

**Introduction**

Pick n Pay actively promotes sustainability in our operations, in our products, and in our relationships with our customers, suppliers and communities.

Through our focused sustainability programme, we pursue projects and activities that contribute to socio-economic development, build human capital and support the environment. As a signatory to the Global Compact, Pick n Pay is committed to uphold and promote corporate responsibility in the areas of human rights, labour relations, environment and anti-corruption. This is our fourth Communication on Progress, publicly demonstrating support for the Global Compact's Ten Principles.

This Communication on Progress covers our activities for the Financial Year ending in March 2013 and references [the Pick n Pay Integrated Annual Report for 2013](#). 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 is a strong business with a great legacy of leadership on environmental, social and governance issues. As one of the biggest South African retailers, we provide affordable food, while also providing employment, economic opportunities and enterprise development throughout the value chain.

There is little doubt that our competitive context is increasingly being shaped by social, environmental and governance (ESG) trends. These ESG trends are creating new challenges for businesses.

- The nexus of water, food and energy issues presents significant challenges for food producers and retailers. We are working to understand this impact and the implications of a changing climate for our supply chain. More immediately, fuel and energy price increases impact our direct operations, our suppliers, and our customers' disposable income.
- In South Africa, high levels of unemployment and inequality compound resource challenges. Expectations for social delivery by the private sector are likely to be augmented by Government's commitment to achieving developmental goals through the National Development Plan.
- ESG trends are also redefining stakeholder expectations for corporate transparency and accountability in South Africa, the region and globally. This is apparent in developments such as the King Code of Governance for South Africa (King III) and the International Integrated Reporting Council (IIRC) framework. Our continuing commitment to King III and progress in integrated reporting has allowed us to further consolidate sustainability into our core business. Our engagement with a wide range of stakeholders on sustainability-related matters is increasing. We are responding to the interests and concerns of employees, suppliers and millions of customers, working in partnership towards the goals of a fair and sustainable society.

This provides the challenging context of our determination to provide fresh, quality food to our customers at affordable prices. It speaks directly to issues of food security and sustainable living in an increasingly urbanised and socially dynamic marketplace.

Our employees have already found many opportunities to respond creatively to ESG challenges. Our [Sustainable Living Report 2013](#) contains an overview of these responses. In managing our sustainability programme, our Executive Steering Committee for sustainability continues to clarify strategy and review progress. Our Operational Steering Committee for sustainability continues to oversee and coordinate our social and environmental initiatives, ensuring that sustainability thinking is integrated into core operations.

We have continued to make progress against our targets. We have achieved a 10.1% reduction in greenhouse gas emissions against a 2010 baseline (our target is 15% by 2015). We are also working to achieve our zero waste to landfill by 2015, and are on course to sell 100% sustainably sourced fish by 2016.

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 2013* and Sustainable Living Report 2013**
1. Support and respect the protection of international human rights within their sphere of influence.	<p>Pick n Pay is committed to upholding the human rights enshrined in the South African Constitution as well as the principles of the Universal Declaration on Human Rights. This commitment is supported by our Company Values, our Code of Ethics and our relevant internal policies and procedures.</p> <p>Our primary sphere of influence is our employees. We comply with the labour laws and regulations of South Africa and ensure that our employees are treated fairly.</p> <p>We also support non-discrimination and the economic empowerment of historically disadvantaged South Africans throughout our value chain. Pick n Pay has influence through our supplier network. Human rights requirements, including basic conditions of employment, are covered in supplier agreements and also in the GLOBALG.A.P standard against which our fresh produce suppliers are certified.</p> <p>Our company values include fighting for our customers' rights. We continue to engage in public debate on issues related to human rights, such as access to information and food access.</p>	<p>SR Empowering our people page 27</p> <p>SR Supporting communities in their contribution to change page 29</p> <p>IR Company mission and values page 2</p>
2. Make sure their own corporations are not complicit in human rights abuses.	<p>We comply with all applicable legislation with respect to human rights. Beyond legal requirements, Pick n Pay has developed draft policies relating to human rights issues including a policy on Promoting Diversity and Transformation, policy on Workplace Health and Safety, and policy on HIV/AIDS.</p> <p>To manage human rights related risks in our supply chain, we continue to develop our local supplier engagement programme that includes issues of ethics and human rights. Suppliers are required to ensure workers' health, safety and welfare. We ensure this through the supplier agreements we have in place, as well as through auditing standards such as the GLOBALG.A.P.</p> <p>Pick n Pay also promotes 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</p> <p>SR Building a resilient supplier network page 15</p>
3. Freedom of association and the effective recognition of	<p>We recognise and support 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, specifically SACCAWU and its National Shop Stewards Body.</p>	<p>SR Empowering our people page 27</p>

