



**CORPORATE  
GOVERNANCE REPORT**  
**2018**





WE ARE PLEASED  
TO PROVIDE OUR 2018  
CORPORATE GOVERNANCE REPORT  
TO OUR STAKEHOLDERS

**OUR  
GOVERNANCE**

**CHAPTER  
1**

Letter from our lead independent director	4
The Board	6
Our Board of directors	10
Board report	14
Board and committee attendance	15
Audit, risk and compliance committee	16
Corporate governance committee	21
Corporate finance committee	22
Nominations committee	23
Remuneration committee	24
Social and ethics committee	43
Legal report	44

**SHAREHOLDERS'  
INFORMATION**

**CHAPTER  
2**

Analysis of ordinary shareholders	48
Analysis of B shareholders	49
Shareholders' information	50
Notice of annual general meeting	51
Curricula vitae of directors to be elected	57
Form of proxy	Attached
Corporate information	IBC





# OUR GOVERNANCE

- 4 Letter from our lead independent director
- 6 The Board
- 10 Our Board of directors
- 14 Board report
- 15 Board and committee attendance
- 16 Audit, risk and compliance committee
- 21 Corporate governance committee
- 22 Corporate finance committee
- 23 Nominations committee
- 24 Remuneration committee
- 43 Social and ethics committee
- 44 Legal report



# LETTER FROM OUR LEAD INDEPENDENT DIRECTOR

## OUR APPROACH TO CORPORATE GOVERNANCE

The Pick n Pay Group (the Group) operates in the moving consumer goods industry in South Africa and Africa. The Group's aim is to provide our customers with a tailored range of quality food, grocery and general merchandise products in our retail supermarkets at great prices.

For over 50 years, Pick n Pay has ensured that its policy of "doing good is good business" is at the centre of the supermarket chain. The Board is committed to leading ethically and effectively, upholding the highest standards of ethics, transparency and good corporate governance, while pursuing sustainable value creation.

Pick n Pay believes that the Group's adoption of best practice in corporate governance contributes to value creation in the long term. Acting as a responsible corporate citizen engenders trust and confidence amongst all stakeholders. Establishing an ethical culture builds business support structures that support our core purpose, values and strategy.

The Group's governance and compliance framework is built on the principles of accountability, transparency, ethical management and fairness. To ensure that the Group's ethical culture is effectively maintained, governance structures are regularly reviewed to align with best practice and to reflect regulatory changes.

The Group has a controlling shareholder, Ackerman Investment Holdings Proprietary Limited. The Chairman, Gareth Ackerman, one non-executive, David Robins, and two executive directors, Suzanne Ackerman-Berman and Jonathan Ackerman, all members of the Ackerman family, are not independent by virtue of their indirect shareholdings in the company. To guard against a perception that a conflict of interests could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as Lead Independent Director (LID).

The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest.

To ensure that the Group is, and is seen to be, a responsible corporate citizen and that the controlling shareholder does not exercise undue influence over the affairs of the Group, the Board has established a corporate finance committee. This committee is not required by statute or regulation. The committee ensures that the interests of all shareholders are taken into account when material investment decisions are made. Membership of the corporate finance committee comprises the independent non-executive directors.

The Board believes that effective corporate governance contributes to value creation by driving:

- Accountability to stakeholders;
- Sound leadership and effective decision-making;
- Strong risk management and risk mitigation;
- Comprehensive and transparent integrated reporting; and
- A remuneration policy that builds a winning team through the development and retention of top talent and through incentivisation in line with the Group's strategic objectives.

Areas of governance have been delegated to various committees, with the Board ultimately endorsing and accepting collective responsibility for achieving the values underpinning good governance as advocated by the King Report on Corporate Governance™ for South Africa 2016 (King IV™), namely: integrity, competence, fairness, responsibility, transparency, and accountability.

The Board retains overall responsibility for the concept of integrated thinking encapsulated in King IV™, which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting. The corporate governance structure of the Group is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure sustainability of operations.

The Board addressed the following key issues during the year:

- The Group's policies on information and technology, tax and remuneration were reviewed and updated where appropriate.
- The Board and committee charters were refined in line with the principles of King IV™.
- Decisive steps were taken to improve operating efficiencies, including:
  - The adoption of the voluntary severance programme (VSP) was vigorously debated, including the potential social consequences of reducing the labour force by around 10%. It was concluded that the VSP would improve efficiency and productivity of staff by removing roles and functions that were no longer required due to improved ways of working, while the reduced labour costs would enable the Group to further expand and create new jobs.
  - Modernisation of the loyalty programme was debated at length. It was concluded that the new-look scheme continued to offer relevance and value to customers. The Board probed how the changes had been communicated to loyalty customers, and agreed that the cost savings achieved by the modernisation should be reinvested in lower prices for customers.
  - The buying-for-less programme initiated during the financial period was actively monitored by the Board, with a focus on whether it had achieved its aim of achieving a closer relationship with suppliers to improve efficiencies and lower costs across the centralised supply chain.
- To promote diversity, a race diversity policy was adopted by the Board.
- The social and legal consequences of the outbreak of listeriosis in South Africa continue to be monitored by the Board.

**The Board was satisfied that it fulfilled its responsibilities in accordance with its Corporate Governance Charter, King IV™, the JSE Listings Requirements, the Companies Act, No. 71 of 2008 as amended (the Companies Act) and applicable statutory and regulatory requirements for the financial period ended February 2018.**

**Hugh Herman**

Lead Independent Director

22 June 2018



# THE BOARD

The Board of directors, as elected by shareholders, take overall responsibility for the performance and sustainable value creation of the Group. Sustainable value creation is measured across the triple context of the Group's economic, social and environmental performance, taking into account the six capitals, being the financial, manufactured, intellectual, human, social & relationship and natural capitals. The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that strategy, risk, performance and sustainability are inseparable elements of value creation. The Board ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its short, medium and long-term prospects.

## BOARD COMPOSITION

The Board consisted of thirteen directors during the 2018 financial period. Six of the eight non-executive directors were independent, and five were executive directors. As the Chairman was not independent, Hugh Herman was appointed as Lead Independent Director.

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgement in directing the Group's value creation processes to ensure that they are sustainable for all stakeholders. All directors receive regular briefings on changes in risks, laws and the business environment.

## CONTROLLING SHAREHOLDER REPRESENTATION ON THE BOARD

Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were nominated as representatives of the controlling shareholder, and were elected by shareholders to the Board. Between them, they have over 80 years' experience in the Group. Their wealth of retail knowledge, as well as their strategic overview, assists the Group in making decisions for the benefit of all stakeholders in the Group.

## BOARD FUNCTION

Directors are encouraged to promote rigorous debate with the aim of promoting direction, governance and effective control of the Group. Decisions are usually made by consensus. All Board members are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

The Board supports the materiality approach, which emphasises integrated reporting based on issues, risks and opportunities that can have a material impact on the sustainable performance of the business over the short, medium and long term. The Group has made progress in identifying and managing significant risks that could have a material impact on the business. Details of the material issues and related risks are set out in the 2018 integrated annual report.

The Board appoints the Chief Executive Officer (CEO) to run the Group on its behalf. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the chief link between management and the Board, ensuring that the day-to-day business affairs of the Group are appropriately managed. The corporate governance charter sets out the formal role description of the executives. Included in the written mandate are limits of authority, which set out those matters where the CEO has final authority, and those matters where the CEO requires formal approval from the Board. Similarly, within his mandate, the CEO has set limits of authority for his executives, to allow the effective exercise of authority and responsibilities.

## DIRECTOR APPOINTMENT AND ROTATION

A third of non-executive directors are required to resign at each annual general meeting. This enables shareholders to hold directors to account and to appoint directors to the Board whom shareholders believe will add value to the business.

In filling vacant positions, and in accordance with the requirements of the Company's race and gender diversity policies that at least 25% of the Board should comprise women, and that at least 25% of the Board should comprise South African citizens who are African, Coloured or Indian, the Board proactively seeks and appoints qualified individuals who reflect a diverse range of skills, professions and backgrounds that represent the gender, race and ethnic diversity of the communities we serve.

The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The Board's gender and racial diversity targets have been met.

## EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Bakar Jakoet (Chief Finance Officer or CFO) and Richard van Rensburg (Chief Information Officer or CIO), who are executive directors of the Company.

## EVALUATION OF PERFORMANCE

The Board annually conducts an evaluation of its contribution as a whole to the Group, as well as the individual performance of each of its directors. Completed questionnaires are submitted to the Chairman, who conducts interviews with each member of the Board. The performance of the Chairman is assessed by the LID. Discussions centre on how the performance and effectiveness of the Board can be improved. Individual feedback is given to each director, and the Chairman gives general feedback to the Board.

## ANNUAL ASSESSMENT OF INDEPENDENCE

King IV™ does not consider tenure of non-executive directors as an indication of independence. The Group's policy remains that all independent non-executive directors who have served on the Board for more than nine years retire by rotation at the end of every year, instead of the standard three-year term of office.

At the end of each term, whether one year or three years, the director and the Chairman jointly evaluate each director's independence. The Company Secretary distributes a questionnaire annually, aimed at gauging the independence of each non-executive director. Consideration is given to factors such as:

- The director's involvement with other companies
- External directorships
- Relationships with material suppliers and competitor companies
- Material contracts with the Group, if any
- Whether the director had been employed by the Group in an executive capacity during the preceding three years
- Whether the director's fees represented a material part (10% or more) of their wealth or income

The questionnaire is completed by each non-executive director and submitted to the Chairman for consideration. Following discussion between Chairman and director, the Chairman makes recommendations to the Board as to independence. The Board interrogates the recommendations before a final decision is made regarding the independence of each non-executive director.

By mutual consent the director may be considered for re-election. If so agreed, that director will be nominated for re-election by shareholders at the Company's annual general meeting.

All directors submit a declaration of their directorships and commercial interests to the Company Secretary. These declarations, which are regularly updated, are distributed quarterly to the Board and noted at Board meetings. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

The Board has established a balance between the experience of long-serving directors and the fresh insights from new directors. All our directors, whatever their length of service, are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship which is likely to unduly influence or cause bias in decision-making in relation to the Group.

**The Board is satisfied that the independent non-executive directors met the criteria for independence as established by King IV™, the Companies Act and the JSE Listings Requirements.**

## BOARD COMMITTEES

The Board is supported by the audit, risk and compliance committee and social and ethics committee, both formed in accordance with the Companies Act. The audit committee incorporates oversight of risk and compliance. In addition, the Board has established corporate finance, corporate governance, nominations and remuneration committees. The Board's delegation of authority to committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The Board committees report to the Board on their activities. The corporate governance charter is reviewed annually to ensure that the committee mandates remain current and effective. The charter was reviewed to ensure that the requirements of King IV™ were met. The charter is available on the website, at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za). Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. The chair of the committees reports to the Board on the assessment. All committees, after review, were satisfied that they carried out their responsibilities during the period.



## COMPANY SECRETARY

The Board is aware of the King IV™ principle of having an arm's-length relationship with the Company Secretary, and has created an environment in which the Company Secretary is able to ensure full adherence to Board procedures and relevant regulations. The Company Secretary is not involved in an executive capacity on the Boards of the various companies in the Group.

The Company Secretary assists the Board in fulfilling its functions and is empowered by the Board to perform her duties. In managing the Board process, the Company Secretary, directly or indirectly:

- Assists with the induction of new directors
- Assists with director orientation, ongoing development and education
- Ensures that the Group complies with all relevant and applicable legislation
- Monitors the legal and regulatory environment, and communicates new legislation and any amendments to existing legislation relevant to the Group and the Board
- Provides the Board with a central source of guidance and assistance
- Acts as secretary for all Board committees

Directors have unlimited access to the Company Secretary's advice and services, with means of communication including personal interface, electronic communication platforms and Board and committee meetings. Based on the outcome of the Company Secretary's annual formal assessment by the Board, the Board confirms that the Company Secretary has the qualifications, competence and expertise necessary for the role.

## RISK GOVERNANCE

Risk governance and management are integral elements of the Group's governance framework. The Group aims to ensure business-specific risks are adequately and timeously identified and mitigated, whether they are operational, strategic or emerging risks, or risks posed by the external environment. The Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

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

The overall risk profile of the Group has not changed materially in the period under review. For detail on the material risks and issues facing the Group, and how that informs the Group's strategy, please refer to the 2018 integrated annual report.

## INFORMATION AND TECHNOLOGY (IT) GOVERNANCE

The Board takes responsibility for the governance of information and technology (IT), and reviews and approves related policies to set direction on the use of technology and information by the Group. The management of IT has been delegated to the CIO, who ensures that appropriate governance structures, systems and controls are implemented.

The Group has established, at executive level, a privacy committee to manage the Group's response to the Protection of Personal Information Act, and an information, risk and privacy office to manage the ongoing information security and privacy programmes, working together with management and business unit risk officers.

The Board exercises ongoing oversight of IT management practices via the audit, risk and compliance committee. The committee considers the efficiency of and developments in IT controls, policies and processes, as well as risk and resource optimisation. Prioritised IT systems and processes form part of the internal and external audit programme. The Board ensures that IT is used in an ethical and responsible way, and in compliance with relevant laws and regulation.

## OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to strategic and operational matters, including:

- Capital committee to manage capital expenditure
- Property committee to manage real estate development
- Treasury committee to manage debt structures and cash flow

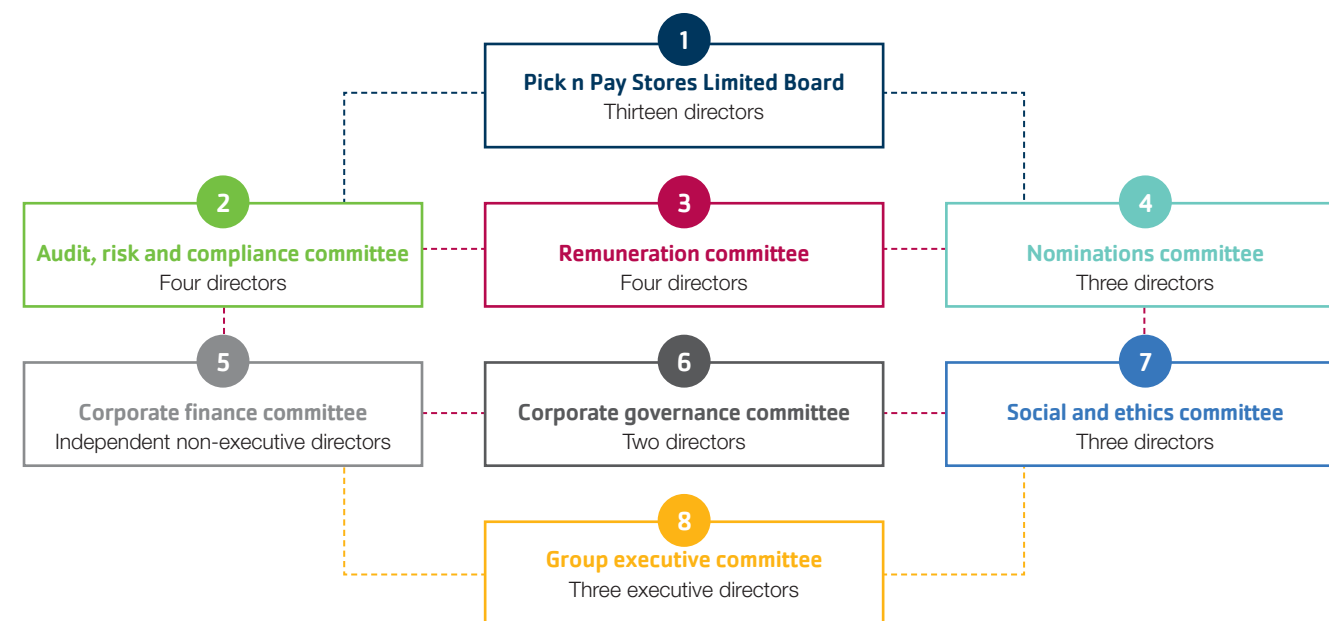
The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by the executive management of the Group and that the necessary systems and controls are in place for the effective risk management of the Group.

The Board recognises that risk management is an integral part of the Group strategy, and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group's combined assurance model is interrogated by the risk, audit and compliance committee and is tabled biannually to ensure that the Board is comfortable with the level and type of assurance that the Group obtains.

Compliance with statutory, legislative and regulatory requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the Group has been monitored, and ensures that processes and compliance controls are in place to manage compliance risks.

## GOVERNANCE STRUCTURE

The diagram below is a summary of the governance structure of the Group.



**1 PICK N PAY STORES LIMITED BOARD.**  
Refer to the Board of directors on pages 10 and 11.

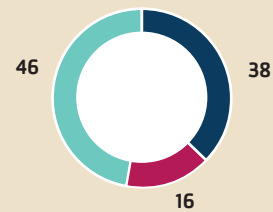
### ROLE

- 2 AUDIT, RISK AND COMPLIANCE COMMITTEE**  
Provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, internal and external audit processes and acts as a liaison between the Board and external and internal auditors.
- 3 REMUNERATION COMMITTEE**  
Assists the Board in meeting its responsibility for setting and administering appropriate remuneration policies which are in the best long-term interests of the Group, and are aligned with the Group's long-term strategic objectives.
- 4 NOMINATIONS COMMITTEE**  
Responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions.
- 5 CORPORATE FINANCE COMMITTEE**  
Assists the Board in assessing material investment opportunities for the Group.
- 6 CORPORATE GOVERNANCE COMMITTEE**  
Reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.
- 7 SOCIAL AND ETHICS COMMITTEE**  
Aims to ensure that high ethical standards are applied in all areas of the business, and reviews and approves the policy, strategy and structure for managing social issues.
- 8 GROUP EXECUTIVE COMMITTEE**  
Manages the day-to-day business affairs of the various divisions of the Group. Consists of Richard Brasher, Richard van Rensburg and Bakar Jakoet.

# OUR BOARD OF DIRECTORS

*Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.*

## DIRECTOR CLASSIFICATION (%)



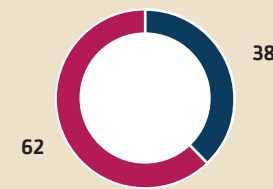
Executive Non-executive  
Independent non-executive

## GENDER DIVERSITY (%)



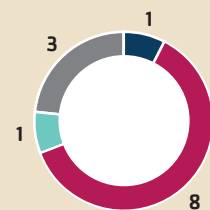
Male Female

## RACIAL DIVERSITY (%)



Black White

## DIRECTOR TENURE



< 5 years 5 – 10 years  
10 – 15 years > 15 years

### CHAIRMAN



**GARETH ACKERMAN (60)**  
BSocSci, CMS and AMP (Oxon)  
**Chairman**

- Appointed 1990
- Years of service: 34
- Chairman of the corporate governance committee and the nominations committee

### EXECUTIVE DIRECTORS



**RICHARD BRASHER (56)**  
BSc (Hons)  
**Chief Executive Officer**

- Appointed 2013
- Years of service: 5



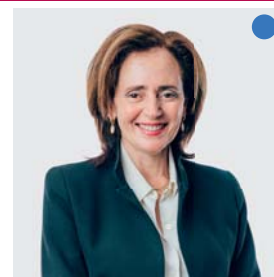
**BAKAR JAKOET (62)**  
CA(SA)  
**Chief Finance Officer**

- Appointed 2011
- Years of service: 32



**RICHARD VAN RENSBURG (57)**  
CA(SA)  
**Chief Information Officer**

- Appointed 2009
- Years of service: 9



**SUZANNE ACKERMAN-BERMAN (55)**  
BA, Fellow: Aspen Business Institute; First Movers  
**Executive director**

- Appointed 2010
- Years of service: 23
- Chairman of the social and ethics committee



**JONATHAN ACKERMAN (51)**  
BA Marketing

- Appointed 2010
- Years of service: 25

### NON-EXECUTIVE DIRECTOR



**DAVID ROBINS (64)**  
BBusSci

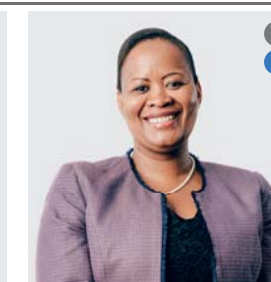
- Appointed 2002

### INDEPENDENT NON-EXECUTIVE DIRECTORS



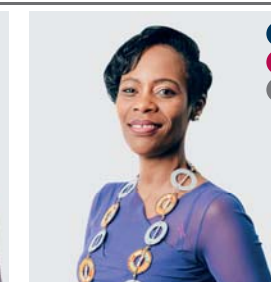
**HUGH HERMAN (77)**  
BA LLB, LLD (HC)

- Appointed 1976
- Lead independent director (LID)
- Chairman of the remuneration committee



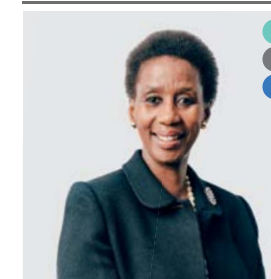
**ALEX MATHOLE (45)**  
BJuris LLB

- Appointed 2016



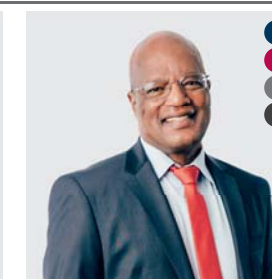
**AUDREY MOTHUPI (47)**  
BA (Hons)

- Appointed 2013
- Other listed company directorship: Life Healthcare Group



**LORATO PHALATSE (56)**  
BA (Hons), MA

- Appointed 2010
- Other listed company directorship: Bidvest Group



**JEFF VAN ROOYEN (68)**  
CA(SA)

- Appointed 2007
- Chairman of the audit, risk and compliance committee
- Other listed company directorships: MTN Group Limited, Exxaro Resources Limited



**DAVID FRIEDLAND (64)**  
CA(SA)

- Appointed 2013
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited



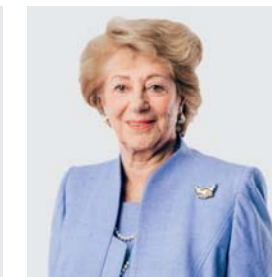
**DEBRA MULLER (56)**  
BA LLB  
**Company Secretary**

- Appointed 2010
- Years of service: 12

### HONORARY LIFE PRESIDENTS



**RAYMOND ACKERMAN**  
Years of service: 51

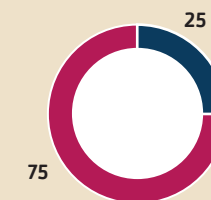


**WENDY ACKERMAN**  
Years of service: 51

### MEMBER OF THE:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee

## NON-EXECUTIVE DIRECTOR INDEPENDENCE CLASSIFICATION (%)



Non-independent Independent

## CHAIRMAN

**Gareth Ackerman (60)** – Appointed 1990  
*BSocSci, CMS and AMP (Oxon)*

### Chairman of the corporate governance committee and the nominations committee

An executive at Pick n Pay for 15 years, Gareth headed up various divisions of the Company before being appointed to the Board in 1990. He served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. Gareth became a non-executive director in 1999, and from 2002 to 2010 served as Chairman of Pick n Pay Holdings Limited RF. In 2010 he was appointed Chairman of Pick n Pay Stores Limited. Among his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa, and is previous co-chair of the international Consumer Goods Forum. He is also a Trustee of the Masisizane Fund and a member of the international board of the Young Presidents' Organisation (YPO). He chairs the Ackerman Family interests.

## EXECUTIVE DIRECTORS

**Richard Brasher (56)** – Appointed 2013  
*BSc (Hons)*

### Chief Executive Officer (CEO)

**Years of service: 5**

Richard joined Pick n Pay as CEO in 2013 and has led the plan to restore the business to sustainable long-term growth. He has an outstanding track record spanning 30 years in international retail, having joined Tesco in 1986 and having served as a director on the Tesco main board from 2004 to 2012.

**Aboubakar (Bakar) Jakoet (62)** – Appointed 2011  
*CA(SA)*

### Chief Finance Officer (CFO)

**Years of service: 32**

Bakar joined the Group in 1984, working in the national finance office, heading up special projects and new business. He was appointed Divisional Director in 1993 and served on the retail board as Chief Finance Controller since its inception in 1995. He was appointed as CFO and a member of the Board in 2011.

In addition to his responsibilities at Pick n Pay, Bakar is a member of the University of Cape Town Council and deputy chairman of the UCT finance committee. He is a director of the Sports Science Institute of South Africa, and chairs their audit committee.

**Richard van Rensburg (57)** – Appointed 2009  
*CA(SA)*

### Chief Information Officer (CIO)

**Years of service: 9**

Richard has extensive experience in retail and information technology with Woolworths, Massmart and Affinity Logic. In 2009 he joined the Board of Pick n Pay as an independent non-executive director. Appointed as an executive director in 2011, Richard is the CIO, taking responsibility for the IT, financial services and e-commerce portfolios of the Group.

**Suzanne Ackerman-Berman (55)** – Appointed 2010  
*BA, Fellow: Aspen Business Institute; First Movers*

**Years of service: 23**

Following broad executive experience in the Company, Suzanne was appointed Director of Transformation on the Group Executive in 2007. In addition to her executive contribution to the Company, she was appointed to the Board as a representative of the controlling shareholder in March 2010. Suzanne is chairman of the social and ethics committee.

Suzanne is active in many areas of philanthropy across different sectors of society, and in particular she is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Foundation, and heads the Pick n Pay Small Business Incubator.

**Jonathan Ackerman (51)** – Appointed 2010  
*BA Marketing*

**Years of service: 25**

Returning to South Africa after studying and working in the USA, Jonathan joined Pick n Pay in 1992. Having worked in many divisions, Jonathan ensures that the well-being of Pick n Pay's customers is the primary motivating factor for any strategic decision taken in the Company in his current role as Customer Director on the Group Executive. He was appointed to the Board as a representative of the controlling shareholder in March 2010.

## NON-EXECUTIVE DIRECTOR

**David Robins (64)** – Appointed 2002  
*BBusSci*

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman of the Group and as an executive director. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**David Friedland (64)** – Appointed 2013  
*CA(SA)*

David was the audit engagement partner and lead/relationship partner at Arthur Andersen and KPMG for several listed companies, as well as for large owner-managed companies, principally in the retail sector.

**Other listed company directorships:** Investec Limited, Investec plc, The Foschini Group Limited

**Hugh Herman (77)** – Appointed 1976  
*BA LLB, LLD (HC)*

### Lead Independent Director (LID)

### Remuneration committee Chairman

Hugh was a partner at attorneys firm, Sonnenberg Hoffmann & Galombik, before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed group chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Hugh was appointed honorary life president of the Investec Group and remains chairman of various subsidiary companies in the Investec Group.

**Alex Mathole (45)** – Appointed 2010 – 2013, re-appointed 2016  
*BJuris LLB*

Admitted as an attorney in 1997, Alex is currently the regulatory risk management executive at FirstRand, taking responsibility for prudential regulatory compliance, market conduct, ethics and business conduct.

Alex started her career practising in commercial, corporate law and litigation for two years, before joining Gray Security (subsequently merged with Securicor) in 1999 where she worked in the employment law field for five years. In 2006, Alex joined Siemens where she achieved the position of general counsel for Siemens in Africa and subsequently executive director for sustainability and corporate affairs until 2012. From 2012 until 2016, Alex was corporate and regulatory affairs executive at Tiger Brands Limited.

**Audrey Mothupi (47)** – Appointed 2013  
*BA (Hons)*

Audrey is the CEO of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans across various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the chief executive of Strategic Services at the Liberty Group of companies.

Audrey is an independent non-executive director on Life Healthcare Group and Brainworks Capital. She sits as chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia. Audrey is a member of the Numeric Board of South Africa, an organisation that focuses on helping young South Africans excel in maths and training world-class maths teachers.

**Other listed company directorships:** Life Healthcare Group

**Lorato Phalatse (56)** – Appointed 2010  
*BA (Hons), MA*

Lorato began her working career in the FMCG sector at Unilever and at Johnson & Johnson. After moving to Nedperm in the retail banking sector, she was seconded to the Women's Development Bank. One of the founders, and the first CEO of Nozala Investments Proprietary Limited, she sat on the boards of companies such as Tsebo/Fedics, Kyocera and Afripack. Lorato has also spent time in the public sector with both provincial and national government, ultimately heading up the Private Office of the President of South Africa. Lorato is chairman of the Bidvest Group and is on the board of the Masisizane Fund.

