

Introduction

Pick n Pay remains committed to promoting Goodness in our operations, in our products, and in our relationships with our customers, suppliers and communities.

We also continue to pursue actions that contribute to addressing climate change, socio-economic development, and building human capital through education and employment. As a signatory to the United Nations Global Compact, Pick n Pay remains committed to uphold and promote corporate responsibility with respect to human rights, labour relations, environment and anti-corruption. We submit our Communication on Progress (COP), publically demonstrating support for the Global Compact's Ten Principles.

This COP covers our activities for the Financial Year ending in February 2014 and references the [Pick n Pay Integrated Annual Report for 2014](#). Further information on some of these topics will be available in our full [Sustainable Living Report 2013](#) and [Sustainable Living online content](#).

Statement from the CEO

Pick n Pay continues to uphold its legacy of leadership on environmental, social and governance (ESG) issues. As one of the biggest food retailers in a country facing significant poverty, inequality and unemployment challenges, we take significant steps to provide affordable food, while also providing employment, economic opportunities and enterprise development throughout the value chain. This is not only good; it also makes good business sense.

My vision for Pick n Pay is to continue providing food that is affordable, safe and nutritious to all our customers and to grow our business in a way that makes our products and services accessible to more people, including many people who have not previously enjoyed access – either physical or economic – to the benefits of a modern, safe and commercial food economy.

I am proud of the leadership that Pick n Pay has shown in recent years through many initiatives, such as assisting new emerging suppliers to grow through our collaboration with the Ackerman Pick n Pay Foundation, in leading the way on seafood sustainability and climate change, and in helping countless community based organisations which seek support through our stores. I look forward to increasing our impact in these and other areas as we further grow and strengthen our business.

Our priority in 2014 has been to make further progress in implementing our sustainability strategy, deepening its impact within the Group and ensuring that it adds value for our customers, our business and broader society. Our sustainability governance structure continues to provide us with oversight, performance management and reporting.

We see our sustainability strategy as inextricably linked to our business strategy, shaping our thinking and actions in two broad areas:

- Ensuring that we become a more resilient business in the face of increasing environmental and related pressures both in the short term (e.g. fuel and electricity price increases) and in the longer term (e.g. food and water security linked to climate change).
- Seeking to add more value to society by helping our customers, suppliers and other stakeholders meet sustainability challenges and opportunities.

Thank you

Richard Brasher
Chief Executive Officer

Summary of PnP activities with respect to the Global Compact Ten Principles

Global Compact Principle	Statement	Reference to further information in the Pick n Pay Integrated Annual Report 2014* and Sustainable Living Report 2013**
<p>1. Support and respect the protection of international human rights within their sphere of influence.</p>	<p>Pick n Pay remains committed to uphold human rights principles. This commitment is supported by our recently published Code of Ethics which encompasses elements of the South African Constitution as well as the principles of the Universal Declaration on Human Rights.</p> <p>Our core values are premised on customer sovereignty, our employees and supporting the communities we serve. We comply with all labour laws and regulations in South Africa and ensure that our employees are treated fairly. Our Code of Ethics and internal code of conduct policy stipulates that we do not support discrimination in any form.</p> <p>Pick n Pay is committed to playing a key role in the economic empowerment of historically disadvantaged South Africans throughout our value chain. We do this by developing and mentoring small enterprises and supporting small suppliers. We also ensure our suppliers comply with human rights requirements, such as basic conditions of employment, environmental and fair labour practices.</p> <p>We continue our support for initiatives that promote food security, paying particular attention to providing those most in need with easier access to affordable, healthy food and clothing. During the year under review, Pick n Pay donated more than R15 million worth of food to Food Bank South Africa and established 113 community food gardens through the Ackerman Pick n Pay Foundation.</p>	<p>SR Empowering our people page 27 SR Supporting communities in their contribution to change page 29 Company code of ethics ***</p>
<p>2. Make sure their own corporations are not complicit in human rights abuses.</p>	<p>We comply with all applicable legislation with respect to human rights. Beyond complying with legal requirements, Pick n Pay's Diversity Management Programme helps employees engage skilfully on issues of inclusiveness. We view diversity in terms of age, gender, race and physical ability. This is further supported by our internal policies on Diversity and Employment equity and Transformation.</p> <p>To manage human rights and ethical risks in our supply chain, we continue to drive our local supplier engagement programme Through their supplier agreements, Pick n Pay suppliers are required to ensure workers' health, safety and welfare.</p> <p>We also promote ethical supplier practices by sourcing and selling specific ethical product lines from third party certified producers such as Fairtrade.</p>	<p>SR Safe and sustainable product lines page 11 SR Building a resilient supplier network page 15</p>

