



**KING IV REPORT**

DOING GOOD IS GOOD BUSINESS

2024

# June 2024

## Application of the King IV Code Principles

The Board is committed to complying with the requirements of the Companies Act, No. 71 of 2008, as amended from time to time, the JSE Listings Requirements and the King Report on Corporate Governance for South Africa 2016 (“**King IV**”).

The principles of King IV are adopted and applied by Pick n Pay as disclosed in this document.

Capitalised words used and not defined herein shall bear the meaning ascribed to them in the Group’s Corporate Governance Charter (“**Board Charter**”).

### Principle 1: Leadership

**The Board should lead ethically and effectively**

The Board of directors of Pick n Pay (“**the Board**”) is held accountable for ethical and effective leadership through adherence to the Board Charter, the individual Board committees’ Terms of Reference, the Group’s Code of Ethics and related policies and through annual performance evaluations.

In terms of the Board Charter, the Board has committed itself to ethical and effective leadership of the Company and its subsidiaries (together “**the Group**”) and is responsible for acting in accordance with King IV and ensuring ethical behaviour. The Nominations and Corporate Governance Committee (“**NomGov**”) assists the Board by nominating individuals to be appointed or elected to the Board that will ensure the appropriate mix of skills, experience and independence within the Group.

Furthermore, the Board, its committees and individual Directors are evaluated annually to ensure continued improvement in the Board’s performance and effectiveness.

Further information in this regard can be found in the 2024 Corporate Governance Report in the ‘Board composition’ section from page 12 and the ‘Evaluation of performance’ section on page 17.

### Principle 2: Organisational ethics

**The Board should govern the ethics of the Group in a way that supports the establishment of an ethical culture**

The Group has a Code of Ethics and related policies in place, such as Anti-Bribery and Corruption, Conflicts of Interest, Whistleblowing and Insider Trading policies, that are applicable to all employees and directors.

The Social, Ethics and Transformation Committee (“**SETC**”) is responsible for monitoring and reporting on the ethical conduct of the Company, its Board, executives and senior officers in terms of the Group’s corporate governance policies. The Company also provides for an independently administered anonymous tip line to enable employees and third parties to report any alleged or perceived breach of the Group’s values and ethical principles.

Furthermore, the Group Executive, including but not limited to the CEO and CFO, and senior management have been delegated the responsibility of fostering a corporate culture that promotes ethical practices and encourages individual integrity.

Further information in this regard can be found in the 2024 Corporate Governance Report in the ‘Ethical culture’ section on page 8.

### Principle 3: Responsible corporate citizenship

The Board should ensure that the Group is and is seen to be a responsible corporate citizen

The Board oversees the activities of the Group's environmental, social and governance ("ESG") division and reviewed progress against long-term ESG targets, including food waste, recyclable packaging, water and energy usage, and carbon emissions.

The SETC has been mandated with monitoring the Group's overall responsible corporate citizenship performance. SETC's mandate is covered in large part by the Group's strategic sustainability focus, which comprises the following high-level pillars:

- partnering to shift the food system;
- reducing environmental impact;
- supporting communities; and
- investing in the Group's people and relationships.

Various initiatives and programmes have been implemented in line with these pillars. Further information in this regard can be found in the 2024 Corporate Governance Report in the Social, Ethics and Transformation Report from page 60.

### Principle 4: Strategy and performance

The Board should appreciate that the Group's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process

The Board is acutely aware of the inter-connectedness of the various elements of the value creation process and ensures that risks and opportunities, strategy, the business model, performance and sustainable development all receive the necessary attention.

The Board is responsible for reviewing and approving management's strategic and business plans and monitoring corporate performance against such plans. The Board is satisfied with the Group's long-term strategy, which addresses current areas of underperformance in Pick n Pay supermarkets and aims to accelerate growth in the high-performing Boxer, Clothing, and Online divisions.

While the Board is responsible for staying up to date on risks and changes in the environment, the overall governance and monitoring of risks has been delegated to the Group Audit, Risk and Compliance Committee (GARCC). The Board, with the support of the GARCC, annually identifies material matters that have the potential to significantly impact the Group's performance and ability to create sustainable value for our stakeholders in order to test the resilience and agility of, and identify any changes required to, the Group's strategy.

Further information in this regard can be found in the 2024 Integrated Annual Report in the 'Integrated View of Risks and Opportunities' section from page 36 and in the 'What the Board focused on in FY24' section from page 82.

### Principle 5: Reporting

The Board should ensure that reports issued by the Company enable stakeholders to make informed assessments of the Company's performance and its short-, medium- and long-term prospects

The Group publishes, amongst other things, its annual financial statements, integrated annual reports and corporate governance reports, each containing material information on the Group, on the Pick n Pay investor website. This presents stakeholders with an increased understanding of the Group's operations and a holistic view of the Group's performance and its short-, medium- and long-term prospects.

The GARCC is mandated with oversight of the preparation of the annual financial statements, integrated annual reports and corporate governance reports to ensure the integrity of the process for compiling the reports and the information contained therein.

