunflower Day campaign, raising R3.5 million. This will be used to fight blood diseases like leukaemia through the recruitment of stem-cell donors.

In support of Breast Cancer Awareness month, Pick n Pay raised R580 000 for breast cancer support group Reach for Recovery, by donating R1 from every pink punnet of mushrooms we sold during October at our stores.

Reach for a Dream positively impacted the lives of 350 children by partnering with Pick n Pay in their 2018 Slipper Day campaign and other events, which raised R800 000.

Pick n Pay donated R46 000 to the Quasar Trust in our Valentine's Day campaign. The trust provides 24-hour nursing care and accommodation to quadriplegics.

By donating R2
of every purchase of
school clothes or shoes
from Pick n Pay,
we raised R150 000
for Pick n Pay School Club
in FY2019



SUPPORTING EDUCATIONAL PROJECTS – GROWING TOMORROW'S LEADERS

People n Planet Educating future leaders

The **Pick n Pay School Club** has been supporting schools throughout South Africa for 15 years. With 3 335 schools in the programme, it is the biggest brand-funded education platform in South Africa. The Pick n Pay School Club includes 105 875 teachers and reaches more than 2 million learners. The free education material supplied by the School Club – workbooks, posters, overview brochures, recognition stickers and certificates – is specific to learners' grades, aligned to the curriculum, and written by education experts. The material addresses nutrition, maths, science, literacy as well as health and sustainability topics. The material is also made available to any school, care taker or parent at no cost through the website www.schoolclub.co.za. All schools in the club are now provided with 12 licences to every school – one for every grade – which allows teachers to access a range of teacher-specific material.

Through the **Pick n Pay Hero Awards**, the School Club recognises achievements by learners in primary schools, not only for academic achievement or sport performance, but also for their cultural and social upliftment activities.

In supporting youth development, Pick n Pay has been a proud partner in sponsoring the **Velokhaya Life Cycling Academy** in Khayelitsha, since its establishment in 2004. This not-for-profit organisation uses cycling-based programmes to involve township youth in a positive after-school activity, promoting life skills and opportunities.

More than 1 500 youths have been assisted, with some becoming professional cyclists. In October 2018, we facilitated the expansion of the academy's offerings by supporting the introduction of online video mentoring through the NGO Infinite Family. The mentoring enables children attending the academy to join the skills development and school curriculum support programme. Velokhaya now offers sports, education, career preparation, technology literacy, communication and life skills. The new mentorship opportunity will equip the children to graduate from high school, allow them to qualify for advanced studies and have access to further opportunities in life. Pick n Pay is also working with Velokhaya to implement a daily feeding scheme for around 200 children.

RESPONDING TO EMERGENCIES

Pick n Pay is committed to contributing swiftly and at scale towards emergency disaster relief efforts in the areas where we operate. We also appeal to and strive to assist customers, suppliers and communities to support where they can. Over the past two years, our most significant support was towards the following causes:

- R100 000 cash donation and co-ordination of efforts to enable food donations to those affected by the devastating fire in Knysna in June 2017, and support for firefighters and emergency workers
- R88 500 for school supplies for children affected by the Khayelitsha fire in October 2018
- R200 000 worth of food donated to aid people affected by Cyclone Ida, which caused devastation in Mozambique, Zimbabwe and Malawi through widespread flooding in March 2019



The Pick n Pay Hero Awards recognise excellent achievements by learners in primary schools



STRATEGY, MATERIALITY AND GOVERNANCE

OUR SUSTAINABILITY STRATEGY

Our Sustainable Living strategy focuses our efforts and provides a narrative for our stakeholders. It highlights performance areas that address cross-cutting challenges, including some that are difficult to solve due to complexity or changing requirements. Examples are the inclusive value chain (people) and the circular economy (planet).

