OUR GOVERNANCE

OUR APPROACH TO CORPORATE GOVERNANCE

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over more than 50 years. Our ethical value system has built strong relationships with stakeholders who recognise and support the Group as a responsible corporate citizen, with the confidence that we will always do what is right.

The Board is committed to strong and ethical leadership, and to consistent action within a governance framework that is built on the principles of honesty, integrity and accountability. The corporate governance structure of the Group is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability and value creation of the business.

The Board retains overall responsibility for the concept of integrated thinking as encapsulated in the King Report on Corporate Governance™ for South Africa 2016 (King IV™), which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

The Board is confident that the Group's governance framework, including all its related Board structures and administrative and compliance processes, contributes to ongoing value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting
- A remuneration policy that builds a winning team through the development and retention of top talent and incentivises in line with the Group's strategic objectives

The Board supports the materiality approach, which emphasises integrated reporting based on issues, risks and opportunities that can have a material impact on the sustainable performance of the business over the short, medium and long term. Details of the material issues and related risks identified and managed by the Group are set out on pages 32 to 37.

BOARD FUNCTION

The Board of directors, as elected by shareholders, take overall responsibility for the performance and sustainable value creation of the Group. Sustainable value creation is measured across the triple context of the Group's economic, social and environmental performance, with reference to the effective management of its capitals. The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that strategy, risk, performance and sustainability are inseparable elements of value creation. It thereby ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its short, medium and long-term prospects.

Directors are encouraged to engage in rigorous debate with the aim of promoting direction, governance and effective leadership of the Group. All Board members are conscious of their obligation to act with integrity as representatives of all stakeholders of the Group.

The 2018 corporate governance report is available on our website at **www.picknpayinvestor.co.za**.

EVALUATION OF BOARD PERFORMANCE

The Board performs a formal annual evaluation of its performance and its overall contribution to the Group. The review includes an evaluation of the performance and contribution of each individual director. Completed questionnaires are submitted to the Chairman, who conducts interviews with each member of the Board. The effectiveness of the Chairman is assessed by the lead independent director. Discussions centre on how the performance and effectiveness of the Board can be improved. Individual feedback is given to each director, and the Chairman gives general feedback to the Board.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its Corporate Governance Charter, King IV™, the JSE Listings Requirements, the Companies Act, and applicable statutory and regulatory requirements for the financial period ended February 2018.

CONTROLLING SHAREHOLDER AND ITS BOARD REPRESENTATION

The Group has a controlling shareholder, Ackerman Investment Holdings Proprietary Limited. The Chairman (Gareth Ackerman), one non-executive director (David Robins) and two executive directors (Suzanne Ackerman-Berman and Jonathan Ackerman), all members of the Ackerman family, are not independent by virtue of their indirect shareholdings in the Company. To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as lead independent director (LID). The role of the 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 position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest.

BOARD COMPOSITION

The Board consists of 13 directors, with eight non-executive directors and five executive directors. Six of the eight non-executive directors are independent. Refer to pages 78 and 79 for more detail.

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgment in directing the Group's value-creation processes to ensure that they are sustainable for all stakeholders. All directors receive regular briefings on changes in risks, laws and the business environment.

DIRECTOR APPOINTMENT AND ROTATION

The Board's rotation policy ensures that one-third of non-executive directors come up for re-election at each annual general meeting. Shareholders are enabled to hold directors to account and to appoint directors to the Board whom they believe will add value to the business.

The Board proactively seeks and appoints qualified individuals who reflect a diverse range of skills, professions and backgrounds that represent the gender, race and ethnic diversity of the communities we serve.

The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The Group's gender and racial diversity targets for its Board have been met.

OPERATIONAL GOVERNANCE

The Board appoints the Chief Executive Officer (CEO) to run the Group on its behalf. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the principal link between management and the Board.

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by executive management and that the necessary systems and controls are in place for effective risk management.

The Board recognises that risk management is an integral part of Group strategy, and delegates to management the responsibility of designing, implementing and monitoring the risk management plan.

EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Bakar Jakoet (Chief Finance Officer or CFO) and Richard van Rensburg (Chief Information Officer or CIO), who are all executive directors of the Company.

ANNUAL ASSESSMENT OF INDEPENDENCE

King IV™ does not consider the length of a non-executive director's term in office as a determinant of independence. However, the Group's policy requires all independent non-executive directors who have served on the Board for more than nine years to retire by rotation at the end of every year, instead of the standard three-year term of office.

At the end of each term, whether one year or three years, the director and the Chairman jointly evaluate each director's independence. By mutual consent the director may be considered for re-election. Consideration is given to factors such as:

- The director's involvement with other companies
- External directorships held
- Relationships with material suppliers and competitor companies
- Material contracts with the Group, if any
- Whether the director had been employed by the Group in an executive capacity during the preceding three years
- Whether the director's fees represented a material part (10% or more) of their wealth or income

All directors regularly declare their directorships and commercial interests 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.

The Board has established a balance between the experience of long-serving directors and the fresh insights from new directors. All our directors, whatever their length of service, are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship that is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Board is satisfied that the independent non-executive directors met the criteria for independence as established by King IV™, the Companies Act and the JSE Listings Requirements.

