Online shopping continues to provide our customers with a convenient shopping experience at the touch of a button

Making shopping available 24/7 and offering the choice of delivery or in store collection – it's another way we make life that little bit easier for our customers.

With full integration to our smart shopper programme, our online shopping customers benefit from the full loyalty experience. Earn, switch and spend points or view your complete purchase history online – all to make the online experience that much simpler.

Pick n Pay online has national delivery coverage to all major urban areas, with more than 2 000 deliveries per week, and our innovative fleet of delivery vehicles allows for true convenience with a 1 hour delivery window. We offer our customers a comprehensive range of grocery products and growing selection of wine, liquor and general merchandise.

With a fast growing base of consumer and business customers, Pick n Pay online shopping is committed to giving our customers more time to do the things that matter the most.

Pick n Pay Stores Limited

Board of directors

Chairman

Gareth Ackerman (56)#△
BSocSci, CMS, Associate Fellow at Green Templeton College, Oxford

Chairman
Corporate governance committee chairman
Nominations committee chairman

Appointed 1990

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 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.

Other listed company directorships: Pick n Pay Holdings Limited RF.

** Member of audit committee*
 # Member of remuneration committee
△ Member of corporate governance committee
‡ Member of nominations committee
^ Member of social and ethics committee
□ Member of corporate finance committee

Executive directors

Richard Brasher (52)
Bsc (Hons)

Chief Executive Officer

Appointed 2013 **Years of service:** 1

Richard joined Pick n Pay after a 26-year career at Tesco in the United Kingdom. Richard's experience includes being involved in the development of Tesco's house brand strategy, the modern convenience food category, the strategy of varying store formats, and the development of both the international supplier base and Tesco's loyalty programme.

Richard van Rensburg (52)
CA(SA)

Deputy Chief Executive Officer

Appointed 2009 **Years of service:** 5

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. In 2011, Richard became deputy CEO. In this role, Richard takes responsibility for the e-commerce, information systems and property portfolios of the Group.

Aboubakar (Bakar) Jakoet (58)
CA(SA)

Chief Finance Officer

Appointed 2011 **Years of service:** 29

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 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 Chair of the UCT Finance Committee. He is a director of the Sports Science Institute of South Africa, and chairs their audit committee.

Suzanne Ackerman-Berman (51)
BA, Fellow: Aspen Business Institute; First Movers

Social and ethics committee chairman

Appointed 2010 **Years of service:** 19

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, in March 2010 she was appointed to the Board as a representative of the controlling shareholder.

Suzanne is very active philanthropically and is a passionate proponent of enterprise development. She is chairman of the Ackerman Pick n Pay Foundation, and head of the Pick n Pay Small Business Incubator.

Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF.

Jonathan Ackerman (47)
BA Marketing and Management

Appointed 2010 **Years of service:** 22

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 wellbeing 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. In March 2010 he was appointed to the Board as a representative of the controlling shareholder.

Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF.

Company Secretary

Debra Muller (52)

Attorney

Appointed 2010 **Years of service:** 8

Debra was admitted as an attorney in 1988. From 1994 she assisted Pick n Pay as a legal consultant and was appointed in 2006 as inhouse legal adviser, working with contractual and compliance issues. Appointed as Company Secretary to the Pick n Pay Group in 2010. Debra also heads up the legal department.

Non-executive directors

David Friedland (60)‡□
CA(SA)

Appointed 2013

David was the audit engagement partner and relationship partner at KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David has been associated with Pick n Pay as an external auditor since 1977, and was the audit engagement partner from 2000 to 2007.

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

David Robins (60)□
BBusSci

Appointed 2002

David joined the Group in 1994 and was appointed to the Group Enterprises board 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 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.

Other listed company directorships: Alternate director of Pick n Pay Holdings Limited RF.

Independent non-executive directors

Hugh Herman (73)*□

Attorney
Lead independent non-executive director
Remuneration committee chairman

Appointed 1976

Hugh was a partner at law 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.

Other listed company directorships: Growthpoint Properties Limited, Pick n Pay Holdings Limited RF.

Lorato Phalatse (52)‡^□
BA (Hons), MA

Appointed 2010

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 sits on the Masisizane board.

Other listed company directorships: The Bidvest Group.

Ben van der Ross (67)*#‡□

Attorney

Appointed 2000

Ben was admitted as an attorney and conveyancer in 1970. He practised law for his own account until 1988, and continues to consult for Van der Ross Motala Attorneys. He is a former director of the Urban Foundation and Independent Development Trust, and former CEO of the South African Rail Commuter Corporation Limited, as well as Business South Africa. He was a commissioner of the Independent Electoral Commission for South Africa's first democratic election in 1994. Ben serves as Chairman of Strategic Real Estate Management Limited.

Other listed company directorships: Distell Group Limited, FirstRand Limited, Lewis Group Limited, MMI Holdings Limited, Naspers Limited.

Jeff van Rooyen (64)△
CA(SA)

Audit committee chairman
Corporate finance committee chairman

Appointed 2007

Jeff is a founding member and former president of the Association for the Advancement of Black Accountants of Southern Africa, and is the former chairman of the Public Accountants and Auditors Board (now IRBA). Jeff also represented the South African Institute of Chartered Accountants (SAICA) on the Eastern, Central and Southern African Federation of Accountants. In addition, Jeff is a founder member of the National Black Business Caucus and a former director of the Small Business Development Corporation. Jeff was appointed as a member of the Standing Advisory Committee on Company Law in 2000. Jeff is presently a member of the Advisory Committee of SAICA and the Advisory Committee, Faculty of Economics and Management Sciences of the University of Pretoria. He is also Chairman of the Financial Reporting Standards Council and CEO of Uranus Investment Holdings (Proprietary) Limited.

Other listed company directorships: MTN Group Limited, Exxaro Resources Limited, Pick n Pay Holdings Limited RF.

Audrey Mothupi (43)*□
BA (Hons)

Appointed 2013

Audrey held various positions as a management consultant before being appointed as head of strategy at SABC for two years for the Public Broadcasting Service. Audrey then joined Liberty Life, within the Standard Bank Group, where she achieved the position of Chief Executive: Group Strategic Services, before moving to Standard Bank. At Standard Bank, Audrey was head of inclusive banking, taking responsibility for the provision of banking services to the unbanked communities. Audrey has recently joined Systemic Logic Group, an advisory/innovation company, as the Chief Executive Officer. She is also a Fellow of the African Leadership Initiative as part of the Aspen Leadership Network.

Audrey is active in charities assisting education and vulnerable children.

John Gildersleeve (69)#□

Appointed 2013

John has many years of experience in retail, and is a director and chairman of various companies in the United Kingdom. During his 20 years as an executive director of Tesco, John was responsible for personnel, marketing, store development and commercial operations. He was closely associated with Tesco's international expansion. John is currently Chairman of British Land Company PLC, the second largest property company in the United Kingdom. He serves as the Deputy Chairman of both Carphone Warehouse PLC and Talk Talk PLC, and as Chairman of Freston Road Ventures LLP.

Resident in the United Kingdom, John will be travelling to South Africa to attend board meetings.

Pick n Pay Stores Limited

Corporate governance report

Introduction

This report applies to Pick n Pay Stores Limited (Stores, alternatively the Company) and, where applicable, to Pick n Pay Holdings Limited RF (Holdings). Holdings and Stores are investment holding companies. Holdings' sole purpose is the holding of the controlling shareholding in Stores. Stores, through its subsidiaries and associate, operates in the retail sector in southern Africa and on the African continent.

The Pick n Pay group of companies (the Group) is committed to upholding the highest standards of ethics, transparency and good governance, while pursuing sustainable profitable growth. The Board is accountable for ethical leadership, sustainability and good corporate citizenship. The Group's commitment to good corporate governance is woven through every aspect of the management structure.

The Board takes overall responsibility for the Company, selecting the management team, overseeing corporate strategy and performance, and acting as a resource for management in matters of planning and policy.

With the aim of achieving a balanced economic, social and environmental performance, the Board supports efforts to ensure the long-term sustainability of the business. Legitimate stakeholder involvement is kept in mind at all times, and the Board fully supports the materiality approach, which emphasises reporting based on issues and elements that can have a material impact on the sustainable performance of the business over the short, medium and long term.

The Board takes guidance from:

- The King Report on Governance for South Africa 2009 (King III)
- JSE Listings Requirements
- Companies Act, No 71 of 2008, as amended
- The International Integrated Reporting <IR> Framework
- Global Reporting Initiative (GRI) G4 sustainability reporting guidelines

It is the responsibility of the Board to ensure the application of the principles contained in the King Report on Governance for South Africa 2009 (King III), while maintaining the Group's focus on sustainable performance. Where the directors of the Board have deemed that recommended practices are not in the best interests of the Group, this report follows King III in explaining the reasons for the alternative application.

Summary of the application of King III principles

The Company has subscribed to the Governance Assessment Instrument (GAI) of the Institute of Directors Southern Africa (IoDSA). This instrument has as its primary objective the proficient discharge of responsibility relating to good governance. GAI considers the application of the related principles and practices as follows:

- All governance best practices within the retail industry are considered, including King III, JSE Listings Requirements, Companies Act and the Pension Funds Act;
- GAI is a robust framework and process methodology presented by IoDSA as complete, meaningful and credible; and
- GAI has an inherent scoring capability facilitating a measure of the application of good governance practices – it weights every practice and every related principle.

Stores' overall Governance result on the GAI scale is AA, where AAA is the highest measure.

The table below summarises Stores' application of the principles of King III:

Key

Applied	✓
Not applied	×
Partially applied	#

Chapter and principle	Application	Comments
Chapter 1 – Ethical leadership and corporate citizenship		
The Board should provide effective leadership based on an ethical foundation.	✓	Refer to Pick n Pay's code of ethics, which is to be found on our website, www.picknpayinvestor.co.za, under the corporate profile tab.
The Board should ensure that the Company is, and is seen to be, a responsible corporate citizen.	✓	
The Board should ensure that the Company's ethics are managed effectively.	✓	

Chapter and principle	Application	Comments
Chapter 2 – Board and directors		
The Board should act as the focal point for and custodian of corporate governance.	✓	The responsibilities of the Board are set out in the corporate governance charter. The charter aligns with the recommendations of King III, and establishes the responsibilities and mandates of the Board and its directors, as well as the roles of the Board committees. An updated charter was approved by the Board in June 2013. A copy of the charter is to be found on our website, www.picknpayinvestor.co.za under the corporate profile tab.
The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	The Group recognises the importance of incorporating sustainability into our business strategy.
The Board and its directors should act in the best interests of the Company.	✓	All directors submit a list of all companies in which they hold directorships or positions of influence. These lists are regularly updated, and are reviewed every quarter. This assists in ensuring that disclosure is current, transparency is maintained, and potential conflicts of interest are avoided.
The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act.	✓	Not relevant during the 2014 annual financial period.
The Board should elect a Chairman of the Board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the Board.	✗	Refer to note 1 on page 47.
The Board should appoint the CEO and establish a framework for the delegation of authority.	✓	Richard Brasher was appointed by the Board as CEO to the Group in January 2013. The Board contributes to all decisions made about senior executive appointments and has approved a framework for the delegation of authority.
The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Refer to note 2 on pages 47 to 48 for full details. The Board comprises a balance of power between the executive, the majority shareholder and the independent non-executive directors. All directors are possessed with the knowledge, skills and resources necessitated by the size and nature of the Company. Following recent appointments to the Board, the majority of non-executive directors are independent. Nine of the 14 directors are non-executive, namely Gareth Ackerman, David Robins, Hugh Herman, Ben van der Ross, Jeff van Rooyen, Lorato Phalatse, John Gildersleeve, Audrey Mothupi and David Friedland. Of the nine non-executive directors, six are independent, namely Hugh Herman, Ben van der Ross, Jeff van Rooyen, Lorato Phalatse, John Gildersleeve and Audrey Mothupi. Independence is assessed annually, and any director who has been on the Board for over nine years, if eligible, is put forward annually for election by shareholders.
Directors should be appointed through a formal process.	✓	Refer to the report of the nominations committee on page 53.
The induction and ongoing training and development of directors should be conducted through formal processes.	✓	A copy of the corporate governance charter is given to each director upon induction, as is the Memorandum of Incorporation, which also addresses certain responsibilities of the directors. In addition, new directors are introduced to all members of the executive management. Directors are provided with relevant material regarding statutory and regulatory developments, including the code of ethics, and receive briefings on changes in risks, laws and the business environment.

