

PARTNERING TO SHIFT THE FOOD SYSTEM

South Africa's food system remains under strain, primarily impacting poorer households. By decoupling the Pick n Pay brand into two banners, Pick n Pay and Pick n Pay QualiSave, alongside Boxer as the third banner, we can better deliver on specific customer ESG interests and needs. In promoting smart, sustainable and inclusive food, grocery and clothing supply chains, we support smaller, local suppliers to become part of the retail sector, thus contributing to a sustainable South African economy. We work with all our suppliers to ensure we provide great quality products that are produced responsibly and ethically. Working actively with local suppliers, we are expanding our range of healthy and sustainable food choices at affordable prices. Our collaborations to reduce food losses at our operations and along production and supply chains assist in alleviating hunger through food distribution.

Highlights

60 Boxer stores opened, increasing our reach in lower-income areas

85% of Pick n Pay own brand food and groceries are procured locally

R53.4 billion spent with B-BBEE businesses during the last financial year including **10** new SMME vendors

Our Enterprise and Supplier Development (ESD) programme currently supports **198** suppliers

65% of our direct clothing suppliers employ one or more sustainable practices in producing goods

More than **200 SMMEs** make use of Pick n Pay's award-winning finance programme, Pick n Pay Fast Pay

Learnings and challenges

Load-shedding, climate and geo-political crises causing supply-chain and pricing challenges

Increasing requests for food support indicating a worsening of household food security

South Africa's difficult economic climate, with persistent load-shedding and increasing prices of goods and services, has presented major challenges to the sustainability of many SMMEs

Catering for different customer ESG interests and needs

The majority of our customers, in South Africa and across the communities we serve, subsist on limited incomes in difficult economic times. With South Africa in the grip of a cost-of-living crisis, our customers need lower prices on essential food and groceries more than ever before. Our Ekuseni strategy has better positioned us to deliver on specific customer ESG interests and needs. The Group's banners are now Pick n Pay, Pick n Pay QualiSave and Boxer, respectively targeting from the upper end of the market to the lower. Through our rapidly expanding footprint of Boxer stores, we offer lower pricing on essential items to an increasing number of lower-income communities. For the growing middle market, around 155 stores have been converted to QualiSave stores, our new banner which also offers essential items at lower prices. Original company-owned Pick n Pay stores have been repositioned to cater for middle to higher-income shoppers and include a greater range of products with sustainability attributes. Affordability for all our customers is further enhanced through our longstanding Smart Shopper loyalty programme.



Building an inclusive supply chain

Promoting local with passion

Our dedicated Pick Local brand endorses goods and services of small South African producers, suppliers and service providers who demonstrate a commitment to creating jobs, are B-BBEE compliant, and ensure that their raw materials are locally produced, manufactured, assembled or packaged.

Our Pick n Pay Clothing division is constantly innovating to increase local products in our stores. With steady growth in the division, the localisation drive has enabled more than 1 000 jobs to be created through the supply chain over the last financial year. 54% of clothing is sourced from the Southern African Development Community (SADC) including South Africa (45%) and we aim to increase this level to 60% over the next five years. In the years ahead we will continue to empower local suppliers to produce locally by building their capacity, as well as investigate opportunities in fabric sourcing. This will help us grow local production of clothing that has typically been imported, such as high winter product lines.

Another way we are uplifting the local clothing industry is through our collaboration with innovative local designers and entrepreneurs to curate limited edition collections of on-trend pieces at prices accessible for everyone. Unique to our proudly "Made in South Africa" range of quality wardrobe essentials, the highly successful initiative is now in its fourth year.

Celebrating local innovation and entrepreneurship



Pick n Pay bakery small supplier of the year winner, Njabulo Sithole from KwaZulu-Natal, has grown his passion for home baking into a successful confectionary business that supplies nearly 200 Pick n Pay stores and employs 40 people.



Clothing Intern Programme run in partnership with respected South African fashion designer Gavin Rajah, sees talented young designers gain valuable know-how and practical skills equipping them to be successful in a commercial environment and to sustainably expand their own operations. Collaborations to date have included Julia Buchanan, Katekani Moreku, Siphso Mbuto and Siyethemba Duma who trades under the label Matte Nolim.



From humble beginnings in a garage in Durban, Rishav Juglall has grown his business, Rocky Brands, into a company with a national footprint, supplying stores with popular cleaning products and premium household polishes. Supported through Pick n Pay Clothing's ESD programme, his sales have grown by over 400% in the last year and he employs 39 people.

Through our enterprise and supplier development initiatives we strive to equip, enable and empower local small and emerging businesses to become sustainable suppliers to the retail industry. We hand-pick entrepreneurs with innovative product concepts or start-up enterprises to actively grow our diverse pool. We provide them with mentorship and business development support. Our ESD programme currently supports 198 suppliers. All small businesses have shown great passion and dedication to growing their businesses in a tough economy and have embraced the support offered through the programme. Every year we hold the Pick n Pay small supplier awards, celebrating local success stories and entrepreneur role models. We highlight two overall winners on page 7.