BOARD COMMITTEES

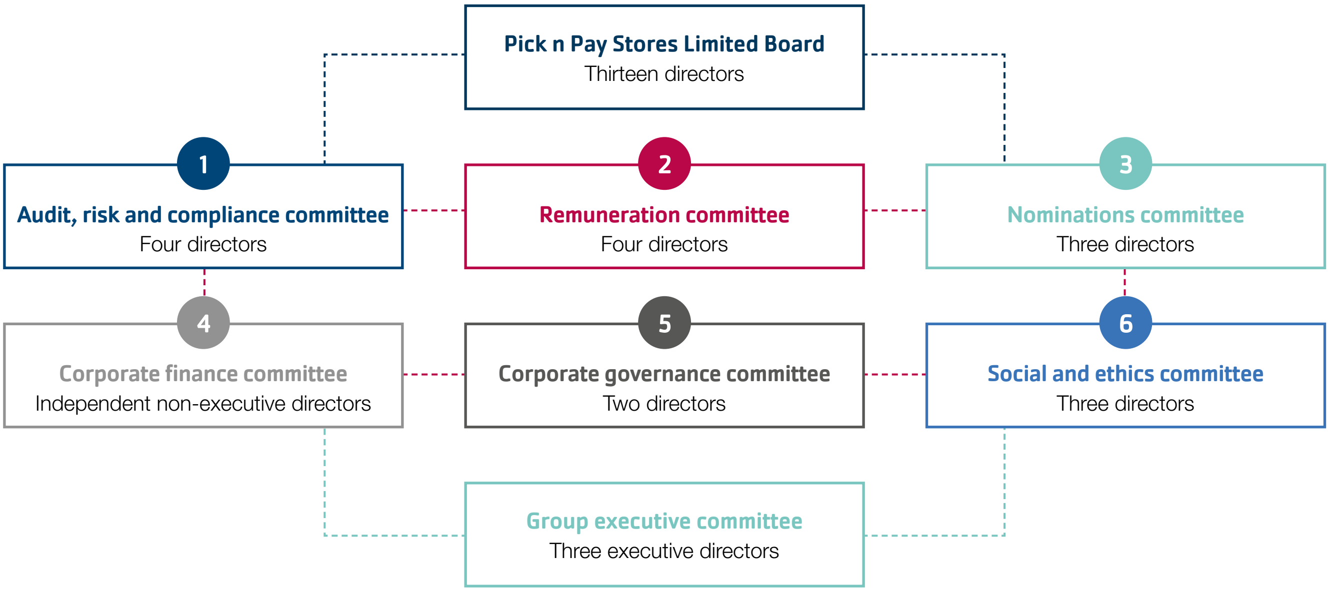
The Board is supported by six committees, namely the audit, risk and compliance, social and ethics, corporate finance, corporate governance, nominations and remuneration committees. The Board's delegation of authority to committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

The role and responsibilities of each Board committee are set out in the corporate governance charter, which is reviewed annually to ensure that the committee mandates remain current and effective. The charter, which was reviewed to ensure that the requirements of King IV™ were met, is available on our website at **www.picknpayinvestor.co.za**.

Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. Together with the Board, all committees were satisfied that they carried out their responsibilities during the period.

GOVERNANCE STRUCTURE

The diagram below is a summary of the governance structure of the Group. For more information, refer to the 2018 corporate governance report on our website at **www.picknpayinvestor.co.za**.



The table reflects the Board and committee attendance at the meetings for the 2018 financial period:

NAME	Position	Board	AGM	1	2	3	4	5	6
G Ackerman	Chairman	5/5	1/1	–	3/3	✓	–	✓	–
J Ackerman	Executive	5/5	1/1	–	–	–	–	–	–
S Ackerman-Berman	Executive	5/5	1/1	–	–	–	–	–	3/3
R Brasher	CEO	5/5	1/1	–	–	–	–	–	–
D Friedland	Independent non-executive	5/5	1/1	2/2	–	✓	*	–	–
H Herman	Lead Independent non-executive	5/5	1/1	2/2	3/3	–	*	–	–
A Jakoet	CFO	5/5	1/1	–	–	–	–	–	–
A Mathole	Independent non-executive	5/5	1/1	–	–	–	*	–	2/3
A Mothupi	Independent non-executive	5/5	1/1	2/2	3/3	–	*	–	–
L Phalatse	Independent non-executive	5/5	1/1	–	–	✓	*	–	3/3
D Robins	Non-executive	5/5	1/1	–	–	–	–	–	–
R van Rensburg	CIO	5/5	1/1	–	–	–	–	–	–
J van Rooyen	Independent non-executive	5/5	1/1	2/2	2/3	–	*	✓	–

The nominations committee, corporate finance committee and corporate governance committee meet as and when required throughout the financial year.

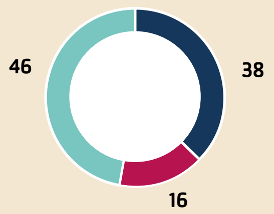
– *Not a member of the committee*
√ *Present at ad hoc meetings*
* *The corporate finance committee was not convened during the financial period.*

For more detail on the objectives and activities of the Board and its committees, please refer to the corporate governance report on our website at **www.picknpayinvestor.co.za**.

OUR BOARD OF DIRECTORS

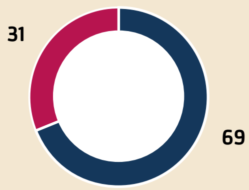
Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

DIRECTOR CLASSIFICATION



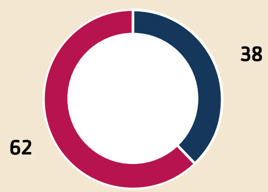
Executive
Non-executive
Independent non-executive

GENDER DIVERSITY



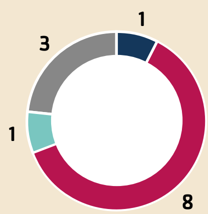
Male
Female

RACIAL DIVERSITY



Black
White

DIRECTOR TENURE



< 5 years
5 – 10 years
10 – 15 years
> 15 years

CHAIRMAN

GARETH ACKERMAN (60)
BSocSci, CMS and AMP (Oxon)
Chairman

- Appointed 1990
- Years of service: 34
- Chairman of the corporate governance committee and the nominations committee

EXECUTIVE DIRECTORS

RICHARD BRASHER (56)
BSc (Hons)
Chief Executive Officer

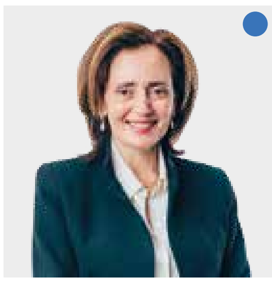
- Appointed 2013
- Years of service: 5

BAKAR JAKOET (62)
CA(SA)
Chief Finance Officer

- Appointed 2011
- Years of service: 32

RICHARD VAN RENSBURG (57)
CA(SA)
Chief Information Officer

- Appointed 2009
- Years of service: 9



SUZANNE ACKERMAN-BERMAN (55)
BA, Fellow: Aspen Business Institute; First Movers
Executive director

- Appointed 2010
- Years of service: 23
- Chairman of the social and ethics committee

JONATHAN ACKERMAN (51)
BA Marketing

- Appointed 2010
- Years of service: 25

NON-EXECUTIVE DIRECTOR

DAVID ROBINS (64)
BBusSci

- Appointed 2002

INDEPENDENT NON-EXECUTIVE DIRECTORS

HUGH HERMAN (77)
BA LLB, LLD (HC)

- Appointed 1976
- Lead independent director (LID)
- Chairman of the remuneration committee

ALEX MATHOLE (45)
BJuris LLB

- Appointed 2016

AUDREY MOTHUPI (47)
BA (Hons)