Chapter and principle	Application	Comments
Chapter 2 – Board and directors continued		
The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	✓	The Company Secretary of the Group ensures that all directors have full and timely access to the information that helps them to perform their duties and obligations properly, enabling the Board to function effectively. The Company Secretary is not a director of any of the Group's operations and maintains an arm's-length relationship with the Board and its directors. The Company Secretary has a direct channel of communication to the Chairman. The Company Secretary is responsible for the functions specified in section 88 of the Companies Act. Annual consideration is given by the Board to the competence, qualification and experience of the Company Secretary. At the Board meeting held in February 2014, after a formal evaluation was conducted, the appointment was re-affirmed. Please see cv on page 40.
The evaluation of the Board, its committees and the individual directors should be performed every year.	#	Evaluations of the Board's effectiveness are regularly undertaken. Given the recent introduction of three new non-executive directors, an external evaluation of the Board's effectiveness will be conducted in the 2015 financial year, as it is felt that the contribution of the three new non-executive directors to the Board can only be adequately assessed after the elapse of a period of time. Individual performance evaluations of directors are undertaken annually by the Chairman of the Board. The results allow the Board to determine whether or not it has delivered on its mandate. It also measures, and where possible, enhances the Board's overall efficiency and each director's individual contribution to the Board. If improvements are indicated, the necessary measures are implemented.
The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	✓	The Board is assisted by six committees. For further details, refer to the page references set out below: • Social and ethics committee – see page 67 • Audit and risk committee – see pages 51 to 52 • Remuneration committee – see pages 55 to 66 • Nominations committee – see page 53 • Corporate governance committee – see page 54 • Corporate finance committee – see page 54 Each committee has a formal charter which is reviewed annually by the Board. Information on each of the committees is available on www.picknpayinvestor.co.za.
A governance framework should be agreed between the Group and its subsidiary boards.	✓	Refer to the diagram on page 49.
Companies should remunerate directors and executives fairly and responsibly.	✓	Non-executive directors have no fixed terms of appointment and no employment contracts with Pick n Pay. Their fees are not linked to the Group's financial performance, nor do they receive share options or bonuses. Executives are remunerated in terms of the remuneration policy set out on pages 55 to 63.
Companies should disclose the remuneration of each individual director and prescribed officer.	✓	Refer to the remuneration committee report on pages 55 to 66.
Shareholders should approve the Company's remuneration policy.	✓	Shareholders approved the policy at the AGM held on 25 June 2013.

Chapter and principle	Application	Comments
Chapter 3 – Audit committees		
The Board should ensure that the Company has an effective and independent audit committee.	✓	Refer to the audit and risk committee report on pages 51 to 52.
The audit committee members should be suitably skilled and experienced independent non-executive directors.	✓	
The audit committee should be chaired by an independent non-executive director.	✓	
The audit committee should oversee integrated reporting.	✓	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	#	The Board and audit and risk committee worked with a qualified, independent third party to develop a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report. This approach is being implemented by management.
The audit committee should satisfy itself of the expertise, resources and experience of the Company's finance function.	✓	Refer to the audit and risk committee report on pages 51 to 52.
The audit committee should be responsible for overseeing of internal audit.	✓	
The audit committee should be an integral component of the risk management process.	✓	
The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	✓	
The audit committee should report to the Board and shareholders on how it has discharged its duties.	✓	
Chapter 4 – The governance of risk		
The Board should be responsible for the governance of risk.	✓	Refer to the risk management report on pages 68 to 73.
The Board should determine the levels of risk tolerance.	✓	
The risk committee or audit committee should assist the Board in carrying out its risk responsibilities.	✓	
The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	✓	
The Board should ensure that risk assessments are performed on a continual basis.	✓	
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	✓	
The Board should ensure that management considers and implements appropriate risk responses.	✓	
The Board should ensure continual risk monitoring by management.	✓	
The Board should receive assurance regarding the effectiveness of the risk management process.	✓	
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	✓	

Chapter and principle	Application	Comments
Chapter 5 – The Governance of information technology		
The Board should be responsible for information technology (IT) governance.	✓	The Board, through its audit and risk committee, risk management and executive reporting, takes responsibility for IT governance. The management of information technology systems has been delegated to the Deputy CEO. An information technology services (IT) governance function has been established within the IT division. The IT governance function is implementing various initiatives in order to achieve compliance with King III where feasible. The Group aligns its practices and processes to COBIT 5, which is the latest edition of ISACA's globally accepted framework, providing an end-to-end business view of the governance of enterprise IT.
IT should be aligned with the performance and sustainability objectives of the Company.	✓	Information technology systems are aligned with the strategy, objectives and reporting requirements of the Group.
The Board should delegate to management the responsibility for the implementation of an IT governance framework.	✓	The management of IT governance has been delegated to the Deputy CEO who implements governance structures, systems and controls through the IT governance function.
The Board should monitor and evaluate significant IT investments and expenditure.	✓	The Board annually considers and approves all IT investment and expenditure.
IT should form an integral part of the Company's risk management.	✓	The information technology systems form part of the internal and annual external audit programme, which also considers risks to the Group. The information technology systems governance function is developing a risk management framework to focus and manage IT-specific risks. Refer to the risk management report on pages 68 to 73.
The Board should ensure that information assets are managed effectively.	✓	Pick n Pay has policies and procedures to manage the storage, control, monitoring and confidentiality of all data. Policies and procedures are continually monitored and improved where necessary.
A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.	✓	IT audit items and risks are regularly reported to the Group audit and risk committee.
Chapter 6 – Compliance with laws, rules, codes and standards		
The Board should ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	Refer to the legal report on page 74 and to the risk management report on pages 68 to 73.
The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Company and its business.	✓	
Compliance risk should form an integral part of the Company's risk management process.	✓	
The Board should delegate to management the implementation of an effective compliance framework and processes.	✓	
Chapter 7 – Internal audit		
The Board should ensure that there is an effective risk-based internal audit.	✓	Refer to the audit and risk committee report on pages 51 to 52 and to the risk management report on pages 68 to 73.
Internal audit should follow a risk-based approach to its plan.	✓	
Internal audit should provide a written assessment of the effectiveness of the Company's system of internal controls and risk management.	✓	
The audit committee should be responsible for overseeing internal audit.	✓	
Internal audit should be strategically positioned to achieve its objectives.	✓	

Chapter and principle	Application	Comments
Chapter 8 – Governing stakeholder relationships		
The Board should appreciate that stakeholders' perceptions affect a Company's reputation.	✓	Refer to the engagement with stakeholders report on pages 14 to 15.
The Board should delegate to management to proactively deal with stakeholder relationships.	✓	
The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the Company.	✓	
Companies should ensure the equitable treatment of shareholders.	✓	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	✓	
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	✓	
Chapter 9 – Integrated reporting and disclosure		
The Board should ensure the integrity of the Company's integrated report.	✓	The audit and risk committee reviews the financial statements and the integrated annual report and makes a recommendation to the Board for approval.
Sustainability reporting and disclosure should be integrated with the Company's financial reporting.	✓	
Sustainability reporting and disclosures should be independently assured.	✗	The Board and audit and risk committee worked with a qualified, independent third party to develop a comprehensive combined assurance approach, to ensure the integrity of financial and non-financial data contained within the report.

Notes to King III principles

Note 1

Chairman

King III acknowledges that there may be sound reasons for a company to appoint a Chairman who does not meet all the criteria for independence, but requires such a company to justify this decision and to put further checks in place to ensure no real or perceived conflicts of interest arise.

The Ackerman family owns approximately 51% of the shares in the holding company, Pick n Pay Holdings Limited RF, giving them a holding of 27.3% in the Group. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding. Perceptions of conflicts of interest may arise regarding his decisions relating to the Group and its shareholders.

Hugh Herman has been appointed as Lead Independent Director (LID). The main function of an 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 LID provides an important point of contact for the broader investment and stakeholder community should they have concerns with the running of Stores or potential conflicts of interest. All members of the Board have unfettered access to the LID when required.

In addition to the role of the LID, and to ensure good governance, the chairmanship of four of the six Board committees is held by other independent directors.

Consistent with the King III guidelines, Gareth Ackerman:

- is not a member of the audit and risk committee;
- does not chair the remuneration committee, but is a member; and
- is not a member of the social and ethics committee.

Note 2

Board composition

The Board consists of 14 directors. Of the nine non-executive directors, six are independent. The remaining five directors are executive. Curricula vitae of all directors are set out on pages 40 to 41.

The Company undertook a rigorous review of the composition of the Board during 2013. Consideration was given to the balance of skills and experience of directors on the Board. Three new non-executive directors were appointed, all of whom were elected by shareholders at the general meeting held by the Company on 12 February 2014. All our non-executive directors are independent, tough-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They do not depend financially on the directors' fees they receive from the Company, and strive to preserve their reputation for independence and governance in the corporate world.

The Company is confident that a balanced Board has been achieved, with directors who exercise leadership, enterprise, integrity and judgement in directing the business of the Company, so that it can thrive.

Board function

Directors are encouraged to promote rigorous debate with the aim of promoting active direction, governance and effective control of the Company. Decisions are usually made by consensus. All Board members, including those who are not independent, are well aware of corporate governance requirements, and are conscious of their obligation to act with integrity as representatives of all stakeholders in the Group.

Controlling shareholder representation on the Board

As representatives of the controlling shareholder, Gareth Ackerman, Suzanne Ackerman-Berman, Jonathan Ackerman and David Robins were elected by shareholders to the Board. Between them they have 62 years' executive experience in the Group. Suzanne Ackerman-Berman and Jonathan Ackerman are executive directors, while David Robins was executive for 14 years and has been a non-executive director since 2008. The Chairman, Gareth Ackerman, has been with the Group for 21 years, the last 15 years (other than an 11-month period during the 2013 financial year) in a non-executive capacity. Their experience, as well as their strategic overview, assists the Group in making long-term decisions for the benefit of all stakeholders in the Group.

Executive representation on the Board

The executive function of the Group is performed by the executive team, comprising Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO), all of whom are executive directors on the Board.

Non-executive representation on the Board

Of the nine non-executive directors on the Board during the 2014 annual financial period, six are independent. Hugh Herman has been appointed as LID (see note 1).

Annual assessment of independence

The Board corporate governance charter requires that an annual assessment of the independence of long-serving directors be performed by considering the following:

- The directors' involvement with other companies;
- External directorships;
- Relationships with material suppliers and rival companies; and
- Material contracts with the Group, if any.

Given the recent appointment of three non-executive directors to the Board, it has been resolved that an external assessment of the Board will be conducted during the 2015 financial year, as the accuracy of any assessment requires a period of time over which the contributions of each director can be assessed.

An internal assessment of the independence of non-executive directors is conducted by the Chairman, who conducts individual interviews. Findings are presented to each non-executive director for them to either confirm, or to revert with further evidence supporting their independence. If required, the Company Secretary will solicit external legal opinion regarding the status of a non-executive director. Following this assessment, the Chairman makes a recommendation to the Board as to independence. The Board interrogates the recommendations before a final decision is made.

All directors submit a list of their directorships and commercial interests to the Company Secretary, which are regularly updated, and distributed quarterly to the Board. 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.

Length of service

The Board has found that length of service does not automatically preclude a director from exercising independence in decision-making. Our long-serving non-executive directors are aware of, and exercise, their duty to act in the best interests of all the stakeholders of the Company. The Company values the balance achieved between the fresh insights from new directors and the experienced insights from long-serving directors.

Conclusion as to independence

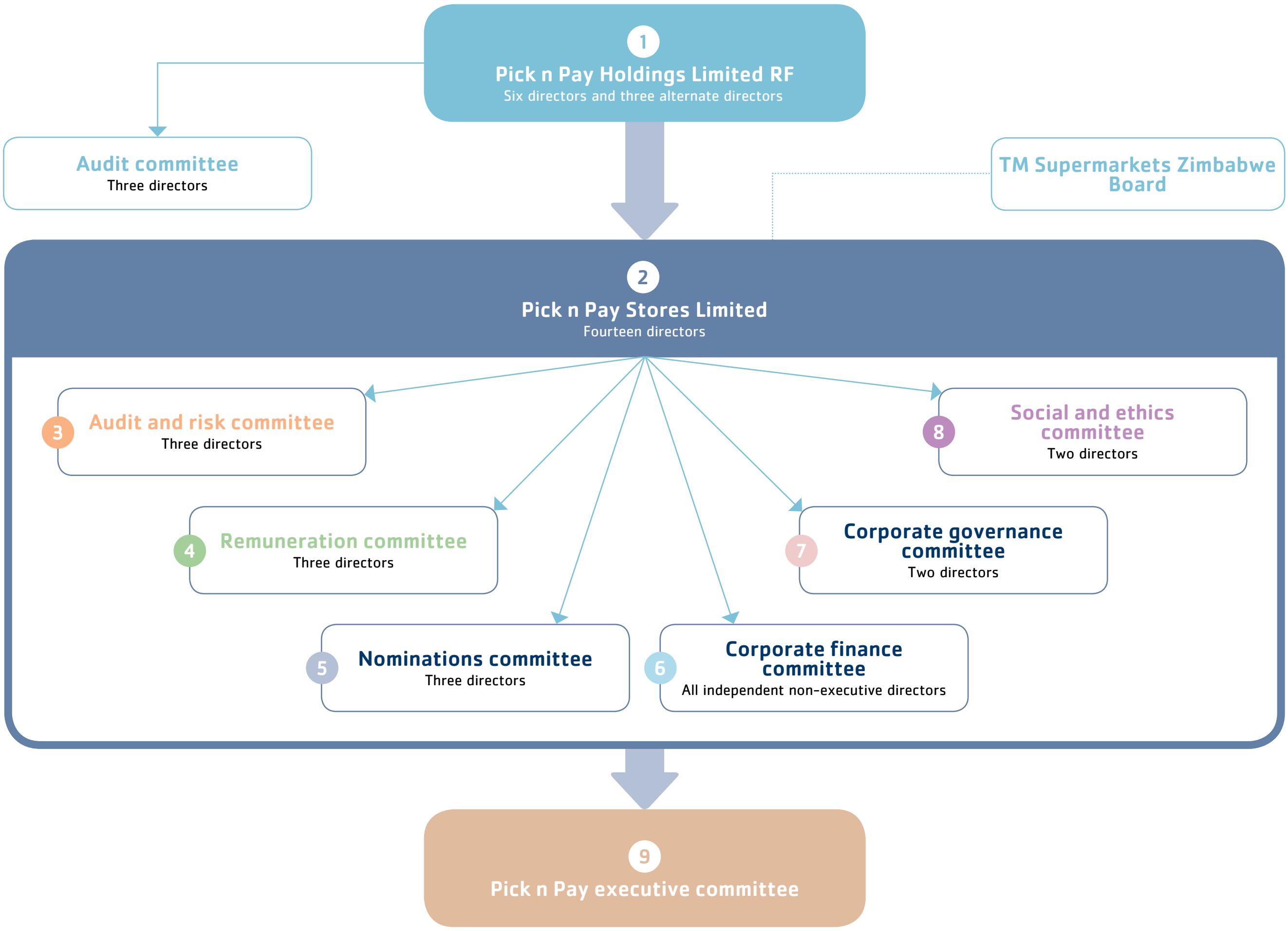
At the time of the last assessment, all Pick n Pay's independent non-executive directors met the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. The Chairman and the Board are satisfied that, while Hugh Herman and Ben van der Ross have long-running relationships with the Company, their contributions remain unbiased and objective.

