

Sustainability overview

Integrating sustainability into our core business

Having laid the foundations for sustainable practices over the past five years, we are now focused on driving sustainability thinking into our core activities. Our emphasis is on fresh thinking and innovation, based on the clear analysis of the significant risks and opportunities we face in creating a resilient business in a time of increasing uncertainty.

The impetus for this shift has come from several sources:

- > Tougher trading conditions and tighter margins driving efficiency in every context
- > National and global shifts towards integrated accounting and reporting practices

This report provides a high-level overview of our sustainability initiatives. Further detail on our performance and efforts may be accessed via our website (www.picknpay.co.za) as indicated in the table below.

	Integrated Annual Report	Sustainability Report	Sustainability website
Stakeholders addressed	Financial stakeholders	Broad spectrum of stakeholders, including employees, suppliers, media and government agencies	Customers
Format	Printed and available on our website	Available on our website	Link from PnP Homepage
Frequency	Annual	Bi-annual	Updated continually
Covers	> High level strategy, with clear links to value drivers > Overview of performance	> Detailed report on sustainability initiatives > GRI table	> Latest developments > Practical suggestions for action > Opportunities for engagement

Responding to our commitments

Last year we said we would:

Since then, we have:

Ensure the Pick n Pay sustainability narrative is shared by our managers	> Continued dialogue within our Executive Sustainability SteerCom > Established an Operational-level Sustainability SteerCom enabling key managers to discuss and debate the risks, opportunities and key material issues driving our sustainability efforts > Heightened our communication drive across all internal channels
Clarify performance indicators for key commitment areas	> Restructured our KPI system to reflect our most material sustainability issues > Established specific targets in key areas and continue to track base-lines to inform target-setting in other areas
Develop a more robust system to track and communicate performance	> Committed to implement the SAP sustainability module, allowing for enhanced data management across our company > Published our first Integrated Annual Report > Developed a detailed and accessible Sustainability Report available on-line > Enhanced our website to reflect our commitments and encourage customer action on sustainability
Consolidate our supplier initiatives to encourage more active sustainability commitment	> Expanded our PnP green range and other ethical and green products > Extended and enhanced our supplier audit programme > Intensified our engagement with small-scale farmers and small business owners

Focusing on our material issues

As a food retailer, growing concern around our national food security is of critical importance to our business. Our material issues are framed by six focus areas, each of which contributes to addressing this critical challenge. The table below indicates how each of these areas creates shared value for a range of stakeholders, as well as enhancing our core business strategy.

Focus area	Creating shared value	Link to core business strategy
Enhancing governance and accountability	Develops trust and accountability between stakeholders	Ensures compliance with existing and emerging codes of good governance
Providing safe food and expanding sustainable product lines	Promotes health and the good functioning of natural systems	Addresses increasing demand for ethical and green products, sustains viability of supply and drives innovative thinking and action
Building a resilient supply base	Provides market access for producers and a support system for small-scale suppliers	Supports existing supply chain initiatives, consolidating our relationship to suppliers
Empowering our people	Provides personal and career development, and an opportunity to contribute positively to social change	Enables employees to act as brand ambassadors for social responsibility
Working for a clean and healthy environment	Promotes eco-system function and restoration	Manages environmental risks and achieves cost reductions in the short, medium and/or longer term
Supporting communities in their contribution to change	Builds social capital by encouraging action towards a sustainable society	Builds the brand by putting social responsibility into action

The greatest leverage for our sustainability efforts lies in our supply chain and by encouraging positive action through our brand. Our efforts in this respect have been acknowledged during 2010 by the Sunday Times (awarded Green Retailer of the Year), Mail & Guardian (Most innovative environmental strategies that improve business performance) and the Consumer Goods Council of SA (Green Supply Chain Award).

We believe the challenges ahead are serious and our sustainability initiatives are designed to strengthen our company as well as expanding the value we contribute to society.

Enhancing governance and accountability

From a sustainability perspective, Pick n Pay continues to be guided by the Executive Sustainability SteerCom (comprising our Chairman, CEO and Director of Marketing & Sustainability) and co-ordinated by our Sustainability Manager. However, our core business focus means that operational managers responsible for products, packaging, supply chain and facilities management are increasingly taking the lead in achieving the progress we seek.

