

# NOTICE OF THE ANNUAL GENERAL MEETING

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

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

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

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

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

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

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

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

- 2. ORDINARY RESOLUTION NUMBER 1**

**Appointment of external auditors**

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

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

- 3. ORDINARY RESOLUTION NUMBER 2**

**Election of directors**

Curricula vitae of directors to be elected are presented on pages 56 and 57.

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

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

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

## ***Ordinary resolution 2.1***

### **Appointment of Gareth Ackerman as director**

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

## ***Ordinary resolution 2.2***

### **Appointment of Hugh Herman as director**

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

## ***Ordinary resolution 2.3***

### **Appointment of Jeff van Rooyen as director**

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

## ***Ordinary resolution 2.4***

### **Appointment of Alex Mathole as director**

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

## **4. ORDINARY RESOLUTION NUMBER 3**

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

Curricula vitae are presented on pages 56 and 57.

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

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

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

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

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

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

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

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

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

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

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

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

## **5. ADVISORY VOTE**

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

The directors tabled the remuneration report for the 2017 annual financial period. The remuneration policy and report is set out in this document on pages 28 to 46 and can be found on our website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

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

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

## 6. SPECIAL RESOLUTION NUMBER 1

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

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

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

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

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

The reason for special resolution number 1 is to obtain shareholder approval for the remuneration of each of the directors of the Company in accordance with section 66(9) of

the Companies Act. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the Company in accordance with section 66(9) of the Companies Act.

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

## 7. SPECIAL RESOLUTION NUMBER 2

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

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

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

### **Special resolution number 2.1**

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

"RESOLVED, AS A SPECIAL RESOLUTION, that the Board of directors be and is hereby authorised to the extent required by section 45 of the Companies Act as a general approval, to authorise the Company to provide any direct or indirect financial assistance ("financial assistance" having the meaning attributed to such term in section 45(1) of the Companies Act) that the Board may deem fit

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to any one or more related or inter-related companies or corporations ("related" and "inter-related" having the meaning attributed to such terms in section 2 of the Companies Act), on the terms and conditions and for the amounts that the Board of directors may determine."

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

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

## Reason for and effect of special resolution number 2.1

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

## Special resolution number 2.2

### Provision of financial assistance to persons

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

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

This special resolution allows the Company to continue with its existing policy of providing

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

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

## Reason for and effect of special resolution number 2.2

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

## 8. SPECIAL RESOLUTION NUMBER 3

### General approval to repurchase Company shares

"RESOLVED, AS A SPECIAL RESOLUTION, that the Company hereby approves, as a general approval, the acquisition by the Company or any of its subsidiaries from time-to-time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time-to-time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act, and the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements) as presently constituted and which may be amended from time to time, and provided that acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 5% (five percent) of the Company's issued share capital of the class of repurchased shares from the date of the grant of this general approval."

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

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

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

programme where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been submitted to the JSE prior to the commencement of the prohibited period.

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

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

- the intention of the directors of the Company is to utilise the general approval to repurchase shares in the capital of the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company and the interests of the Company;
- in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make repurchases if, at the time of the repurchase, they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the 12 (twelve) month period following the date of the repurchase;
  - the consolidated assets of the Company and its subsidiaries, fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase; and

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- the working capital available to the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the 12 (twelve) month period following the date of the repurchase;
- the repurchase shall only be effected if the Board of directors has, at the time of the repurchase, passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries.

## **Directors' responsibility statement**

The directors, whose names appear on page 60, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted that would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this special resolution contains all information required by law and the JSE Listings Requirements.

## **Material changes**

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

## **Major shareholders**

Shareholders are referred to pages 58 and 59.

## **Share capital**

Shareholders are referred to page 20.

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

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

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

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

## **9. SPECIAL RESOLUTION NUMBER 4**

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

"RESOLVED, AS A SPECIAL RESOLUTION, that the Existing Memorandum of Incorporation of the Company be and is hereby substituted by the New Memorandum of Incorporation, which New Memorandum of Incorporation is tabled at this annual general meeting and initialled by the Chairman for the purposes of identification in accordance with the provisions of section 16(1)(c) (read together with sections 16(5) and 36(2)(a)) of the Companies Act, in terms of which the following amendments are made:

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

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

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

## 10. ORDINARY RESOLUTION NUMBER 4

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

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

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

### General instructions and information

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

- details of the directors of the Company on page 60;
- the curricula vitae of directors up for re-election on pages 56 and 57;
- the curricula vitae of directors nominated for election as members of the audit, risk and compliance committee on pages 56 and 57.
- the remuneration policy on pages 28 to 46; and
- the directors' interest in shares on pages 45 and 46.

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

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

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

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

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

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

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

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

Please note that:

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

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

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

CSDPs, brokers or their nominees recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of Strate should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon. For administrative purposes it is recommended that the proxy form be returned to the registered office of the Company or to the transfer secretaries, Computershare, the details of which are set out in the corporate information section on page 60 of this document, by Thursday, 27 July 2017. Proxy forms must be lodged before the commencement of the annual general meeting.

By order of the Board

**Debra Muller**  
*Company Secretary*

Cape Town  
23 June 2017