In order to ensure that shareholder perceptions are aligned with the Board's view of the independence of long-serving directors, all non-executive directors who have served on the Board for more than nine years will serve one-year terms of office, instead of the standard three-year terms. At the end of each term, the director and the Chairman will jointly evaluate the director's contribution and independence. By mutual consent the director may be considered for re-election. If so agreed, such director will be put forward for election by shareholders at the Company's annual general meeting for a further period of one year.

Governance structure and models

The Board governs decision-making and gives leadership through its committee structure. The committees operate within Board mandates, ensuring that strategy is implemented through the operations of the Group. Progress is reported to the Board.

The diagram below is a summary of the current governance structure in Pick n Pay:



1 Refer to the Pick n Pay Holdings Limited RF corporate governance report on pages 76 to 78 and board of directors on page 75.

2 Refer to the Pick n Pay Stores Limited corporate governance report on pages 42 to 50, and board of directors on pages 40 to 41.

3 Refer to the audit and risk committee report on pages 51 to 52.

4 Refer to the remuneration committee report on pages 55 to 66.

5 Refer to the nominations committee report on page 53.

6 Refer to the corporate finance committee report on page 54.

7 Refer to the corporate governance committee report on page 54.

8 Refer to the social and ethics committee report on page 67.

9 The Pick n Pay executive committee for the 2014 annual financial period consisted of Richard Brasher (CEO), Richard van Rensburg (deputy CEO) and Bakar Jakoet (CFO).

Directors' attendance at Board meetings

The Board convenes a minimum of four times per year for formal meetings, with additional meetings scheduled when necessary. The table below details each director's Board meeting attendance during the past annual financial period:

Director	22 April 2013	25 June 2013	21 October 2013	13 February 2014	AGM 25 June 2013
Gareth Ackerman (Chairman)	P	P	P	P	P
Richard Brasher (CEO)	P	P	P	P	P
Richard van Rensburg (deputy CEO)	P	P	P	P	P
Bakar Jakoet (CFO)	P	P	P	P	P
Suzanne Ackerman-Berman	P	P	P	P	P
Jonathan Ackerman	P	P	P	P	P
Hugh Herman (LID)	P	A	P	P	T
Ben van der Ross	P	P	A	P	P
Jeff van Rooyen	P	P	P	P	P
Lorato Phalatse	P	A	P	P	A
David Robins	P	P	P	P	P
John Gildersleeve*	—	—	—	P	—
Audrey Mothupi**	—	—	—	P	—
David Friedland**	—	—	—	P	—

P = present.
A = apologies.
T = present via telephone link.
** = Appointed 21 October 2013.*
*** = Appointed 13 December 2013.*

Pick n Pay Stores Limited

Audit and risk committee report

The audit and risk committee is a statutory committee, as required by the Companies Act, and functions within a charter approved by the Board annually. The committee members, Jeff van Rooyen, Hugh Herman and Ben van der Ross, were confirmed for appointment at the AGM on 25 June 2013.

Role of the committee

The audit and risk committee has an independent role with accountability to both the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

The committee's ongoing main responsibilities are as follows:

Integrated and financial reporting

- Review the financial statements, interim report, preliminary results announcement and summarised financial statements and ensure compliance with International Financial Reporting Standards and the Companies Act;
- Review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls;
- Perform a review of the Group's integrated reporting function and progress and consider factors and risks that could impact on the integrity of the integrated annual report;
- Review the sustainability disclosure in the integrated annual report and ensure that it is consistent with financial information reported; and
- Recommend the integrated annual report to the Board for approval.

Finance function

- Consider the expertise and experience of the Chief Finance Officer; and
- Consider the expertise, experience and resources of the Group's finance function.

Internal audit

- Review and approve the internal audit charter and audit plans;
- Evaluate the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Review the Group's systems of internal control, including financial controls, ensuring that management is adhering to and continually improving these controls;
- Review significant issues raised by the internal audit process; and
- Review policies and procedures for preventing and detecting fraud.

External audit

- Act as a liaison between the external auditors and the Board;
- Nominate the external auditor for appointment by shareholders;
- Determine annually the scope of audit and non-audit services which the external auditors may provide to the Group;
- Approve the remuneration of the external auditors and assess their performance; and
- Assess annually the independence of the external auditors.

Risk management

- Ensure that management's processes and procedures are adequate to identify, assess, manage and monitor enterprise-wide risks; and
- Review tax and technology risks, in particular how they are managed.

General

- Receive and deal appropriately with any complaint relating to the accounting practices and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- Perform other functions as determined by the Board.

Composition of the committee

This committee is chaired by 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 year and in compliance with King III, are elected by shareholders at the annual general meeting.

Meetings and activities

Committee member	Qualification	Status	15 April 2013	17 October 2013
Jeff van Rooyen (Chairman)	CA(SA)	Independent non-executive director	P	P
Hugh Herman	Attorney	Independent non-executive director	P	P
Ben van der Ross	Attorney	Independent non-executive director	P	P

P = present

The committee discharges its Board responsibilities by:

- meeting at least twice a year to review the Group's financial results, to receive and review reports from both the internal and external auditors, and to meet with management to review their progress on identifying and addressing key risk areas within the business;
- reporting to the Board at the next meeting, which is held within a week of the respective committee meeting;
- meeting separately with the internal and external auditors to confirm they are receiving the full co-operation of management; and
- the committee Chairman meets regularly with key management to keep abreast of emerging issues.

The committee discharges all audit committee responsibilities of all the subsidiary companies within the Group. To help it discharge this responsibility, financial review committees, chaired by the Chief Finance Officer, review in detail the results of all material operating subsidiary companies with the external auditors and management of the respective subsidiary. These review committees report their findings to the Group audit and risk committee.

The external and internal auditors have unrestricted access to the committee and all of its members throughout the year.

Independence of external auditors

The committee 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. The committee is satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners. The committee nominates KPMG as external auditor for appointment by shareholders at the annual general meeting.

Policy on non-audit services

All non-audit services provided by the Group's external auditors are pre-approved by the audit committee. The total fee for non-audit services provided should not, under normal circumstances, exceed 50% of the total auditors' remuneration.

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 his position of Chief Finance Officer of the Group. In addition, the committee is also satisfied that the composition, experience and skills of the finance function meet the Group's requirements.

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its charter for the 2014 financial year and that its report to shareholders has been approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor. The Board has, on the recommendation of the committee, nominated KPMG Inc. for reappointment as the Company's registered auditor for the ensuing year at the forthcoming annual general meeting.

Jeff van Rooyen
Chairman: audit and risk committee

14 April 2014

Pick n Pay Stores Limited

Nominations committee report

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

Role of the committee

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 III. Requirements for candidates for appointment include independence, integrity, tough-mindedness and respect for the values and principles of the Group. 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 referred to shareholders for election.

Composition of the committee

The nominations committee is chaired by Gareth Ackerman, and its members, Lorato Phalatse and Ben van der Ross, are non-executive directors. King III recommends that committees should be chaired by independent non-executive directors. Chairman Gareth Ackerman is not independent by virtue of his indirect shareholding. It is the view of the Company that his long-standing work with the Group in both executive and non-executive capacities, and his strategic overview qualify him to chair the work of the committee.

Frequency of meetings

The committee meets on an ad hoc basis. All members attended as required, whether in meetings or via video-conferencing or telephonic link.

Period under review

At the 2013 annual general meeting, Chairman Gareth Ackerman announced that a review was being conducted of the Board composition with the aim of achieving a balance among the non-executive directors of financial, legal, FMCG and general business experience. The nominations committee met frequently during this review process, following which three non-executive directors were appointed by the Board in the last quarter of 2013. The new directors, Audrey Mothupi, David Friedland and John Gildersleeve, were duly elected by shareholders at the extraordinary general meeting held on 12 February 2014.

The nominations committee is of the view that it has achieved its objectives for the 2014 financial year. The committee will continue to meet on an ad hoc basis to monitor the balance of talent on the Board.

Gareth Ackerman

Gareth Ackerman
Chairman: nominations committee

14 April 2014

Pick n Pay Stores Limited

Corporate governance committee report

Role of the committee

The corporate governance committee is governed by a Board-approved charter, which is reviewed annually. It reviews and evaluates the governance practices and structures of the Group, and recommends any changes to the Board for a decision. The focus is on implementing King III's recommendations and ensuring that the Group complies with the code of corporate practices and conduct. In addition, international standards of corporate governance are considered alongside local practices.

Composition of committee

The committee comprises Gareth Ackerman as Chairman, and Jeff van Rooyen. The committee meets with the Company Secretary and relevant members of the Board and management as required, ensuring that corporate governance structures are appropriate and effective.

Frequency of meetings

The committee meets on an ad hoc basis.

Period under review

Among other matters, the committee reviewed the following:

- The balance of the Board and the independence of directors;
- The level of fees paid to non-executive directors in the Group;
- Special resolutions in relation to employee loans;
- The role of the lead independent director;
- Chairmanship of Board committees;
- Remuneration policy disclosure; and
- Number of shares reserved for use in share incentive schemes.

For the period under review, the committee is of the view that, in all material respects, the provisions of King III have been applied or adequately explained by the Company. The findings of the committee have been presented to, and confirmed by, the Board.

Gareth Ackerman

Gareth Ackerman

Chairman: corporate governance committee

14 April 2014

Pick n Pay Stores Limited

Corporate finance committee report

Role of the committee

The corporate finance committee is governed by a Board-approved charter, which is reviewed annually. The committee assists the Board in assessing investment opportunities for the Pick n Pay Group. The committee was formed to ensure that the interests of all shareholders are taken into account when investment decisions are made. Authority to accept or reject investment opportunities remains with the Board.

Composition of committee

Chaired by Jeff van Rooyen, the committee comprises the independent non-executive directors.

Frequency of meetings

The committee meets on an ad hoc basis, and no meetings took place during the period under review.

Jeff van Rooyen

Chairman: corporate finance committee

14 April 2014

Pick n Pay Stores Limited

Remuneration committee report

Introduction

This report is divided into two sections:

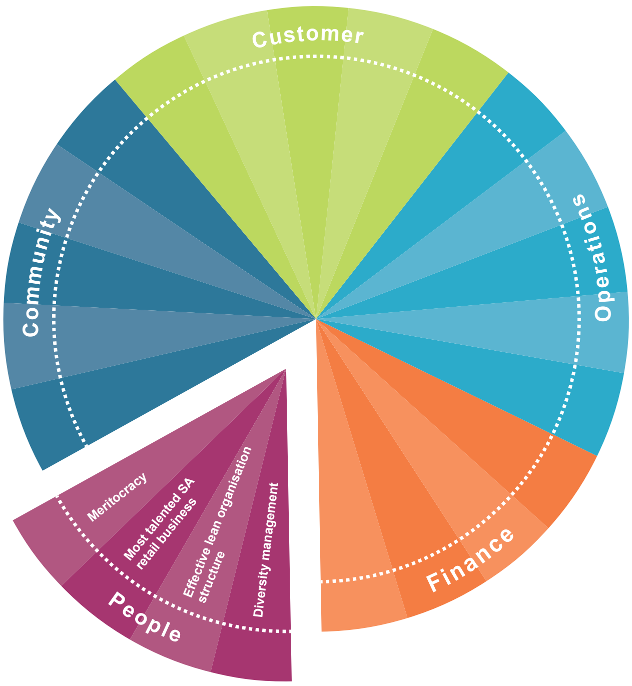
Section one – describes the Group's remuneration policy for directors and key executives, illustrates how remuneration is structured to ensure alignment with Group strategy and the interests of shareholders, and details the role and composition of the remuneration committee.

Section two – discloses the actual payments, accruals and awards for the 2014 financial year.

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 (AGM) to be held on 2 June 2014.

SECTION ONE

Remuneration policy



The balanced scorecard above illustrates the core objectives of our long-term business strategy, which is balanced across our five key focus areas. Our people are an integral part of Pick n Pay's long-term strategy to become the retailer for every South African.