We have initiatives that help emerging farmers to increase their crop yields and gain entry into the food supply chain. Our Boxer small-scale farmers initiative saw 270 emerging farmers completing training in FY23, and 77 are already supplying Boxer stores with fresh produce.

More than 200 SMMEs make use of Pick n Pay's award-winning innovative supply chain finance programme, Pick n Pay Fast Pay, which helps smaller, emerging suppliers to be sustainably funded by providing early access to payment for goods and products, at competitive sub-prime rates. South Africa's difficult economic climate, with persistent power shortages and increasing prices of goods and services, has presented major challenges to the sustainability of many SMMEs. We encourage small businesses to operate as part of Pick n Pay own brand.

We are reviewing our Enterprise and Supplier Development (ESD) approach with the aim of optimising our response to small suppliers' concerns and challenges. We have appointed a dedicated Pick n Pay SMME buyer from 1 April 2023. Our ESD programme is a dedicated programme that helps support and scale SMMEs so they have a chance to make it not only at Pick n Pay but also in the wider retail landscape. This has been a strong part of our "Doing Good is Good Business" journey since 1967. We currently support 939 SMMEs across the Group, and 85% of Pick n Pay own brand food and groceries are produced locally.

Supporting ethical and sustainable sourcing

We are committed to ensuring that our own brand products are grown, sourced and produced responsibly and sustainably. This includes promoting healthy oceans and fish stocks, animal welfare, sustainably manufactured clothing, and tracking ingredients with high environmental and social impacts.

Achieving our sourcing commitments for Pick n Pay company-owned stores

100%

Sow crate friendly pork in all Pick n Pay branded products since 2019

88.5%

of all seafood sales meet our sustainable seafood commitment

100%

Sustainably sourced palm oil in Pick n Pay branded products since 2021

83%

of our direct Pick n Pay Clothing suppliers are registered on Supplier Ethical Data Exchange (SEDEX)



Seafood policy



Code of Ethics



Palm oil policy



Ethical Sourcing: Pick n Pay Clothing is committed to sourcing 50% of our cotton as more sustainable cotton by FY25, which includes recycled cotton, organic cotton and Fairtrade cotton.

22% of our cotton is now sustainably sourced, an increase of 11% since 2021

Ensuring ethical supply chains

Our sourcing Policies 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 and Boxer branded products. All our business partners are required to comply with Pick n Pay and Boxer's Code of Ethics and are expected to ensure that all their subcontractors and secondary suppliers comply with this Code. Pick n Pay Clothing is a member of leading ethical trade membership organisation SEDEX, and of Sustainability Initiative of South Africa (SIZA). Most of our supply base follow audit protocols which report against these initiatives. Traceability of our food is controlled through our food health and safety audits.

We will soon be implementing a social and ethics online self-assessment for all our branded and private labels suppliers. Suppliers with potential risks flagged will be audited by a third party and where necessary, corrective actions will be agreed upon and monitored.

Expanding our range of products with sustainable attributes

Spearheading our exploration of sustainable product innovation, the Pick n Pay Live Well brand offers ranges for consumers who seek products with explicitly sustainable attributes, in particular plant-based animal product alternatives, and eco-friendly products.

This year we re-launched the Live Green brand, our rejuvenated range of eco-friendly cleaning products. These products are certified as vegan, cruelty-free and are not tested on animals. All products are made with biodegradable, naturally derived active ingredients* and packaging is 100% recyclable. A first for SA retail, Live Green includes a locally produced probiotic range which uses beneficial bacteria to keep surfaces cleaner and healthier for longer. All our house labels are now accredited by Beauty Without Cruelty (SA) as animal cruelty-free. These include sunblock, kids' ranges, and enzymatic cleaners.

Pick n Pay's Clothing team works closely with local suppliers to increase the level of sustainability practices used in the sourcing and production of our own brand range. We have projects centred on increasing the sourcing of sustainable cotton, reducing water usage during clothing manufacture and increasing levels of recycled content. In FY23, sustainable practices were used in the manufacture of 38% of our collections. These practices include rainwater harvesting, recycling of pre-production waste, water recycling and using solar energy. 65% of our direct Pick n Pay clothing suppliers employ one or more of these practices. Through the Better Cotton Initiative, we are growing the ranges that use organic cotton that is sustainably sourced. Our progress has been impacted by climate and geopolitical issues causing spikes in cotton prices. In our Pick n Pay Clothing stores, all paper used, and cardboard used for footwear hangers, is Forest Stewardship Council (FSC) approved. All our plastic hangers are made from 100% recycled materials and we aim to source biodegradable hangers.

88% of cardboard and paper used for our own brands and packaging is FSC-certified and we are committed to reaching 100% by 2025.

Pick n Pay has been one of the most influential retailers driving sustainable seafood in South Africa. In working toward our sustainable seafood commitments, 79% of our seafood products by species and 88.5% of our products by sales comply with our commitments. We strive to improve on these figures with our ongoing partnership with the World Wide Fund for Nature (WWF) (see page 25).

