

Pick n Pay

2022 - 2023

August 2022

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Non-Executive
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What is currently
happening in the
South African &
African retail
environment?

Retail
Environment

South Africa & Africa Retail

- LOADSHEDDING
- Competition [Shoprite!]
- Unemployment, rising food prices and other household costs puts increasing strain on the South African consumer

 Eskom
**LOAD SHEDDING
POWER ALERT**



Where does PNP
fit in?

- 'Yes, people need to eat. No, they don't need to put fancy cheeses in the basket that carry a high margin. Instead, they can put baked beans in the basket that are on promotion, because every grocery retailer is fighting over the same base of consumers and their affordability challenges.' [The Finance Ghost]

- 'Yes, people need to eat. No, they don't need to put fancy cheeses in the basket that carry a high margin. Instead, they can put baked beans in the basket that are on promotion, because every grocery retailer is fighting over the same base of consumers and their affordability challenges.' [The Finance Ghost]

New grocery basket June 2023

What our basket of 12 items will cost you in these stores



Basket: 700g loaf white bread, 2L sunflower oil, 2.5kg maize meal, 2.5kg sugar, 2L milk, 2kg rice, 2.5kg flour, 175g bath soap, 100 tea bags, 1kg oats, 400g peanut butter, 500g spaghetti

Let's take a look at the market



Let's imagine the market is
100 cans of baked beans

About SIXTY cans are sold in the formal market, while around 40 are sold in the informal market.

PNP sells about 16 of these cans

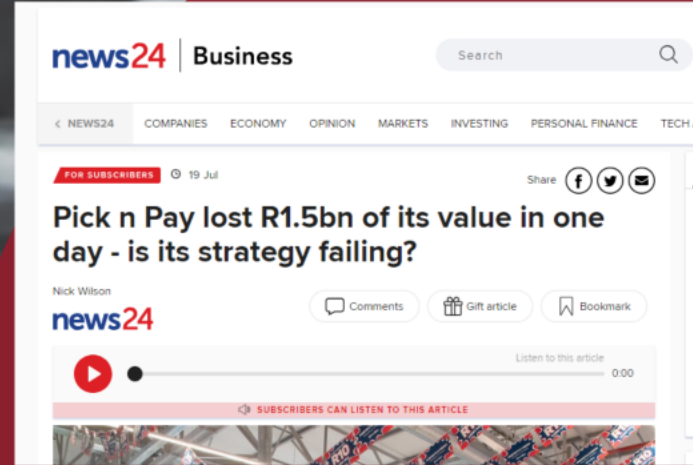


SHOPRITE sells about 32



Most of the time, the consumer will buy the CHEAPEST and MOST CONVENIENT can of beans.





Loadshedding cost the company R522-million, or R60-million a month, to burn diesel.



COMPANIES / RETAIL & CONSUMER

Pick n Pay expects to fall into first-half loss

Challenged by costs related to load-shedding and price-sensitive consumers, the retail giant foresees a 20% plunge in interim profit

BL PREMIUM

19 JULY 2023 - 09:04 by KATHARINE CHILD AND NICO GOUS

UPDATED 19 JULY 2023 - 22:50

Ahead of its AGM, Pick n Pay on Wednesday said it expected to report an interim loss for the six months to end-August, which analysts believe could be the first on record.

This is due to one-off costs associated with load-shedding, switching distribution centres and staff retrenchments...

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At the end of February 2023, PNP operated
957 company owned PNP stores
428 company owned Boxer stores
747 franchise stores
72 TM supermarkets

About 92% of the stores are in South Africa
(2018 stores). While the rest (186 stores) are
outside South Africa.