Our Group remuneration policy supports the objectives of our long-term strategy:

- **Meritocracy** – people will be recognised and advanced based on merit
- **Most talented SA retail business** – we will attract, retain and develop the most talented retail staff in the industry
- **Effective lean organisation structure** – we will create and reward a culture of productivity and efficiency
- **Diversity management** – we will ensure Pick n Pay offers equal opportunities to people from all walks of life

The Group's remuneration policy is aimed at attracting, retaining and motivating employees and executives, while aligning their remuneration with shareholder interests and best practice. We reward employees for their individual contribution to the Group's strategic, operating and financial performance. We ensure that our remuneration policy supports the development and retention of top talent, while attracting critical skill and experience in the retail industry.

The remuneration policy is supported by the following underlying principles:

- Remuneration at all levels is benchmarked against our peers (both locally and internationally) to ensure that it is fair and just
- An independent expert assists the remuneration committee with benchmarking
- Employees and executives are rewarded for meeting key performance targets
- Remuneration levels for executive directors take into account remuneration policies and practices of comparable companies
- Executive remuneration is balanced between long-term and short-term incentives
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance

We believe that the remuneration policy is aligned with the long-term strategic objectives of the Group and will contribute to long-term, sustainable value creation in the business.

Remuneration committee

The 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 goals. The committee considers and recommends remuneration policies for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors.

Remuneration committee report continued

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 (available on our website at www.picknpayinvestor.co.za). Its charter is reviewed annually at the Board meeting in April. The committee's key responsibilities are to:

- review the Group's remuneration philosophy and policies to ensure alignment with the objectives of the Group
- review the Group's remuneration philosophy and policies to ensure alignment with best practice in the market
- determine the remuneration packages of executive directors and to review the remuneration packages of senior management and key employees
- propose fees for non-executive directors, subject to shareholder approval
- approve performance-related short-term incentives as well as long-term share-based incentives

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

Director	Status	8 April 2013	24 July 2013	17 October 2013	28 January 2014
Hugh Herman (Chairman)	Independent non-executive	P	P	P	P
Gareth Ackerman	Non-executive	P	P	P	P
Ben van der Ross	Independent non-executive	P	A	P	P

P = present
A = apology

Remuneration activities and decisions made during the 2014 annual financial period

The main items considered and approved by the remuneration committee during the 2014 annual financial period were as follows:

- Executive and non-executive director remuneration benchmarking, including a review of all benefits provided
- Reviewing and setting the annual compensation for the CEO
- Annual salary increases for executives
- Determining an appropriate bonus for executives and the reasonable allocation thereof
- Approving all share option allocations to executives
- Reviewing of the Group's short-term incentive scheme and the introduction of a new forfeitable share plan for key executives (for further information refer to pages 58 and 61 of this report)
- Reviewing and approving of the Group's remuneration policy and report
- Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM
- Reviewing and recommending non-executive directors' fees for the 2015 annual financial period, for final approval by shareholders at the AGM

Risk management and remuneration practices

The remuneration committee ensures that corporate governance and legal requirements are met when existing remuneration policies are reviewed and new remuneration plans and policies are put in place. In doing so the committee ensures that shareholder interests are protected, and reward systems, remuneration policies and targets are aligned with the Group's risk tolerance.

Executive directors and senior management

Remuneration structure

The Group balances remuneration across three broad categories to ensure:

- employees are fairly rewarded for performance
- employees are incentivised to meet short-term and long-term strategic goals (which are balanced between fair and achievable, and ambitious)
- employees are rewarded for initiative and innovation
- employees are encouraged to grow and stay with the Group over the long term

Summary of the remuneration structure:

Category	Nature	Objective	Includes
Guaranteed base pay	Fixed	Must fairly represent the scope and nature of the employee's role, the skill and experience required and the performance expected	Base salary 13th cheque (not applicable to senior management) Contributions to retirement fund Contributions to medical aid Fringe and other benefits, including: • Car allowances • Low-interest loans
Short-term incentive	Variable	Must motivate and reward the achievement of strategic performance objectives	Annual bonus, less the payment of a 13th cheque (where applicable)
Long-term incentive	Variable	Must encourage longer-term performance and loyalty, and retain key skills by linking remuneration to long-term value creation	The allocation of: • Standard share options • Binary share options • Forfeitable performance shares

Guaranteed base pay

Base salary

The remuneration committee reviews the salaries of the CEO, other executive directors and senior management annually. Remuneration reflects the relative skill, experience, contribution and performance of the individual. Base pay is 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 annual remuneration is directly related to annual performance assessments, which are undertaken in April each year. Annual increases in base pay are determined with reference to the scope of the employee's role, the competence and performance of the employee, as well as the projected consumer price index. The performance of the CEO is assessed by the Chairman and the Board, while the performance of the other executive directors is evaluated by the CEO and reviewed by the remuneration committee.

CEO – when setting Richard Brasher's annual base salary at R7 million, the remuneration committee considered the following factors:

- His extensive experience in the retail industry, which spans over 27 years
- His tenure as the former CEO of Tesco UK/Republic of Ireland
- Richard was instrumental in transforming Tesco into the market share leader in the United Kingdom and a global retailer

The remuneration committee benchmarked Richard's base salary against similar sized South African companies and his salary is considered fair in relation to the market and his expertise.

Retirement fund and medical aid contributions

Pick n Pay contributes 17.35% of salary expenditure towards retirement funding for executive directors and employees. In addition, the Group also contributes towards medical aid. For further details please refer to note 22 of the financial statements where retirement benefits are disclosed.

Fringe and other benefits

Car allowances

Executive directors and management are granted a travel allowance or the use of a Company vehicle which includes maintenance, fuel and insurance.

Low-interest loans

Salaried employees have access to low-interest loans from the Group, generally to assist 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. Interest rates average 3.4%.

The value of executive directors' low interest loans at the end of the 2014 financial year is R0.4 million. For further details please refer to note 15 of the financial statements where employee loans are disclosed.

All housing loans are secured against the employee's retirement funding. No financial assistance is provided for the purpose of assisting an executive to buy shares in the Group.

Short-term incentive

Annual bonus

Executives and management participate in the annual bonus scheme. It is designed to motivate management to achieve the Group's short-term strategic objectives and to reward performance.

The Group operates two bonus schemes:
The senior management incentive scheme – applies to divisional managers and above (approximately 200 people). The bonus payment (if any) is made in May each year, after the finalisation of the Group's financial performance of the previous financial year.

The management bonus scheme – applies to all employees of manager grade and above. These employees also participate in the bonus pay-out at the end of May (if applicable), except that in this category employees are guaranteed a 13th cheque (an amount equal to one month's basic salary) which is paid in November and deducted from any bonus pay-out in the following May.

Bonuses awarded to executives and management are discretionary and are linked to the achievement of profit before tax targets, excluding any exceptional capital items (PBTAE). Targets are set by the remuneration committee on an annual basis. PBTAE is a product of all the efforts of the Pick n Pay team and is thus to a large extent under the control of the participants in the bonus scheme.

The bonus pool is self-funding and is created after achieving a pre-defined PBTAE target, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch PBTAE levels are attained. Bonuses are paid as a multiple of basic monthly salary and each individual's share of the bonus pool will depend on the PBTAE target reached and their own individual performance, as measured through the Group's annual performance appraisal process. Bonuses are capped at a multiple of two times annual basic salary.

No bonuses are paid if the threshold target is not met. In addition, the short-term incentive scheme mitigates the risk that management focuses on managing the share price rather than the business, thus protecting the dividend flow for all shareholders.

All bonuses paid to management and executives are subject to approval by the remuneration committee.

Review of performance – aligning rewards with strategy and performance

The poor financial results over the past few years have seen the executive team forego annual bonuses (other than the 13th cheque where applicable). In addition, the 2010 share option awards under the long-term binary share incentive scheme are expected to lapse in May 2014, without the share price performance conditions being met. Both examples reflect the Group's remuneration philosophy of aligning performance with reward.

The remuneration committee has a crucial role to play in ensuring that the Group's remuneration policy not only supports the Group's strategic goals, but also ensures that management are remunerated fairly and reasonably, in line with industry benchmarks and shareholder expectation. The committee has experienced challenges in its role over the last few years, because while the senior team cannot be unduly rewarded during times of poor financial performance, a balance must be achieved in order to retain key employees and attract quality managers from outside the business.

The remuneration committee sets annual performance targets (threshold, target and stretch) that must be achieved before a short-term incentive bonus will be payable. The targets are based on PBTAE, which is inclusive of the cost of the short-term incentive.

This has been a significant year for the Pick n Pay senior team who, under the leadership of Richard Brasher, has worked hard to stabilise the business and to deliver on the Group's short-term strategic objectives. The Group has delivered an improved financial performance in the 2014 year, and while there is still a great deal of hard work ahead and much expected from the senior team, we are encouraged by the progress shown.

The remuneration committee's threshold target of 18% growth on comparable PBTAE was met in 2014, with the Group achieving PBTAE of R937.2 million (32% growth). The target (55% growth) and stretch (90% growth) targets were not met. As a result, a bonus was agreed to by the remuneration committee for the first time in four years. The quantum of the bonus pool is at the discretion of the remuneration committee and is informed by the overall performance of the Group and the personal performances of the individual senior managers. The directors' remuneration table on page 63 reflects the bonus accrued for the current financial year for executive directors based on 2014 performance.

The remuneration committee will set new and appropriate targets for the 2015 financial year.

Long-term incentive

The Group operates two share incentive schemes for the benefit of its executive directors, senior management and employees:

- The 1997 Employee Share Option Scheme
- The Forfeitable Share Plan (FSP) (approved February 2014 – no awards have been issued yet)

Funding of share plans and dilution

The directors have received shareholder approval to utilise up to 63 892 444 shares of the issued share capital of Pick n Pay Stores Limited (13.3%) and 92 268 590 shares of the issued share capital of Pick n Pay Holdings Limited RF (17.5%) for the purposes of managing the Group's share schemes.

It is Group policy to maintain a generous share option scheme for all employees. The Group was among the first of our peers to implement a broad employee share scheme and did so long before it became the corporate norm. All employees, at all levels, are rewarded with share options for both long-service and performance. This is an integral part of our remuneration philosophy and ensures that all employees (not just senior management and executives) are recognised, and that their interests are aligned with our shareholders. It gives all our employees the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and encourages employee retention. It is a key differentiator for us against other retail employers in South Africa.

Both the Group's share schemes fall within the limits detailed above, which means the aggregate of instruments awarded under both schemes cannot exceed the authorised limits.

The Group has always been mindful of preventing the dilution of our shareholders' interests and as such, it is Group policy to buy shares to cover obligations under the employee share schemes. The two share schemes are further constrained by an aggregate limit of 5% in respect of the amount of new share capital that can be issued to cover obligations under the employee share schemes. It is not standard practice for the Group to issue new share capital to cover its share scheme obligations and has only done so once in the past, with an issue of 2.7 million shares or 0.6% of share capital in the 2005 financial year. The debut issuance under the FSP will be funded by the issue of share capital, but this will not exceed 1.7% of issued share capital.

Please refer to note 5 of the financial statements for further details of the outstanding options and limits available under the schemes.

1. The 1997 Employee Share Option Scheme

The Group operates the 1997 Employee Share Option Scheme (the Scheme) in order to facilitate broad employee share ownership and to foster trust and loyalty among employees. 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.

Pick n Pay Holdings Limited RF (PWK)

Standard share options

Long-service share options – are granted to all permanent employees who have been with the Group for five years and further options are granted every five years thereafter. There are no vesting conditions – long-service share options may be taken up immediately on granting.

During the 2014 financial year 2.2 million PWK share options were granted to employees in respect of long-service. At year-end 15.3 million PWK share options were held by employees, amounting to 2.9% of shares in issue. Please refer to note 5 of the financial statements for further information.

Pick n Pay Stores Limited (PIK)

Standard share options

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

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

There are no performance conditions attached to these share options. Vesting is only dependent on the employee meeting the service requirement of remaining in the employ of the Group over the specified vesting period. If the employee leaves before the vesting period, unvested share options will lapse.

Retention share options – these share options specifically encourage the retention of key individuals and have longer vesting periods of up to 10 years.

Performance top-up options – senior management may be eligible for a performance "top-up", as recognition of their valuable contribution to the Group. These options vest in the same manner as status share options.

During the 2014 financial year, 2.6 million standard Pick n Pay Stores Limited (PIK) options were issued to management in respect of their progress and performance. At year-end 50.2 million PIK share options (including binary options that are detailed separately below) were held by employees at year-end, amounting to 10.4% of shares in issue. Please refer to note 5 of the financial statements for further information.

Binary share options (share options with performance conditions)

These are granted to senior management. These three to five year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. If the conditions are not met, these options are automatically forfeited. Should further performance hurdles be achieved, discounted grant prices may apply.

There are currently three outstanding binary share option issues. The first was issued in October 2010 to senior management, the second in October 2011 to deputy CEO Richard van Rensburg, and the third to CEO Richard Brasher on his appointment in November 2012.

a. October 2010 binary share option issue to senior management

On 23 October 2010, 14.5 million binary share options were issued to 71 participants. The binary share options were issued at a grant price of R41.23. At year-end, 2.8 million binary share options have been forfeited due to termination of service, and 11.7 million options are currently outstanding.