Five focus areas cut across each segment in support of customers, employees, operations and finance:

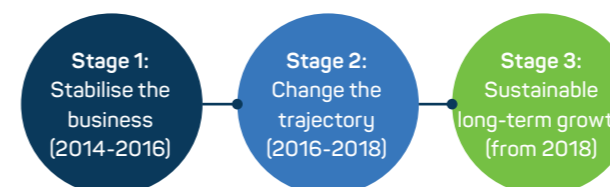
- 1 Building an inclusive and ethical value chain
- 2 Promoting healthy living
- 3 Being environmentally responsible
- 4 Advancing employee opportunity and diversity
- 5 Doing good in the local community

OUR SDG ALIGNMENT



CONTRIBUTION TO THE BUSINESS STRATEGY

Our three-stage turnaround strategy focused on:

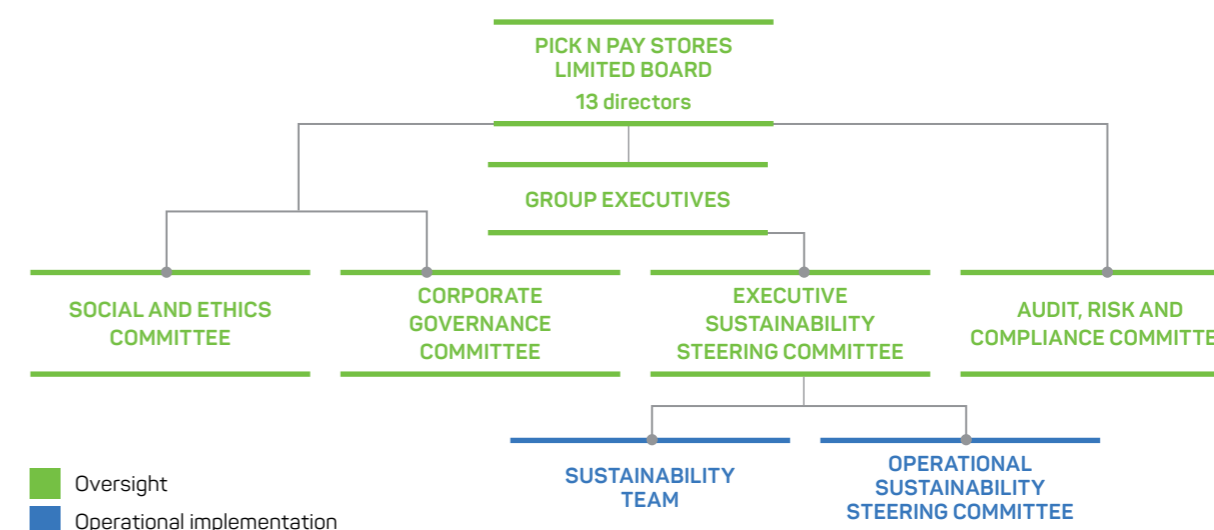


Sustainability efforts contributed to **Stabilising the business** by driving resource efficiencies, with a particular focus on energy and backhauling. In support of **Changing the trajectory**, sustainability initiatives such as the Pick n Pay market store partnership with independent traders programme (see pages 18 and 19) sought to differentiate our proposition and build traction in lower income areas. The sustainability contribution also included dedicated space for small suppliers in Pick n Pay hypermarkets.

Stage 3, Sustainable long-term growth, is being supported by ongoing integration of sustainability efforts across the value chain. This stage focuses on the supply chain, efficiency, growth, innovation and increasing agility. Sustainability thinking promotes a valuable perspective in each of these areas: creating greater diversity, efficiency and redundancy in our supply chain; further enhancing efficiencies through energy conservation and waste reduction; exploring growth opportunities in underserved communities; encouraging innovation in healthier products and more circular processes; and responding to growing expectations for corporate accountability, transparency and care.

Looking ahead, our focus on innovation in both process and product design is increasingly. Our efforts span plastics, food waste, health and inclusive supply chains. Pick n Pay private label products provide the best opportunity to enhance positive impacts, although we are also committed to working with major suppliers to deliver collective impact into the future.

SUSTAINABILITY GOVERNANCE AND MANAGEMENT



Our Sustainable Living strategy sets out the ambition of the Group, defining focus areas and specific key performance indicators (KPIs). Business units and departments integrate their responses into business plans and report on a monthly, quarterly and/or annual basis, as appropriate.

The Pick n Pay Stores Limited Board receives an update on the progress of the Sustainable Living strategy once a year and KPIs every quarter.

Sustainability performance is overseen by the sustainability steering committee and the social and ethics committee, a subcommittee of the Board. Internally, direct responsibility for the Sustainable Living strategy is held by the Transformation director. The **executive sustainability steering committee** meets on a quarterly basis, ensuring frequent review of KPIs and allowing a more systematic response to linkages and cross-cutting opportunities. These are operationalised by the **operational sustainability steering committee** and the **sustainability team**.