<p>3. Freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>We support freedom of association and recognise the right of employees to join trade unions and collective bargaining. Freedom of association in our company is in accordance with all relevant local labour legislation.</p> <p>We maintain constructive relationships with all representative unions. Appointed shop stewards and company managers hold regular meeting to discuss employee related issues.</p>	<p>SR Empowering our people page 27</p>
<p>4. The elimination of all forms of forced and compulsory labour.</p>	<p>All employment is aligned to national legal requirements, and we firmly oppose all forms of forced and compulsory labour.</p> <p>Our employees are provided with labour contracts in accordance with relevant labour legislation, and are free to resign at any time. All complaints and labour disputes are handled in accordance with legal requirements, and are managed by the Human Resources management.</p> <p>This principle is supported in our supplier agreements, as well as through auditing standards such as the GLOBALG.A.P.</p>	<p>SR Building a resilient supplier network page 15 SR Safe and sustainable product lines page 11</p>
<p>5. The effective abolition of child labour.</p>	<p>We strongly oppose the use of child labour, as defined by the International Labour Organization (ILO). This commitment is stipulated in our Code of Ethics.</p> <p>As part of our commitment to supporting national employment objectives, we train and provide opportunities for school leavers and graduates. All training and employment opportunities are provided in accordance with within ILO requirements. Compliance with all national legal requirements regarding employee age is continually monitored and is the responsibility of the Director of Human Resources.</p>	<p>SR Building a resilient supplier network page 15</p>
<p>6. The elimination of discrimination in respect of employment and occupation.</p>	<p>We are committed to pursuing South Africa’s national goal of a non-discriminatory society. Our Organisational Development department coordinates and facilitates relevant programmes, including affirmative action interventions and diversity awareness and management programmes. These highlight the importance of accepting that no culture, race, ethnicity, religion or gender is superior or inferior to the other.</p> <p>We do not tolerate discrimination on the basis of race, culture, gender, disability or any similar basis. Our labour relations policies have no tolerance to discriminatory offences within our workforce.</p> <p>Pick n Pay is committed to fostering a diverse and representative workforce. We have incorporated these considerations in our recruitment and procurement processes, as well as training offerings.</p>	<p>SR Empowering our people page 27</p>
<p>7. Support a precautionary approach to environmental challenges.</p>	<p>We follow the precautionary approach to environmental management across several areas (energy and carbon reduction, waste management). This approach also applies to ensuring the environmental health and safety of our foods, which is a key strategic priority. We have audits in place to monitor this area and our technical department engages continually with suppliers on these issues.</p>	<p>SR Safe and sustainable product lines page 11 SR Working for a clean and healthy environment page 21</p>

<p>8. Undertake initiatives to promote greater environmental responsibility.</p>	<p>Environmental responsibility forms part of our broader sustainability strategy. Putting effort toward a clean and healthy environment makes good business sense.</p> <p>We have developed an internal energy policy, and will soon be formalising our policy on waste management, and other environmental management issues. These policies lay out our commitments and plans that will define how we make a difference. In addition, a number of environmentally focused initiatives are underway across our operations such as energy and water saving initiatives. We have met our carbon reduction targets before our 2015 deadline. During our last financial year, Pick n Pay was the only retailer to be included in the Climate Performance Leadership Index (CPLI) and the top retailer in the Disclosure and Performance band of the Consumer Staples category of the Carbon Disclosure Project.</p> <p>Beyond our operations, we work to drive awareness of relevant environmental issues throughout our network of influence. This encompasses sourcing, in-store practices and some post-consumer initiatives such as recycling and community clean up campaigns. We have been in a partnership with World Wide Fund (WWF) For Nature South Africa (WWF-SA). As core funder and sustainable seafood partner of the WWF-SA, we are well on track to meeting our commitment to stock only sustainably-source seafood by the end of 2015.</p>	<p>SR Working for a clean and healthy environment page 21</p>
<p>9. Encourage the development and diffusion of environmentally friendly technologies.</p>	<p>Pick n Pay has publically committed to promoting environmental and social innovation across all our operations and engagements.</p> <p>We work with our suppliers, logistics network, waste management partners, and industry bodies to encourage the development and uptake of environmentally responsible technologies and practices. Pick n Pay also strives to make it easier for our customers to be ethical and eco-friendly.</p> <p>Our suppliers: We partner with fresh produce suppliers to encourage sustainable farming practices, to source sustainable ingredients and products, and to reduce packaging.</p> <p>Our facilities: We have implemented energy efficiency measures throughout our operations, and installed online metering in all our corporate stores to manage consumption levels. Some of our stores implement green design principles which incorporate a range of environmentally friendly technologies. Our packaging technologists work with packaging suppliers to reduce packaging and/or increase levels of recycled content where possible. We are exploring a range of solutions to divert waste from landfill disposal.</p> <p>Addressing industry issues: Through industry bodies, such as the Consumer Goods Forum, we seek collaborative solutions to issues requiring collective action, such as sustainable sourcing and traceability of ingredients. Pick n Pay is a founding partner of the South African National Biodiversity Network, which aims to facilitate engagement with business sectors, industries and other stakeholders to promote the integration of biodiversity</p>	<p>SR Safe and sustainable product lines page 11</p> <p>SR Building a resilient supplier network page 15</p> <p>SR Working for a clean and healthy environment page 21</p> <p>SR Enhancing governance and accountability page 34</p>

	considerations into business.	
10. Work against corruption in all its forms, including extortion and bribery.	<p>Pick n Pay is committed to upholding effective good governance practices throughout our organisation. Our Board of Directors holds formal accountability for ethical leadership, sustainability and good corporate citizenship.</p> <p>The Group's commitment to good corporate governance is woven through every aspect of the management structure. We remain committed to complying in all material respects with the principles contained in the King Code of Corporate Practices and Conduct (King III), as well as to the additional requirements for good corporate governance stipulated in the JSE Limited ("JSE") SRI Index.</p>	IR Corporate governance report: page 42

*IR is used as an abbreviation for our Pick n Pay Integrated Annual Report for 2014 available online at: http://www.picknpayinvestor.co.za/financials/annual_reports/2014/index.php

**SR is used as an abbreviation for our bi-annual sustainability report. The Pick n Pay Sustainable Living Report 2013 available online at: http://www.picknpay.co.za/picknpay/action/media/downloadFile?media_fileid=28740

***Code of Ethics http://www.picknpayinvestor.co.za/code_of_ethics.php