* Except for the furniture polish

Promoting healthier food choices

Our Live Well brand in Pick n Pay aims to meet the growing demand for healthier and more sustainable food and household products. We have rapidly diversified and grown our product range over the past two years. Sub-brands include Live Plant Based, Live Gluten Free and Lactose Free, Live Green, Snack Well and Free Range, catering to various dietary needs and preferences. We now offer 390 Live Well products, ranging across fresh items, pantry items and frozen options. We launched 65 new products during the year and sales growth have doubled from last year.

A plant-based diet is clinically proven to benefit overall body health and significant evidence supports its value in preventing chronic diseases. There has been increased innovation and growth in our plant-based category as we work with numerous local suppliers to introduce fresh and exciting products. We stock more than 350 plant-based and vegan-friendly products in our stores.

Over the past five years we have reformulated many products to reduce calories, fat, salt and sugar, and increase fruit, vegetable and fibre content as well as key vitamins and minerals. In total, we've removed over 1 000 tonnes of salt and 2 500 tonnes of sugar, and reduced sugar in many products by a third. Other products are free from gluten, wheat, dairy and lactose.

We have steadily increased our healthier snacking lines and options developed specifically for children, with a focus on minimising salt and sugar content and using only natural colourants.

We run promotions that make healthier foods more affordable and keep low prices on fresh produce.



On the Green Side creates delicious plant protein products that are inspired by chicken and easy to prepare.



Crafted Collection granola produced by one of our partner SMMEs, Simply Granola.

By providing clear nutritional labelling on our own brand products, we help our customers make better choices for themselves and the planet. We distribute nutrition education posters and curriculum-aligned worksheets to 3 280 schools in rural and urban areas throughout South Africa through the Pick n Pay and Boxer School Club platform. Health tips on School Club social media are shared weekly.

In committing to providing customers with quality products that meet the highest health and safety requirements, we maintain stringent standards across our supply chain. We work with suppliers to ensure that they meet both regulatory and our own high standards and help them improve the quality of their products and internal food safety processes. We have an in-house team of food technologists to ensure our own brand products comply with all the relevant legislation in terms of quality, content standards and labelling. All food suppliers are audited by a third party and all stores undergo stringent food safety audits.



Health and safety

Reducing food waste



Our food waste reduction commitments:

- Reduce food waste by 50% by 2030 (FY19 baseline) (**+27.9%**)
- Work with 20 of our largest suppliers to reduce food waste in our shared value chain by 50% by 2030
- We donated 882 tonnes of food to FoodForward SA, valued at more than R39 million

Key: **% progress**

Food waste is one of the most critical social, economic and environmental issues facing our planet. Our fight against food waste in South Africa calls for action on farms and in manufacturing, in-store and at home, and through food redistribution to people in need.

We quantify our food waste data in line with the World Resources Institute (WRI) Food Waste and Loss Protocol. This enables us to identify "hotspots" and take action, working in partnership with others to reduce food waste and increase food surplus redistribution in a targeted way. We have reduced the volume of food waste in our operations by 27.9% over the past four years.

This year, 62% of food waste in our operations was diverted from landfill through donations and preventing surplus food from going to waste. A regrettable 5.9% increase in our food waste volumes compared to the previous year is largely attributed to persistent electricity outages, causing disruptions along the supply chain and reducing customer demand amid concerns that fresh and frozen food may spoil due to interruptions to power at home.

Pick n Pay had set an initial internal target to reduce food waste by 50% by 2025. However, this target was adjusted from 2025 to 2030 due to the impacts of Covid-19 and load-shedding and to align with the 10x20x30 target. This year we have changed our reporting metric to refer to tonnes of waste and not number of products. We believe this is a more transparent and accurate way of reporting on food waste. It also aligns with the Food Loss and Waste agreement and WRI through 10x20x30.

We are active participants in local and international initiatives that align with the United Nations Sustainable Development Goals 12.3 target to reduce global food loss and waste by 50% by 2030. This includes working with 19 of our biggest suppliers as part of the international 10x20x30 Food Waste Initiative to help them determine and demonstrate their progress. Progress in some areas has been challenged during the energy crisis. The vision of the 10x20x30 Initiative is to massively increase private sector contribution to the global goal of reducing food loss and waste by 50% by 2030 by catalysing efforts "up" the supply chain.

Our partnership with FoodForward SA has increased its reach to more stores and is steadily including excess food in our supply chain. We contributed 882 tonnes of edible surplus food to the value of R39 million from our stores to FoodForward SA for distribution to 2 750 beneficiary organisations. These organisations collectively provide daily meals to more than 985 000 people every year.

At an operational level, we strive to eliminate unsold food going to waste by continually optimising our forecasting, ordering, shelf-life extension projects, and implementing "reduced to clear" processes to reduce food surplus at the end of each day. We have reinforced training at stores on cold storage protocols and minimising food waste.

Collaborating for a nature positive food system

Looking ahead, the Group is working with WWF to establish a broad-based, multi-year transformational partnership that will transform the Group business operations and value chains to be more sustainable and resilient while reducing their environmental impact and driving resource stewardship. The long-term goals include leveraging the Group and WWF's respective capabilities and capacities to reduce negative environmental impacts through production and consumption, supporting environmental impact reduction in the agricultural supply chain, and decreasing food loss/waste for selected products and commodities.

Read more on page 25.