All Pick n Pay employees are responsible for contributing towards achieving our sustainability objectives. This sense of ownership is encouraged by ongoing opportunities for training and awareness initiatives.

DECIDING WHAT MATTERS MOST: MATERIALITY INFORMING STRATEGY AND REPORTING

Over more than a decade of sustainability reporting, our materiality approach has been informed by our own experience and that of our peers in corporate reporting. Much of the process is undertaken over the course of the reporting period as the sustainability teams scans a considerable array of articles, media releases, peer reports and stakeholder inputs.

More systematic consideration of material issues informs the Sustainable Living Report planning process. Working through the PnP value chain and the business models that comprise it, the team and external facilitators consider a range of inputs and outputs, outcomes and impacts. Changes in emphasis and initiatives are considered, together with developments within the broader sustainability arena, retail sector trends and national developments. Company risk reports and stakeholder reports are reviewed for the reporting period. Through this process, we endeavour to ensure that the Sustainable Living Report meets the information needs of a range of stakeholder groups, as well as being an enjoyable and inspiring read.



REPORTING AND OTHER GOVERNANCE COMMITMENTS

We comply with all relevant codes and regulations, including codes of good governance such as the King IV Report on Corporate Governance for South Africa 2016 (King IV™).¹ In recognition of our environmental, social and corporate governance (ESG) practices we have retained our listing on the FTSE/JSE Responsible Investment Index Series. Pick n Pay remains committed to supporting and upholding the Ten Principles of the United Nations Global Compact.

OVERVIEW OF NON-FINANCIAL DATA

	FY 2019	FY 2018	FY 2017
OVERALL			
Number of Group stores (excluding investment in TM supermarkets)	1 738	1 628	1 504
BBBEE contributor status	Level 8	Level 8	Level 8
PEOPLE			
New jobs created (across Pick n Pay stores) in South Africa	4 675	5 441	4 490
Total number of employees (excluding franchise stores)	53 600	51 900	54 400
Permanent employee turnover	17.4%	24.9%	19.9%
SKILLS DEVELOPMENT			
Total investment in training, including bursaries	R67m	R66.5m	R71.8m
Total number of employees participating in training interventions	16 310	10 976	23 286
Number of learners in learnerships, internships and apprenticeship programmes	355	350	298
Training spend on female employees trained as % of total spend	63%	60%	61%
Training spend on black employees trained as a % of total spend	97%	95%	94%
SUPPLY CHAIN			
Private label products sourced locally	94%	89%	94%
Spend on BBBEE businesses	R51bn	R32bn	
Spend on black-owned businesses	R4bn	R1.2bn	
Spend on black women-owned businesses	R2bn	R406m	
Spend on SMMEs	R1.5bn	R506m	
Spend on black-owned SMMEs	R830m	R105m	
ENVIRONMENT			
% CO ₂ e emissions per square metre reduction (FY2013 baseline)	3.7%	2.5%	3.5%
Total Scope 1 and 2 CO ₂ e emissions (tonnes)	649 192.4	657 387.2	671 052.6
% intensity reduction in energy (since 2008 baseline)	36.9%	37%	34.1%
Total energy usage for stores, distribution centres and offices (GWh)	577	543	523
Total solar energy generated (kWh)	6 131 112	1 296 911	542 077
Tonnes of waste recycled	18 771	18 338	19 861
% waste diverted from landfill for recycling	53.5%	54.3%	45%
Total water usage (megalitres)	1 128	1 161	1 332
COMMUNITY			
Number of schools in the PnP School Club	3 325	3 300	3 025
Value of clothing donated to Clothing Bank	R7.6m	R5.3m	R4m
Volume of food donated to FoodForward SA (tonnes)	1 667	1 680	2 083
Cumulative number of Ackerman Pick n Pay Foundation community food gardens	1 582	582	264
Total CSI expenditure	R34.1m	R30.5m	R38.7m

Note: Only our BBBEE scorecard and carbon footprint data have been independently audited or reviewed.

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CORPORATE INFORMATION

PICK N PAY STORES LIMITED

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

BOARD OF DIRECTORS EXECUTIVE

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

NON-EXECUTIVE

Gareth Ackerman (Chairman)
David Robins

INDEPENDENT NON-EXECUTIVE

Hugh Herman
David Friedland
Alex Mathole
Audrey Mothupi
Lorato Phalatshe (resigned during August 2018)
Jeff van Rooyen

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ENGAGE WITH US ON