Over the course of the financial year,
PNP group closed:
13 company owned stores
39 franchise stores
5 stores in Namibia
1 store in Zambia



	27 February 2022	Opened	Closed	Converted openings	Converted closures	26 February 2023
Company-owned						
Pick n Pay	876	82	(13)	15	(3)	957
Hypermarkets	21	-	-	-	-	21
Supermarkets	317	12	(6)	7	(2)	328
Clothing	256	55	(2)	2	-	311
Liquor	282	15	(5)	6	(1)	297
Boxer	368	50	-	10	-	428
Supermarkets	243	30	-	6	-	279
Build	28	3	-	-	-	31
Liquor	97	17	-	4	-	118
Total company-owned	1 244	132	(13)	25	(3)	1 385
Franchise						
Pick n Pay						
Supermarkets	282	6	(5)	-	(11)	272
Market	36	1	(16)	-	-	21
Express	178	14	(1)	-	-	191
Clothing	21	4	(1)	-	(2)	22
Liquor	256	10	(16)	-	(9)	241
Total franchise	773	35	(39)	-	(22)	747
Associate						
TM Supermarkets	64	8	-	-	-	72
Total Group stores	2 081	175	(52)	25	(25)	2 204
African footprint						
- included in total stores above						
Pick n Pay company-owned	22	3	-	-	-	25
Boxer company-owned	9	-	-	-	-	9
Pick n Pay franchise	76	10	(6)	-	-	80
TM Supermarkets - associate	64	8	-	-	-	72
	171	21	(6)	-	-	186
African footprint						
- by country						
Botswana	13	6	-	-	-	19
Lesotho	4	-	-	-	-	4
Namibia	40	-	(5)	-	-	35
eSwatini	28	3	-	-	-	31
Zambia	21	3	(1)	-	-	23
Nigeria	1	1	-	-	-	2
Zimbabwe	64	8	-	-	-	72
	171	21	(6)	-	-	186

In total, PNP group has increased their store footprint by 123 net new stores.

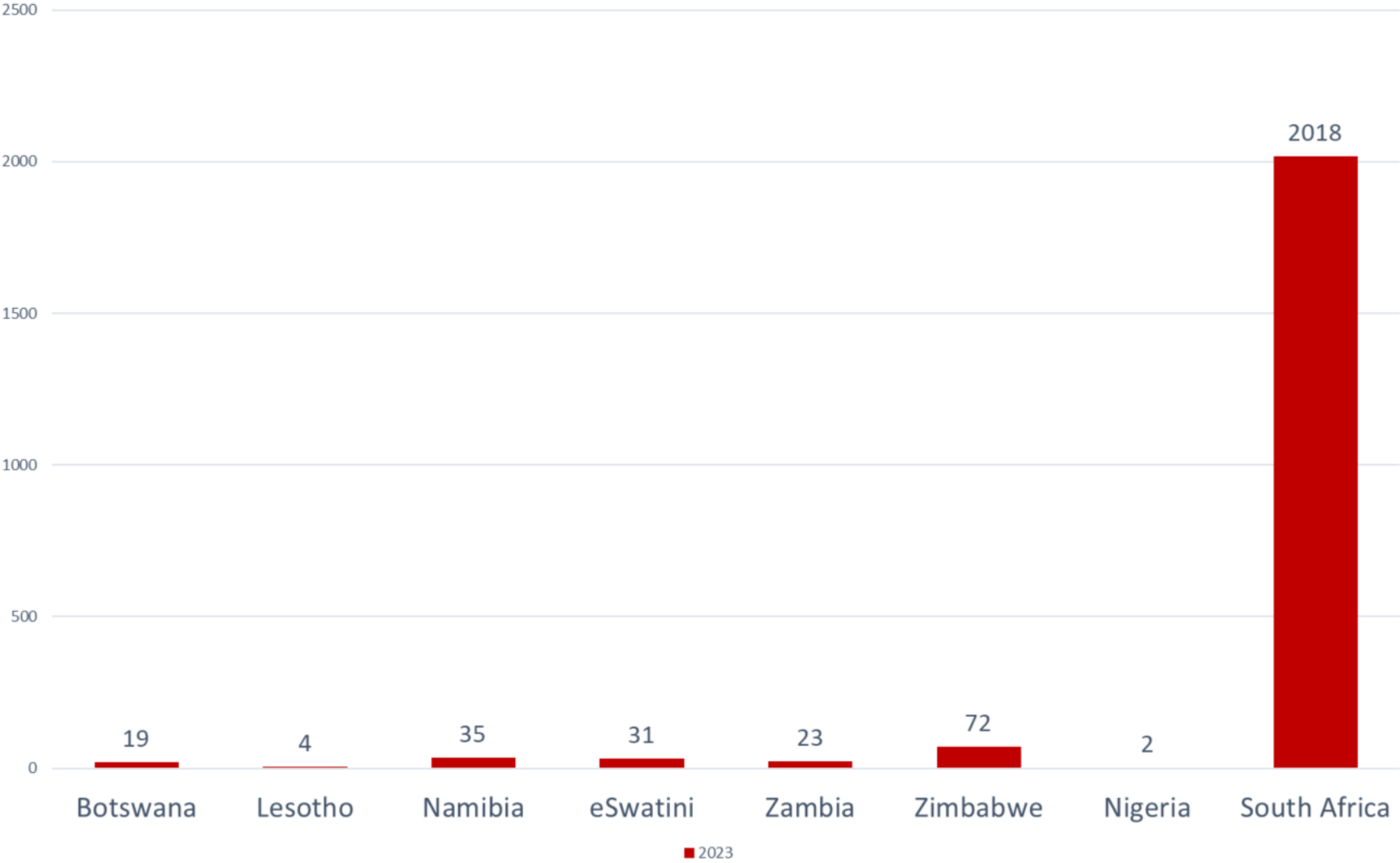
This includes 50 new Boxer stores and 82 new PNP stores.

