

PICK N PAY COMMUNICATION ON PROGRESS ON THE UN GLOBAL COMPACT 2015

The principle of “doing good is good business” has been a cornerstone of the business since its inception. We actively promote this value in our operations, in our products, and in our relationships with our customers, suppliers and communities and continually pursue activities that contribute to addressing socio-economic development, climate change, 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 provides a brief overview of our implementation of the ten principles. It covers our activities for the Financial Year ending in February 2015 and references the **Pick n Pay Integrated Annual Report 2015** and the **Pick n Pay Sustainable Living Report 2015**, which seeks to provide a comprehensive view of how our business is responding to social and environmental challenges. Please refer to these reports for further information. The reports are available on the company website (<http://www.picknpayinvestor.co.za>)

Implementing the ten principles into strategies and operations

The Pick n Pay Board of Directors and the Group are committed to upholding the highest standards of ethics, transparency and good governance, while pursuing sustainable and profitable growth. The Board takes overall responsibility for the performance of the Group.

The Board is supported by the audit and risk, corporate finance, corporate governance, nominations, remuneration and social and ethics committees to carry out its oversight role of ensuring that the activities of the Group are managed in a manner that is consistent with the values of the Group.

The Social and Ethics Committee oversees the monitoring, assessment and measurement of the Group’s activities in relation to ethics and code of conduct compliance; environmental, social and governance (ESG) issues (including human rights, corruption, employment equity and transformation); and social and economic development. The committee relies on management for the implementation of strategies and initiatives. (For more information, please refer to our Sustainable Living Report pg 33).

Our process of identifying and reviewing our material sustainability issues involves an internal risk management process and considers the interests and concerns of our stakeholders. We see our sustainable living 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.

CEO statement of commitment

Dear Stakeholder,

We are pleased to reaffirm our commitment to the UN Global Compact commenced and pledge our support of the 10 principles. Our efforts to create sustainable value are guided by the principles of the UN Global Compact. We take cognisance of the 10 principles as part of our day-to-day business activities and, in this regard, continually strive to further enhance our performance.

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. In 2015 we made 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.

An overview of our progress in implementing the principles of the UN Global Compact is contained within our Communication on Progress and in our Integrated Annual Report 2015. Further detail on our value creation activities can be found in our Sustainable Living Report 2015.

I look forward to any comments and to engaging further on issues of mutual interest and concern.

Best regards

Richard Brasher
Chief Executive Officer

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

Global Compact Principle	Brief COP Statement	Reference in PnP Sustainable Living Report 2015* (SLR) or Integrated Annual Report 2015** (IR)
<p>1. Support and respect the protection of international human rights within their sphere of influence.</p>	<p>Pick n Pay's commitment to upholding human rights principles is supported by our 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>Human rights principles are embedded in our core values – which are premised on customer sovereignty, our employees and supporting the communities we serve – and are incorporated in: our labour relations policies; health, safety and environmental policies; and corporate social responsibility policies.</p> <p>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 remains committed to playing a key role in the economic empowerment of historically disadvantaged South Africans throughout our value chain. This includes 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 we donated more than R25 million worth of food to the food security agency FoodBank SA. We have also established more than 240 community gardens to increase community food security.</p>	<p>Company Code of Ethics ***</p> <p>SLR – Employee opportunity and diversity – pg 23</p> <p>SLR – Doing good in the local community – pg 27</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. Pick n Pay suppliers, as part of their supplier agreements, are required to ensure workers' health, safety</p>	<p>IR – Social and Ethics Committee Report – pg 83</p> <p>SLR - Employee opportunity and diversity – pg 23</p> <p>SLR - Supporting local and ethical suppliers – pg11</p>