The suite of reports is prepared in accordance with global reporting standards, including the International Integrated Reporting Framework, the International Financial Reporting Standards (IFRS) and the Global Reporting Initiative's (GRI) Standards. Assurance on the disclosures in the annual financial statements is provided by the internal and external auditors.

The Board is responsible for reviewing and approving the annual financial statements and the integrated annual report to ensure they present an accurate and balanced view of the Group's state of affairs.

Furthermore, regular trading updates are published on the Johannesburg Stock Exchange News Service (SENS).

## Principle 6: Primary role and responsibilities of the Board

**The Board should serve as the focal point and custodian of corporate governance in the Company**

The Board is the governing authority of the Company and is responsible for the overall governance of the Group. In addition to the statutory authority granted to the Board to exercise all of the powers and perform any of the functions of the Company, the Group's Board Charter sets out the Board's role and responsibilities in more detail.

In terms of the Board Charter, Board committee terms of reference and various delegations of authority, the Board guides and directs the roles, responsibilities and conduct of Directors and certain employees within the Group.

Pursuant to the Board Charter, the Board endorses and has committed itself to the principles of good corporate governance and corporate citizenship as set out in King IV.

The Board is satisfied that it has fulfilled its responsibilities in accordance with the Company's Memorandum of Incorporation, the Board Charter, King IV, the JSE Listings Requirements and the Companies Act for the 2024 financial year.

Further information in this regard can be found in the 2024 Integrated Annual Report in the 'Our Governance Structure' section from page 84.

## Principle 7: Composition of the Board

**The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**

The Board comprises eleven (11) Non-Executive Directors and two (2) Executive Directors. Seven (7) of the Non-Executive Directors are independent.

The Company Chair is not an Independent Director; however, the Company has appointed a Lead Independent Director who, pursuant to the Board Charter, is responsible for, among other things:

- leading in the absence of the Company Chair;
- serving as a sounding board for the Company Chair;
- acting as an intermediary between the Company Chair and the other Directors;
- strengthening the independence of the Board; and
- leading the performance appraisal of the Company Chair.

Director profiles are available on pages 90 to 94 of the 2024 Integrated Annual Report.

Directors are appointed through a formal and transparent process. NomGov is mandated with identifying suitable candidates for recommendation to the Board for final approval. As stated in Principle 1 above, the NomGov seeks to ensure the appropriate mix of skills, experience and independence on the Board. The independence of each Independent Director is assessed annually to ensure the categorisation as independent continues to be appropriate.

When considering appointments or re-election of directors, the Board, with the support of the NomGov, gives due consideration to the knowledge, skills and resources required as well as the Board size, diversity (in accordance with the Board-approved diversity targets) and demographics to ensure its effectiveness.

The roles of Company Chair and Chief Executive Officer ("CEO") are separate with a clear division of responsibilities. The CEO and the Chief Financial Officer are Executive Directors.

Further information in this regard can be found in:

- the Nominations and Corporate Governance Committee Report contained in the 2024 Corporate Governance Report from page 34;
- the 'Our Governance Structure' section of the 2024 Integrated Annual Report from page 84; and
- the 'Our Board of Directors' section of the 2024 Integrated Annual Report from page 90.

## Principle 8: Committees of the Board

**The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties**

To assist with the effective discharge of its duties, the Board has established the following standing committees:

- Group Audit, Risk and Compliance Committee
- Social, Ethics and Transformation Committee
- Remuneration Committee
- Nominations and Corporate Governance Committee
- Finance and Investment Committee
- Independent Board Committee as an ad-hoc committee

Delegation to these committees is recorded in written Terms of Reference which are approved by the Board and reviewed annually.

Further information in this regard can be found in the 2024 Integrated Annual Report in the 'Board and its Committees' section from page 86 and in the individual Board committee reports contained in the 2024 Corporate Governance Report.

## Principle 9: Evaluation of the Board

**The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The Board annually conducts an evaluation of its contribution to the Group as a whole, in addition to evaluating its committees and each individual Director to ensure continued improvement in the Board's performance and effectiveness.

The Lead Independent Director is responsible for carrying out the evaluation of the Company Chair's performance.

The Board is satisfied that the evaluation process is improving its performance and effectiveness.

Further information in this regard can be found in the 2024 Corporate Governance Report in the 'Evaluation of performance' section on page 17.

## Principle 10: Appointment and delegation to management

**The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities**

The Company has a Delegation of Authority Policy, which stipulates to whom of the Board, Group Executive or Senior Management the authority to carry out various corporate actions has been delegated.

Pursuant to the Board Charter, the Board has delegated the authority to oversee and control the management of the day-to-day affairs of the Group to the CEO, CFO and CISO and the authority to run various operating divisions of the Company to Senior Management, subject to clearly defined limits of authority.

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The NomGov is responsible for overseeing the succession planning for the CEO and the Board.