8 new stores were opened in Zimbabwe

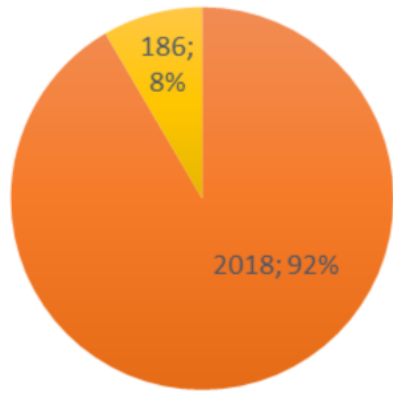
The QualiSave banner was launched on 15 August 2023 and 155 stores were converted to QualiSave by February 2023.



Store Footprint



Number of Stores

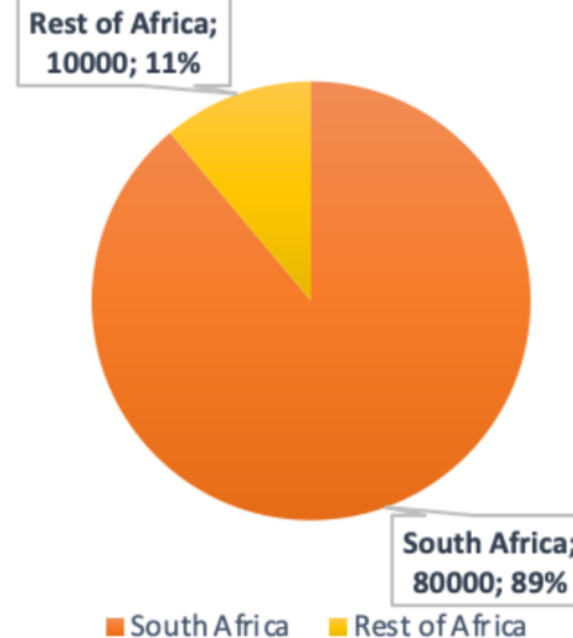


■ South Africa ■ Rest of Africa

PnP did not report on franchise employees this year. In the integrated report, the Group only reports employing 90,000 people (same as last 2021, 2022).

The Group reports the number of company-owned employees in each year (but not franchise employees).