- Appointed 2013
- Other listed company directorship: Life Healthcare Group

LORATO PHALATSE (56)
BA (Hons), MA

- Appointed 2010
- Other listed company directorship: Bidvest Group

JEFF VAN ROOYEN (68)
CA(SA)

- Appointed 2007
- Chairman of the audit, risk and compliance committee
- Other listed company directorships: MTN Group Limited, Exxaro Resources Limited

DAVID FRIEDLAND (64)
CA(SA)

- Appointed 2013
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited

COMPANY SECRETARY

DEBRA MULLER (56)
BA LLB
Company Secretary

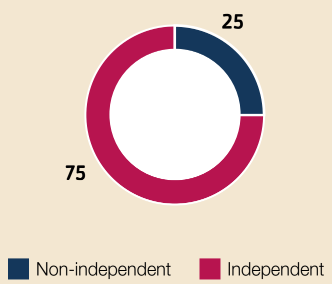
- Appointed 2010
- Years of service: 12

HONORARY LIFE PRESIDENTS

RAYMOND ACKERMAN
Years of service: 51

WENDY ACKERMAN
Years of service: 51

NON-EXECUTIVE DIRECTOR INDEPENDENCE CLASSIFICATION



MEMBER OF THE:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee

REMUNERATION REPORT

SECTION 1: CHAIRMAN'S REPORT

The Group's remuneration committee is mandated by the Board to ensure that the Group's remuneration policy fairly and responsibly promotes the achievement of the Group's strategic objectives, including positive value outcomes over the short, medium and long term. The Group's remuneration policy balances the needs of its employees with those of its shareholders and supports the Group's strategy by incentivising the behaviour that will deliver on its strategic plan, against clear and measurable performance targets across its seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate in attracting, motivating and retaining the Group's winning team.

THE YEAR IN REVIEW

The 2018 financial year was once again characterised by a tough economic climate and constrained consumer spending, with real GDP growth in South Africa of just 0.9% over the 2017 calendar year. The Group responded to the tough consumer environment through decisive action. Over the past year, the Group took a number of strategic steps, as set out in the CEO's review on page 54, to reduce its operating costs and improve its underlying efficiency in ways which have generated additional headroom to invest in its customer offer at a critical time for the South African consumer. These steps, which included a voluntary severance programme (VSP), have accelerated the delivery of the Group's strategic long-term plan. However, they inevitably resulted in some disruption, which had a short-term adverse impact on the performance of the Group. The VSP in particular also resulted in once-off costs which impacted on this year's profitability and on the ability of the Board and senior executives to deliver against their strategic objectives and related targets.

Against this background, the remuneration committee has had to exercise careful judgment over the past year to ensure that the application of the Group's remuneration policy reflects the progress on its strategic long-term objectives, while noting the short-term targets that were not met.

Hugh Herman
Chairman: Remuneration committee

It has recognised that incentives tied to specific targets cannot be paid where these targets have not been met. But the committee has also, where appropriate, exercised some discretion and limited flexibility where the non-achievement of short-term targets resulted from decisions that have significantly strengthened the business to deliver on its longer-term strategy.

2018 FINANCIAL RESULT AND ANNUAL BONUS

The VSP added compensation cost and disruption in the short term; however, together with the modernisation of the Group's loyalty programme and a collaborative buy better programme with suppliers, the team was able to invest substantively in price and promotion in the final quarter of the year in order to drive sales growth. Strong momentum was achieved in the last three months of the year, but it was not enough to meet the key financial performance targets set by the remuneration committee.

The Group delivered growth in profit before tax and exceptional items (PBTAE), the Group's primary short-term performance target, of 3.8% in 2018, short of the committee's threshold target of 10%. In addition, certain other key performance indicators also fell short of expectation, including annual turnover growth, inventory holdings and net interest paid. Accordingly, the Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus and the remuneration committee has not awarded a short-term bonus to its senior executive team this year.

However, the remuneration committee acknowledged the important strategic steps taken over the year to drive sustainable performance. In recognition of the solid progress delivered against the long-term plan and the substantively improved customer offer, the remuneration committee agreed to the payment of an ex gratia appreciation award to executive directors and key members of senior management that have delivered this progress.

REVIEW OF CEO'S LONG-TERM BINARY SCHEME

The committee decided, at a special meeting convened in September 2017, to extend the terms of Richard Brasher's binary share award. The share award was due to vest in November 2017, subject to the attainment of a share price eligibility hurdle of R68.03. Richard Brasher had, with the support of the Board, successfully implemented the strategic action detailed above in order to reset the long-term earnings trajectory of the Group. The prevailing political and economic climate had resulted in negative sentiment in the local equities market, and the committee acknowledged that the substantial once-off costs related to the VSP could negatively impact the share price in the short term. The committee agreed that Richard should not be disadvantaged for strategic action taken for the long-term benefit of the Group.

The remuneration committee remains committed to equitable remuneration of its executive directors, which adequately reflects performance delivered. As such it was agreed to extend the term of his binary scheme by a further 12 months, to November 2018.

AMENDMENTS TO THE GROUP'S FORFEITABLE SHARE PLAN

The Group has delivered consistent progress against its primary long-term performance target of sustainable growth in headline earnings per share (HEPS), with compound annual growth in HEPS over the last five years of 20%. The Group's debut issue of forfeitable shares vested successfully in August 2017. It is right that the team share in the value that they have helped to create for shareholders, and we were gratified to deliver 6.3 million shares to 130 participants.

The vesting of FSP 1 highlighted the difficulty of issuing shares to executives on the eve of a statutory closed period. To allay any governance concerns, our executive directors and Company Secretary were precluded from taking up their FSP 1 shares on vesting, and were required to wait until after the publication of the Group's interim results in October 2017. The remuneration committee subsequently decided to bring forward the vesting dates of all previous FSP awards, from August of the vesting year to June of that same year, to strengthen governance during future vesting periods. The attainment of performance conditions will always be known at the time of the publication of the financial result in April, and it is only the discretionary service condition that has been reduced by less than two months. This amendment ensures that any future delivery and take-up of forfeitable shares will not take place in the days before the Group enters a closed period, facilitating a more streamlined and effective administration of the vesting process. In line with normal governance principles, if any of our executives are in a voluntary closed period at the time of vesting, they will not be able to take up their shares until such time as any trade embargo has been lifted.