**Other listed company directorships:** Bidvest Group

**Jeff van Rooyen (68)** – Appointed 2007  
*CA(SA)*

### Chairman of the audit, risk and compliance committee

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings Proprietary Limited. His involvement in the accounting profession over the years is extensive. Former appointments include being a trustee of the IFRS Foundation, chairman of the Public Accountants and Auditors Board (now IRBA) and founder president of the Association for the Advancement of Black Accountants. His public sector record is equally extensive. Former appointments include chairman of the Financial Reporting Standards Council, executive officer of the Financial Services Board, member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria and member of the Standing Advisory Committee on Company Law.

**Other listed company directorships:** MTN Group Limited, Exxaro Resources Limited.

## COMPANY SECRETARY

**Debra Muller (56)** – Appointed 2010  
*BA LLB*

**Years of service: 12**

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant, taking a permanent position as in-house legal advisor in 2006, working with litigation, contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010, Debra continues to head up the legal department. In 2016 Debra was appointed to the board of directors of the Consumer Goods and Services Ombud (RF) NPC, where she serves as a member of the CGSO audit and risk committee. Debra also serves as a director of St Luke's Hospice property company.



# BOARD REPORT

## DIRECTORS' RESPONSIBILITIES

The directors acknowledge responsibility for the preparation of the Group annual financial statements, which, in their opinion, fairly present the results and cash flows for the period ended February 2018 and the state of affairs of Pick n Pay Stores Limited and its subsidiaries at the end of the 2018 financial period. The external auditors are responsible for reporting on the fair presentation of these financial statements.

The Company and its subsidiaries have maintained satisfactory accounting records and an effective system of internal controls to ensure the integrity of the underlying information. Appropriate accounting policies, supported by sound and prudent managerial judgements and estimates, have been consistently applied.

The audit, risk and compliance committee reviews the financial information presented and ensures that there has been adherence to International Financial Reporting Standards and the Companies Act of South Africa. Internal and external auditors of companies in the Group have unrestricted access to the committee.

## GROUP FINANCIAL RESULTS

The financial results of the Group are set out in the annual financial statements available on our website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

## DIRECTORATE AND SECRETARY

The composition of the current Board of directors of the Company is set out on pages 10 and 11. There were no appointments or resignations to the Board during the period.

The Company Secretary provides a central source of guidance and advice to the Board, and within the Company, on matters of ethics and good governance. The Company Secretary was appointed in June 2010.

At least one-third of the non-executive directors are required to retire every year. Independent non-executive directors who have served on the Board for longer than nine years are required to serve a one-year term rather than a three-year term. If eligible and available, the names of those directors retiring by rotation are submitted for re-election by shareholders at the ensuing annual general meeting. If any new director has been appointed during the period, the initial appointment must be ratified by shareholders at the first annual general meeting following appointment.

At the annual general meeting to be held on 30 July 2018, Hugh Herman, Audrey Mothupi, David Robins and Jeff van Rooyen retire by rotation. Having been on the Board for more than nine years, Hugh Herman and Jeff van Rooyen are eligible for a one-year term of office. While David Robins has been on the Board for more than nine years, he is not an independent non-executive director and so is eligible for a three-year term of office. Audrey Mothupi is eligible for a three-year term of office. Being eligible, they all offer themselves for re-election.

## GOING CONCERN

The directors are of the opinion that the business will be a going concern in the year ahead. In reaching this opinion, the following factors were considered:

- Strong positive cash flow from trading
- No recurring operating losses at divisional and Group level
- Well-controlled working capital and good quality inventory
- Approved short- and long-term financing, with sufficient additional borrowing capacity if required
- Key executive management in place
- No material changes that may impact on the Group in any of its customer, product or geographic markets
- Budgets to end February 2019 reflect a continuation of the above positive factors

## COMPANY SECRETARY CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended (Companies Act), I, Debra Muller, in my capacity as Company Secretary of Pick n Pay Stores Limited (the Company), confirm that, to the best of my knowledge and belief, in respect of the financial period under review, the Company has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

On behalf of the Board.

**Debra Muller**  
Company Secretary  
22 June 2018

# BOARD AND COMMITTEE ATTENDANCE

The table reflects the Board and committee attendance at the meetings for the 2018 financial period:

NAME	Position	Board	AGM	1	2	3	4	5	6
G Ackerman	Chairman	5/5	1/1	-	3/3	✓	-	✓	-
J Ackerman	Executive	5/5	1/1	-	-	-	-	-	-
S Ackerman-Berman	Executive	5/5	1/1	-	-	-	-	-	3/3
R Brasher	CEO	5/5	1/1	-	-	-	-	-	-
D Friedland	Independent non-executive	5/5	1/1	2/2	-	✓	*	-	-
H Herman	Lead Independent non-executive	5/5	1/1	2/2	3/3	-	*	-	-
A Jakoet	CFO	5/5	1/1	-	-	-	-	-	-
A Mathole	Independent non-executive	5/5	1/1	-	-	-	*	-	2/3
A Mothupi	Independent non-executive	5/5	1/1	2/2	3/3	-	*	-	-
L Phalatse	Independent non-executive	5/5	1/1	-	-	✓	*	-	3/3
D Robins	Non-executive	5/5	1/1	-	-	-	-	-	-
R van Rensburg	CIO	5/5	1/1	-	-	-	-	-	-
J van Rooyen	Independent non-executive	5/5	1/1	2/2	2/3	-	*	✓	-

The nominations committee, corporate finance committee and corporate governance committee meet as and when required throughout the financial year.

- Not a member of the committee

✓ Present at ad hoc meetings

\* The corporate finance committee was not convened during the financial period.

1 **AUDIT, RISK AND COMPLIANCE COMMITTEE**

2 **REMUNERATION COMMITTEE**

3 **NOMINATIONS COMMITTEE**

4 **CORPORATE FINANCE COMMITTEE**

5 **CORPORATE GOVERNANCE COMMITTEE**

6 **SOCIAL AND ETHICS COMMITTEE**

# AUDIT, RISK AND COMPLIANCE COMMITTEE

## COMMITTEE CHAIRMAN'S REPORT

*The committee provides independent oversight and assessment of the Group's risk management processes, legal and regulatory compliance, financial reporting, business and financial controls, internal and external audit processes, and acts as a liaison between the Board and external and internal auditors.*

### INTRODUCTION

The Group operates in the fast-moving consumer foods industry in Africa and recognises that it will be exposed to certain risks in order to achieve sustainable growth. The focus of the Group's risk management is to ensure that an appropriate balance between risk and reward is maintained while protecting all stakeholders against avoidable risks, and mitigating the impact of unavoidable risks.

The Board is responsible for Group-wide risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board is assisted in this regard by the audit, risk and compliance committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group.

The committee does not and cannot replace the Board's overall responsibility to review and approve the Group's financial statements.

### COMPOSITION AND ACTIVITIES

A standing statutory committee, it is chaired by an independent non-executive director and comprises only independent non-executive directors. In accordance with the requirements of the Companies Act, members of the committee are appointed annually by the Board for the ensuing financial period and are elected by shareholders at the annual general meeting. Fees paid to committee members are disclosed on page 37.

The committee meets formally twice a year with the Chairman, the CEO, the CFO, the head of the internal audit function and the external auditors in attendance. The committee has the right to invite other Board members, executives and external advisors to attend any meeting. Formal minutes are kept and are made available to all members of the committee, and are available on request to all members of the Board. The committee chairman meets with executives, and the external and internal auditors, whenever necessary. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

The internal and external auditors have unfettered access to the committee and its members throughout the year.

## COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS HELD DURING THE 2018 FINANCIAL PERIOD

MEMBERS	Qualifications and experience	Attendance
Jeff van Rooyen (Chairman)	A chartered accountant with extensive experience in both the private and public sectors, Jeff is Chairman of the committee	2/2
Hugh Herman	An attorney and well-respected businessman, Hugh is honorary life president of the Investec Group	2/2
David Friedland	A chartered accountant, who enjoyed a long career as audit engagement partner and lead partner with Arthur Andersen and KPMG, David is well placed to assist the committee with his auditing experience	2/2
Audrey Mothupi	An Honours graduate with wide business experience in strategy, marketing and banking. Audrey is the CEO of the SystemicLogic Group	2/2

For full details of the members' qualifications and experience refer to their CVs on pages 12 and 13.

## RESPONSIBILITIES AND ACTIVITIES PERFORMED

The committee is authorised by the Board to investigate any activity within its terms of reference. The committee has the right to:

- Seek any information that it requires from any employee or director
- Demand unrestricted access to records and information
- Liaise directly with the external auditors and Group internal audit services
- Obtain outside legal or other professional advice
- Have access to the resources it needs to fulfil its responsibilities
- Set and maintain an appropriate mandate for subsidiary company audit committees

## INTEGRATED AND FINANCIAL REPORTING AND FINANCE FUNCTION

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> <li>• Providing independent oversight and assessment of the effectiveness of the Group's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function</li> <li>• Providing independent oversight and assessment of the integrity of the annual financial statements and other external reports issued by the Group</li> <li>• Providing independent oversight and assessment of the management of financial and other risks that affect the integrity of external reports issued by the Group</li> <li>• Ensuring that the necessary internal controls and checks and balances are in place</li> <li>• Establishing that management are enforcing use of the controls</li> <li>• Overseeing any tender process adopted to establish whether new external auditors should be appointed</li> <li>• Acting as a liaison between the external auditors and the Board</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed and recommended to the Board the annual financial statements, interim results, preliminary results announcement, summarised financial statements and integrated annual report</li> <li>• Ensured and recommended to the Board that financial and integrated reporting was reliable and was in conformity with International Financial Reporting Standards (IFRS), the Companies Act, the Listings Requirements of the JSE and the King IV Code™ on Corporate Governance (King IV Code™)</li> <li>• Reviewed and approved the appropriateness of accounting policies, restatements, disclosure policies and the effectiveness of internal financial controls</li> <li>• Reviewed the sustainability disclosure in the integrated annual report and ensured that it was consistent with financial information reported</li> <li>• Considered the expertise, experience and resources of the Group's finance function</li> <li>• Reviewed the Group's integrated reporting function and progress, considering factors and risks that could impact on the integrity of the integrated annual report</li> <li>• Reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board</li> </ul>

## INTERNAL AUDIT

The internal audit function is independent of business operations and provides assurance on the adequacy and effectiveness of internal controls. In developing its annual combined assurance plan, the internal audit function follows a risk-based methodology to identify material business risks, which are then confirmed and addressed by the relevant individual divisional managers.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> <li>• Reviews and approves the internal audit charter and audit plans</li> <li>• Evaluates the independence, effectiveness and performance of the internal audit function and compliance with its mandate</li> <li>• Reviews the Group's system of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls</li> <li>• Reviews significant issues raised by the internal audit process</li> <li>• Reviews policies and procedures for preventing and detecting fraud</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed the internal audit coverage plan</li> <li>• Considered and confirmed the composition, experience, resources, independence and skills of the internal audit function</li> <li>• Considered and confirmed that the head of the internal audit function has the appropriate expertise and experience for the position</li> <li>• Ensured continued progress in integration with the combined assurance model</li> <li>• Reviewed the effectiveness of internal financial controls</li> <li>• Met separately with the internal auditors to confirm that they received the full co-operation of management</li> </ul>



## EXTERNAL AUDIT

Following a tender process, Ernst & Young Inc. (EY) was appointed as external auditor to the Group in July 2015, bringing their tenure to three years.

The committee annually considers whether a tender process should be adopted to establish whether new external auditors should be appointed. After consideration, the committee concluded that a new tender process was not required in the 2019 financial year.

The designated audit partner will be rotated in the event that EY is auditing the Group in the 2020 financial year.

The committee confirmed its satisfaction with the performance and level of service rendered by EY, for the 2018 financial period.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> <li>Act as a liaison between the external auditors and the Board</li> <li>Nominate the external auditor for appointment by shareholders</li> <li>Determine annually the scope of audit and non-audit services that the external auditors may provide to the Group</li> <li>Approve the remuneration of the external auditors and assess their performance</li> <li>Assess annually the independence of the external auditors</li> <li>Ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor</li> </ul>	<ul style="list-style-type: none"> <li>Ensured the appointment as external auditor a registered auditor, who, in the opinion of the committee, was independent of the Group and recommended approval for the re-appointment of EY as external auditors</li> <li>Ensured that the appointment of the external auditor complied with relevant legislation</li> <li>Determined the fees to be paid to the external auditor, as well as the terms of engagement</li> <li>Pre-approved non-audit services provided by the Group's external auditors</li> <li>Considered and confirmed the independence of the external auditors, taking into account all non-audit services performed and circumstances known to the committee</li> <li>Reviewed the external audit coverage plan to ensure adequate coverage of critical risk areas and dealt with questions arising from audit activities</li> <li>Met with management, independently of the auditors, to discuss issues relevant to the audit and for purposes of evaluating the quality and effectiveness of the external audit function</li> <li>Evaluated the performance, and reviewed the reports, of the external auditors and ensured that the reporting was reliable, transparent and a fair representation for the use by stakeholders</li> <li>Received and appropriately dealt with any complaints relating to the accounting practices of the Group, the content or auditing of its financial statements, the internal financial controls of the Group or to any related matter</li> <li>Made submissions to the Board on any matter concerning the Group's accounting policies, financial controls, records and reporting</li> </ul>

## RISK MANAGEMENT

The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit, risk and compliance committee meetings by invitation. The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of senior management, who are supported by the internal audit function. Currently, the combined assurance plan serves as the source for the Group's top-down risk management programme. These risks are typically strategic and operational, and are quantified by the finance function, where relevant.

RESPONSIBILITIES	Activities performed
<ul style="list-style-type: none"> <li>Ensures that the Group has adequate processes in place to identify, monitor and manage all significant business and financial risk areas</li> <li>Assisting management to identify risk areas, and evaluates management in the handling of identified risks</li> <li>Ensures that the Group's assets are secure</li> <li>Ensures that the accounting system and controls are adequate and function effectively</li> <li>Ensures that the effectiveness of the internal control measures are continually evaluated</li> <li>Ensures that systems exist that adequately provide for the Group's conformance with all laws, regulations and codes</li> </ul>	<ul style="list-style-type: none"> <li>Discharged all audit, risk and compliance committee responsibilities of all the subsidiary companies in the Group</li> <li>Together with the external auditors and management reviewed the findings of the financial review committees to the material operating divisions in the Group</li> <li>Ensured that management's processes and procedures were adequate to identify, assess, manage and monitor enterprise-wide risks</li> <li>Reviewed operational risks, in particular how they were managed</li> <li>Met with management to review their progress on identifying and addressing material risk areas within the business</li> <li>Chairman met regularly with key management to keep abreast of emerging issues which, during the 2018 financial period, included:                         <ul style="list-style-type: none"> <li>Water crisis in the Western Cape, South Africa</li> <li>Listeriosis outbreak in South Africa</li> <li>Recent corporate governance failures in South Africa and their implications for risk management and director responsibilities in oversight of management</li> </ul> </li> </ul>

## POLICY ON NON-AUDIT SERVICES

All non-audit services provided by the Group's external auditors are required to be pre-approved by the committee. The nature and extent of non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence. During the year, EY received R0.8 million (2017: R0.4 million) equating to 8.8% (2017: 4.2%) of the total audit remuneration. These services related mainly to agreed-upon procedures for third-party confirmation and assurance. All non-audit services undertaken during the 2018 financial period were approved in accordance with this policy.