Number of Employees



■ South Africa ■ Rest of Africa

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PNP Revenue & Profit 2023



2024 so far

Profit

Revenue

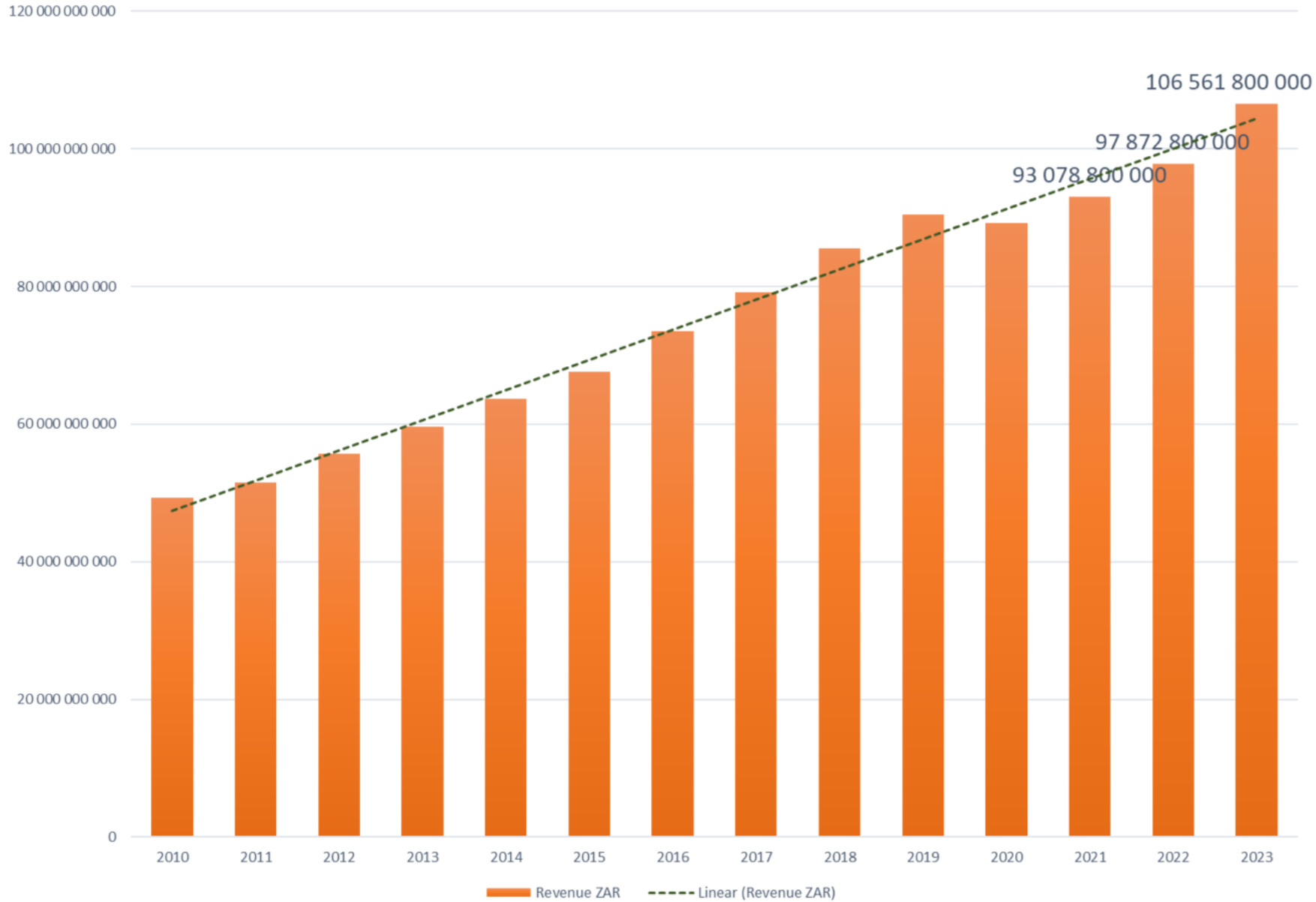
PNP Revenue 2022 to 2023

Over the course of the financial year 2023, PNP managed to create an additional R8.7billin in sales relative to last year's revenue.

This is an increase in revenue of **8.9%**.