STRONGER TEAM

In January 2018 the Group strengthened its executive team through the appointment of Pedro da Silva to manage its Pick n Pay division. Pedro is a seasoned retailer with an exceptional track record in emerging market retail across the globe. This includes turning around the Biedronka business in Poland to become the national market leader, and guiding the Jerónimo Martins Group as Chief Operations Officer, responsible for the group's operations in Portugal, Poland and Columbia. Pedro will ably support Richard Brasher in growing our Pick n Pay South African retail business, while enabling Richard to focus more fully on overall Group strategy. The remuneration committee formulated a competitive remuneration package that recognises Pedro's skill and experience, and his participation in the Group's long-term share incentive schemes ensures that he will be rewarded for a tenure that delivers on Group strategy, with sustainable earnings growth and share price appreciation over the longer term.

OTHER KEY CONSIDERATIONS

In addition to the key decisions detailed above, further key considerations for the remuneration committee during the year included:

- setting the remuneration packages of key senior executives in line with market-related benefits
- the fourth allocation of shares under the Group's forfeitable share plan
- agreeing the overall salary increase for all salaried staff
- ongoing talent management and succession planning

SHAREHOLDER ENGAGEMENT

Our remuneration policy seeks to build the most skilled and talented retail business in South Africa, to drive sustainable value creation for all stakeholders. Our remuneration policy, including all reward principles, is consistent with last year and is outlined in section 2 of this report. The application of our remuneration policy in 2018 is detailed in section 3 of this report.

The remuneration committee is confident that the Group's remuneration policy achieved its stated objectives in support of the Group's long-term strategy during the year. Senior management and staff have been remunerated fairly, commensurate with market best-practice, current achievements have been recognised and future performance incentivised in line with the objectives of the Group's long-term strategy and the interests of shareholders.

In line with the requirements of King IV™, the Group will present section 2 and section 3 of this report separately to its shareholders for non-binding votes at its AGM on 30 July 2018. The proposed directors' fees for the 2019 and 2020 financial period will also be submitted to shareholders for approval at the AGM. Please refer to page 93 for further information.

The Group values open and constructive engagement with its shareholders, and encourages its shareholders to engage with management on material remuneration issues in order to enable informed decisions when voting on the Group's remuneration policy and the application thereof.

In addition to this commitment, and in accordance with King IV™, in the event that either the remuneration policy or implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

- determine the reasons for the dissenting votes; and
- address all legitimate objections and take any reasonable steps to resolve shareholder concerns.

The remuneration policy and directors' fees for the 2018 financial period were approved by shareholders at the AGM held on 31 July 2017 as follows:

	For	Against	Abstain
Advisory vote			
Remuneration report for the 2017 annual financial period	91.32%	8.68%	0.04%
Special resolution number 1			
Directors' fees for the 2018 and 2019 annual financial periods	86.58%	13.42%	0.39%

LOOKING AHEAD

The Group is determined to become the employer of choice within the retail industry, creating more opportunity for competitive benefits, skills training and development, recognition and career advancement. The Group has created over 13 700 net new and sustainable jobs over the past three years, notwithstanding the impact of the VSP, through its store opening programme and the ongoing development of its centralised supply chain. We aim to create another 15 000 new jobs over the next three years.

We have much more hope for a prosperous South Africa than we had a year ago, and with renewed energy and momentum in our own business, we look forward to 2019 with confidence of a stronger performance from a lean and more effective team. The remuneration committee will continue to focus on talent management, retention and succession planning. It will formulate appropriate and effective long-term incentives linked to the key performance indicators that will ensure delivery of the Group's strategic objectives, while balancing the needs of shareholders with those of employees.

Hugh Herman
Chairman: Remuneration committee

22 June 2018

The Pick n Pay human resources division (HR) was recognised as the Best HR team of the Year at the 2017 national Future of HR awards. We congratulate the team on this prestigious award, which recognise the transformation of the HR function in business in South Africa. Our HR team is working tirelessly to become a stronger and more effective support structure for all divisions across the Group, and we give them our unwavering support on this journey, as we all become better and simpler for customers and staff.

SECTION 2: OVERVIEW OF REMUNERATION POLICY

ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is to build and reward a high-performance team that successfully delivers the Group's strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The Group's remuneration policy supports this philosophy through balanced reward, which recognises both the delivery of short-term performance goals, while incentivising sustainable earnings growth over the long term, aligning the interests of our team with those of our shareholders.

Performance-driven reward
Staff are rewarded for the delivery of value creation in line with the objectives of the Group's strategy

Meritocracy
Staff are recognised and advanced based on merit

Most talented South African retail business
We attract, retain and develop the most talented staff in the retail industry

Effective and lean organisation
We build a high-performance culture that rewards productivity and value creation

Diversity
We offer equal opportunities to people from all walks of life and our team reflects the communities we serve

The Group's remuneration policy reflects the following principles:

- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile.
- An independent expert assists with remuneration benchmarking to ensure that remuneration decisions made are objective and fair.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

FRAMEWORK AND PERFORMANCE MEASURES

The Group rewards employees for their individual contribution to the Group's strategic, operating and financial performance.

The Group's remuneration policy is aligned with the strategic objectives of the Group, as set out in Stage 2 of its strategy. Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders. The Group's primary performance target for the achievement of short-term incentives by its management teams is growth in profit before tax and exceptional items (PBTAE). The primary target has a 100% weighting in annual bonus determinations. No short-term incentives are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable at the discretion of the remuneration committee, subject to a review of the level of delivery of certain secondary performance targets, as detailed on the following page.

ALIGNING REMUNERATION WITH STRATEGY

STAGE 1 – Stabilise the business ✓

STAGE 2 – Change the trajectory

Strategic objectives:

- Grow sales in line with or ahead of the market
- High levels of operating efficiency
- Sustainable margin improvement

Business acceleration pillars:

1. Better for customers
2. A flexible and winning estate
3. Efficient and effective operations
4. Every product, every day
5. A winning team
6. Boxer – a national brand
7. Rest of Africa – second engine of growth

Short-term incentives

Group performance

Primary short-term performance target:

- Growth in profit before tax and exceptional items (PBTAE)

100% weighting

Individual performance

Secondary short-term performance targets examples include:

- Annual individual performance review
- Turnover growth
- Improved cost ratios
- Reduced net finance costs
- Stronger profit margins
- Reduced stock-on-hand days
- BBBEE performance
- Resource efficiency

Discretionary considerations depending on the level of delivery

Long-term incentives

Group performance

Primary short-term performance target:

- HEPS
- ROCE
- Share price

100% weighting

STAGE 3 – Sustainable long-term growth

Group performance

Primary long-term performance targets:

- Sustainable HEPS growth over a rolling three-year period
- ROCE > WACC
- Share price appreciation
- PBT margin of 3.0% – 3.5% over the long term

The remuneration committee assists the Board in meeting its responsibility for determining and administering an appropriate and effective remuneration policy, which is balanced in the best short-term and long-term interests of the Group, its shareholders and its employees, and is aligned to the Group's strategic objectives. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. 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, which is reviewed annually by the Board.