If the 20-day volume weighted average share price (VWAP) up to 23 May 2014 is R65.28 or greater, the options can be exercised at the full grant price of R41.23. Should this 20-day VWAP be less than R65.28, then the options will lapse. Thereafter, if further performance hurdles are met discounted grant prices will apply on exercise.

The salient features are summarised below:

Details	Share price May 2014	Annual compound growth rate	Exercise price
Eligibility hurdle	**R65.28**	12%	R41.23
Performance hurdle 1	**R78.87**	18%	R20.62
Performance hurdle 2	**R97.25**	25%	R1.00

b. Binary share option issue to deputy CEO Richard van Rensburg

In October 2011, 400 000 binary share options were issued to deputy CEO Richard van Rensburg. The binary share options were issued at a grant price of R36.55.

If the 20-day volume weighted average share price (VWAP) up to 23 May 2015 is R73.11 or greater, the options can be exercised at the full grant price of R36.55. Should this 20-day VWAP be less than R73.11, then the options will lapse. Thereafter, if further performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

Details	Share price May 2015	Annual compound growth rate	Exercise price
Eligibility hurdle	**R73.11**	20%	R36.55
Performance hurdle 1	**R93.07**	30%	R18.28
Performance hurdle 2	**R121.56**	40%	R1.00

c. Binary share option issue to CEO Richard Brasher

In November 2012, 1 000 000 binary share options were issued to CEO Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24.

If the 20-day volume weighted average share price (VWAP) up to 14 November 2017 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should this 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:

Details	Share price November 2017	Annual compound growth rate	Exercise price
Eligibility hurdle	**R68.03**	10%	R42.24
Performance hurdle 1	**R84.96**	15%	R21.12
Performance hurdle 2	**R128.91**	25%	R1.00

2. The Forfeitable Share Plan for senior management (FSP)

In line with local and global best practice, Pick n Pay Stores Limited has adopted a new share incentive plan. The Pick n Pay Stores Limited Forfeitable Share Plan (FSP) is aimed at executive directors and key senior management personnel. The FSP was approved by shareholders, with an 80% majority vote, at an extraordinary general meeting held at the Company's head office on 12 February 2014.

The FSP recognises those key Pick n Pay managers 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 share plan recognises the valuable contribution of senior management and through the attachment of performance conditions incentivises management to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

An important feature of the FSP is that before employees are eligible to participate, they must first meet their individual key performance indicators, as set out in the strategic business plan. This will ensure that employees are appropriately and fairly recognised and rewarded for performance delivery. Therefore, if an employee does not meet his or her performance targets and does not participate in the short-term incentive bonus scheme, the participant will not be eligible for forfeitable shares.

Regular annual awards will be made on a consistent basis to ensure long-term shareholder value creation, while always first considering the overall affordability of the plan for the Group and its benefit for shareholders. The remuneration committee will award the shares to participants. The actual number of shares awarded will take into account recognised market benchmarks, as well as each participant's individual performance, annual salary, employment grade and other relevant retention and attraction requirements.

Forfeitable shares are performance shares. Shares awarded under the FSP will always have performance conditions attached. If the performance conditions are not met within the specified time period (the vesting period), the employee will forfeit the shares.

The remuneration committee will determine appropriate performance conditions and vesting periods for each individual award of shares, taking into account the current business environment and market best practice at the time of making the award. The performance conditions will be linked to the financial performance of the Group, with headline earnings per share (HEPS) currently being the preferred performance measure. Pick n Pay believes that this is the most appropriate performance measure against which to judge the performance of its management team, because executive performance and successful execution of strategy has a direct impact on the earnings of the Group. However, the remuneration committee will review and determine appropriate performance measures for each award under the FSP.

Performance conditions are applied on a rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded.

The first issue of shares under the FSP will be awarded under the following performance conditions and vesting scale:

Growth in HEPS over three years	Number of shares which vest
Cumulative HEPS growth of < 10% per annum	No shares will vest (all will be forfeited)
Cumulative HEPS growth of 10% per annum	30% of the shares will vest
Cumulative HEPS growth of 12% per annum	65% of the shares will vest
Cumulative HEPS growth of 15% per annum	100% of the shares will vest

It is important to note that the growth thresholds detailed above are after the applicable IFRS 2 expense, which will be charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding. The IFRS 2 charge is significant, with the stretch target of 15% HEPS growth per annum equating to a pre-IFRS earnings growth of almost 80% over the three-year period, based on the 2014 financial result.

The FSP will be run at all times with the best interests of the Company and its shareholders in mind. The performance conditions are subject to an overriding condition that Pick n Pay'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 Pick n Pay has generated real return for shareholders before rewarding its management team.

Remuneration committee report continued

In addition, sound working capital management and strong cash flow is key to the success of the business. As such, no shares will be awarded under the FSP if the business has not generated sufficient cash flow over the year to be able to buy the shares in the market, after meeting all the working capital and investment needs of the business.

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 will be held by an escrow agent 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 or death), all shares will be forfeited.

No shares have yet been awarded under the new FSP. The earnings of the 2014 financial year will be used as a base for the plan and it is anticipated that the first awards will be made in June 2014.

The first award of shares (approximately eight million shares) will be funded by a fresh issue of share capital (approximately 1.7% of current share capital), and all subsequent awards will be met through the open-market purchase of shares to avoid any further dilution.

Service contracts

Executive directors and key management are employed in terms of the Group's standard contract of employment and are not employed under fixed-term contracts. Senior management are required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months. The normal retirement age is 60 years, which applies to all executives. 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 payments may be made in this regard (restraint of trade payments).

Non-executive directors' remuneration

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 to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Fees are not subject to attendance at meetings as attendance at Board meetings is generally very good.

Remuneration is not linked to the performance of the Group or share performance. Non-executive directors do not receive performance-related bonuses and are not granted forfeitable shares or share options. The fees for the 2014 annual financial period were approved by shareholders at the AGM held on 25 June 2013. The proposed fees for the 2015 annual financial period will be submitted to shareholders for approval at the AGM to be held on 2 June 2014.

Chairman – in setting Gareth Ackerman's annual fee of R3.45 million, the remuneration committee took the following factors into account:

- The role Gareth played in ensuring a smooth transition into the business of new CEO Richard Brasher
- The active role he plays in the corporate governance of Pick n Pay and formulating over-arching strategy for the individual companies within the Group
- While Gareth does not play a day-to-day role in the executive management and administration of the business, he makes himself available to the executive team in a valuable advisory capacity

Fees for the current and proposed periods are as follows:

	Proposed 2015 R	Actual 2014 R
Chairman of the Board	**3 450 000**	3 450 000
Lead independent non-executive director	**107 000**	100 000
Non-executive director of the Board	**320 000**	300 000
Chairman of the audit committee	**265 000**	250 000
Member of the audit committee	**107 000**	100 000
Chairman of the remuneration committee	**140 000**	130 000
Member of the remuneration committee	**70 000**	65 000
Member of the nominations committee[1]	**65 000**	60 000
Member of the social and ethics committee[2]	**70 000**	65 000
Chairman of the corporate finance committee[3]	**160 000**	150 000
Member of the corporate finance committee[3]	**107 000**	100 000
Trustee of the employee share purchase trust	**31 000**	29 000

[1] *The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.*
[2] *The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.*
[3] *The corporate finance committee is an ad hoc committee. In the event that it is convened during the financial period, the fees paid shall not exceed the annual fees for the proposed period.*

SECTION TWO

1. Executive directors and prescribed officers

a. Remuneration and benefits awarded to directors

2014	Fees for Board meetings R'000	Base salary R'000	Annual bonus R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total R'000	Expense related to share options granted (IFRS 2) R'000
Richard Brasher	1.5	7 000.0	5 250.0	948.5	1 969.4	15 169.4	3 973.3
Richard van Rensburg	1.5	3 229.3	800.0	559.7	261.7	4 852.2	1 603.3
Bakar Jakoet	1.5	2 670.0	800.0	468.4	243.7	4 183.6	1 851.4
Jonathan Ackerman	1.5	1 947.0	500.0	357.5	261.4	3 067.4	516.5
Suzanne Ackerman-Berman	1.5	1 827.3	500.0	343.5	256.0	2 928.3	605.9
Total remuneration	**7.5**	**16 673.6**	**7 850.0**	**2 677.6**	**2 992.2**	**30 200.9**	**8 550.4**

2013*	Fees for Board meetings R'000	Base salary R'000	Annual bonus R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total R'000	Expense related to share options granted (IFRS 2) R'000
Gareth Ackerman**	1.5	3 100.3	—	—	254.4	3 356.2	—
Richard Brasher***	1.5	811.5	—	134.5	167.4	1 114.9	413.7
Richard van Rensburg	1.5	3 240.0	—	510.0	240.0	3 991.5	1 603.3
Bakar Jakoet	1.5	2 537.0	—	409.6	241.2	3 189.3	1 900.2
Jonathan Ackerman	1.5	1 971.2	—	333.6	246.2	2 552.5	969.0
Suzanne Ackerman-Berman	1.5	1 966.3	—	325.2	252.0	2 545.0	1 057.4
Total remuneration	**9.0**	**13 626.3**	**—**	**1 712.9**	**1 401.2**	**16 749.4**	**5 943.6**

* *All remuneration for the 2013 financial year has been presented in line with the classifications of the 2014 financial year. As a result, certain amounts have been reclassified between base salary, retirement and medical contributions and fringe and other benefits. These reclassifications had no impact on the total remuneration previously presented.*
** *Performed a dual role of Chairman and acting CEO until the appointment of the new CEO, Richard Brasher.*
*** *Appointed to the Board as CEO during 2013 and received remuneration from this date. Prior to his appointment, Richard Brasher received contractor fees of R897 489 and the Group paid for his relocation costs of R971 447. Both these costs were not included in his remuneration.*

Prescribed officers

The Board is wholly responsible for the formulation, development and effective implementation of Group strategy. In turn, the Board delegates operational strategy implementation and general executive management of the business to its executive directors. As such, in terms of section 38 of the Companies Act 2008, the executive directors of the Board are identified as prescribed officers, and their remuneration is detailed above.

b. Share options granted to directors – PIK

Director	Type of share option	Calendar year granted	Option grant price R	Balance held at 4 March 2013	Granted during period	Taken-up during period	Balance held at 2 March 2014	Available for take-up
Richard Brasher	standard	2012	42.24	333 334	—	—	333 334	Nov 2015
	standard	2012	42.24	333 333	—	—	333 333	Nov 2017
	standard	2012	42.24	333 333	—	—	333 333	Nov 2019
	binary	2012	42.24	1 000 000	—	—	1 000 000*	Nov 2017
				2 000 000	**—**	**—**	**2 000 000**	
Richard van Rensburg	binary	2011	36.55	400 000	—	—	400 000*	May 2015
				400 000	**—**	**—**	**400 000**	
Bakar Jakoet	standard	2003	12.00	250 000	—	—	250 000	Now
	standard	2007	31.15	5 779	—	—	5 779	Now
	standard	2008	26.55	3 954	—	—	3 954	Now
	standard	2008	26.55	3 953	—	—	3 953	Now
	standard	2008	26.14	60 000	—	—	60 000	Now
	standard	2008	26.14	45 000	—	—	45 000	Now
	standard	2008	26.14	45 000	—	—	45 000	Aug 2015
	standard	2009	28.20	8 689	—	—	8 689	Now
	standard	2009	28.20	3 724	—	—	3 724	Now
	standard	2010	42.28	719	—	—	719	Now
	standard	2010	42.28	540	—	—	540	Now
	standard	2010	42.28	540	—	—	540	Now
	binary	2010	41.23	500 000	—	—	500 000*	May 2014
	standard	2011	41.70	200 000	—	—	200 000	Now
	standard	2011	41.70	300 000	—	—	300 000	Apr 2016
				1 427 898	**—**	**—**	**1 427 898**	
Jonathan Ackerman	standard	2005	20.70	6 441	—	—	6 441	Now
	standard	2006	28.00	14 286	—	—	14 286	Now
	standard	2007	31.15	14 446	—	—	14 446	Now
	standard	2008	26.56	9 414	—	—	9 414	Now
	standard	2008	26.14	25 000	—	—	25 000	Aug 2015
	standard	2008	26.14	25 000	—	—	25 000	Aug 2016
	standard	2008	26.14	25 000	—	—	25 000	Aug 2017
	standard	2008	26.14	25 000	—	—	25 000	Aug 2018
	standard	2009	28.20	6 207	—	—	6 207	Now
	standard	2009	28.20	2 660	—	—	2 660	Now
	standard	2010	42.27	624	—	—	624	Now
	standard	2010	42.27	468	—	—	468	Now
	standard	2010	42.27	468	—	—	468	Now
	binary	2010	41.23	400 000	—	—	400 000*	May 2014
				555 014	**—**	**—**	**555 014**	
Suzanne Ackerman-Berman	standard	2004	21.00	10 000	—	—	10 000	Now
	standard	2007	31.15	60 000	—	—	60 000	Now
	standard	2007	31.15	60 000	—	—	60 000	Now
	standard	2007	31.15	2 408	—	—	2 408	Now
	standard	2008	26.56	2 259	—	—	2 259	Now
	standard	2008	26.56	2 260	—	—	2 260	Now
	standard	2008	26.14	25 000	—	—	25 000	Aug 2015
	standard	2008	26.14	25 000	—	—	25 000	Aug 2016
	standard	2008	26.14	25 000	—	—	25 000	Aug 2017
	standard	2008	26.14	25 000	—	—	25 000	Aug 2018
	standard	2009	28.20	6 207	—	—	6 207	Now
	standard	2009	28.20	2 660	—	—	2 660	Now
	standard	2010	42.27	569	—	—	569	Now
	standard	2010	42.27	426	—	—	426	Now
	standard	2010	42.27	426	—	—	426	Now
	binary	2010	41.23	400 000	—	—	400 000*	May 2014
				647 215	**—**	**—**	**647 215**	