Key Performance Indicator	2011	2010
JSE SRI listing	Listed	Listed
Carbon Disclosure Project	Listed (included on Carbon Disclosure Leadership Index)	Listed

Achievements

- > Listed on the Carbon Disclosure Leadership Index and the JSE Socially Responsible Investment Index.
- > Updating our knowledge base by developing position statements on 40 topical issues.
- > Active engagement with external stakeholder bodies on sustainability challenges.

Key challenge

- > Enhancing sustainability data management through our Executive Scorecard system, the SAP sustainability module and compliance with an increasing number of external guidance bodies.

Sustainability overview continued

Providing safe food and expanding sustainable product lines

Together with our employees, we are broadening our knowledge, confronting dilemmas and pushing boundaries in an exciting range of initiatives. Our registered dietician is available through the company's toll-free Health Hotline to answer customer and employee queries on nutrition and food-related issues.

Key Performance Indicator

	2011
Pick n Pay Green Range sales*	+266%
SASSI green:orange fish sales (ratio)	96:4
Pick n Pay corporate branded products sourced locally**	88%

* Increase in sales due to expansion of Green Range product range

** Local is defined as within the borders of South Africa

Achievements

- > We announced our commitment to Fairtrade and committed to a 3-year partnership with WWF on Sustainable Fisheries. More sustainable product ranges are emerging through these partnerships, as well as through our Pick n Pay Green label and organic initiatives.
- > We promote and track the sourcing of local products, particularly within our Pick n Pay corporate branded products.
- > Significant packaging reductions have been achieved through the conversion of cardboard sleeves to paper labels, as well as the change from plastic sleeves to board sleeves on our convenience food lines. This has significantly reduced the volume and cost of packaging.

Key challenges

- > Supporting efforts to address food security while acknowledging stakeholders' differing opinions regarding possible solutions.
- > Sourcing sustainable packaging at a competitive price and achieving price parity on sustainable and ethical lines.
- > The balance between providing customer choice and promoting sustainable consumption continues as an internal debate.

The Pick n Pay Green range, with representation in Kitchen, Household, Bathroom and Personal Care categories, provides customers with more sustainable product choices.

All packaging in this range conforms to environmentally sound principles and is 100% recyclable; while the active ingredients are made from sustainable, natural ingredients. The product biodegrades within six days in customary environments. The range is endorsed by the Department of Environment and Tourism's Indalo Yethu initiative and is the first Green range to be endorsed by the South African government. A percentage of profits are donated to an Indalo Yethu Wetlands Project.



Building a resilient supply base

Supply chain resilience requires our team to integrate quality, safety and ethical performance, with risk-aware farming practices and the development of small-scale and rural producers. In both existing supplier networks and in enterprise development, our approach continues to be based on long-term partnership and learning.

Key Performance Indicator

2011

Pick n Pay corporate branded suppliers audited on health/safety and environmental issues
 Small farmers in our small business incubator
 Average growth rate for businesses in our small business incubator

94%
54
72%

Achievements

- > Supplier Development Workshops were held in conjunction with SAFSIS (Southern African Food Safety Inspection Service).
- > Our newly launched PnP Small Business Incubator (SBI) now provides ongoing mentorship to more than 50 small businesses. We help the new supplier understand and manage the industry demands – from health, safety and hygiene to ethical employment and accounting practices. We also mentor those who need assistance with accounts, marketing principles, buying and negotiating techniques, as well as basic life skills.
- > Our Enterprise Development Foundation ensures that these and other emerging entrepreneurs are able to gain access to markets through our Pick n Pay stores to be able to remain as long-term suppliers to the industry.
- > Initiatives include public-private partnership to train and mentor emerging farmers on commercial farming techniques; a partnership with rural women and farm workers in the Western Cape to source dairy products; and mentoring of small-scale pork, poultry and beef producers.

Key challenges

- > Balancing the priorities of small-scale and emerging entrepreneurs with sustainability performance pressures.
- > Expanding our climate change strategy to include suppliers most at risk.