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

DIRECTOR	Attendance
Hugh Herman (Chairman)	3/3
Gareth Ackerman	3/3
Audrey Mothupi	3/3
Jeff van Rooyen	2/3

Although external advice is obtained from time to time as required, no external advisors attended the remuneration committee meetings during the period under review.

2018 OBJECTIVES AND ACTIVITIES

- Reviewed the Group's remuneration policy to ensure alignment with the strategic objectives of value creation over the short and longer term, and in line with best practice in the market
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives
- Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees
- Proposed fees for non-executive directors, for shareholder approval
- Reviewed and approved the service conditions and related vesting dates for forfeitable share plan awards
- Determined the overall salary increase for salaried staff across the Group
- Reviewed the principle and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner
- Considered talent management and succession planning

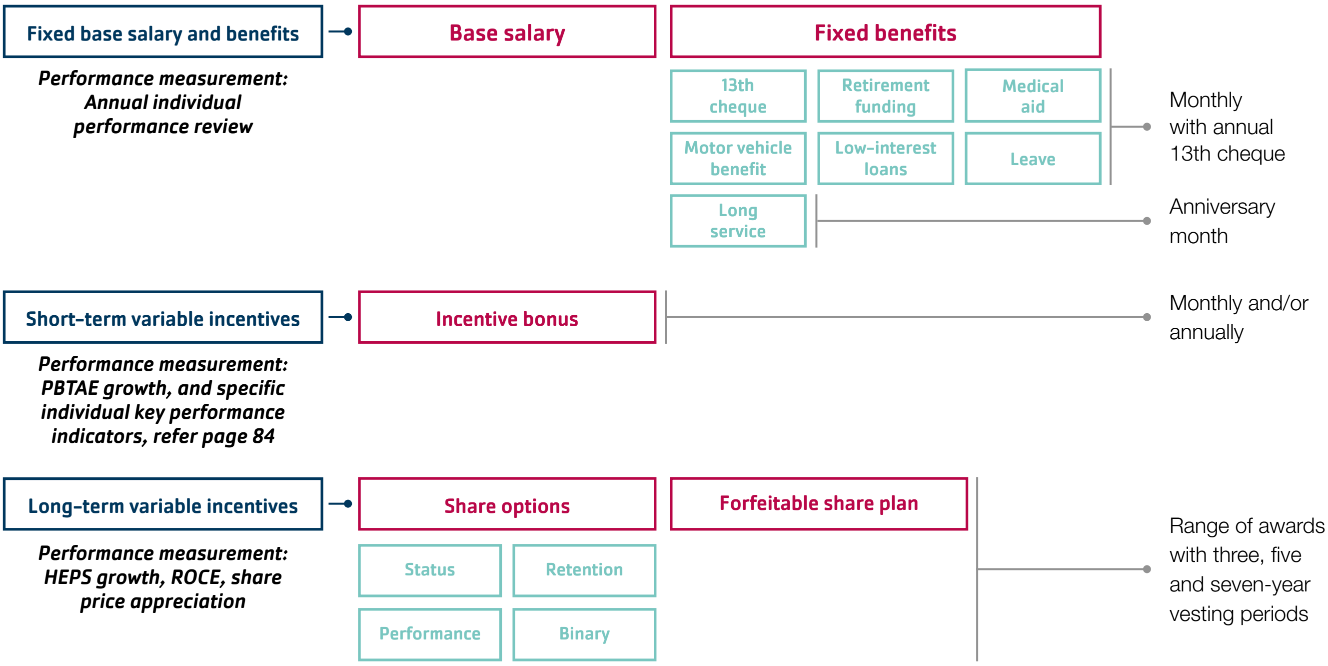
The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2018 financial period.

REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES

The remuneration committee has reviewed the Group's remuneration policy to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry. The committee is satisfied that the Group's remuneration policy, supported by strong underlying governance principles, ensures that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group's long-term plan, which are reflected in the performance targets set by the remuneration committee.

The remuneration committee recognises its important role in ensuring that the Group's remuneration policy supports the Group's strategic goals, and also ensures that executive directors are remunerated fairly and for reasonable performance in line with industry benchmarks and shareholder expectations. The executive team will not be unduly rewarded where performance does not meet expectations; however, the committee will strive to find a fair and reasonable balance in order to retain key executives and attract quality executives from outside the business to ensure the Group delivers on its strategic objectives.

REMUNERATION STRUCTURE



BASE SALARY

Annual base salaries, across all levels of the Group, are 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 fixed base salary reflects the relative skill, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments.

Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

FIXED BENEFITS

13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees[3] participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

Retirement funding

It is a condition of employment that all employees, including variable-time employees[3], are required to join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time[1], part-time[2] and variable-time employees[3]. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU[4] employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

The Group is committed to furthering the economic empowerment and well-being of its employees and, as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist employees 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.

All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details, please refer to note 14 of the 2018 audited Group annual financial statements where employee loans are disclosed.

Leave

Annual leave accumulates from the date of starting employment and varies between three and five weeks per annum depending on the terms, conditions and length of employment. Variable time employees[3] accumulate leave based on ordinary hours worked. Long service is recognised with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Long service

The Group values loyalty and experience and rewards long service with a cash award in the month an employee attains a five-year service anniversary, and again for every five-year anniversary thereafter.

SHORT-TERM VARIABLE INCENTIVES

The short-term incentive bonus is discretionary and is linked to the achievement of targets led by the primary short-term performance target of profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review on page 68 for further detail on the calculation of PBTAE.

The primary short-term performance target is supported by secondary short-term targets aligned to the Group's strategic plan, as set out on page 84.

The bonus pool is self-funding and is created after the achievement of predefined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

GRADES	Category	Bonus cap
A	CEO	24 x basic monthly salary
A	Group executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C & D	Middle management	4 x basic monthly salary
E & F	Junior management	13th cheque

All bonuses paid are subject to approval by the remuneration committee, and no bonuses are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable, subject to a review by the remuneration committee of the level of delivery of secondary performance targets. The bonus paid to middle management is reduced by the value of the fixed 13th cheque. Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share option scheme for employees. This is an integral part of our remuneration philosophy and ensures that the long-term interests of staff are aligned with those of shareholders, with primary performance targets of long-term sustainable HEPS growth and share price appreciation. It gives all levels of management the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and it encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

[1] Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week.
[2] Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week.
[3] Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.
[4] NMBU refers to our non-management bargaining unit.