**The exercising of these 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.*

c. Share options granted to directors – PWK

	Calendar year granted	Option grant price R	Balance held at 4 March 2013	Balance held at 2 March 2014	Available for take-up
Jonathan Ackerman	2010	16.00	1 000	**1 000**	Now
	2012	20.03	400	**400**	Now
			1 400	**1 400**	
Suzanne Ackerman-Berman	2011	15.35	400	**400**	Now
Bakar Jakoet	2005	11.50	400	**400**	Now
	2008	11.33	600	**600**	Now
	2010	16.00	400	**400**	Now
			1 400	**1 400**	
Richard van Rensburg	2011	15.18	1 000 000	**1 000 000**	Oct 2014

2. Non-executive directors

Fees paid to non-executive directors

2014	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
Gareth Ackerman*	**3 450.0**	—	—	—	—	—	—	—	**3 450.0**
John Gildersleeve[1]	**107.7**	—	—	—	—	—	—	—	**107.7**
David Friedland[2]	**64.1**	—	—	—	—	—	—	—	**64.1**
Hugh Herman	**300.0**	**100.0**	**100.0**	**130.0**	—	**100.0**	—	**29.0**	**759.0**
Audrey Mothupi[2]	**64.1**	—	—	—	—	—	—	—	**64.1**
Lorato Phalatse	**300.0**	—	—	—	**30.0**	**100.0**	**65.0**	—	**495.0**
David Robins	**300.0**	—	—	—	—	—	—	—	**300.0**
Ben van der Ross	**300.0**	—	**100.0**	**65.0**	—	**100.0**	—	**29.0**	**594.0**
Jeff van Rooyen	**300.0**	—	**250.0**	—	—	**150.0**	—	—	**700.0**
Total remuneration	**5 185.9**	**100.0**	**450.0**	**195.0**	**30.0**	**450.0**	**65.0**	**58.0**	**6 533.9**

2013	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
Gareth Ackerman	349.7	—	—	—	—	—	—	—	349.7
Hugh Herman	300.0	100.0	100.0	130.0	—	100.0	—	29.0	759.0
Alex Mathole[3]	300.0	—	100.0	—	—	—	—	—	400.0
Lorato Phalatse	300.0	—	—	—	—	100.0	65.0	—	465.0
David Robins	300.0	—	—	—	—	—	—	—	300.0
Ben van der Ross	300.0	—	100.0	65.0	—	100.0	—	29.0	594.0
Jeff van Rooyen	300.0	—	250.0	—	—	150.0	—	—	700.0
Total remuneration	**2 149.7**	**100.0**	**550.0**	**195.0**	**—**	**450.0**	**65.0**	**58.0**	**3 567.7**

** Gareth Ackerman also received an amount of R169 600 to reimburse him for travel expenses personally incurred.*

[1] *Appointed October 2013.*

[2] *Appointed December 2013.*

[3] *Resigned February 2013.*

Remuneration committee report continued

3. Directors' interest in shares – PIK – all held beneficially

2014	How held*	Balance at 4 March 2013	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 2 March 2014
Gareth Ackerman	direct	43	—	—	—	—	**43**
Jonathan Ackerman	direct	43	—	—	—	—	**43**
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	**2 500**
	indirect	4 651	—	—	—	—	**4 651**
Bakar Jakoet	direct	500 000	—	—	—	—	**500 000**
	indirect – spouse and minor children	530	—	—	—	—	**530**

2013	How held*	Balance at 1 March 2012	Additions during the period	Average purchase price per share R	Disposals during the period	Average selling price per share R	Balance held at 3 March 2013
Gareth Ackerman	direct	43	—	—	—	—	**43**
Jonathan Ackerman	direct	43	—	—	—	—	**43**
Suzanne Ackerman-Berman	direct	2 500	—	—	—	—	**2 500**
	indirect	4 651	—	—	—	—	**4 651**
Bakar Jakoet	direct	500 000	—	—	—	—	**500 000**
	indirect – spouse and minor children	530	—	—	—	—	**530**
David Robins	direct	74 108	—	—	(74 108)	40.23	**—**
	indirect	224 000	—	—	(224 000)	40.34	**—**

** Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*

Hugh Herman
Chairman: remuneration committee

14 April 2014

Pick n Pay Stores Limited

Social and ethics committee report

The social and ethics committee operates in accordance with the requirements of the Companies Act and King III, and is governed by a charter that is reviewed and approved annually by the Board.

In line with the Group's vision and culture, the objectives of the committee are to ensure that high ethical standards are applied in all areas of the business, as well as to review and approve the policy, strategy and structure for managing the social issues in the Group. The Group's principle of "doing good is good business" is the cornerstone of the work done by the committee.

Role of the committee

The committee oversees the monitoring, assessment and measurement of the Group's activities in the following areas:

- Ethics and code of conduct compliance
- Environmental, social and governance issues, including human rights, corruption, employment equity and transformation
- Social and economic development
- Relevant stakeholder relations
- Empowerment and transformation
- Enterprise development
- Corporate social investment
- Ethical treatment of animals
- Local, ethical and sustainable procurement
- Integrity of food products and ingredients
- Relevant regulatory, statutory and legislative compliance

The committee relies on management for the implementation of strategies and initiatives.

Composition of the committee

The social and ethics committee is chaired by an executive director, Suzanne Ackerman-Berman. Her position as director of transformation, chairman of the Ackerman Pick n Pay Foundation and head of the Pick n Pay Small Business Incubator, as well as her philanthropic work, makes Suzanne uniquely qualified to chair the committee. Other committee members comprise independent non-executive director, Lorato Phalatse, members of management responsible for corporate affairs and for human resources, the Company Secretary, senior management and technical experts on areas of mandate. Care has been taken to ensure that all levels and areas of expertise across the Company are represented on the committee.

Frequency of meetings

Director representation	Status	16 May 2013	6 August 2013	28 November 2013	13 February 2014
Suzanne Ackerman-Berman	Chairman and executive director	P	P	P	P
Lorato Phalatse	Non-executive, independent director	P	P	P	P

P = present

Period under review

During the period under review, the committee:

- presented its report to the shareholders at the AGM held on 25 June 2013;
- formalised the code of ethics, which was approved by the Board and published on our website, www.picknpayinvestor.co.za;
- continued to review relevant policies;
- reviewed mechanisms to encourage ethical behaviour such as the whistle-blowing policy, which was confirmed as adequate by the committee;
- regularly reviewed consumer complaints, which are also monitored by senior management, in line with the Consumer Protection Act; and
- considered the Company's Level 6 rating for broad-based black economic empowerment (BBBEE) performance. The focus areas were employment equity, skills development and enterprise development. The Group is currently reviewing its plans and social responsibility structures in order to align with the newly promulgated revised BBBEE codes.

As a result of the Group's commitment to conducting business in a sustainable manner, the Company remains on the Socially Responsible Investment Index of the JSE.

A review has been conducted of work done to date. The committee is of the view that, in all material respects, it has achieved its objectives for the 2014 financial year. There were no items reported on that would indicate non-compliance with the requirements of the social and ethics committee as required in terms of the Companies Act.

Suzanne Ackerman-Berman
Chairman: social and ethics committee

14 April 2014

Pick n Pay Stores Limited
Risk management report

The Group operates in the fast moving consumer goods industry 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 impacts 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 and risk committee, whose responsibility it is to develop, communicate and monitor the risk management process across all divisions in the Group. The audit and risk committee is integral to the risk management process, with specific oversight of financial, operational and information technology risks and the associated internal controls (please refer to the audit and risk committee report on pages 51 to 52 for further information on the composition and responsibilities of the audit and risk committee). The Chief Finance Officer serves as the Chief Risk Officer for the Group and attends all audit and risk committee meetings by invitation.

The day-to-day responsibility for identifying, evaluating and managing risk remains the responsibility of the senior management team, who are supported by the internal audit function. 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 key business risks, which are then confirmed and addressed by the relevant individual divisional managers. 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.

Over the past few financial years the Group experienced restructuring and change, resulting in a tightly focused risk approach, albeit on a predominantly informal basis, aimed at ensuring business continuity. The current risk-related focus for the Group is to embed and stabilise the new structures, standardise systems and processes and to formalise and consolidate risk monitoring and reporting. The intent is to establish a dedicated risk management oversight function within the next two to three years.

Key business risks

The risks reported on in the 2014 financial year relate closely to the Group's ability to create value and to meet the objectives of its long-term strategic plan. The risks detailed below are by no means complete, rather focusing on those risks that are considered material in the context of the Group's strategic objectives. This report mainly covers our Pick n Pay business in South Africa, and while in many instances the commentary is applicable to our Pick n Pay business in the rest of Africa and our Boxer business, disclosures will be expanded over the next few years to incorporate all business units.

Pick n Pay recognises that the sustainability of the Group is dependent on sustainable and mutually beneficial relationships with all our stakeholders, and has embedded strong stakeholder engagement throughout its operations. We therefore consider the material risks facing the business, per individual stakeholder group.

Customers

The central objective of our long-term plan is to be the retailer for every South African.

Strategic objective	Key challenges and risks	Our performance
To provide a leading product offering that: • gives our customers what they want (a relevant range) • is available on-shelf when needed and • is compliant with applicable food safety standards.	Consistent and outstanding execution in the purchase, distribution and selling of products that are safe. Key processes to ensure that the right product is on the shelf at the right time include: • supplier negotiations • ordering • forecasting • replenishment • distribution • store execution	**The implementation of a new forecast and replenishment (F&R) system by the end of the 2015 financial year in order to increase the accuracy and efficiency of the replenishment of products for our customers.** • The system enables automatic forecast-based supplier orders at our distribution centres and at store level for direct supplier deliveries. • Overall on-shelf availability has increased by 2.4% during the year under review. **Ranging and clustering** • Pick n Pay is implementing a more accurate and analytical method of ranging products appropriate to specific store "clusters", enriched by information from our smart shopper loyalty programme. **Distribution** • Pick n Pay has a dedicated supply chain team responsible for distribution throughout the country. • We increased the number of products distributed through the Group's distribution centres during the year, to ensure the Group and its customers benefit from all available synergies and efficiencies. • The world-class Enterprise Warehouse Management system (EWM) that is effective in our Philippi distribution centre will be rolled out into Longmeadow in the 2015 financial year, along with other relevant operational enhancements. **Food safety** • All suppliers are audited by a third-party auditing company, and are awarded an audit score based on their performance against safety standards. The audit frequency is determined by the level of risk associated with the audit score. • All stores (company owned and franchise) undergo a food safety audit on a monthly basis regardless of the last audit score obtained. Should a store fail a food safety audit they are re-audited within 14 days to ensure compliance is restored.
To ensure that our store base is within reach of our customers.	Ensuring convenience for customers with the correct format store in the appropriate location while negotiating competitive rental payments and escalation terms.	• We remain a tenant of choice in the retail industry and continue to negotiate competitive rentals and escalation terms with our landlords. • The Group opened 111 new stores during the year and closed 26 under-performing stores, adding 3.4% net new space. We grew our Pick n Pay and Boxer brands across a variety of retail formats, ranging from stores which serve lower-income communities, through to the new Waterfront store in Cape Town. The Group now has 1 076 stores, comprising 643 company-owned stores and 433 franchise stores, across multiple retail formats and six southern African countries. Refer to page 7 for detail of our store footprint. • We have grown our online food delivery business by 27% over the year. We now have more than 2 000 deliveries per week, and have extended our service during the year within the Western Cape, KwaZulu-Natal and the Free State.
Creating an excellent place to shop through great customer service.	Optimising the number of staff in our stores and the associated cost of labour, while providing the high level of service that our customers deserve.	• We implemented a new Kronos system (labour time and attendance) during 2014, which has helped us control our wage cost and improve labour productivity. • We received positive feedback from our ongoing engagement with customers during 2014. Refer to our engagement with stakeholders section on page 14 for more detail.
Ensuring our customers have knowledge of our great prices and promotions through ethical and informative marketing practices.	Customers may lose trust in the Group if marketing or promotional communication is not accurate, if advertised pricing does not reflect on-shelf, advertised lines are not available, or if customers do not receive their smart shopper points in a timely manner.	• Senior management structures and processes are in place to ensure our marketing and operational teams work well together. They are able to monitor trade effectively in order to be able to address any problems swiftly and with open engagement with customers. • We listen to our customers and front line staff, and use these insights, together with market share analysis to inform our trade and marketing decisions. • In 2014 our enhanced point of sale system allowed us to display the smart shopper points on our till slip to ensure that our customers can readily see the points that they have earned.

Risk management report continued

Communities

One of our founding principles is "doing good is good business". Customers reward those businesses that they believe give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities.