Balemi Ba Lekoa

Our Enterprise Development Foundation was established to create opportunities for, amongst others, emerging farmers to participate in the economy and gain access to market: The Balemi Ba Lekoa farm is one example of such a project, where our Enterprise Development Foundation created the opportunity for 5 women farming with cattle, chickens, maize and sunflowers, to become suppliers to their surrounding PnP Family stores.

Sustainability overview continued

Empowering our people

Sustaining the well-being, enthusiasm and commitment of over 36 000 people is a critical success factor. To this end we have 140 essential focused learning processes and 270 development opportunities/programmes across the company.

Key Performance Indicator	2011	2010
Employee turnover	15%	9%
<i>Employment equity</i>		
Top management (target 40%)	39%	39%
Senior management (target 65%)	58%	59%
Professionally qualified middle management (target 70%)	84%	84%
Semi-skilled junior management (target 80%)	94%	93%
Semi-skilled and discretionary decision-making (target 100%)	100%	98%
Total investment in training including bursaries	R71.8 million	R55.2 million*

*Figure for 2010 does not include the Skills Development Levy cost of R27 million.

Achievements

- > Driving BEE and employment equity through our Diversity Management Programme.
- > Streamlined, redesigned and updated the Trainee Manager Development Programme to meet the needs of future more holistic leaders.

Key challenge

- > Expanding store-level awareness on sustainability issues across southern African stores.

Working for a clean and healthy environment

Environmental efforts are focused on reducing consumption, minimising waste and optimising our logistics network. We have realised substantial energy and cost savings in our stores and have seen a steady decrease in waste sent to landfill from our distribution centres.

Key Performance Indicator	2011	2010
Carbon footprint (Scope 1 and 2)	602 782 tonnes	642 351 tonnes
Waste volumes recycled: Distribution centres	161 tonnes	*
Waste volumes recycled: Inland stores	3 105 tonnes	*
Waste volumes recycled: Coastal stores	3 179 tonnes	2 689 tonnes
Total energy use for stores, distribution centres and offices	557 million kWh	569 million kWh
Energy use per m ² for corporate stores	518 kWh	550 kWh

*Roll-out of waste recycling completed in 2011. Comparative data will be available in 2012.

Achievements

- > Our carbon footprint calculation was reduced by 6%.
- > We have completed the roll-out of recycling to all our corporate stores and recycled more than 6 000 tonnes of waste during the year under review.
- > We opened our new "green" Longmeadow Distribution Centre grocery extension and our Pick n Pay on Nicol store.
- > An Energy Efficiency Programme is in place across all stores.
- > We have initiated a shift to less harmful refrigerant gases.

Key challenges

- > Growing our business while significantly reducing our consumption and impact on natural resources.
- > Improving productivity and business efficiency.



Lightweight boxes and the use of cardboard made from 80% recycled material, are now used to package a range of Pick n Pay corporate branded products.

Supporting communities in their contribution to change

Our policy remains to allocate in excess of five percent of after-tax profits to benefit the communities within which we operate. We continue to liaise with the Pick n Pay Foundation to ensure these initiatives are aligned with our sustainability thinking and efforts.

Key Performance Indicator

2011

2010

CSI spend and % of post-tax profit

R54.4 million (6.9%)

R61.0 million (5.1%)



Velokhaya Life Cycle Academy

Pick n Pay has partnered with the Life Cycle Academy on a project that encourages kids to get off the streets and get on a bicycle. The Life Cycle Academy is dedicated to the promotion of safe, recreational and competitive cycling in South Africa's previously disadvantaged communities that will have meaningful effects on the individuals who take part, and on the sport of cycling.

Eco-Friendly Shopping Bags

We have made significant headway in actively promoting and incorporating sustainable practices in our core activities. Partnering with our customers and communities is central to our sustainable journey. One example of this collaboration is the manufacturing of our Eco-Friendly Shopping Bags where employment has been generated for more than 80 previously unemployed women, who are now the owners and managers of 7 sewing co-operatives in Khayelitsha and Manenberg.