The Group operates two share incentive schemes for the benefit of its employees:

1. Share option scheme
2. Forfeitable share plan (FSP)

Funding of share plans and dilutions

Shareholders have authorised the Board to utilise up to 63 892 444 shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group's share schemes. Both the Group's share schemes fall within this limit, which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2018 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

Share option scheme

The Group operates an employee share option scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. 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. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

The future net realisable value of all outstanding share options for all participating Group employees:

YEAR	Average grant price 2018 R	26 February 2018 Number of options 000's	26 February 2018 Net realisable value* Rm
Outstanding share options may be taken up during this following financial periods:			
2019	35.41	14 334.5	557.2
2020	41.94	4 138.7	133.9
2021	56.38	2 334.8	41.8
2022	57.96	2 326.4	38.0
2023 and after	64.70	6 463.3	61.9
		29 597.7	**832.8**

* *The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R74.28 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.*

During the 2018 financial year, 6.2 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 29.6 million PIK share options were held by employees at year-end, amounting to 6.1% of shares in issue. Please refer to note 5 of the 2018 audited Group annual financial statements for further information.

This is a broad-based scheme, rewarding and empowering employees at all levels of management and, as such, no further performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

Status share options – service conditions attached

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

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

Performance share options – service conditions attached

Middle-management employees may be eligible for performance "top-up" share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

Binary share options – service and performance conditions attached

Binary share options are granted to employees in senior management positions. These three to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

Binary share options issued to executive director

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24 and were due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee reviewed the original terms and conditions of these binary options. The committee was concerned that the cost and disruption of the voluntary severance programme (VSP) may have had a negative short-term impact on the share price in an increasingly volatile local equities market. As the action taken had been supported by the Board and was deemed essential in repositioning the Group for long-term sustainable growth, the remuneration committee decided to extend the vesting period of the binary shares for an additional year.

If the 20-day VWAP up to 14 November 2018 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should the 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:

HURDLES	Share price November 2018	Annual compound growth rate	Exercise price May 2018
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

The forfeitable share plan (FSP)

The FSP recognises those key employees 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 FSP recognises the valuable contribution of qualifying employees, and, through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

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 are held by a Central Securities Depository Participant (CSDP) 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, disability or death), all shares will be forfeited.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual contribution to value creation, annual salary, employment grade and other relevant retention and attraction requirements.

The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group'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 the Group has generated a real return for shareholders before rewarding its management team.

FSP awards

The Group reclassified certain elements of supplier income received and advertising costs incurred during the year, which impacted its inventory valuation and necessitated an immaterial adjustment to prior year earnings. The HEPS performance conditions attached to all previous FSP awards, and presented below, have been adjusted accordingly.

FSP 1

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There were forfeitures in terms of the rules of the scheme and, at the time of vesting, 6.4 million shares were held on behalf of 131 participants.

FSP 1 performance conditions:

2014 baseline HEPS Cents	Three-year CAGR %	2017 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's
141.18	< 10	< 187.91	All forfeited	–
141.18	10	187.91	30	1 909.5
141.18	12	198.35	65	4 137.2
141.18	15	214.72	100	6 365.0

The Group delivered HEPS of 258.65 cents per share in 2017. The stretch HEPS growth target was therefore met.

FSP 1 vested in August 2017 after the completion of the three-year service requirement, with the delivery of 6.4 million shares to 131 participants.

FSP 2

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.1 million shares are currently held by a CSDP on behalf of 98 participants.

FSP 2 performance conditions:

2015 baseline HEPS Cents	Three-year CAGR %	2018 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
173.34	< 10	< 230.72	All forfeited	–	–
173.34	10	230.72	30	324.3	24.1
173.34	11	237.07	65	702.6	52.2
173.34	12	243.53	100	1 081.0	80.3

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.*

The Group delivered HEPS of 276.98 cents in 2018, exceeding the stretch HEPS target of 243.53 cents per share. FSP 2 will fully vest on 25 June 2018.

FSP 3

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open-market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 107 participants.

FSP 3 performance conditions:

2016 baseline HEPS Cents	Three-year CAGR %	2019 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
215.22	< 10	< 286.46	All forfeited	–	–
215.22	10	286.46	30	499.5	37.1
215.22	12	302.37	65	1 082.3	80.4
215.22	14	318.86	100	1 665.0	123.7

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.*

FSP 4

The fourth FSP share issue took place in June 2017 and was funded partly through open-market purchases. A total of 4.1 million shares are held by a CSDP on behalf of 127 participants.

FSP 4 performance conditions:

2017 baseline HEPS Cents	Three-year CAGR %	2020 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
258.65	< 10	< 344.29	All forfeited	–	–
258.65	10	344.29	30	1 232.3	91.5
258.65	11	353.76	65	2 669.9	198.3
258.65	12	363.41	100	4 107.5	305.1

* *The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.*

SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management personnel is required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

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 or restraint of trade payments may be made in this regard.

The retirement age of the Group is 60 years, which applies to all employees. The Group's Chief finance officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

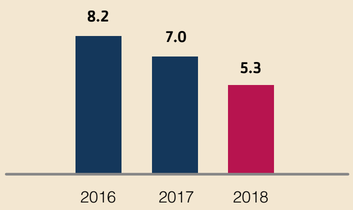
REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS

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 for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Please refer to page 93 for more detail on the proposed fees for 2019. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

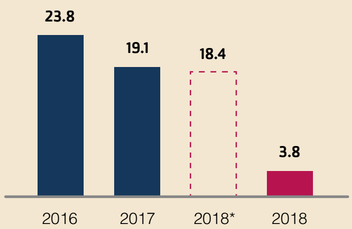
Non-executive director remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY

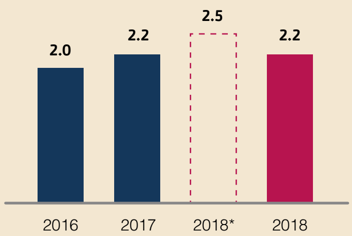
TURNOVER GROWTH (%)



PBTAE GROWTH (%)



PBTAE MARGIN (%)



* *Excluding the cost of the VSP.*

WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2018 financial period were as follows:

Executive director remuneration benchmarking, including a review of all benefits provided

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The balance between guaranteed remuneration and short and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R9.5 million, the remuneration committee considered his extensive experience in the retail industry and the Group's strong and consistent profit growth delivered under Richard's stewardship. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, his expertise and his contribution to date.