Strategic objective	Key challenges and risks	Our performance
To do good in our local communities – and to ensure that our local communities benefit from our ongoing investment in social, environmental and economic development.	Empowering all our stores across our broad network to engage effectively with their local stakeholders.	• Our regional teams are encouraged to identify opportunities to address social needs in their communities. Our stores donated R15 million worth of food to FoodBank South Africa to assist communities in need. • We assist schools with curricula-aligned educational material through our School Club, the membership of which increased by 250 schools to 2 750 participants during the year under review.
	Finding and securing the appropriate sites in lower-income communities so that we can open stores and create new jobs and opportunities where they are most needed.	• We have opened 18 stores in lower-income communities during the year. • We have created more than 2 000 employment opportunities in lower-income communities, in owned and franchise stores.
	Poor execution or poor administration of a charitable project may result in a community not benefiting from our initiatives in a timely or effective manner. This would not only cast doubt on our commitment and integrity, we would also not achieve the social or economic upliftment we are looking for.	• All the charitable initiatives we undertake have clear time frames and measurable objectives, with field workers who visit and mentor our charitable projects on a regular basis. • Pick n Pay does not provide funding to a project until a detailed project plan has been developed, which demonstrates that effective project management and financial administration will be a priority throughout the project implementation.
Being environmentally responsible. We care for the environment and will show leadership in environmental responsibility and sustainability in our sector.	Finding the right balance between minimising our waste (food past its sell-by date and other unwanted materials), while providing our customers with the widest range of products and consistent availability.	We have a number of measures in place to minimise waste, including: • Increasing the use of recycled material and material from sustainable sources in our product packaging and wrapping. • The central ordering of fruit and vegetables to improve product freshness and on-shelf availability at store level. • All our bakeries have a production schedule in place to ensure that products are prepared based on customer demand. • The active monitoring of food waste at store level on a daily basis has reduced our fresh food write offs by 10% during the year under review.
	Finding cost-effective ways to reduce our carbon footprint and preparing for the carbon tax set to be implemented in 2016 in South Africa.	• In 2013 the Group achieved its carbon emissions target originally set for 2015. Refer to the social and environmental sustainability summary on page 16 for the related detail. • By optimising routing and reducing the frequency of deliveries, we have reduced absolute carbon emissions of our fleet by 6% in the past year. • We are the highest ranking retailer in Africa in the Carbon Disclosure Project's Global Climate Performance Leadership index (CDLI).

Employees

Our people are an integral part of our long-term strategy to become the retailer for every South African.

Strategic objective	Key challenges and risks	Our performance
To be the most talented South African retail business by attracting, retaining and motivating our employees through meritocracy.	Attracting and retaining scarce and skilled talent in all areas of the business.	• Our remuneration policy (detailed in the remuneration report on pages 55 to 63) rewards employees for their individual contribution to the Group's strategic, operating and financial performance. It is aimed at ensuring that top talent is developed and retained while attracting critical skills and experience in the retail industry.
We seek to create equal opportunities for our employees to prosper and develop, both professionally and personally and want the composition of our employee base to accurately reflect wider society.	Instilling diversity and transformation as an everyday practice at all levels of our business.	• We have two diversity programmes that address the management of diversity and workplace forums assist in terms of policy development and monitoring. • Our organisational development division is dedicated to monitor our employment equity plans and employment equity forms part of senior management's key performance indicators. • Our employee base accurately reflects society at shop floor and store manager levels. We now need to extend this to senior manager levels. Refer to our five year review on page 36 for employment equity analysis. • BBBEE skills development score increased by 10% during the year under review. • This financial year we invested R92 million in skills development programmes for our employees.
To create an effective lean organisation structure and a cost-effective support office structure.	Finding the right balance between the levels of skills and talent required to grow the business in a sustainable manner today, while managing the cost of labour optimally.	• We have successfully completed the centralisation of our buying, operational and finance support functions, removing duplicate costs and services in the business. This process necessitated tough decisions during the year and resulted in the retrenchment of some head office support staff. This was a difficult time for the business, but the rigorous review of all support structures and processes has enabled us to create a more streamlined and effective support office. • A talent review is conducted at a senior level twice a year to identify those employees who are valuable to the business in terms of skill, talent and potential and who need to be given development and career path opportunities. • A formal process to improve career paths and development opportunities for employees have commenced, led by the CEO and head of human resources.

Franchisees

We aim to operate the most attractive and mutually beneficial franchise model in the retail industry and be the franchisor of choice for the best retail entrepreneurs across the fast moving consumer goods (FMCG) industry.

Strategic objective	Key challenges and risks	Our performance
To operate and grow a franchise model that is mutually beneficial to both parties, resulting in sustainable and value-driven businesses.	To continuously innovate and maintain a franchise agreement that is relevant in a changing retail environment, and benefits all parties involved. A balance must be found which allows the franchisees the necessary financial freedom and support to grow their business as an independent entrepreneur, while safeguarding the reputation and sustainability of the Pick n Pay brand in terms of service delivery, marketing practices, food safety and product availability.	• The existing franchise model is simple to understand and practical to implement. • We are continuously investigating ways in which we can improve on agreement terms to the benefit of both franchisees and the Group. • The support to our franchisees has improved by adding increased resources in general management, administration, demand-planning, and property and brand management.
	Managing our credit risk effectively and appropriately, while affording our franchisees the opportunity to grow their business.	• Weekly meetings are held across all operating regions to evaluate franchise debt and to determine any necessary action to be taken. • A franchise module tailored for the emerging market has assisted franchisees trading in this environment with structured repayment of debt. • Refer note 28 of the financial statements on pages 128 to 133 for an analysis of trade and other receivables and the management of the related credit risk.

Risk management report continued

Shareholders

Our shareholders can trust that we will operate in accordance with the highest principles of good corporate governance, and will follow innovative business practices, at acceptable levels of risk, in order to provide an attractive return on investment that is consistent and sustainable over the long term.

Strategic objective	Key challenges and risks	Our performance
To generate consistent, sustainable profits in a highly competitive environment.	We continuously face expansion by various retail chains and new entrants into the local retail sector as well as increasing price competitiveness. Customers are facing increasing financial pressure as a result of rising fuel, electricity and other utility costs, rising interest rates and levels of household debt. The weak rand is also contributing to rising commodity and consumer goods prices and customers are seeking ever greater value-for-money. Environmental and social risks, including energy, food and water security, could have a direct impact on the sustainability of the Group.	• Our teams are structured in a manner which allows us to effectively monitor our trade and operational performance and react quickly and cohesively to market changes or operational challenges. • Strong financial control is crucial in this environment. The Group's improved financial performance reflects the encouraging progress made over the past year in reducing cost through greater organisational and operating efficiency and tighter fiscal control across the business. We reduced our operating expenses as a percentage of turnover and improved our trading profit margin.
To grow our business in order to compete actively and effectively in South Africa and the rest of Africa.	The continuous expansion of Pick n Pay's reach at an acceptable level of risk and in a sustainable manner is a challenge. Finding the right locations and expanding in the most efficient and economical manner is key.	**Opportunities in South Africa** • We evaluate all expansion opportunities carefully and subject them to scrutiny at our property committee (which comprises our CEO and senior management from operations, franchise and finance). • The expected returns from new sites as well as their impact on existing stores are interrogated by the Finance Division to ensure that they are sustainable. • We have set very strict space, rental and capital frameworks to ensure that new stores meet trading density and cost-efficiency criteria. **Opportunities in the rest of Africa** • Every market is carefully evaluated by the Africa Division along with the strategy team. • In some markets, this will include an advance team to provide detailed investigation on the ground. • All new expansion must be sanctioned by our CEO and CFO and must strategically align with the longer-term Pick n Pay business plan, which is ratified by the Board.
To be adequately prepared for possible significant disruptions or disasters and to ensure that, should they occur, they have the least possible effect on the sustainable profits of the Group.	Unforeseen events, particularly in our supply chain or support office could have a significant impact on the Group's performance. Finding the optimum balance between the costs of implementing these business continuity strategies and the related benefits is a challenge. We have a large reliance on our information systems for our day-to-day operations. With the speed of technology changes globally and our Group's expansion we face tremendous challenges to keep our operating systems stable, suitable and properly managed.	• Pick n Pay has completed a Business Impact Analysis (BIA) using a three-tier business process criticality rating. Using the BIA, Pick n Pay's Information Services (IS) Division developed an information systems disaster recovery (DR) strategy for the two most critical tiers, and implemented appropriate recovery solutions. • The Supply Chain Division has continued to develop and refine business continuity plans to address potential operational disruptions at the critical distribution centres. • Business interruption plans identified in the BIA affecting other business areas are in various stages of development. • A primary focus of the Information Systems Division is to continue maturing the current IS processes. This will ensure that change is introduced in a responsible fashion, which meets business requirements and system stability. This also includes the education of all system users. • Where possible all Group assets are insured.

Strategic objective	Key challenges and risks	Our performance
The effective management of Group assets to ensure working capital excellence and capital efficiency to minimise financial risk and maximise return on investment.	Finding the right balance of working capital (inventory, short-term receivables and payables) in order to meet all the needs of stakeholders, while reducing the liquidity and credit risks faced by the Group.	• The Group's management of financial risk during the period under review is detailed in note 28 of the financial statements on pages 128 to 133 as well as the CFO's report on page 27.
To operate according to the highest standards of corporate governance and ensure compliance with all relevant legislation.	The Group always strives to comply with all relevant laws and regulations. However, it remains a challenge especially given our diverse trading environment and the ever increasing burden of regulatory compliance.	• Compliance questionnaires have been prepared on all statutes where Pick n Pay is at risk for non-compliance. These questionnaires are distributed twice a year to the relevant division/store for completion. This serves the dual function of ensuring compliance, and of educating employees with relation to what is required to comply with statute and regulation. Refer to the legal report on page 74.

Suppliers

We want to build a resilient supplier network that is flexible to the needs of our customers.

Strategic objective	Key challenges and risks	Our performance
Establish fair, efficient and mutually beneficial business relationships with our suppliers to ensure an efficient and sustainable supply chain, as well as the lowest possible cost of goods.	Climate changes and population growth is starting to have an impact on supply capacity. Suppliers supply to the retailer that is the most beneficial for their own growth and sustainability and the challenge is to ensure that we remain the most beneficial retailer for them, but also that we maintain the suppliers that are most beneficial to us.	• We have implemented a Centralised Buying Division to eliminate duplicate administration and reduce the cost of doing business with Pick n Pay. • During the past year, Pick n Pay and its suppliers focused on improving service levels, better product pricing and more effective promotional activities. • We have been building our local and international supplier base to ensure continued supply of goods at the right prices and to enhance competition among suppliers.
Developing a diverse and ethical supplier base.	Finding the balance between developing our small suppliers and suppliers in Africa, but still providing a product range to our customers that will meet their requirements in terms of availability, safety, quality and price.	**South Africa** • We operate a small supplier development programme supported by mentorship which is provided by senior managers in the Group. • A supplier can only become a Pick n Pay supplier once all requirements have been met – these include health and safety audits, credit checks and a sound distribution network. • We increased our preferential procurement score by 14% during the year under review. • We source more than 90% of our Pick n Pay branded products locally. **Rest of Africa** • In every country, our ambition is to be as local as possible, this means sourcing as much inventory as possible from local suppliers and ensures that we remain true to our founding principles. • We work hand in hand with our smaller suppliers to ensure that we can range their product and potentially import to South Africa.

Legal report

Compliance

The compliance framework rests on the Group's comprehensive set of policies, which are regularly updated to reflect governance best practice and the evolving legal environment. All employees and companies in the Group are obliged to comply with these policies.

Compliance questionnaires are distributed bi-annually to relevant departments to monitor compliance with statutes and regulations that have a bearing on the retail industry, such as the Companies Act, the Competition Act and the Consumer Protection Act. Statutory developments are regularly monitored to establish the compliance regime. Current areas being assessed include the Protection of Personal Information Act.

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 the provisions of statutes, for example the provisions of the Consumer Protection Act.

The compliance questionnaires are audited internally to ensure accurate reporting.

No judgments, damages, penalties or fines for non-compliance with any legislation were recorded and/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 are required to declare in writing that to the best of their knowledge, they and the companies they serve, have complied with all relevant statutes and regulations. The most recent of these exercises was completed in March 2014, and no incidents of contravention of the policies or the statutes were reported.

Competition Commission

In June 2009, the Competition Commission initiated an investigation into various practices of supermarket retailers, examining competition concerns relating to grocery retail, including buyer power, category management, information exchange and long-term lease agreements. Pick n Pay co-operated fully with the Competition Commission in providing all information requested. After investigation, the Competition Commission informed retailers that they wished to further examine long-term exclusive lease agreements. All other concerns were dismissed.

The Competition Commission conducted an investigation into whether or not long-term exclusive lease agreements, as entered into between landlords and Pick n Pay and other national retail chains, were anti-competitive.

In January 2014, the Competition Commission informed the Company that they had concluded that the investigation did not warrant referral to the Competition Tribunal for determination.

All matters under investigation in regard to supermarket retailers have been concluded with a notice of non-referral of complaint, confirming Pick n Pay's belief that no anti-competitive behaviour existed.

Litigation matters

The Company and its subsidiaries are not involved, and have not in the 2014 annual financial period been involved, in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Pick n Pay Group of Companies, nor is the Company aware of any such proceedings that are pending or threatened.