## EXPERTISE AND EXPERIENCE OF CHIEF FINANCE OFFICER AND FINANCE FUNCTION

The committee, together with the lead external audit partner, has considered and confirmed the composition, experience, resources and skills of the finance function. The committee is satisfied that Bakar Jakoet has the appropriate expertise and experience for the position of Chief Finance Officer of the Group. In addition, the committee is satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

## LEGAL REQUIREMENTS

The committee has complied with all applicable legal, regulatory and other responsibilities for the 2018 financial period.

## EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF INTERNAL FINANCIAL CONTROLS

The committee has examined the effectiveness of internal financial controls, to assess if there are any significant weaknesses in the design, implementation or execution of internal financial controls that could result in material financial loss, fraud, corruption or error. Through this process no material matter has come to the attention of the audit, risk and compliance committee or the Board that has caused the directors to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The committee has concluded that the current design of internal financial controls is effective, but will continue to be watchful.

## ARRANGEMENTS IN PLACE FOR COMBINED ASSURANCE AND THE COMMITTEE'S VIEW ON ITS EFFECTIVENESS

The committee ensured that the combined assurance model addressed all significant risks facing the Group and monitored the relationship between external and internal assurance providers and the Group. The committee concluded that the arrangements in place for combined assurance were effective. This conclusion was reinforced by the Group receiving an award from the Institute of Risk Management of South Africa in the category *Wholesale & Retail Industry* in "recognition of outstanding contribution towards risk management".

## ANNUAL FINANCIAL STATEMENTS AND GOING CONCERN

Following review of the consolidated Group and separate Company annual financial statements for the financial period ended 25 February 2018, the committee is of the opinion that, in all material respects, the financial statements comply with International Financial Reporting Standards and the Companies Act and that they fairly present the financial position of the Group and Company for the 2018 financial year and the results of the operations and cash flows for the year then ended.

The committee reviewed and considered representations by management on the going concern statement for the Group and recommended the adoption of the going concern concept to the Board.

In compliance with the requirements of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™), an integrated annual report has been compiled for 2018.

## APPROVAL OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

The committee confirms that it functioned in accordance with its charter for the 2018 financial period and that its report to shareholders was approved by the Board.

### Jeff van Rooyen

*Chairman: audit, risk and compliance committee*  
18 April 2018

# CORPORATE GOVERNANCE COMMITTEE

## COMMITTEE CHAIRMAN'S REPORT

*The corporate governance committee reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision.*

The corporate governance committee operates in accordance with the corporate governance charter. The committee is chaired by me, with membership comprising a non-executive director and the Company Secretary. Other directors, executives and external advisors attend meetings by invitation. The committee convenes on an ad hoc basis. Informal meetings were held as required.

The focus during this period was on implementing King IV™'s recommendations and ensuring that the Group complies with the code of corporate practices and conduct. International standards of corporate governance were considered alongside local practices to ensure that the Group adopted best practice.



**Gareth Ackerman**  
*Chairman of the corporate governance committee*

During the period, the committee reviewed:

- Company policies and the corporate governance charter in light of King IV™
- Remuneration committee charter
- Share trust charter
- Treasury charter
- Companies Act section 45 requirements
- The survey used to establish independence of non-executive directors
- The survey used to establish competence of Company Secretary
- The binding rule published by the South African Revenue Services clarifying the tax treatment with regard to non-executive directors

### Gareth Ackerman

*Chairman: Corporate governance committee*  
22 June 2018



# CORPORATE FINANCE COMMITTEE

## COMMITTEE CHAIRMAN'S REPORT

**The committee assists the Board in assessing material investment opportunities for the Group.**

The Board has created the corporate finance committee to ensure that the interests of all shareholders are taken into account when major investment decisions are made. This is to ensure that no perception of conflicts of interest can arise between the controlling shareholder and other stakeholders in the Group. The committee assists the Board in assessing material investment opportunities for the Group.

Chaired by myself, membership comprises the independent non-executive directors.



**Jeff van Rooyen**  
Chairman of the corporate finance committee

The corporate finance committee operates in accordance with the corporate governance charter, which is reviewed annually. The authority to accept or reject investment opportunities remains with the Board.

The committee convenes on an ad hoc basis. No meetings were called during the financial period.

**Jeff van Rooyen**  
Chairman: Corporate finance committee  
22 June 2018

# NOMINATIONS COMMITTEE

## COMMITTEE CHAIRMAN'S REPORT

**The nominations committee is responsible for identifying and evaluating suitable candidates for possible appointment to the Board to ensure that the Board is balanced and able to fulfil its functions as recommended by King IV™.**

The nominations committee operates in accordance with the requirements of the Companies Act and King IV™ and is governed by a charter, which is reviewed and approved annually by the Board.

The committee identifies a list of candidates to be considered, and establishes availability, willingness and suitability.

The authority to appoint directors remains with the Board. Candidates identified by the committee are interviewed by all the non-executive directors before the potential appointment is referred to the Board for a decision. Appointees are nominated at the next annual general meeting for election by shareholders.

Informal ad hoc meetings are held as required. During the period, the following aspects were considered:

- Ensured succession planning for the Board, the CEO and senior executive position, so that the Group's long-term strategy can be well executed
- Evaluated those non-executive directors who had served for more than nine years as regards independence and recommended that they continue on the Board for continuity and experience for a further term of one year



**Gareth Ackerman**  
Chairman of the corporate governance committee

- Reviewed the key performance indicators and objectives of the CEO
- Assessed and confirmed the competence and expertise of the Company Secretary
- Assessed and proposed to the Board the reappointment of four non-executive directors
- Assessed and confirmed the independence of three non-executive directors proposed to the Board for reappointment
- Assessed the balance of the Board and concluded that the Board retained an appropriate balance of skills, knowledge, diversity, independence and experience
- Reviewed and approved the racial diversity policy to be presented to the Board for adoption, in accordance with amended JSE Listings Requirements on the promotion of racial diversity at Board level

**Gareth Ackerman**  
Chairman: Nominations committee  
22 June 2018

# REMUNERATION COMMITTEE

## SECTION 1: COMMITTEE CHAIRMAN'S REPORT

*The Group's remuneration committee is mandated by the Board to ensure that the Group's remuneration policy fairly and responsibly promotes the achievement of the Group's strategic objectives, including positive value outcomes over the short, medium and long term. The Group's remuneration policy balances the needs of its employees with those of its shareholders and supports the Group's strategy by incentivising the behaviour that will deliver on its strategic plan, against clear and measurable performance targets across its seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate in attracting, motivating and retaining the Group's winning team.*

### THE YEAR IN REVIEW

The 2018 financial year was once again characterised by a tough economic climate and constrained consumer spending, with real GDP growth in South Africa of just 0.9% over the 2017 calendar year. The Group responded to the tough consumer environment through decisive action. Over the past year, the Group took a number of strategic steps, as set out in the CEO's review in the integrated annual report, to reduce its operating costs and improve its underlying efficiency in ways which have generated additional headroom to invest in its customer offer at a critical time for the South African consumer. These steps, which included a voluntary severance programme (VSP), have accelerated the delivery of the Group's strategic long-term plan. However, they inevitably resulted in some disruption, which had a short-term adverse impact on the performance of the Group. The VSP in particular also resulted in once-off costs which impacted on this year's profitability and on the ability of the Board and senior executives to deliver against their strategic objectives and related targets.

Against this background, the remuneration committee has had to exercise careful judgement over the past year to ensure that the application of the Group's remuneration policy reflects the progress on its strategic long-term objectives, while noting the short-term targets that were not met.



**Hugh Herman**  
Chairman: Remuneration committee

It has recognised that incentives tied to specific targets cannot be paid where these targets have not been met. But the committee has also, where appropriate, exercised some discretion and limited flexibility where the non-achievement of short-term targets resulted from decisions that have significantly strengthened the business to deliver on its longer-term strategy.

### 2018 FINANCIAL RESULT AND ANNUAL BONUS

The VSP added compensation cost and disruption in the short term; however, together with the modernisation of the Group's loyalty programme and a collaborative buy better programme with suppliers, the team was able to invest substantively in price and promotion in the final quarter of the year in order to drive sales growth. Strong momentum was achieved in the last three months of the year, but it was not enough to meet the key financial performance targets set by the remuneration committee.

The Group delivered growth in profit before tax and exceptional items (PBTAE), the Group's primary short-term performance target, of 3.8% in 2018, short of the committee's threshold target of 10%. In addition, certain other key performance indicators also fell short of expectation, including annual turnover growth, inventory holdings and net interest paid. Accordingly, the Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus and the remuneration committee has not awarded a short-term bonus to its senior executive team this year.

However, the remuneration committee acknowledged the important strategic steps taken over the year to drive sustainable performance. In recognition of the solid progress delivered against the long-term plan and the substantively improved customer offer, the remuneration committee agreed to the payment of an ex gratia appreciation award to executive directors and key members of senior management that have delivered this progress.

### REVIEW OF CEO'S LONG-TERM BINARY SCHEME

The committee decided, at a special meeting convened in September 2017, to extend the terms of Richard Brasher's binary share award. The share award was due to vest in November 2017, subject to the attainment of a share price eligibility hurdle of R68.03. Richard Brasher had, with the support of the Board, successfully implemented the strategic action detailed above in order to reset the long-term earnings trajectory of the Group. The prevailing political and economic climate had resulted in negative sentiment in the local equities market, and the committee acknowledged that the substantial once-off costs related to the VSP could negatively impact the share price in the short term. The committee agreed that Richard should not be disadvantaged for strategic action taken for the long-term benefit of the Group.

The remuneration committee remains committed to equitable remuneration of its executive directors, which adequately reflects performance delivered. As such it was agreed to extend the term of his binary scheme by a further 12 months, to November 2018.

### AMENDMENTS TO THE GROUP'S FORFEITABLE SHARE PLAN

The Group has delivered consistent progress against its primary long-term performance target of sustainable growth in headline earnings per share (HEPS), with compound annual growth in HEPS over the last five years of 20%. The Group's debut issue of forfeitable shares vested successfully in August 2017. It is right that the team share in the value that they have helped to create for shareholders, and we were gratified to deliver 6.3 million shares to 130 participants.

The vesting of FSP 1 highlighted the difficulty of issuing shares to executives on the eve of a statutory closed period. To allay any governance concerns, our executive directors and Company Secretary were precluded from taking up their FSP 1 shares on vesting, and were required to wait until after the publication of the Group's interim results in October 2017. The remuneration committee subsequently decided to bring forward the vesting dates of all previous FSP awards, from August of the vesting year to June of that same year, to strengthen governance during future vesting periods. The attainment of performance conditions will always be known at the time of the publication of the financial result in April, and it is only the discretionary service condition that has been reduced by less than two months. This amendment ensures that any future delivery and take-up of forfeitable shares will not take place in the days before the Group enters a closed period, facilitating a more streamlined and effective administration of the vesting process.

In line with normal governance principles, if any of our executives are in a voluntary closed period at the time of vesting, they will not be able to take up their shares until such time as any trade embargo has been lifted.

### STRONGER TEAM

In January 2018 the Group strengthened its executive team through the appointment of Pedro da Silva to manage its Pick n Pay division. Pedro is a seasoned retailer with an exceptional track record in emerging market retail across the globe. This includes turning around the Biedronka business in Poland to become the national market leader, and guiding the Jerónimo Martins Group as Chief Operations Officer, responsible for the group's operations in Portugal, Poland and Columbia. Pedro will ably support Richard Brasher in growing our Pick n Pay South African retail business, while enabling Richard to focus more fully on overall Group strategy. The remuneration committee formulated a competitive remuneration package that recognises Pedro's skill and experience, and his participation in the Group's long-term share incentive schemes ensures that he will be rewarded for a tenure that delivers on Group strategy, with sustainable earnings growth and share price appreciation over the longer term.

### OTHER KEY CONSIDERATIONS

In addition to the key decisions detailed above, further key considerations for the remuneration committee during the year included:

- setting the remuneration packages of key senior executives in line with market-related benefits
- the fourth allocation of shares under the Group's forfeitable share plan
- agreeing the overall salary increase for all salaried staff
- ongoing talent management and succession planning



## SHAREHOLDER ENGAGEMENT

Our remuneration policy seeks to build the most skilled and talented retail business in South Africa, to drive sustainable value creation for all stakeholders. Our remuneration policy, including all reward principles, is consistent with last year and is outlined in section 2 of this report. The application of our remuneration policy in 2018 is detailed in section 3 of this report.

**The remuneration committee is confident that the Group's remuneration policy achieved its stated objectives in support of the Group's long-term strategy during the year. Senior management and staff have been remunerated fairly, commensurate with market best-practice, current achievements have been recognised and future performance incentivised in line with the objectives of the Group's long-term strategy and the interests of shareholders.**

In line with the requirements of King IV™, the Group will present section 2 and section 3 of this report separately to its shareholders for non-binding votes at its AGM on 30 July 2018. The proposed directors' fees for the 2019 and 2020 financial period will also be submitted to shareholders for approval at the AGM. Please refer to page 53 for further information.

The Group values open and constructive engagement with its shareholders, and encourages its shareholders to engage with management on material remuneration issues in order to enable informed decisions when voting on the Group's remuneration policy and the application thereof.

In addition to this commitment, and in accordance with King IV™, in the event that either the remuneration policy or implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

- determine the reasons for the dissenting votes; and
- address all legitimate objections and take any reasonable steps to resolve shareholder concerns.