Determining annual increases in fixed remuneration for executive directors, and an overall salary increase for salaried staff across the Group

The increase in total normalised fixed base salary and benefits paid to executive directors is 5.0%, excluding once-off variations in the base, against an average for the Group of 5.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7% and 10%. Annual increases were determined in April 2017 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group's strategic objectives that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met, before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal performance appraisal process.

The Group delivered PBTAE of R1 789.1 million, a 3.8% increase on the prior period. This fell below the remuneration committee's threshold target of 10.0%, and, as a result, no short-term bonus was awarded to its senior management team. However, discretionary awards were made to executive directors and certain members of senior management in recognition of their execution of the difficult decisions taken during the year to drive sustainable performance. Bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2019 financial period, including overarching primary short-term PBTAE growth targets of:

15% Threshold · **20%** Target · **25%** Stretch

Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

As detailed in the remuneration committee Chairman's review, the term of the binary share option awarded to CEO, Richard Brasher, was extended by a further 12 months to ensure that Richard was not unfairly disadvantaged by the potential short-term impact on the share price of strategic action taken in service of the long-term plan during the year. Please refer to page 81 for further information.

Reviewing the Group's forfeitable share plan (FSP) – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

Following the successful vesting of FSP 1, the remuneration committee agreed on a replacement award to ensure that all senior management personnel have competitive and market-related long-term incentives in the business to drive delivery of the long-term strategy and value creation. It provides the Group with added security over the retention and tenure of key executives. The remuneration committee set the financial performance conditions to be attached to FSP 4 and agreed on the 127 participants and the level at which each would participate, with particular focus on allocations to executive directors. For further information, refer to page 81 and 91 of this report.

Reviewing and recommending non-executive directors' fees for the 2019 financial period, for final approval by shareholders at the AGM

Fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2019 R	Actual 2018 R	% change
Chairman of the Board	4 438 000	4 187 000	6.0
Lead independent non-executive director of the Board	138 000	130 000	6.2
Non-executive director of the Board	413 000	390 000	5.9
Chairman of the audit, risk and compliance committee	340 000	321 000	5.9
Member of the audit, risk and compliance committee	138 000	130 000	6.2
Chairman of the remuneration committee	181 000	171 000	5.8
Member of the remuneration committee	90 000	85 000	5.9
Member of the nominations committee[1]	85 000	80 000	6.3
Member of the social and ethics committee[2]	90 000	85 000	5.9
Chairman of the corporate finance committee[3]	193 000	182 000	6.0
Member of the corporate finance committee[3]	130 000	123 000	5.7
Trustee of the employee share purchase trust	40 000	38 000	5.3

[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. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. No formal meetings were held during the 2018 financial period, and therefore no fees were paid.*

Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R4.4 million, the remuneration committee (Gareth Ackerman recused himself from the discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity.

Reviewing and approving of the Group's remuneration policy and report

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 to be held on 30 July 2018.

PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS

Total remuneration of executive directors

	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contri-butions R'000	Fringe and other benefits R'000	Total fixed remune-ration R'000	Discre-tionary award* R'000	Total remune-ration R'000	Long-term share awards expense# R'000
2018								
Richard Brasher	1.5	9 474.0	857.1	288.5	10 621.1	800.0	11 421.1	23 618.5
Richard van Rensburg	1.5	4 423.5	383.1	547.6	5 355.7	375.5	5 731.2	5 882.4
Bakar Jakoet	1.5	4 605.0	34.6	389.0	5 030.1	400.0	5 430.1	5 882.4
Suzanne Ackerman-Berman	1.5	2 586.1	245.9	278.8	3 112.3	224.0	3 336.3	3 446.6
Jonathan Ackerman	1.5	1 844.8	320.2	282.1	2 448.6	112.0	2 560.6	2 940.6
Total remuneration	7.5	22 933.4	1 840.9	1 786.0	26 567.8	1 911.5	28 479.3	41 770.5
2017								
Richard Brasher	1.5	8 945.9	781.7	302.7	10 031.8	–	10 031.8	23 754.3
Richard van Rensburg	1.5	4 027.2	350.1	328.2	4 707.0	–	4 707.0	6 794.1
Bakar Jakoet	1.5	3 892.7	587.1	324.2	4 805.5	–	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	2 508.0	224.9	276.6	3 011.0	–	3 011.0	3 569.4
Jonathan Ackerman	1.5	2 282.7	401.7	282.7	2 968.6	–	2 968.6	3 560.8
Total remuneration	7.5	21 656.5	2 345.5	1 514.4	25 523.9	–	25 523.9	43 679.6

* *The Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus. However, the remuneration committee acknowledged that certain important strategic steps were taken during the period to drive sustainable performance, but which had a negative impact on short-term profitability. The remuneration committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.*

\# *The expense of the long-term share awards is determined in accordance with IFRS 2 Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 employee share option scheme and forfeitable share plan are met.*

Total remuneration of non-executive directors

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remune-ration committee R'000	Nomi-nations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
2018									
Gareth Ackerman	4 187.0	–	–	–	–	–	–	–	4 187.0
David Friedland	390.0	–	130.0	–	80.0	–	–	–	600.0
Hugh Herman	390.0	130.0	130.0	171.0	–	–	–	38.0	859.0
Alex Mathole	390.0	–	–	–	–	–	42.5	–	432.5
Audrey Mothupi	390.0	–	130.0	85.0	–	–	–	38.0	643.0
Lorato Phalatse	390.0	–	–	–	80.0	–	85.0	–	555.0
David Robins	390.0	–	–	–	–	–	–	–	390.0
Jeff van Rooyen	390.0	–	321.0	85.0	–	–	–	38.0	834.0
Total remuneration	**6 917.0**	**130.0**	**711.0**	**341.0**	**160.0**	**–**	**127.5**	**114.0**	**8 500.5**
2017									
Gareth Ackerman	3 913.0	–	–	–	–	–	–	–	3 913.0
David Friedland	364.0	–	122.0	–	75.0	115.0	–	–	676.0
Hugh Herman	364.0	122.0	122.0	160.0	–	115.0	–	35.5	918.5
Alex Mathole	125.0	–	–	–	–	–	–	–	125.0
Audrey Mothupi	364.0	–	122.0	80.0	–	115.0	–	35.5	716.5
Lorato Phalatse	364.0	–	–	–	75.0	115.0	80.0	–	634.0
David Robins	364.0	–	–	–	–	–	–	–	364.0
Jeff van Rooyen	364.0	–	300.0	80.0	–	170.0	–	35.5	949.5
Total remuneration	**6 222.0**	**122.0**	**666.0**	**320.0**	**150.0**	**630.0**	**80.0**	**106.5**	**8 296.5**

SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

	Calendar year granted	Award grant price R	Balance held at 26 February 2017	Granted/ (exercised)	Exercise price R	Balance held at 25 February 2018	Available for take-up
2018							
Richard Brasher							
Share options	2012	42.24	1 000 000	–	–	1 000 000	Now
	2012	42.24	1 000 000*	–	–	1 000 000*	Now
Forfeitable shares	2014	Nil	800 000	(800 000)	60.30	–	n/a
	2015	Nil	220 000	–	–	220 000	Aug 2018
	2016	Nil	230 000	–	–	230 000	Aug 2019
	2017	Nil	–	400 000	–	400 000	Aug 2020
			3 250 000	(400 000)		2 850 000	
Richard van Rensburg							
Share options	2016	31.14	487 464	–	–	487 464	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	–	n/a
	2015	Nil	35 000	–	–	35 000	Aug 2018
	2016	Nil	45 000	–	–	45 000	Aug 2019
	2017	Nil	–	140 000	–	140 000	Aug 2020
			817 464	(110 000)		707 464	
Bakar Jakoet							
Share options	2003	12.00	250 000	–	–	250 000	Now
	2005	23.59	195	–	–	195	Now
	2007	31.15	5 779	–	–	5 779	Now
	2008	23.24	293	–	–	293	Now
	2008	26.55	7 907	–	–	7 907	Now
	2008	26.14	150 000	–	–	150 000	Now
	2009	28.20	12 413	–	–	12 413	Now
	2010	32.82	195	–	–	195	Now
	2010	42.28	1 799	–	–	1 799	Now
	2011	41.70	500 000	–	–	500 000	Now
	2014	46.44	195	–	–	195	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	–	n/a
	2015	Nil	35 000	–	–	35 000	Aug 2018
	2016	Nil	45 000	–	–	45 000	Aug 2019
	2017	Nil	–	140 000	–	140 000	Aug 2020
			1 258 776	(110 000)		1 148 776	
Suzanne Ackerman-Berman							
Share options	2008	26.14	75 000	–	–	75 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2018
	2016	58.10	196	–	–	196	Now
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	–	n/a
	2015	Nil	20 000	–	–	20 000	Aug 2018
	2016	Nil	25 000	–	–	25 000	Aug 2019
	2017	Nil	–	80 000	–	80 000	Aug 2020
			295 196	(70 000)		225 196	
Jonathan Ackerman							
Share options	2008	26.14	75 000	–	–	75 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	–	n/a
	2015	Nil	20 000	–	–	20 000	Aug 2018
	2016	Nil	25 000	–	–	25 000	Aug 2019
	2017	Nil	–	40 000	–	40 000	Aug 2020
			295 000	(110 000)		185 000	

* *The exercising of these binary 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.*

DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED ORDINARY SHARES

	How held*	Balance held at 26 February 2017	Additions/ grants	Disposals	Balance held at 25 February 2018@	Beneficial/ non-beneficial interest
2018						
Gareth Ackerman	direct	309	–	–	309	Beneficial
	indirect	1 653 200	–	–	1 653 200	Beneficial
	indirect	19 762	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation**	indirect	101 900	–	–	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	indirect	124 677 238	–	–	124 677 238	Non-beneficial
Mistral Trust****	indirect	2 700 967	19 041	–	2 720 008	Non-beneficial
Richard Brasher	direct	–	800 000	(195 230)	604 770	Beneficial
	direct – FSP	1 250 000	400 000	(800 000)	850 000	Beneficial
Richard van Rensburg	direct	41 439	250 000	–	291 439	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
Bakar Jakoet	direct	621 880	250 000	(113 116)	758 764	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
	indirect	13 059	–	–	13 059	Non-beneficial
Suzanne Ackerman-Berman	direct	120 528	150 000	(150 000)	120 528	Beneficial
	direct – FSP	195 000	80 000	(150 000)	125 000	Beneficial
	indirect	472 227	82 129	–	554 356	Beneficial
Jonathan Ackerman	direct	122 888	150 000	(150 000)	122 888	Beneficial
	direct – FSP	195 000	40 000	(150 000)	85 000	Beneficial
	indirect	573 061	82 129	–	655 190	Beneficial
	indirect	11 039	–	–	11 039	Non-beneficial
David Friedland	direct	31 688	–	–	31 688	Beneficial
David Robins	direct	975	–	–	975	Beneficial
	indirect	93 276	–	(2 840)#	90 436	Non-beneficial
Hugh Herman	direct	30 000	–	–	30 000	Beneficial
	indirect	256	–	–	256	Beneficial
Alex Mathole	direct	86	–	–	86	Beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust, of which the director is a trustee, or a spouse and minor children of directors.*

** *The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.*

*** *The indirect non-beneficial interest in the Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*

**** *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

@ *There have been no changes in the directors' interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.*

DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED B SHARES

	How held*	Balance held at 26 February 2017	Additions/ (disposals)	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
2018					
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral Trust***	indirect	5 349 559	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	Beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	–	21 862	Non-beneficial
David Robins	direct	1 931	–	1 931	Beneficial
	indirect	184 742	(5 624)#	179 118	Non-beneficial

* *Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.*

** *The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.*

*** *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

There have been no changes in the director's interest in ordinary shares and B shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.

3 300
SCHOOLS

The Pick n Pay School Club has been operating for 15 years and is one of the most influential and dynamic public-private educational initiatives in South Africa.

Growing tomorrow's leaders – the Pick n Pay School Club makes much-needed educational resources available through private sector funding.

CASE STUDY: PICK N PAY SCHOOL CLUB

It reaches 3 335 schools (635 high schools and 2 700 primary schools), comprising more than 5 million educators, learners, parents and guardians. The free educational material supplied by the School Club – workbooks for the teachers and educational posters for their classrooms – is specific to learners' grades, aligned to the curriculum, and written by experts. This material supports learners in mathematics, science, literacy, health and wellness and sustainability.

The Pick n Pay School Club also encourages future leaders in primary schools through the Pick n Pay Heroes Awards, which recognises young learners for Academic Excellence, Sporting Achievement, Community Upliftment, Leadership and Overcoming Hardship.