Pick n Pay Holdings Limited RF

Board of directors

Non-executive directors

Raymond Ackerman

BCom and various honorary doctorates

Chairman

Appointed 1981

Raymond founded Pick n Pay in 1967. He was CEO of the Group until 1999, when the roles of Chairman and CEO were split. He remained Chairman until 2002 at which time Gareth Ackerman was appointed in his stead. In 2010 he was reappointed as Chairman of Pick n Pay Holdings Limited RF and retired from the Pick n Pay Stores Limited Board, when Gareth was appointed Chairman of Pick n Pay Stores Limited. He has won many accolades over the years as a leader, a businessman, a humanitarian and as the champion of the consumer.

Wendy Ackerman

Appointed 1981

Wendy is one of the founding executives of Pick n Pay. She was appointed to the Board in 1981. She retired from the Pick n Pay Stores Limited Board in 2010. She remains integral to employee liaison, employee benefits and the management of extensive bursary funds. Mrs Ackerman has been widely recognised for her contribution to education, arts and culture, and environmental conservation throughout South Africa.

Gareth Ackerman

Appointed 1987

See CV under Pick n Pay Stores Limited on page 40.

Independent non-executive directors

René de Wet

CA(SA)

Audit committee chairman

Appointed 1981

René was an executive at Pick n Pay for 29 years, and was appointed to the Board in 1975. He was appointed joint managing director in 1993 and deputy Chairman in 1995. He retired as an executive director in 1999 but remained on the Pick n Pay Stores Limited Board as a non-executive director until 2008.

Hugh Herman

Audit committee member

Appointed 1981

See CV under Pick n Pay Stores Limited on page 41.

Jeff van Rooyen

Audit committee member

Appointed 2011

See CV under Pick n Pay Stores Limited on page 41.

Alternate directors

Suzanne Ackerman-Berman

Alternate to Raymond Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

Jonathan Ackerman

Alternate to Wendy Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

David Robins

Alternate to Gareth Ackerman

Appointed 2010

See CV under Pick n Pay Stores Limited on page 41.

Public officer

Bakar Jakoet

Appointed 2012

See CV under Pick n Pay Stores Limited on page 40.

Company Secretary

Debra Muller

Appointed 2010

See CV under Pick n Pay Stores Limited on page 40.

Pick n Pay Holdings Limited RF

Corporate governance report

Introduction

This report deals with the corporate governance of Pick n Pay Holdings Limited RF (the Company), the investment holding company of Pick n Pay Stores Limited. Pick n Pay Holdings Limited RF's sole purpose is the holding of the controlling shareholding in Pick n Pay Stores Limited and the Company has minimal operating activities. Only principles specific to Pick n Pay Holdings Limited RF are included in this report as most principles have been addressed in the Pick n Pay Stores Limited corporate governance report (see pages 42 to 50).

Directors

The Board comprises six non-executive directors of whom three are independent. In addition, there are three alternate directors who are available to step in for a non-executive director should the need arise. The alternate directors have a standing invitation to attend all Board meetings, but only vote in the absence of the director for whom they alternate. As the Chairman, Raymond Ackerman, is not independent, Hugh Herman has been appointed as the lead independent director (LID). All members of the Board have unfettered access to the LID when required. The Company has an exemption from the JSE Listings Requirement to have executive directors, as it has minimal operating activities.

Appointment of directors

The appointment of all directors and alternate directors to the Board requires shareholder approval at the annual general meeting (AGM). On appointment to the Board a new director is required to retire and offer themselves for re-election by shareholders at the first AGM following their original appointment. Directors are elected for three-year terms.

Independence of directors

Of the three independent non-executive directors, Hugh Herman and René de Wet have held their positions for longer than nine years. Their independence has been thoroughly scrutinised given their years of service on the Board. The Board is satisfied that, despite their length of service, they remain independent, tough-minded individuals with personal integrity, and they translate their experience in the Pick n Pay Group of companies (the Group) into meaningful interrogation of the Group's implementation of its strategy. All three independent directors meet the criteria for independence as established by King III, the Companies Act and the JSE Listings Requirements. Directors who are members of the Ackerman family are not independent given their controlling shareholding of the Company.

Board subcommittees

Pick n Pay Holdings Limited RF has a separate audit committee consisting of non-executive directors, but it does not have separate remuneration, risk, nomination, corporate governance and social and ethics committees as the tasks relating to these committees are undertaken by Pick n Pay Stores Limited.

Remuneration report

No separate remuneration report is presented. Refer to the remuneration report of Pick n Pay Stores Limited on pages 55 to 66 and page 142 for directors' fees paid.

Fees proposed for the current and proposed periods, for Board members not serving on the Pick n Pay Stores Board, are as follows:

	Proposed 2015 R	Actual 2014 R
Total fee	**60 000**	57 000

DIRECTORS' INTEREST IN SHARES

2014	How held*	Balance held at 4 March 2013 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 2 March 2014 000's	Beneficial/ non-beneficial interest
Directors' holdings								
Raymond Ackerman	direct	1 269.4	—	—	—	—	**1 269.4**	Beneficial
Gareth Ackerman	direct	0.5	—	—	—	—	**0.5**	Beneficial
	indirect	3 153.0	72.0	17.64	—	—	**3 225.0**	Non-beneficial
	indirect – spouse and minor children	40.5	—	—	—	—	**40.5**	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	255 017.6	719.3	17.54	—	—	**255 736.9**	Non-beneficial
Mistral Trust**	indirect	5 308.2	107.0	19.06	—	—	**5 415.2**	Non-beneficial
Hugh Herman	direct	80.0	—	—	(20.0)	20.50	**60.0**	Beneficial
	indirect	65.0	20.0	17.36	(85.0)	20.61	**—**	Beneficial
	indirect – spouse and minor children	14.5	—	—	(14.0)	20.68	**0.5**	Non-beneficial

DIRECTORS' INTEREST IN SHARES continued

2014	How held*	Balance held at 4 March 2013 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 2 March 2014 000's	Beneficial/ non-beneficial interest
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	**252.0**	Beneficial
	indirect	1 089.6	48.4	20.42	—	—	**1 138.0**	Beneficial
	indirect – spouse and minor children	46.1	—	—	—	—	**46.1**	Non-beneficial
Suzanne Ackerman-Berman	direct	242.1	—	—	—	—	**242.1**	Beneficial
	indirect	811.3	55.0	18.30	—	—	**866.3**	Beneficial
	indirect – spouse and minor children	6.0	—	—	—	—	**6.0**	Non-beneficial
David Robins	direct	886.7	—	—	(886.7)	17.54	**—**	Beneficial
	indirect – spouse and minor children	199.8	—	—	(8.5)***	—	**191.3**	Non-beneficial
Public officer								
Bakar Jakoet	direct	250.0	—	—	—	—	**250.0**	Beneficial
	indirect – spouse and minor children	25.7	—	—	—	—	**25.7**	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*
** *The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*
*** *Indirect shareholding reduced by virtue of a child attaining the age of majority during the current financial year.*

2013	How held*	Balance held at 1 March 2012 000's	Additions during the period 000's	Average purchase price per share R	Disposals during the period 000's	Average selling price per share R	Balance held at 3 March 2013 000's	Beneficial/ non-beneficial interest
Directors' holdings								
Raymond Ackerman	direct	1 269.4	—	—	—	—	**1 269.4**	Beneficial
Gareth Ackerman	direct	0.5	—	—	—	—	**0.5**	Beneficial
	indirect	3 153.0	—	—	—	—	**3 153.0**	Non-beneficial
	indirect – spouse and minor children	40.5	—	—	—	—	**40.5**	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	254 896.0	121.6	17.99	—	—	**255 017.6**	Non-beneficial
Mistral Trust**	indirect	5 308.2	—	—	—	—	**5 308.2**	Non-beneficial
Hugh Herman	direct	80.0	—	—	—	—	**80.0**	Beneficial
	indirect	65.0	—	—	—	—	**65.0**	Beneficial
	indirect – spouse and minor children	14.5	—	—	—	—	**14.5**	Non-beneficial
Alternate directors								
Jonathan Ackerman	direct	252.0	—	—	—	—	**252.0**	Beneficial
	indirect	1 089.6	—	—	—	—	**1 089.6**	Beneficial
	indirect – spouse and minor children	46.1	—	—	—	—	**46.1**	Non-beneficial
Suzanne Ackerman-Berman	direct	242.1	—	—	—	—	**242.1**	Beneficial
	indirect	811.3	—	—	—	—	**811.3**	Beneficial
	indirect – spouse and minor children	6.0	—	—	—	—	**6.0**	Non-beneficial
David Robins	direct	886.7	—	—	—	—	**886.7**	Beneficial
	indirect – spouse and minor children	199.8	—	—	—	—	**199.8**	Non-beneficial
Public officer								
Bakar Jakoet	direct	250.0	—	—	—	—	**250.0**	Beneficial
	indirect – spouse and minor children	25.7	—	—	—	—	**25.7**	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a family trust of which the director is a trustee.*
** *The non-beneficial interest in Ackerman Investment Holdings Proprietary Limited and Mistral Trust represents a portion of the holdings of Raymond Ackerman, Wendy Ackerman, Gareth Ackerman, Jonathan Ackerman and Suzanne Ackerman-Berman.*

Aspects of King III

Dispensation by JSE

- The Pick n Pay Holdings Limited RF board of directors currently does not comply with the minimum requirement of two executive directors per King III. Pick n Pay has been granted dispensation by the JSE as it is acknowledged that there would be little benefit obtained from the appointment of executive directors as the Company has no material operating activities other than the receipt of and payment of dividends, and assessment of the carrying value of its only investment in Pick n Pay Stores Limited.
- Pick n Pay Holdings Limited RF has been granted a dispensation from the JSE Listings Requirement that a listed company have a full time finance director, given that the Company has no material operating activities, as set out above.
- Pick n Pay Holdings Limited RF has been granted an exemption by the Companies Tribunal from the need to appoint a social and ethics committee, as this function is fulfilled by the social and ethics committee formed by the Board of Pick n Pay Stores Limited.
- Pick n Pay Holdings Limited RF has been granted dispensation from the JSE Listings Requirements of having remuneration, risk, nomination and corporate governance committees, as these functions are fulfilled for the Group by the Board committees formed by Pick n Pay Stores Limited.

Aspects of King III reviewed

The Board comprises an equal number of independent and non-independent directors, while King III recommends that a board comprises a majority of independent directors. The structure of the Board was extensively reviewed. It was concluded that no changes will be made at this time.

Directors' attendance at meetings

Board meetings

Pick n Pay Holdings Limited RF

Director	22 April 2013	21 October 2013	13 February 2014	AGM 25 June 2013
Raymond Ackerman (Chairman)	P	P	P	P
Gareth Ackerman	P	P	P	P
Wendy Ackerman	A	P	P	P
René de Wet	P	P	P	P
Hugh Herman (LID)	P	P	P	P
Jeff van Rooyen	P	P	P	P
Jonathan Ackerman (alternate director)	P	P	P	P
Suzanne Ackerman-Berman (alternate director)	P	P	P	P
David Robins (alternate director)	P	P	P	P

P = present
A = apologies

Pick n Pay Holdings Limited RF

Audit committee report

The audit committee is a statutory committee, required by the Companies Act, and functions within a charter approved by the Board. The committee members were confirmed for appointment at the AGM on 25 June 2013.

Role of the committee

The audit committee has an independent role with accountability to both the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King III and the responsibilities assigned by the Board.

Composition of the committee

This committee is chaired by 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 year and in compliance with King III are appointed by shareholders at the annual general meeting.

The committee has a charter which is reviewed and approved by the Board annually.

Meetings and activities

Committee member	Qualification	Status	15 April 2013	21 October 2013
René de Wet (Chairman)	CA(SA)	Independent non-executive director	P	P
Hugh Herman	Attorney	Independent non-executive director	P	P
Jeff van Rooyen	CA(SA)	Independent non-executive director	P	P

P = present

The committee discharges its Board responsibilities by:

- Meeting at least twice a year to review the Group's financial results, to receive and review reports from both the internal and external auditors, and to meet with management to review their progress on identifying and addressing key risk areas within the business;
- Reporting to the Board at the next meeting, which is held within a week of the respective committee meeting; and
- Meeting separately with the internal and external auditors to confirm they are receiving the full co-operation of management.

The committee's main responsibilities are discharged by the audit committee elected for Pick n Pay Stores Limited. The Pick n Pay Holdings Limited RF's audit committee reviews the report of the Pick n Pay Stores Limited audit committee and assesses the carrying value of its investment in Pick n Pay Stores Limited.

Independence of external auditors

The audit committee is satisfied as to the independence of the Group's external auditors, KPMG Inc. and its respective audit partners. The committee recommends to the Board that KPMG be put forward as external auditors for appointment by shareholders at the annual general meeting.

Policy on non-audit services

All non-audit services provided by the Group's external auditors are pre-approved by the audit committee. The total fee for non-audit services provided should not, under normal circumstances, exceed 50% of the total auditor's remuneration.

Approval of the audit committee report

The committee confirms that it has functioned in accordance with its charter for the 2014 financial year and that its report to shareholders has been approved by the Board.

The committee confirmed its satisfaction with the performance and level of service rendered by the external auditor. The Board has, following the recommendation of the audit committee, nominated KPMG Inc. for reappointment as the Company's registered auditor for the ensuing year at the forthcoming annual general meeting.

René de Wet

René de Wet
Chairman: audit committee

14 April 2014