The remuneration policy and directors' fees for the 2018 financial period were approved by shareholders at the AGM held on 31 July 2017 as follows:

	For	Against	Abstain
<b>Advisory vote</b>			
Remuneration report for the 2017 annual financial period	91.32%	8.68%	0.04%
<b>Special resolution number 1</b>			
Directors' fees for the 2018 and 2019 annual financial periods	86.58%	13.42%	0.39%

The Pick n Pay human resources division (HR) was recognised as the Best HR team of the Year at the 2017 national Future of HR awards. We congratulate the team on this prestigious award, which recognise the transformation of the HR function in business in South Africa. Our HR team is working tirelessly to become a stronger and more effective support structure for all divisions across the Group, and we give them our unwavering support on this journey, as we all become better and simpler for customers and staff.

## LOOKING AHEAD

The Group is determined to become the employer of choice within the retail industry, creating more opportunity for competitive benefits, skills training and development, recognition and career advancement. The Group has created over 13 700 net new and sustainable jobs over the past three years, notwithstanding the impact of the VSP, through its store opening programme and the ongoing development of its centralised supply chain. We aim to create another 15 000 new jobs over the next three years.

We have much more hope for a prosperous South Africa than we had a year ago, and with renewed energy and momentum in our own business, we look forward to 2019 with confidence of a stronger performance from a lean and more effective team. The remuneration committee will continue to focus on talent management, retention and succession planning. It will formulate appropriate and effective long-term incentives linked to the key performance indicators that will ensure delivery of the Group's strategic objectives, while balancing the needs of shareholders with those of employees.

**Hugh Herman**  
 Chairman: Remuneration committee  
 22 June 2018

## SECTION 2: OVERVIEW OF REMUNERATION POLICY

### ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is to build and reward a high-performance team that successfully delivers the Group's strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The Group's remuneration policy supports this philosophy through balanced reward, which recognises both the delivery of short-term performance goals, while incentivising sustainable earnings growth over the long term, aligning the interests of our team with those of our shareholders.

- **Performance-driven reward**  
 Staff are rewarded for the delivery of value creation in line with the objectives of the Group's strategy
- **Meritocracy**  
 Staff are recognised and advanced based on merit
- **Most talented South African retail business**  
 We attract, retain and develop the most talented staff in the retail industry
- **Effective and lean organisation**  
 We build a high-performance culture that rewards productivity and value creation
- **Diversity**  
 We offer equal opportunities to people from all walks of life and our team reflects the communities we serve



**The Group's remuneration policy reflects the following principles:**

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile.
- An independent expert assists with remuneration benchmarking to ensure that remuneration decisions made are objective and fair.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

### FRAMEWORK AND PERFORMANCE MEASURES

**The Group rewards employees for their individual contribution to the Group's strategic, operating and financial performance.**

The Group's remuneration policy is aligned with the strategic objectives of the Group, as set out in Stage 2 of its strategy. Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders. The Group's primary performance target for the achievement of short-term incentives by its management teams is growth in profit before tax and exceptional items (PBTAE). The primary target has a 100% weighting in annual bonus determinations. No short-term incentives are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable at the discretion of the remuneration committee, subject to a review of the level of delivery of certain secondary performance targets, as detailed on the following page.

ALIGNING REMUNERATION WITH STRATEGY

**STAGE 1** Stabilise the business ✓

**STAGE 2** Change the trajectory

**Strategic objectives:**

- Grow sales in line with or ahead of the market
- High levels of operating efficiency
- Sustainable margin improvement

---

**Business acceleration pillars:**

- 1 Better for customers
- 2 A flexible and winning estate
- 3 Efficient and effective operations
- 4 Every product, every day
- 5 A winning team
- 6 Boxer – a national brand
- 7 Rest of Africa – second engine of growth

**Group performance**

**Short-term incentives**

**Primary short-term performance target:**

- Growth in profit before tax and exceptional items (PBTAE)

**100% weighting**

**Individual performance**

**Secondary short-term performance targets examples include:**

- Annual individual performance review
- Turnover growth
- Improved cost ratios
- Reduced net finance costs
- Stronger profit margins
- Reduced stock-on-hand days
- BBBEE performance
- Resource efficiency

**Discretionary considerations depending on the level of delivery**

**Group performance**

**Long-term incentives**

**Primary short-term performance target:**

- HEPS
- ROCE
- Share price

**100% weighting**

**STAGE 3** Sustainable long-term growth

**Group performance**

**Primary long-term performance targets:**

- Sustainable HEPS growth over a rolling three-year period
- ROCE > WACC
- Share price appreciation
- PBT margin of 3.0% – 3.5% over the long term

The remuneration committee assists the Board in meeting its responsibility for determining and administering an appropriate and effective remuneration policy, which is balanced in the best short-term and long-term interests of the Group, its shareholders and its employees, and is aligned to the Group's strategic objectives. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

**The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2018 financial period.**

**REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES**

The remuneration committee has reviewed the Group's remuneration policy to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry. The committee is satisfied that the Group's remuneration policy, supported by strong underlying governance principles, ensures that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group's long-term plan, which are reflected in the performance targets set by the remuneration committee.

The composition of the remuneration committee and meeting attendance is as follows:

DIRECTOR	Attendance
Hugh Herman (Chairman)	3/3
Gareth Ackerman	3/3
Audrey Mothupi	3/3
Jeff van Rooyen	2/3

Although external advice is obtained from time to time as required, no external advisors attended the remuneration committee meetings during the period under review.

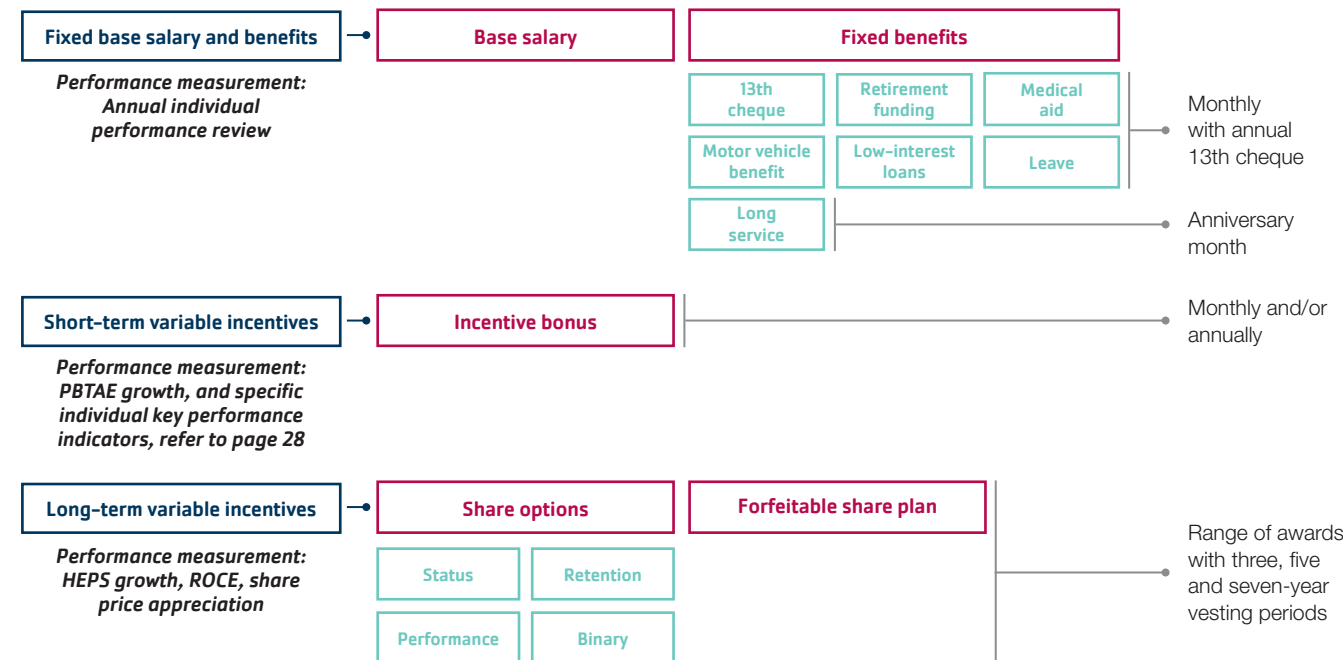
**2018 OBJECTIVES AND ACTIVITIES**

- Reviewed the Group's remuneration policy to ensure alignment with the strategic objectives of value creation over the short and longer term, and in line with best practice in the market
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives
- Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees
- Proposed fees for non-executive directors, for shareholder approval
- Reviewed and approved the service conditions and related vesting dates for forfeitable share plan awards
- Determined the overall salary increase for salaried staff across the Group
- Reviewed the principle and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner
- Considered talent management and succession planning

The remuneration committee recognises its important role in ensuring that the Group's remuneration policy supports the Group's strategic goals, and also ensures that executive directors are remunerated fairly and for reasonable performance in line with industry benchmarks and shareholder expectations. The executive team will not be unduly rewarded where performance does not meet expectations; however, the committee will strive to find a fair and reasonable balance in order to retain key executives and attract quality executives from outside the business to ensure the Group delivers on its strategic objectives.



# REMUNERATION STRUCTURE



## BASE SALARY

Annual base salaries, across all levels of the Group, are set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives.

The fixed base salary reflects the relative skill, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments.

Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

## FIXED BENEFITS

### 13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees<sup>1</sup> participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

### Retirement funding

It is a condition of employment that all employees, including variable-time employees<sup>1</sup>, are required to join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

## Medical aid

Medical aid provisions are in place for all full-time<sup>1</sup>, part-time<sup>2</sup> and variable-time employees<sup>3</sup>. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU<sup>4</sup> employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

**The Group is committed to furthering the economic empowerment and well-being of its employees and, as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.**

## Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

## Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted to ensure the employee does not experience financial strain.

All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details, please refer to note 14 of the 2018 audited Group annual financial statements where employee loans are disclosed.

## Leave

Annual leave accumulates from the date of starting employment and varies between three and five weeks per annum depending on the terms, conditions and length of employment. Variable time employees<sup>3</sup> accumulate leave based on ordinary hours worked. Long service is recognised with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

## Long service

The Group values loyalty and experience and rewards long service with a cash award in the month an employee attains a five-year service anniversary, and again for every five-year anniversary thereafter.

## SHORT-TERM VARIABLE INCENTIVES

The short-term incentive bonus is discretionary and is linked to the achievement of targets led by the primary short-term performance target of profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review on page 68 of the integrated annual report for further detail on the calculation of PBTAE.

The primary short-term performance target is supported by secondary short-term targets aligned to the Group's strategic plan, as set out on page 28.

The bonus pool is self-funding and is created after the achievement of predefined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

GRADES	Category	Bonus cap
A	CEO	24 x basic monthly salary
A	Group executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C & D	Middle management	4 x basic monthly salary
E & F	Junior management	13th cheque

All bonuses paid are subject to approval by the remuneration committee, and no bonuses are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable, subject to a review by the remuneration committee of the level of delivery of secondary performance targets. The bonus paid to middle management is reduced by the value of the fixed 13th cheque. Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

## LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share option scheme for employees. This is an integral part of our remuneration philosophy and ensures that the long-term interests of staff are aligned with those of shareholders, with primary performance targets of long-term sustainable HEPS growth and share price appreciation. It gives all levels of management the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and it encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

<sup>1</sup> Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

The Group operates two share incentive schemes for the benefit of its employees:

1. Share option scheme
2. Forfeitable share plan (FSP)

**Funding of share plans and dilutions**

Shareholders have authorised the Board to utilise up to 63 892 444 shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group’s share schemes. Both the Group’s share schemes fall within this limit, which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2018 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

**Share option scheme**

The Group operates an employee share option scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

**Binary share options – service and performance conditions attached**

Binary share options are granted to employees in senior management positions. These three to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

**Binary share options issued to executive director**

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24 and were due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee reviewed the original terms and conditions of these binary options. The committee was concerned that the cost and disruption of the voluntary severance programme (VSP) may have had a negative short-term impact on the share price in an increasingly volatile local equities market. As the action taken had been supported by the Board and was deemed essential in repositioning the Group for long-term sustainable growth, the remuneration committee decided to extend the vesting period of the binary shares for an additional year.

If the 20-day VWAP up to 14 November 2018 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should the 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

HURDLES	Share price November 2018	Annual compound growth rate	Exercise price May 2018
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

**The forfeitable share plan (FSP)**

The FSP recognises those key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and, through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death), all shares will be forfeited.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant’s individual contribution to value creation, annual salary, employment grade and other relevant retention and attraction requirements.

The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group’s return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that the Group has generated a real return for shareholders before rewarding its management team.

**The future net realisable value of all outstanding share options for all participating Group employees:**

YEAR	Average grant price 2018 R	26 February 2018	
		Number of options 000’s	Net realisable value* Rm
2019	35.41	14 334.5	557.2
2020	41.94	4 138.7	133.9
2021	56.38	2 334.8	41.8
2022	57.96	2 326.4	38.0
2023 and after	64.70	6 463.3	61.9
		<b>29 597.7</b>	<b>832.8</b>

Outstanding share options may be taken up during this following financial periods:

\* The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R74.28 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.

During the 2018 financial year, 6.2 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 29.6 million PIK share options were held by employees at year-end, amounting to 6.1% of shares in issue. Please refer to note 5 of the 2018 audited Group annual financial statements for further information.

This is a broad-based scheme, rewarding and empowering employees at all levels of management and, as such, no further performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

**Status share options – service conditions attached**

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:

- 40% after three years of service
- 30% after five years of service
- 30% after seven years of service

**Performance share options – service conditions attached**

Middle-management employees may be eligible for performance “top-up” share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

<sup>1</sup> Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week.

<sup>2</sup> Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week.

<sup>3</sup> Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

<sup>4</sup> NMBU refers to our non-management bargaining unit.



**FSP awards**

The Group reclassified certain elements of supplier income received and advertising costs incurred during the year, which impacted its inventory valuation and necessitated an immaterial adjustment to prior year earnings. The HEPS performance conditions attached to all previous FSP awards, and presented below, have been adjusted accordingly.

**FSP 1**

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There were forfeitures in terms of the rules of the scheme and, at the time of vesting, 6.4 million shares were held on behalf of 131 participants.

**FSP 1 performance conditions:**

2014 baseline HEPS Cents	Three-year CAGR %	2017 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's
141.18	< 10	< 187.91	All forfeited	–
141.18	10	187.91	30	1 909.5
141.18	12	198.35	65	4 137.2
141.18	15	214.72	100	6 365.0

The Group delivered HEPS of 258.65 cents per share in 2017. The stretch HEPS growth target was therefore met.