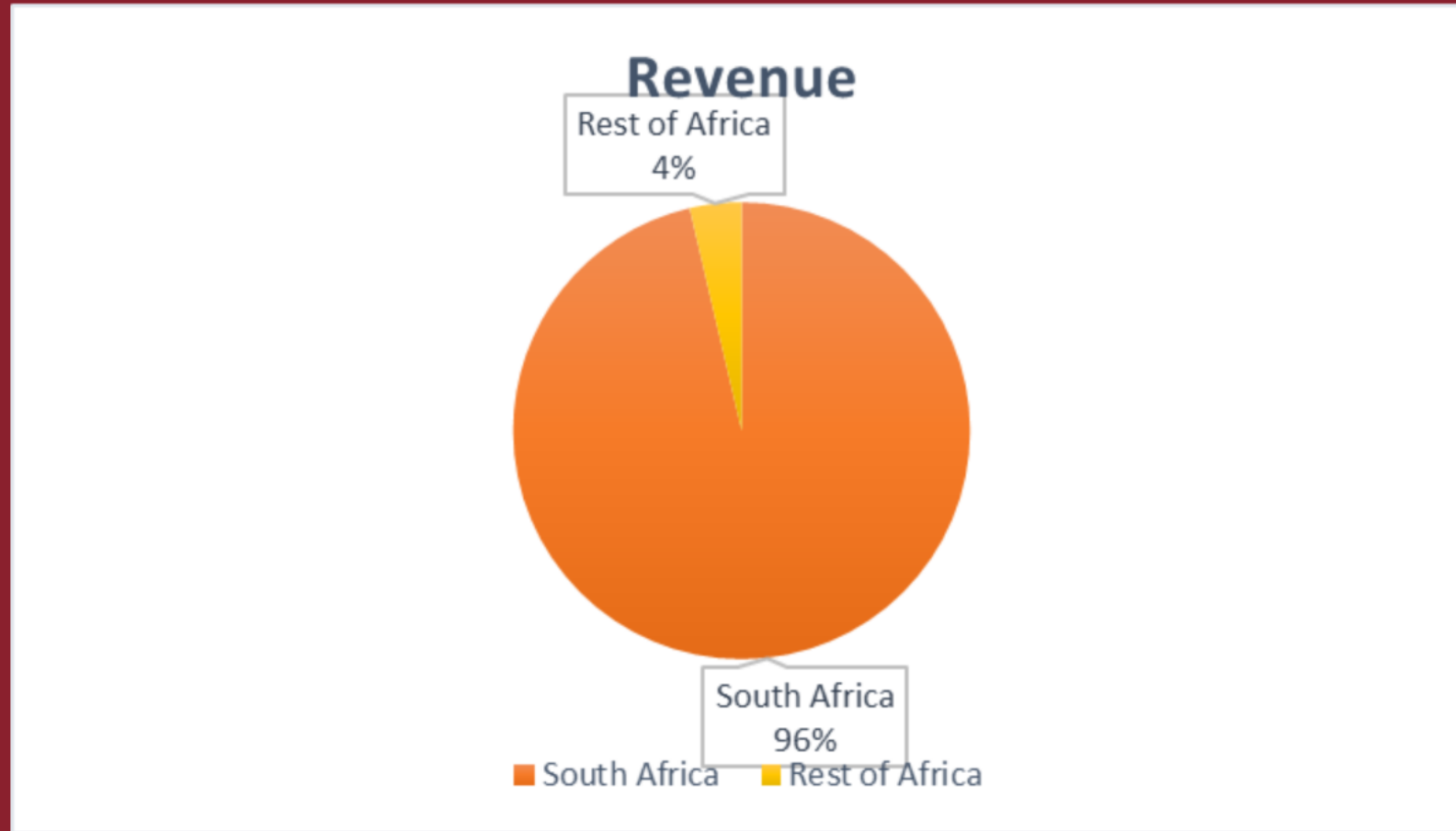


PNP Revenue: 2010 to 2023



+8.9%

Segmental revenue

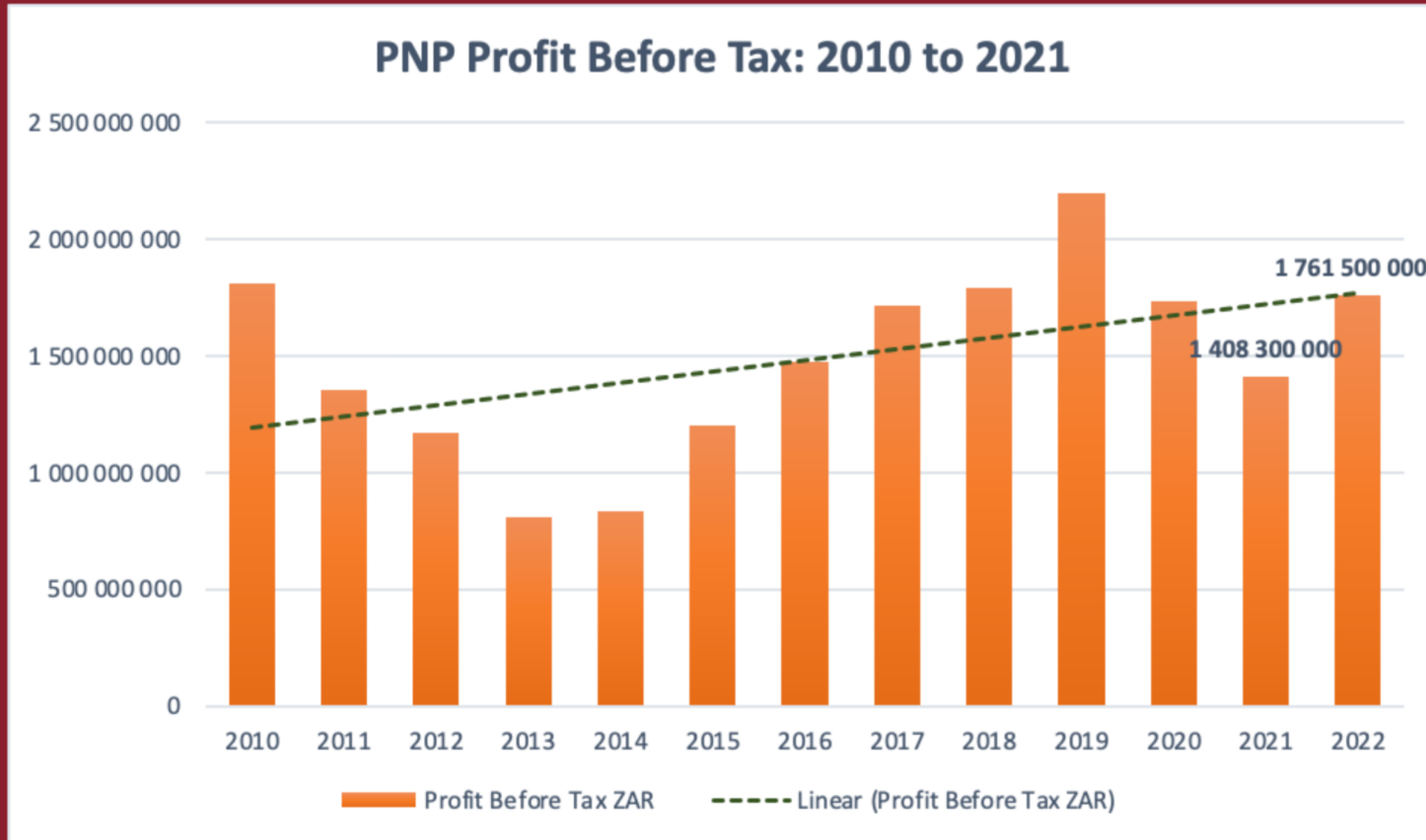


$$[\text{Revenue}] - [\text{Operating Costs}] = [\text{Profit before Tax}]$$

PNP Profit before Tax 2021 – 2022

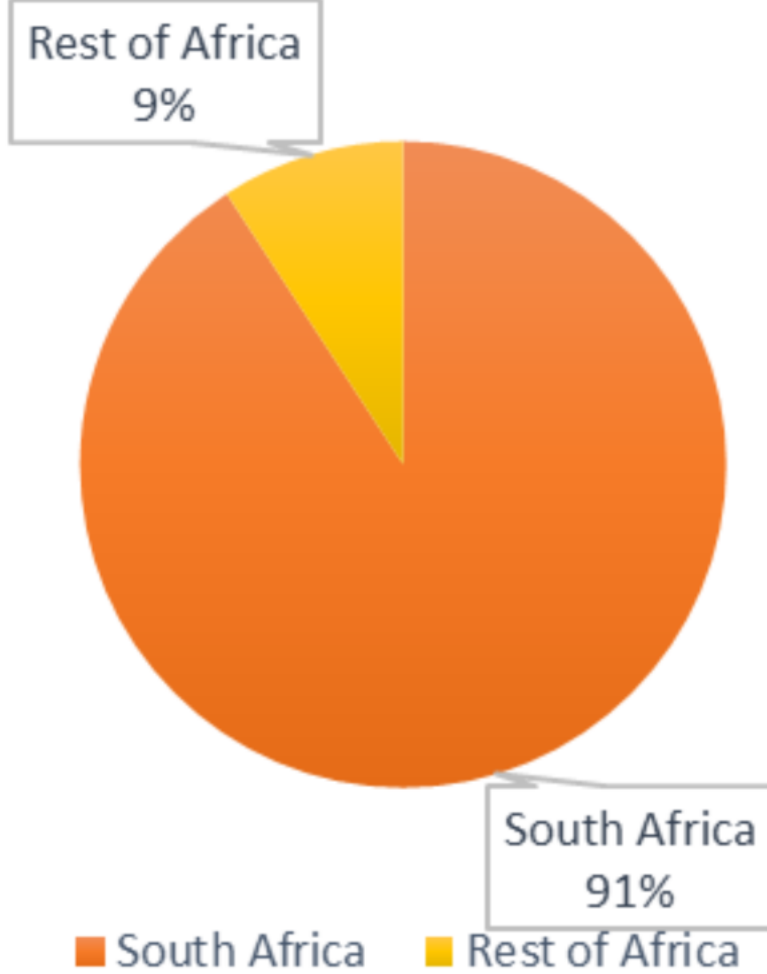
PNP group's profit before tax decreased by 3.1% from 2022 to 2023. PBT is still below 2017 profit levels, despite a big increase in 2022.

PNP Profit before Tax: 2021 - 2022



-3.1%

Profit before tax



**2024
so far...**

**Pick n Pay lost R1.5bn of its value
in one day**

- Pick n Pay told shareholders that the reason for a drop in sales was down to a lack of promotional activity.
- The reason for this comes down to loadshedding and the retailer needing to address that crisis.
- Between March and June Pick n Pay spent R300 million on diesel for generators at stores.

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Executive directors



Pieter Boone (55)
Chief Executive Officer (CEO)
BBA

- Appointed 2021
- Years of service to the Group and Board: 2



A Dutch national, Pieter became CEO of the Group in April 2021. He has extensive international experience in the retail, food service and wholesale sectors, and a consistent track record of leading and delivering retail growth in a diverse range of tough and emerging markets across Asia, Latin America and Europe. Pieter's goal is to drive the Group forward into a new era of sustainable growth, accelerating the development of its existing businesses and building new engines of growth. Pieter believes that people are an organisation's greatest asset and is committed to winning with our people.



Lerena Olivier (47)
Chief Finance Officer (CFO)
CA(SA)

- Appointed 2019
- Years of service to the Group: 12
- Years of service to the Board: 3



Lerena joined the Group 12 years ago, taking responsibility for Group financial reporting and the finance team. During her 20 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise across a number of key business areas, including finance, risk management, strategy, information systems, value added and retail related financial services, accounting and tax.

EDs remuneration

Who is the CEO?

The CEO of Pick n Pay Group is Pieter Boone, who was appointed on 20th April 2021.