The Board has appointed a Company Secretary who is responsible for providing guidance on corporate governance and the Board's legal responsibilities. The Board confirms it has created an environment in which the Company Secretary can have an arm's length relationship with the Directors. The Board formally assessed the Company Secretary and confirms he has the qualifications, competence and expertise necessary for the role.

Further information in respect of service contracts and termination benefits of Executive Directors and Senior Management can be found in the 2024 Integrated Annual Report on page 108.

## Principle 11: Risk governance

**The Board should govern risk in a way that supports the Company in setting and achieving its strategic objectives**

Risk governance and management are integral elements of the Group's governance framework. The Board is ultimately responsible for governance of risk and has established, and delegated oversight of risk governance to, the GARCC. The Board, with the assistance of the GARCC, annually identifies risk and opportunities that have the potential to significantly impact the Group's performance and ability to create sustainable value for our stakeholders.

The responsibility of designing, implementing and monitoring the risk management plan is delegated to management.

The Board is satisfied that the Group's risk management process is effective in continuously assessing risk and opportunities and ensuring these risks are managed in line with the Group's business strategy.

Further information in this regard can be found in the 2024 Integrated Annual Report in the 'Integrated View of Risks and Opportunities' section from page 36.

## Principle 12: Technology and information governance

**The Board should govern technology and information in a way that supports the Company setting and achieving its strategic objectives**

The Board oversees information technology ("IT") governance, ensuring that appropriate structures, systems, and controls are in place to manage IT risks effectively. The GARCC has been mandated with assisting the Board in setting the direction of how IT should be approached and managed and the responsibility to implement and execute effective IT management is delegated to management.

The GARCC is responsible for reviewing and approving IT strategies, initiatives, policies and frameworks to ensure alignment with the overall Group strategy.

Further detail in this regard can be found in the 2024 Corporate Governance Report on page 17.

## Principle 13: Compliance governance

**The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Company being ethical and a good corporate citizen**

Compliance with statutory, legislative, and regulatory requirements is managed through an integrated compliance framework approved annually by the Board. The plan provides independent assurance that the Group is monitoring relevant material legislation and ensures that processes and compliance controls are in place to manage compliance risks.

The Company Secretary is responsible for providing guidance on the Company's compliance with all statutory and regulatory requirements and Directors receive regular briefings in respect of updates on regulatory compliance. The GARCC is mandated with overseeing regulatory compliance and the responsibility for the implementation and execution of effective compliance management is delegated to management. Management is required to report bi-annually to the GARCC on all compliance matters.

There were no material or repeated regulatory penalties, sanctions or finds for contraventions of, or non-compliance with, statutory obligations. No compliance inspections by environmental regulators had taken place during the period under review and no incidences of non-compliance with environmental laws were identified.

## Principle 14: Remuneration governance

**The Board should ensure that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term**

The Group's remuneration policy, which is reviewed annually, is developed to, among other things, attract, motivate, reward and retain human capital in line with the Company's transformation objectives and promote the achievement of the Group's strategic objectives.

The Remuneration Committee is mandated with ensuring that the Group remunerates fairly, responsibly and transparently and ensuring such remuneration is disclosed annually by means of a remuneration report.

The Committee ensures that the Group remains up to date with evolving legislation and remuneration practices across the retail industry. Independent and objective expert advice is obtained as required, including in respect of industry benchmarking and the fair and transparent structure of variable short-term and long-term benefits in order to drive performance and achieve retention.

Further information in this regard can be found in the Remuneration Report contained in the 2024 Integrated Annual Report from page 96.

## Principle 15: Assurance

**The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the Company's external reports**

The Board is responsible for ensuring arrangements are made for a combined assurance model that incorporates and optimises all assurance services and functions. The Group's combined assurance model is interrogated by the GARCC to ensure that it is designed and implemented to effectively cover the Group's significant risks and material matters and is tabled bi-annually to ensure that the Board is comfortable with the level and type of assurance obtained by the Group.

The Group's internal audit function forms an integral part of the combined assurance model as it is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls.

The Board is satisfied that the Group's combined assurance model had been effective in achieving transparent and accurate financial reporting, sound risk management and mitigation, and an effective level of residual risk.

Further information in this regard can be found in the Audit, Risk and Compliance Committee Report in the 2024 Corporate Governance Report from page 27.

## Principle 16: Stakeholder relationships

**In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Company over time**

The Board is committed to stakeholder engagement that is constructive, fair, transparent and conducted in a manner that is aligned with the Group's enduring values. The Board has delegated responsibility for implementing and executing effective stakeholder engagement to the CEO and the senior management team.

The SETC is mandated with approving and monitoring the Group's stakeholder engagement strategy and plan and the overall management of stakeholder risk.

The Group pursues an integrated programme of stakeholder engagement to ensure that the business:

- remains accessible and accountable to key stakeholders;
- engages regularly on material matters; and
- reports to the Board on all material stakeholder engagements, including any emerging risks or opportunities.

Further information in this regard can be found in the 2024 Integrated Annual Report in the 'Balancing the Needs, Interest and Expectations of Stakeholders' section from page 44.



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