FSP 1 vested in August 2017 after the completion of the three-year service requirement, with the delivery of 6.4 million shares to 131 participants.

**FSP 2**

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.1 million shares are currently held by a CSDP on behalf of 98 participants.

**FSP 2 performance conditions:**

2015 baseline HEPS Cents	Three-year CAGR %	2018 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
173.34	< 10	< 230.72	All forfeited	–	–
173.34	10	230.72	30	324.3	24.1
173.34	11	237.07	65	702.6	52.2
173.34	12	243.53	100	1 081.0	80.3

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

The Group delivered HEPS of 276.98 cents in 2018, exceeding the stretch HEPS target of 243.53 cents per share. FSP 2 will fully vest on 25 June 2018.

**FSP 3**

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open-market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 107 participants.

**FSP 3 performance conditions:**

2016 baseline HEPS Cents	Three-year CAGR %	2019 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
215.22	< 10	< 286.46	All forfeited	–	–
215.22	10	286.46	30	499.5	37.1
215.22	12	302.37	65	1 082.3	80.4
215.22	14	318.86	100	1 665.0	123.7

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

**FSP 4**

The fourth FSP share issue took place in June 2017 and was funded partly through open-market purchases. A total of 4.1 million shares are held by a CSDP on behalf of 127 participants.

**FSP 4 performance conditions:**

2017 baseline HEPS Cents	Three-year CAGR %	2020 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
258.65	< 10	< 344.29	All forfeited	–	–
258.65	10	344.29	30	1 232.3	91.5
258.65	11	353.76	65	2 669.9	198.3
258.65	12	363.41	100	4 107.5	305.1

\* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

**SERVICE CONTRACTS**

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management personnel is required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

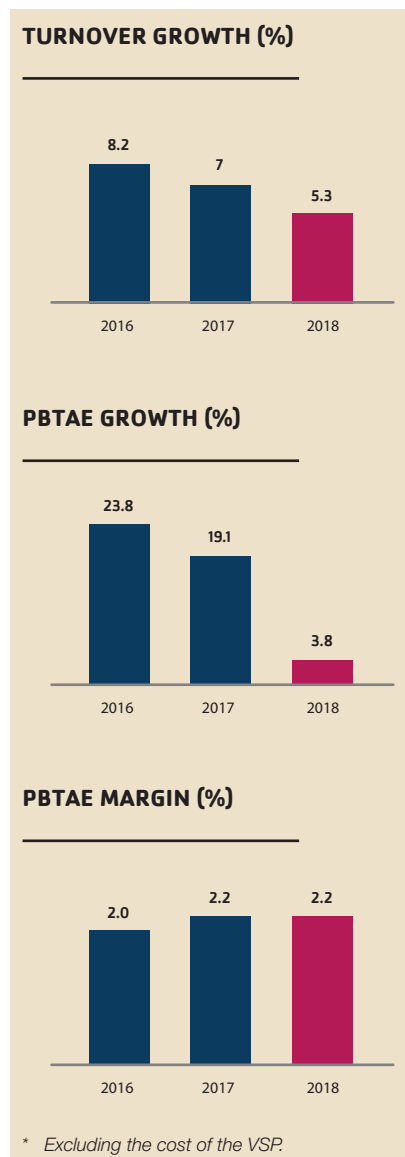
The retirement age of the Group is 60 years, which applies to all employees. The Group's Chief finance officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

**REMUNERATION STRUCTURE:  
NON-EXECUTIVE DIRECTORS**

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Please refer to page 37 for more detail on the proposed fees for 2019. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

Non-executive director remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

## SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY



### WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2018 financial period were as follows:

#### Executive director remuneration benchmarking, including a review of all benefits provided

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The balance between guaranteed remuneration and short and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

#### Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R9.5 million, the remuneration committee considered his extensive experience in the retail industry and the Group's strong and consistent profit growth delivered under Richard's stewardship. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, his expertise and his contribution to date.

#### Determining annual increases in fixed remuneration for executive directors, and an overall salary increase for salaried staff across the Group

The increase in total normalised fixed base salary and benefits paid to executive directors is 5.0%, excluding once-off variations in the base, against an average for the Group of 5.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7% and 10%. Annual increases were determined in April 2017 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

#### Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group's strategic objectives that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met, before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal performance appraisal process.

The Group delivered PBTAE of R1 789.1 million, a 3.8% increase on the prior period. This fell below the remuneration committee's threshold target of 10.0%, and, as a result, no short-term bonus was awarded to its senior management team. However, discretionary awards were made to executive directors and certain members of senior management in recognition of their execution of the difficult decisions taken during the year to drive sustainable performance. Bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2019 financial period, including overarching primary short-term PBTAE growth targets of:



### Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

As detailed in the remuneration committee Chairman's review, the term of the binary share option awarded to CEO, Richard Brasher, was extended by a further 12 months to ensure that Richard was not unfairly disadvantaged by the potential short-term impact on the share price of strategic action taken in service of the long-term plan during the year. Please refer to page 25 for further information.

### Reviewing the Group's forfeitable share plan (FSP) – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

Following the successful vesting of FSP 1, the remuneration committee agreed on a replacement award to ensure that all senior management personnel have competitive and market-related long-term incentives in the business to drive delivery of the long-term strategy and value creation. It provides the Group with added security over the retention and tenure of key executives. The remuneration committee set the financial performance conditions to be attached to FSP 4 and agreed on the 127 participants and the level at which each would participate, with particular focus on allocations to executive directors. For further information, refer to pages 25 and 35 of this report.

### Reviewing and recommending non-executive directors' fees for the 2019 financial period, for final approval by shareholders at the AGM

Fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2019 R	Actual 2018 R	% change
Chairman of the Board	4 438 000	4 187 000	6.0
Lead independent non-executive director of the Board	138 000	130 000	6.2
Non-executive director of the Board	413 000	390 000	5.9
Chairman of the audit, risk and compliance committee	340 000	321 000	5.9
Member of the audit, risk and compliance committee	138 000	130 000	6.2
Chairman of the remuneration committee	181 000	171 000	5.8
Member of the remuneration committee	90 000	85 000	5.9
Member of the nominations committee <sup>1</sup>	85 000	80 000	6.3
Member of the social and ethics committee <sup>2</sup>	90 000	85 000	5.9
Chairman of the corporate finance committee <sup>3</sup>	193 000	182 000	6.0
Member of the corporate finance committee <sup>3</sup>	130 000	123 000	5.7
Trustee of the employee share purchase trust	40 000	38 000	5.3

<sup>1</sup> The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

<sup>2</sup> The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

<sup>3</sup> The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. No formal meetings were held during the 2018 financial period, and therefore no fees were paid.

### Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R4.4 million, the remuneration committee (Gareth Ackerman recused himself from the discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity.

### Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 30 July 2018.



**PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS**

**Total remuneration of executive directors**

	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Discretionary award* R'000	Total remuneration R'000	Long-term share awards expense <sup>†</sup> R'000
<b>2018</b>								
Richard Brasher	1.5	9 474.0	857.1	288.5	10 621.1	800.0	11 421.1	23 618.5
Richard van Rensburg	1.5	4 423.5	383.1	547.6	5 355.7	375.5	5 731.2	5 882.4
Bakar Jakoet	1.5	4 605.0	34.6	389.0	5 030.1	400.0	5 430.1	5 882.4
Suzanne Ackerman-Berman	1.5	2 586.1	245.9	278.8	3 112.3	224.0	3 336.3	3 446.6
Jonathan Ackerman	1.5	1 844.8	320.2	282.1	2 448.6	112.0	2 560.6	2 940.6
<b>Total remuneration</b>	<b>7.5</b>	<b>22 933.4</b>	<b>1 840.9</b>	<b>1 786.0</b>	<b>26 567.8</b>	<b>1 911.5</b>	<b>28 479.3</b>	<b>41 770.5</b>
<b>2017</b>								
Richard Brasher	1.5	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
<b>Total remuneration</b>	<b>7.5</b>	<b>21 656.5</b>	<b>2 345.5</b>	<b>1 514.4</b>	<b>25 523.9</b>	<b>–</b>	<b>25 523.9</b>	<b>43 679.6</b>

\* The Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus. However, the remuneration committee acknowledged that certain important strategic steps were taken during the period to drive sustainable performance, but which had a negative impact on short-term profitability. The remuneration committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

† The expense of the long-term share awards is determined in accordance with IFRS 2 Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 employee share option scheme and forfeitable share plan are met.

**Total remuneration of non-executive directors**

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
<b>2018</b>									
Gareth Ackerman	4 187.0	–	–	–	–	–	–	–	4 187.0
David Friedland	390.0	–	130.0	–	80.0	–	–	–	600.0
Hugh Herman	390.0	130.0	130.0	171.0	–	–	–	38.0	859.0
Alex Mathole	390.0	–	–	–	–	–	42.5	–	432.5
Audrey Mothupi	390.0	–	130.0	85.0	–	–	–	38.0	643.0
Lorato Phalatse	390.0	–	–	–	80.0	–	85.0	–	555.0
David Robins	390.0	–	–	–	–	–	–	–	390.0
Jeff van Rooyen	390.0	–	321.0	85.0	–	–	–	38.0	834.0
<b>Total remuneration</b>	<b>6 917.0</b>	<b>130.0</b>	<b>711.0</b>	<b>341.0</b>	<b>160.0</b>	<b>–</b>	<b>127.5</b>	<b>114.0</b>	<b>8 500.5</b>
<b>2017</b>									
Gareth Ackerman	3 913.0	–	–	–	–	–	–	–	3 913.0
David Friedland	364.0	–	122.0	–	75.0	115.0	–	–	676.0
Hugh Herman	364.0	122.0	122.0	160.0	–	115.0	–	35.5	918.5
Alex Mathole	125.0	–	–	–	–	–	–	–	125.0
Audrey Mothupi	364.0	–	122.0	80.0	–	115.0	–	35.5	716.5
Lorato Phalatse	364.0	–	–	–	75.0	115.0	80.0	–	634.0
David Robins	364.0	–	–	–	–	–	–	–	364.0
Jeff van Rooyen	364.0	–	300.0	80.0	–	170.0	–	35.5	949.5
<b>Total remuneration</b>	<b>6 222.0</b>	<b>122.0</b>	<b>666.0</b>	<b>320.0</b>	<b>150.0</b>	<b>630.0</b>	<b>80.0</b>	<b>106.5</b>	<b>8 296.5</b>



## SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

	Calendar year granted	Award grant price R	Balance held at 26 February 2017	Granted/ (exercised)	Exercise price R	Balance held at 25 February 2018	Available for take-up
<b>2018</b>							
<b>Richard Brasher</b>							
Share options	2012	42.24	1 000 000	-	-	1 000 000	Now
	2012	42.24	1 000 000*	-	-	1 000 000*	Now
Forfeitable shares	2014	Nil	800 000	(800 000)	60.30	-	n/a
	2015	Nil	220 000	-	-	220 000	Aug 2018
	2016	Nil	230 000	-	-	230 000	Aug 2019
	2017	Nil	-	400 000	-	400 000	Aug 2020
			3 250 000	(400 000)		2 850 000	
<b>Richard van Rensburg</b>							
Share options	2016	31.14	487 464	-	-	487 464	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	-	n/a
	2015	Nil	35 000	-	-	35 000	Aug 2018
	2016	Nil	45 000	-	-	45 000	Aug 2019
	2017	Nil	-	140 000	-	140 000	Aug 2020
			817 464	(110 000)		707 464	
<b>Bakar Jakoet</b>							
Share options	2003	12.00	250 000	-	-	250 000	Now
	2005	23.59	195	-	-	195	Now
	2007	31.15	5 779	-	-	5 779	Now
	2008	23.24	293	-	-	293	Now
	2008	26.55	7 907	-	-	7 907	Now
	2008	26.14	150 000	-	-	150 000	Now
	2009	28.20	12 413	-	-	12 413	Now
	2010	32.82	195	-	-	195	Now
	2010	42.28	1 799	-	-	1 799	Now
	2011	41.70	500 000	-	-	500 000	Now
	2014	46.44	195	-	-	195	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	-	n/a
	2015	Nil	35 000	-	-	35 000	Aug 2018
	2016	Nil	45 000	-	-	45 000	Aug 2019
	2017	Nil	-	140 000	-	140 000	Aug 2020
			1 258 776	(110 000)		1 148 776	
<b>Suzanne Ackerman-Berman</b>							
Share options	2008	26.14	75 000	-	-	75 000	Now
	2008	26.14	25 000	-	-	25 000	Aug 2018
	2016	58.10	196	-	-	196	Now
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	-	n/a
	2015	Nil	20 000	-	-	20 000	Aug 2018
	2016	Nil	25 000	-	-	25 000	Aug 2019
	2017	Nil	-	80 000	-	80 000	Aug 2020
			295 196	(70 000)		225 196	
<b>Jonathan Ackerman</b>							
Share options	2008	26.14	75 000	-	-	75 000	Now
	2008	26.14	25 000	-	-	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	-	n/a
	2015	Nil	20 000	-	-	20 000	Aug 2018
	2016	Nil	25 000	-	-	25 000	Aug 2019
	2017	Nil	-	40 000	-	40 000	Aug 2020
			295 000	(110 000)		185 000	

\* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

## DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED ORDINARY SHARES

	How held*	Balance held at 26 February 2017	Additions/ grants	Disposals	Balance held at 25 February 2018 <sup>®</sup>	Beneficial/ non-beneficial interest
<b>2018</b>						
Gareth Ackerman	direct	309	-	-	309	Beneficial
	indirect	1 653 200	-	-	1 653 200	Beneficial
	indirect	19 762	-	-	19 762	Non-beneficial
Ackerman Pick n Pay Foundation**	indirect	101 900	-	-	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	indirect	124 677 238	-	-	124 677 238	Non-beneficial
Mistral Trust****	indirect	2 700 967	19 041	-	2 720 008	Non-beneficial
Richard Brasher	direct	-	800 000	(195 230)	604 770	Beneficial
	direct - FSP	1 250 000	400 000	(800 000)	850 000	Beneficial
Richard van Rensburg	direct	41 439	250 000	-	291 439	Beneficial
	direct - FSP	330 000	140 000	(250 000)	220 000	Beneficial
Bakar Jakoet	direct	621 880	250 000	(113 116)	758 764	Beneficial
	direct - FSP	330 000	140 000	(250 000)	220 000	Beneficial
	indirect	13 059	-	-	13 059	Non-beneficial
Suzanne Ackerman-Berman	direct	120 528	150 000	(150 000)	120 528	Beneficial
	direct - FSP	195 000	80 000	(150 000)	125 000	Beneficial
	indirect	472 227	82 129	-	554 356	Beneficial
Jonathan Ackerman	direct	122 888	150 000	(150 000)	122 888	Beneficial
	direct - FSP	195 000	40 000	(150 000)	85 000	Beneficial
	indirect	573 061	82 129	-	655 190	Beneficial
	indirect	11 039	-	-	11 039	Non-beneficial
David Friedland	direct	31 688	-	-	31 688	Beneficial
David Robins	direct	975	-	-	975	Beneficial
	indirect	93 276	-	(2 840) <sup>#</sup>	90 436	Non-beneficial
Hugh Herman	direct	30 000	-	-	30 000	Beneficial
	indirect	256	-	-	256	Beneficial
Alex Mathole	direct	86	-	-	86	Beneficial

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust, of which the director is a trustee, or a spouse and minor children of directors.