	<p>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>3. Freedom of association and the effective recognition of the right to collective bargaining.</p>	<p>We recognise the right of employees to collective bargaining and freedom of association 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>Our employee relations' policies are maintained in line with business and legislative requirements, to promote healthy employee relations.</p>	<p>IR – Social and Ethics Committee Report – pg 83</p> <p>SLR - Employee opportunity and diversity – pg 23</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>IR – Social and Ethics Committee Report – pg 83</p> <p>SLR - Employee opportunity and diversity – pg 23</p> <p>SLR - Supporting local and ethical suppliers – pg11</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>IR – Social and Ethics Committee Report – pg 83</p> <p>SLR - Supporting local and ethical suppliers – pg11</p>
<p>6. The elimination of discrimination in respect of employment and occupation.</p>	<p>We are committed to embracing a culture of inclusion and 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, to address the inequalities of the country's past. These highlight the importance of accepting that no culture, race, ethnicity, religion or gender is superior or inferior to the other. We also continue to increase the number of people with disabilities that we employ.</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>IR – Social and Ethics Committee Report – pg 83</p> <p>SLR - Employee opportunity and diversity – pg 23</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>SLR - Being environmentally responsible - pg 17</p> <p>SLR - Supporting local and ethical suppliers – pg11</p>
<p>8. Undertake initiatives to promote greater environmental responsibility.</p>	<p>As a leading retailer, we are committed to reducing our impact on the environment and encouraging our suppliers and others to do so as well. We have identified our key environmental impacts and our efforts are guided by a climate change and food security strategy. Our approach focuses on improving energy efficiency and reducing our carbon footprint, reducing the amount of waste we produce, recycling as much as possible, and being water-wise. We have improved our environmental data management, which equips us to better respond to our environmental reporting obligations. Greater centralisation of our business is improving our operational efficiency in this and other areas.</p> <p>We have exceeded the 2015 target we set in 2010 for the reduction of carbon emissions a full year ahead of schedule. Our energy reduction strategy centres on implementing innovative technologies in new stores and retrofitting existing stores in the key areas of refrigeration, lighting and air-conditioning.</p> <p>This year we launched ambitious targets to be achieved by 2020: a further 20% reduction in energy use per square metre, bringing our total reduction to 50% since 2008; a reduction of 20% in food waste; and 20 new jobs to be created each weekday in South Africa.</p> <p>Our climate change strategy has been recognised both locally, through our inclusion in the Socially Responsible Investment Index of the JSE, and internationally through our inclusion in the Dow Jones Sustainability Index. In 2014 we were the only South African retailer to be included in both the Carbon Disclosure Leadership Index (CDLI) and Carbon Disclosure Performance Leadership Index (CPLI).</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. Since 2010 we have invested R13.5 million in the World Wide Fund for Nature’s Sustainable Fisheries Programme. We are on track to meeting our commitment to stock only sustainably-sourced seafood by the end of 2015.</p> <p>Our support for small emerging enterprises includes help to mitigate the risks posed by climate change. We support producers who proactively manage environmental issues. We are partnering with our suppliers on various sustainability initiatives, including packaging reduction and innovation, sustainable product development, and sustainable and transparent sourcing.</p> <p>This year the quality of the PnP Green range of products was further improved and rebranded.</p>	<p>SLR - Supporting local and ethical suppliers – pg11</p> <p>SLR - Being environmentally responsible - pg 17</p> <p>SLR – War on waste – pg 31</p> <p>SLR – Key performance data – pg 35</p>
<p>9. Encourage the development and diffusion of environmentally</p>	<p>Pick n Pay has publically committed to promoting environmental and social innovation across all our operations and engagements.</p>	<p>SLR - Supporting local and ethical suppliers – pg11</p>

friendly technologies.	<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 advance packaging reduction and innovation.</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, which is co-chaired by Pick n Pay's Chairman, Gareth Ackerman, 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 and Business Network, which aims to facilitate engagement with business sectors, industries and other stakeholders to promote the integration of biodiversity considerations into business.</p>	SLR - Being environmentally responsible - pg 17
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 FTSE/JSE collaboration, which introduced a new chapter for listed companies and sustainability SRI Index, from June 2015.</p> <p>Pick n Pay was once again included in the Dow Jones Sustainability Index.</p>	<p>IR - Corporate governance report - pg 54</p> <p>Code of Ethics***</p> <p>SLR - About this report – pg 33</p>

*SR is used as an abbreviation for our bi-annual sustainability report. The Pick n Pay Sustainable Living Report 2015 available online at: <http://www.picknpayinvestor.co.za/sustainability-reports.php>

**IR is used as an abbreviation for our Pick n Pay Integrated Annual Report for 2014 available online at: <http://www.picknpayinvestor.co.za/downloads/2015/PicknPay%20Integrated%20Annual%20Report%202015.pdf>

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