the right to collective bargaining.	During the last financial year, 69.58% of our employees were represented by a trade union or covered by collective agreements.	
4. The elimination of all forms of forced and compulsory labour.	<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 line with legal requirements, and are managed by Human Resources management. This principle is also supported in the supplier agreements we have in place, as well as through auditing standards such as the GLOBALG.A.P.</p>	<p>SR Building a resilient supplier network page 15</p> <p>SR Safe and sustainable product lines page 11</p>
5. The effective abolition of child labour.	<p>We strongly oppose the use of child labour, as defined by the International Labour Organization (ILO).</p> <p>As part of our commitment to supporting national employment objectives, we train and provide opportunities for school leavers. All training and employment opportunities are provided in accordance with within ILO requirements. Compliance with all national legal requirements regarding employee age is monitored on an ongoing basis and is the responsibility of the Director of Human Resources.</p>	SR Building a resilient supplier network page 15
6. The elimination of discrimination in respect of employment and occupation.	<p>We are committed to pursuing South Africa's national goal of a non-discriminatory society.</p> <p>We do not tolerate any discrimination on the basis of race, culture, gender, sexual orientation, disability or any similar basis. A Pick n Pay draft policy for Promoting Diversity and Transformation is in place, covering issues of employment equity and promoting diversity. Our Human Resources department manages issues of non-discrimination and employment equity initiatives.</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>	SR Empowering our people page 27
7. Support a precautionary approach to environmental challenges.	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 engage continually with suppliers on these issues.	<p>SR Safe and sustainable product lines page 11</p> <p>SR Working for a clean and healthy environment page 21</p>
8. Undertake initiatives to promote greater environmental responsibility.	<p>Environmental responsibility is part of our broader sustainability strategy.</p> <p>We have developed a draft Policy on Environmental Responsibility, which covers all our environmental impacts. A number of environmentally focused initiatives are underway across our operations. Beyond our operations, we work to drive awareness of relevant environmental issues throughout our network of influence. This encompasses sourcing, product development, distribution</p>	SR Working for a clean and healthy environment page 21

	<p>networks, in-store practices and some post-consumer initiatives such as recycling. We continue to monitor our progress in line with several key performance indicators. We have reduced our electricity kWh usage by 10.1% against 2010 our baseline.</p> <p>Pick n Pay submits disclosures on environmental impacts, risk, opportunities and performance through the CDP Carbon Action and Water Programmes.</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 products: We are committed to expanding the range of sustainable and ethical products that have a reduced environmental impact, including sustainably produced goods and sustainably sourced ingredients (e.g. seafood and palm oil).</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 enabled fuel efficiency in our distribution network. We apply green design principles in new store developments, incorporating a range of environmentally friendly technologies. The use of packaging has been reduced and packaging suppliers are increasing levels of recycled content. We are exploring a range of solutions to manage wet waste, working towards our goal of zero waste to landfill by 2015.</p> <p>Addressing industry issues: Through industry bodies such as the Consumer Goods Forum, we seek collaborative solutions to issues such as sustainable sourcing, traceability of ingredients, and the use of natural gas in refrigeration. We are also the retail partner for the biodiversity network. The aim of the network is to facilitate engagement with various business sectors, industries and related stakeholders to promote and assist the integration and mainstreaming of biodiversity considerations into business agendas and operations. It is designed to be an open and inclusive network with the objectives to raise awareness of biodiversity and relevant sustainability issues amongst the business community, to encourage dialogue amongst stakeholders in this area, as well as to provide pragmatic and practical support to facilitate the mainstreaming process. The primary role of the network is to bring national stakeholders in the business and biodiversity field together to share ideas and engage in a national dialogue.</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>
<p>10. Work against corruption in</p>	<p>Pick n Pay is committed to upholding effective good governance practices throughout our organisation. Our Board of Directors is accountable for ensuring the highest standards of corporate</p>	<p>IR Corporate governance report:</p>

<p>all its forms, including extortion and bribery.</p>	<p>governance. Our Company Code of Ethics (currently under review) supports our commitment, opposing collusion amongst suppliers, and rejecting collusion between retailers.</p> <p>The Board is committed to complying in all material respects with the principles contained in the <a href="#">King Code of Corporate Practices and Conduct (King III)</a>, as well as to the additional requirements for good corporate governance stipulated in the <a href="#">JSE Limited (“JSE”) SRI Index</a>.</p>	<p>page 31</p>
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\*IR is used as an abbreviation for our Pick n Pay Integrated Annual Report for 2013 available online at: [http://www.picknpayinvestor.co.za/financials/annual\\_reports/2013/](http://www.picknpayinvestor.co.za/financials/annual_reports/2013/)

\*\*SR is used as an abbreviation for our Pick n Pay Sustainable Living Report 2013 available online at: [http://www.picknpay.co.za/picknpay/action/media/downloadFile?media\\_fileid=28740](http://www.picknpay.co.za/picknpay/action/media/downloadFile?media_fileid=28740)