\*\* The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

\*\*\* The indirect non-beneficial interest in the Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

\*\*\*\* The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

<sup>#</sup> This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

<sup>®</sup> There have been no changes in the directors' interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.



**DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED B SHARES**

	How held*	Balance held at 26 February 2017	Additions/ (disposals)	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
<b>2018</b>					
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral Trust***	indirect	5 349 559	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	Beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	–	21 862	Non-beneficial
David Robins	direct	1 931	–	1 931	Beneficial
	indirect	184 742	(5 624)#	179 118	Non-beneficial

\* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.  
 \*\* The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.  
 \*\*\* The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.  
 # This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

**There have been no changes in the director's interest in ordinary shares and B shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.**



# SOCIAL AND ETHICS COMMITTEE

## COMMITTEE CHAIRMAN'S REPORT



**Suzanne Ackerman-Berman**  
 Chairman of the social and ethics committee

**The committee's objective is to ensure that high ethical standards are applied in all areas of the business, and to review and approve the policy, strategy and structure for managing the social issues in the Group in accordance with our long-standing principle that "doing good is good business".**

The social and ethics committee operates in accordance with the requirements of the Companies Act and King IV™ and is governed by a charter, which is reviewed and approved annually by the Board. The charter was updated during the period to take into account the principles of King IV™.

Guidelines for the committee include the OECD anti-corruption principles, the Employment Equity Act, as well as elements of the Johannesburg Stock Exchange Socially Responsible Index criteria and Broad-Based Black Economic Empowerment Act.

The committee is chaired by me, and members include two independent non-executive directors as well as the Company Secretary, executives responsible for strategy and human resources, senior management and technical experts on areas of mandate. All levels and areas of expertise across the Group are represented on the committee. Additional advisors attend meetings by invitation, depending on agenda items to be discussed.

The committee met three times during the period to review performance in the following areas, as required by the Companies Act:

- Animal practices
- Anti-corruption practices
- Consumer safety
- Employee welfare and relations
- Ethical business practice
- Legislative compliance
- Responsible sourcing
- Social and environmental responsibility
- Transformation

The committee monitored the Group's activities in relation to relevant policies, legislation and regulation and best practice in corporate governance.

Amongst other issues, the meetings dealt with key topics such as the Cape Town water crisis, the listeriosis outbreak, the impact of the avian flu epidemic on chicken farmers and products, the proactive management of anti-corruption, the voluntary severance programme and responsible sourcing. A "fur free" policy was adopted during the period.

The committee confirms that no material issues were identified during the period. In accordance with its charter, the committee effectively discharged its statutory duties and responsibilities over the period.

**Suzanne Ackerman-Berman**  
 Chairman: Social and ethics committee  
 22 June 2018



# LEGAL REPORT

## COMPLIANCE

The compliance framework rests on the Group's comprehensive set of policies. Statutory developments are continuously monitored, and the compliance regime is regularly updated to reflect governance best practice and the evolving regulatory environment. All employees and companies in the Group are obliged to comply with these policies.

In order to monitor compliance with statutes and regulations that have a bearing on the retail industry, questionnaires based on relevant statutes are distributed bi-annually to departments.

Compliance questionnaires form the dual function of monitoring compliance and educating employees in the requirements of statutory and regulatory compliance in the retail sector. Employees are trained in sessions dealing with important legal issues arising from statutory provisions. Current areas of focus include the Protection of Personal Information Act, the Consumer Protection Act and suggested amendments to the Competition Act, as well as the Company's Code of Ethics and the implementation of King IV™.

The compliance questionnaires are audited internally to ensure accurate reporting. Management self-assessment is being implemented.

No judgements, damages, penalties or fines for non-compliance with any legislation were recorded or levied against any company in the Group, or against any director, officer or employee during the period under review.

Each year, the executive directors and relevant members of senior management declare that to the best of their knowledge, they and the companies they serve, have complied with all relevant statutes and regulations. No incidents of contravention of the policies or the statutes were reported.

## LITIGATION MATTERS

The Company and its subsidiaries are not involved, and have not in the 2018 financial period been involved, in any legal or arbitration proceedings which may have or has had a material effect on the financial position of the Group, nor is the Company aware of any such proceedings that are pending or threatened.

The Company has been actively monitoring the possibility of a class action in relation to the listeriosis outbreak in South Africa.

## COMPETITION COMMISSION

The terms of reference for the Competition Commission's market inquiry into the grocery retail sector were announced in November 2015. The Market Inquiry was tasked with determining whether there were features of the grocery retail sector that undermined competition, particularly with regard to small, independent and informal businesses that supplied groceries to residents in townships, peri-urban and rural areas. In addition, the impact of long-term exclusive leases on competition in the retail sector was to be examined.

Pick n Pay believes that the existing structure of the South African grocery market is competitive and dynamic, to the benefit of consumers. Further, Pick n Pay believes that the expansion of formal retailers into townships and other areas is good for consumers, and has not inhibited a thriving informal and independent sector. Small, independent stores play an important role alongside major retailers.

The Company actively supports small businesses, for example through purchasing and supply chain practices, as well as through the Ackerman Pick n Pay Foundation.

Pick n Pay remains of the belief that no anti-competitive behaviour exists in relation to long-term exclusive lease agreements, which have over many years given developers and retailers the confidence to invest and serve customers better.

The growth of large-scale grocery retail benefits families through access to safe and affordable food.

The growth of the formal sector benefits the economy through secure jobs, formal training, compliance with food safety and other standards, as well as increasing resources through taxation of the formal sector.

The Company is co-operating with the Market Inquiry, anticipated to be concluded by October 2018.







## SHAREHOLDERS' INFORMATION

- [48](#) Analysis of ordinary shareholders
- [49](#) Analysis of B shareholders
- [50](#) Shareholders' information
- [51](#) Notice of annual general meeting
- [57](#) Curricula vitae of directors to be elected
- [ATTACHED](#) Form of proxy
- [IBC](#) Corporate information

# ANALYSIS OF ORDINARY SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	7 508	61.5	2 132 421	0.4
1 001 – 10 000 shares	3 398	27.8	11 003 485	2.3
10 001 – 100 000 shares	942	7.7	29 847 816	6.1
100 001 – 1 000 000 shares	299	2.5	87 028 808	17.8
1 000 001 shares and over	59	0.5	358 437 791	73.4
<b>Total</b>	<b>12 206</b>	<b>100.0</b>	<b>488 450 321</b>	<b>100.0</b>

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	16	0.1	145 966 336	29.9
Ackerman Investment Holdings Proprietary Limited	1	–	124 677 238	25.5
Mistral Trust	1	–	2 720 008	0.6
Ackerman Pick n Pay Foundation	1	–	101 900	–
Directors	10	0.1	4 958 745	1.0
Shares held on behalf of FSP participants	1	–	6 853 500	1.4
Pick n Pay Retailers Proprietary Limited	1	–	516 769	0.1
The Pick n Pay Employee Share Purchase Trust	1	–	6 138 176	1.3
<b>Public shareholders</b>	<b>12 190</b>	<b>99.9</b>	<b>342 483 985</b>	<b>70.1</b>
<b>Total</b>	<b>12 206</b>	<b>100.0</b>	<b>488 450 321</b>	<b>100.0</b>

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.5
Public Investment Corporation Limited	51 277 595	10.5
Coronation Balanced Plus Fund	16 161 912	3.3
Alexander Forbes Investments	10 882 955	2.2
Genesis Emerging Markets Investment Company	8 955 662	1.8
Allan Gray Balanced Fund	7 046 264	1.4
Vanguard Emerging Markets Stock Index Fund	6 984 197	1.4
Shares held on behalf of FSP participants	6 853 500	1.4
The Pick n Pay Employee Share Purchase Trust	6 138 176	1.3
Prudential Core Value Fund	5 737 158	1.2
Old Mutual Symmetry Satellite Equity Fund No 3	5 600 026	1.2

# ANALYSIS OF B SHAREHOLDERS

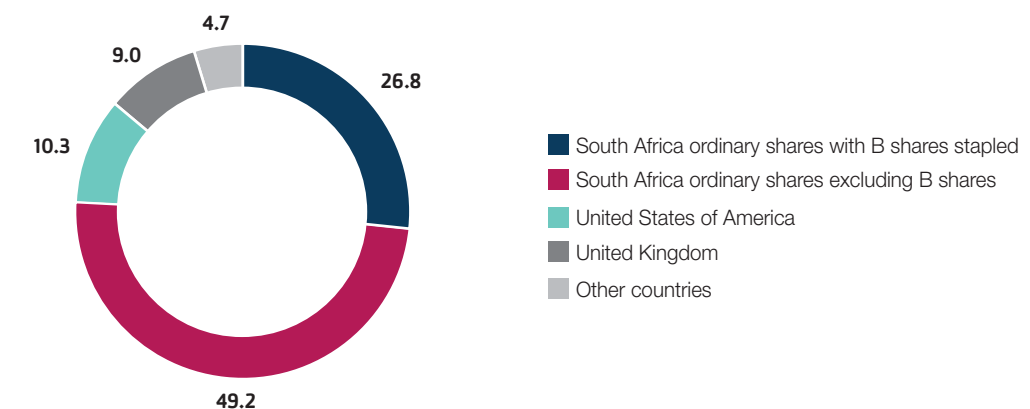
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	3.9	1 100	0.0
1 001 – 10 000 shares	7	26.9	52 868	0.0
10 001 – 100 000 shares	8	30.8	223 670	0.1
100 001 – 1 000 000 shares	5	19.2	1 582 276	0.6
1 000 001 shares and over	5	19.2	257 822 955	99.3
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>259 682 869</b>	<b>100.0</b>

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	6	23.1	258 295 007	99.5
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 847	95.1
Directors	4	15.3	6 008 601	2.3
Mistral Trust	1	3.9	5 349 559	2.1
<b>Public shareholders</b>	<b>20</b>	<b>76.9</b>	<b>1 387 862</b>	<b>0.5</b>
<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>259 682 869</b>	<b>100.0</b>

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman	3 228 383	1.2

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. All B shares are stapled to certain ordinary shares and are held within South Africa.

## GEOGRAPHIC SPREAD OF SHAREHOLDERS (%)





# SHAREHOLDERS' INFORMATION

## ANNUAL GENERAL MEETING – 30 JULY 2018

The 50th annual general meeting (AGM) of the shareholders of Pick n Pay Stores Limited will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, 7708, Cape Town on Monday, 30 July 2018 at 08:30.

Registration for the AGM will commence at 08:00.

The minutes of the previous year's AGM held on 31 July 2017 are available on our Pick n Pay investor relations website at [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za).

## DIVIDENDS

Pick n Pay Stores Limited

JSE share code: PIK

	Number	Amount (cents)	Last day of trade	Date of payment
Interim	95	24.20	4 December 2015	14 December 2015
Final	96	125.20	3 June 2016	13 June 2016
Interim	97	29.90	6 December 2016	12 December 2016
Final	98	146.40	6 June 2017	12 June 2017
Interim	99	33.40	5 December 2017	11 December 2017
Final	100	155.40	5 June 2018	11 June 2018
Interim	101		4 December 2018*	10 December 2018*
Final	102		4 June 2019*	10 June 2019*

ISIN code: ZAE0000005443

## RESULT ANNOUNCEMENTS

Interim to 27 August 2017:	October 2017
Final to 25 February 2018:	April 2018
Interim to 26 August 2018:	October 2018*
Final to 3 February 2019:	April 2019*

## PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2018	May 2018
2019	May 2019*

## PUBLICATION OF INTEGRATED ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

2018	June 2018
2019	June 2019*

## PUBLICATION OF SUSTAINABILITY REPORT

2017	June 2017
2019	June 2019*

\* Estimated

# NOTICE OF ANNUAL GENERAL MEETING

The 50th annual general meeting (annual general meeting) of shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) for the 2018 annual financial period will be held at 08:30 on Monday, 30 July 2018. 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 mentions of 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 established that the record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the 50th annual general meeting is Friday, 29 June 2018 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, 20 July 2018. Accordingly, only shareholders who are registered in the register of members of the Company on Friday, 20 July 2018 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 2018 ANNUAL FINANCIAL PERIOD**

The full annual financial results, including the audited annual financial statements, the directors' report and the audit, risk and compliance committee's report of the Company and its subsidiaries, are 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).

**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  
Reappointment of directors**

Curricula vitae of directors to be elected are presented on page 57.

Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi retire in accordance with the Company's Memorandum of Incorporation (MOI). Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi, being eligible, offer themselves for re-election as non-executive directors of the Company.

The Board recommends the re-election of Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi.

Shareholders are requested to consider and, if deemed fit, re-elect Hugh Herman, Jeff van Rooyen, David Robins and Audrey Mothupi by way of passing the separate ordinary resolutions set out below:

#### ORDINARY RESOLUTION 2.1

##### Appointment of Hugh Herman as director

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

#### ORDINARY RESOLUTION 2.2

##### 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 2.3

##### Appointment of David Robins as director

"RESOLVED that David Robins be and is hereby elected as a director of the Company."

#### ORDINARY RESOLUTION 2.4

##### Appointment of Audrey Mothupi as director

"RESOLVED that Audrey Mothupi 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 2019 annual financial period

Curricula vitae are presented on page 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 2019 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.2."

#### ORDINARY RESOLUTION NUMBER 3.2

##### 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 2019 annual financial period, subject to his re-election as a director of the Company in terms of ordinary resolution 2.1."

#### 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 2019 annual financial period, subject to her re-election as a director of the Company in terms of ordinary resolution 2.4."

#### 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 2019 annual financial period."

#### 5. ADVISORY VOTE

##### Remuneration policy and report for the 2018 annual financial period

The directors table the remuneration report for the 2018 annual financial period. The remuneration policy and report is set out on pages 24 to 42

#### ADVISORY VOTE NUMBER 1

##### Endorsement of the remuneration policy

"Resolved that, by way of a non-binding advisory vote, the remuneration policy of the Company as outlined in the remuneration report on pages 27 to 35, is endorsed."

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) more than 75% of the voting rights exercised on this advisory vote must be cast in favour for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the remuneration policy adopted by the Company. In the event that 25% or more of the voting rights exercised are cast against this advisory vote, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

#### ADVISORY VOTE NUMBER 2

##### Endorsement of the remuneration implementation report

"Resolved that, by way of a non-binding advisory vote, the remuneration implementation report of the Company as outlined in the remuneration report on pages 36 to 42, is endorsed."

As this is a non-binding advisory vote, no minimum voting threshold is required. Nevertheless, for record purposes, in terms of King IV™ more than 75% of the voting rights exercised on this advisory vote must be cast in favour for it to be adopted. This non-binding advisory vote allows shareholders to express their views on the Company's remuneration implementation report. In the event that 25% or more of the voting rights exercised are cast against this advisory vote, the Board will invite dissenting shareholders to engage with the remuneration committee on their concerns in line with the provisions of the JSE Listings Requirements.

#### 6. SPECIAL RESOLUTION NUMBER 1 Directors' fees for the 2019 and 2020 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 2019 annual period, and to be increased by CPI for the 2020 annual financial period, be as follows:

- Executive directors: unchanged at R1 500
- Chairman: R4 438 000 (previously R4 187 000)
- Lead non-executive director: R138 000 (previously R130 000)
- Non-executive directors: R413 000 (previously R390 000)
- Chairman of the audit, risk and compliance committee: R340 000 (previously R321 000)
- Chairman of the remuneration committee: R181 000 (previously R171 000)
- Chairman of the corporate finance committee: R193 000\* (previously R182 000)
- Member of the audit, risk and compliance committee: R138 000 (previously R130 000)
- Member of the remuneration committee: R90 000 (previously R85 000)
- Member of the nominations committee: R85 000 (previously R80 000)
- Member of the social and ethics committee: R90 000 (previously R85 000)
- Member of the corporate finance committee: R130 000\* (previously R123 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 MOI 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 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 MOI 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 or its holding 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 or the securities of its holding company, 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
- 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 pages 10 and 11, 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 integrated annual report, there have been no material changes in the financial or trading position of the Company.

### Major shareholders

Shareholders are referred to page 48.

### Share capital

Shareholders are referred to note 18 of the 2018 audited Group annual financial statements.

### 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, or its holding 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 the aforementioned, the Board has no specific intention, at present, for the Company to repurchase any of its shares, but considers 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. 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."

## 10. 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 pages 10 and 11;
- the curricula vitae of directors standing for re-election on page 57;
- the curricula vitae of directors nominated for election as members of the audit committee on page 57.
- the remuneration report on pages 24 to 42; and
- the directors' interest in shares on pages 41 and 42.

The integrated annual report 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 2018 financial period and 22 June 2018.

The directors, whose names are given in the Board of directors section on pages 10 and 11, 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 integrated annual report and this document contain all information required by law and the JSE Listings Requirements.

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
- 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. 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 Investor Services Proprietary Limited (Computershare), the details of which are set out on the inside back cover, by no later than 08:30 on Thursday, 26 July 2018. 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 the commencement of the annual general meeting so that 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 on the inside back cover, by no later than 08:30 on Thursday, 26 July 2018.

By order of the Board

**Debra Muller**

Company Secretary  
22 June 2018

# CURRICULA VITAE OF DIRECTORS TO BE ELECTED

Curricula vitae of all directors can be found in the Board of directors section of the integrated annual report, which is published on the Pick n Pay website, [www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za), or which can be requested from the Company Secretary at [demuller@pnp.co.za](mailto:demuller@pnp.co.za).

Curricula vitae of directors to be elected to the Board of directors, and to the audit, risk and compliance committee, are to be found below.

## BOARD OF DIRECTORS

### REAPPOINTMENT OF DIRECTORS

**Hugh Herman**

BA LLB, LLD (HC)

**Lead independent non-executive director and remuneration committee chairman**

Hugh was a partner at attorney's firm Sonnenberg Hoffmann & Galombik before joining Pick n Pay in 1976. He was Managing Director of Pick n Pay from 1986, before joining Investec Bank in 1993. Hugh was appointed Group Chairman of Investec Bank Limited in 1994, a position from which he retired in 2011. Appointed as honorary life president of the Investec Group, Hugh remains Chairman of various subsidiary companies in the Investec Group.

**Jeff van Rooyen**

CA(SA)

**Audit, risk and compliance committee chairman and corporate finance committee chairman**

A chartered accountant with extensive experience in both the private and public sectors, Jeff is the founder CEO of Uranus Investment Holdings Proprietary Limited. His involvement in the accounting profession over the years is extensive. Former appointments include: being a Trustee of the IFRS Foundation, Chairman of the Public Accountants and Auditors Board (now IRBA) and founding President of the Association for the Advancement of Black Accountants. His public sector record is equally extensive. Former appointments include: Chairman of the Financial Reporting Standards Council; Executive Officer of the Financial Services Board; member of the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria; and member of the Standing Advisory Committee on Company Law.

**Other listed company directorships:** MTN Group Limited, Exxaro Resources Limited.

**David Robins**

BBusSci

David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside of South African borders. In 2002 he was appointed as Deputy Chairman and as an executive director of the Company. During 2008 he retired from his executive position. He remains on the Board as a non-executive director and as a representative of the controlling shareholder.

**Audrey Mothupi**

BA (Hons)

Audrey is the Chief Executive Officer of SystemicLogic Group, a global financial innovation and technology disruptor. Audrey's experience spans various business domains including group strategy, talent design, marketing and communications strategy, integrated with strong corporate relationship management. Prior to SystemicLogic Group, Audrey served as the head of inclusive banking at Standard Bank Group and before that as the chief executive of Strategic Services at the Liberty Group of companies.

Audrey is also an independent non-executive director of Life Healthcare Group and Brainworks Capital. She is Chairperson of Orange Babies of South Africa, a non-profit organisation focused on the prevention of mother to child transmission of HIV/Aids and the care of Aids orphans and vulnerable children across South Africa, Namibia and Zambia. Audrey is a member of the Numeric Board of South Africa, an organisation that focuses on helping young South Africans excel in mathematics and training world-class mathematics teachers.

**Other listed company directorships:** Life Healthcare Group.

## AUDIT, RISK AND COMPLIANCE COMMITTEE

### ELECTION OF AUDIT, RISK AND COMPLIANCE COMMITTEE MEMBERS

**Jeff van Rooyen**

Please see curriculum vitae alongside.

**Hugh Herman**

Please see curriculum vitae alongside.

**Audrey Mothupi**

Please see curriculum vitae above.

**David Friedland**

CA(SA)

David was the audit engagement partner and lead/relationship partner at Arthur Andersen and KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector.

**Other listed company directorships:** Investec Limited, Investec plc, The Foschini Group Limited.



# FORM OF PROXY

## FOR COMPLETION BY STORES' ORDINARY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALISED THEIR SHARES OR WHO HAVE DEMATERIALISED THEIR SHARES WITH "OWN NAME" REGISTRATION ONLY

If you wish to appoint a proxy to act on your behalf at the annual general meeting of the shareholders of Pick n Pay Stores Limited (the Company, alternatively Stores) to be held at the registered office of the Company, situated at Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town at 08:30 on Monday, 30 July 2018 and any adjournment or postponement thereof, please complete and return this Form of Proxy. (Also see the notes overleaf.)

All terms defined in the Notice of annual general meeting to which this Form of Proxy is attached shall bear the same meanings herein.

**Note:** If your Dematerialised Shares in Stores are held through a Central Securities Depository Participant (CSDP) or broker, and you have not provided the nominee with a general mandate to act on your behalf at shareholder meetings, and you want to cast your vote at this annual general meeting or you want to attend the annual general meeting in person, please contact your CSDP or broker.

Note that voting will be performed by way of a poll so each shareholder present or represented by way of proxy will be entitled to vote.

I/We (block letters) \_\_\_\_\_  
(the registered shareholder)

I/We (block letters) \_\_\_\_\_  
(the beneficial shareholder – insert details of beneficial shareholder only if different to the registered shareholder)

of (address) \_\_\_\_\_

Telephone: Work ( ) Telephone: Home ( ) Cellphone: ( )

being the holder/s of (insert number of shares) ordinary shares in the Company, hereby appoint (see note 1)

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

3. the Chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment or postponement thereof, and to vote for or against the resolutions and/or abstain from voting, in respect of the ordinary shares in Stores registered in my/our name/s in accordance with the instructions set out below.

Please indicate with an "X" the instructions to your proxy in the spaces provided below. In the absence of such indication the proxy will be entitled to exercise his/her discretion in voting. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you wish to vote (see note 3).

		Number of votes (one vote per ordinary share)		
		In favour of	Against	Abstained
<b>Ordinary resolution 1:</b>	Appointment of the external auditors			
<b>Ordinary resolution 2.1:</b>	Election of Hugh Herman as director			
<b>Ordinary resolution 2.2:</b>	Election of Jeff van Rooyen as director			
<b>Ordinary resolution 2.3:</b>	Election of David Robins as director			
<b>Ordinary resolution 2.4:</b>	Election of Audrey Mthupi as director			
<b>Ordinary resolution 3.1:</b>	Appointment of Jeff van Rooyen to the audit, risk and compliance committee			
<b>Ordinary resolution 3.2:</b>	Appointment of Hugh Herman to the audit, risk and compliance committee			
<b>Ordinary resolution 3.3:</b>	Appointment of Audrey Mthupi to the audit, risk and compliance committee			
<b>Ordinary resolution 3.4:</b>	Appointment of David Friedland to the audit, risk and compliance committee			
<b>Advisory vote 1:</b>	Endorsement of remuneration policy			
<b>Advisory vote 2:</b>	Endorsement of remuneration implementation report			
<b>Special resolution number 1:</b>	Directors' fees			
<b>Special resolution number 2.1:</b>	Financial assistance to related or inter-related companies			
<b>Special resolution number 2.2:</b>	Financial assistance to persons			
<b>Special resolution number 3:</b>	General approval to repurchase Company shares			
<b>Ordinary resolution 4:</b>	Directors' authority to implement special and ordinary resolutions			

I give permission to my CSDP to disclose to the Company how my votes have been cast, should the Company request such information from my CSDP. Yes

Please note: if an X is not inserted into the box, it will be taken that permission has been declined and that the CSDP will not be permitted to disclose to the Company how the votes have been cast.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

Signature \_\_\_\_\_  
(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) Telephone: ( ) Cellphone: ( )

**Please also read the notes overleaf.**

## SUMMARY OF SHAREHOLDER'S RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the Company, or to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- if this proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form;
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

The proxy form shall be valid and shall apply to any adjournment or postponement of the annual general meeting to which it relates and shall apply to any resolution proposed at the annual general meeting to which it relates and to such resolution as modified or amended including any such modified or amended resolution to be voted on at any adjourned or postponed meeting of the annual general meeting to which the proxy relates, unless the proxy is revoked before the adjourned or postponed meeting.

## NOTES

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable at the annual general meeting.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged at the registered office of the Company, Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708, or posted to the Company Secretary at PO Box 23087, Claremont, 7735, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107, South Africa).
6. For administrative purposes, it is recommended that proxy forms be received or lodged by no later than 08:30 on Thursday, 26 July 2018, being 2 (two) business days before the annual general meeting to be held at 08:30 on Monday, 30 July 2018. Proxy forms must be lodged before the commencement of the annual general meeting.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the Company Secretary or waived by the Chairman of the annual general meeting if he/she is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialled by the signatory/ies, but will only be validly made if such alteration or correction is accepted by the Chairman of the annual general meeting.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

# CORPORATE INFORMATION

## PICK N PAY STORES LIMITED

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

## JSE LIMITED SPONSOR

Investec Bank Limited  
100 Grayston Drive  
Sandton, 2196

## 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

David Friedland  
Hugh Herman  
Alex Mathole  
Audrey Mothupi  
Lorato Phalatse  
Jeff van Rooyen

## REGISTERED OFFICE

Pick n Pay Office Park  
101 Rosmead Avenue  
Kenilworth  
Cape Town, 7708  
Tel +27 21 658 1000  
Fax +27 21 797 0314

### Postal address

PO Box 23087  
Claremont  
Cape Town, 7735

## REGISTRAR

Computershare Investor Services  
Proprietary Limited  
Rosebank Towers  
15 Biermann Avenue  
Rosebank, 2196

Tel +27 11 370 5000  
Fax +27 11 688 5248

### Postal address

PO Box 61051  
Marshalltown, 2107

## AUDITORS

Ernst & Young Inc.

## ATTORNEYS

Edward Nathan Sonnenbergs

## PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited  
First National Bank

## COMPANY SECRETARY

Debra Muller  
Email: [demuller@pnp.co.za](mailto:demuller@pnp.co.za)

## PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber  
Email: [pennygerber@pnp.co.za](mailto:pennygerber@pnp.co.za)

## INVESTOR RELATIONS

David North  
Email: [dnorth@pnp.co.za](mailto:dnorth@pnp.co.za)  
Penny Gerber  
Email: [pennygerber@pnp.co.za](mailto:pennygerber@pnp.co.za)

## WEBSITE

Pick n Pay:  
[www.pnp.co.za](http://www.pnp.co.za)  
Investor relations:  
[www.picknpayinvestor.co.za](http://www.picknpayinvestor.co.za)

## CUSTOMER CARE LINE

Tel +27 800 11 22 88  
Email: [customercare@pnp.co.za](mailto:customercare@pnp.co.za)

## ONLINE SHOPPING

Tel +27 860 30 30 30  
[www.pnp.co.za](http://www.pnp.co.za)

## ENGAGE WITH US ON







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