Other executive director

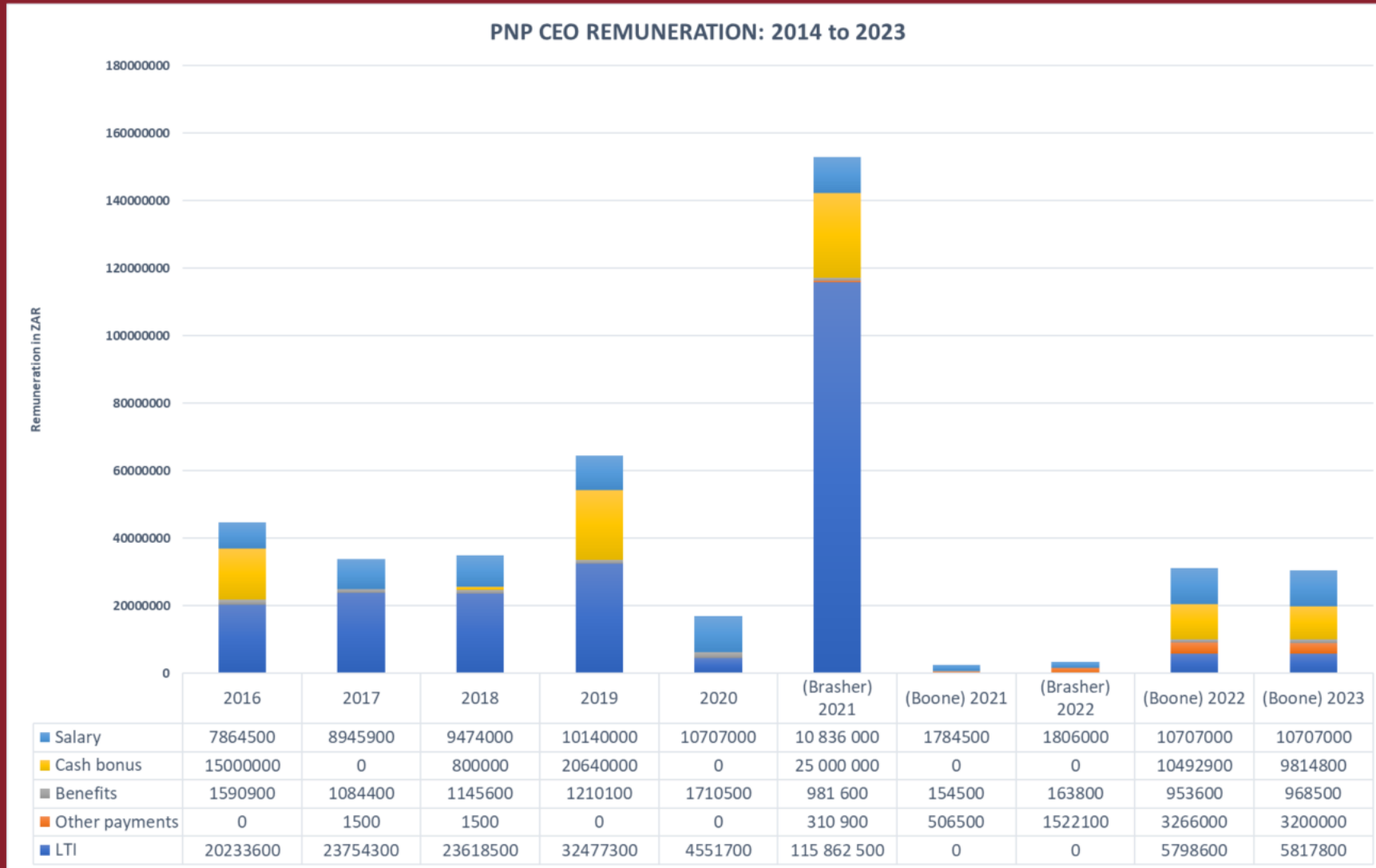
- Lerena Olivier (Chief Finance Officer)

PNP ED Average Remuneration: 2016 to 2023

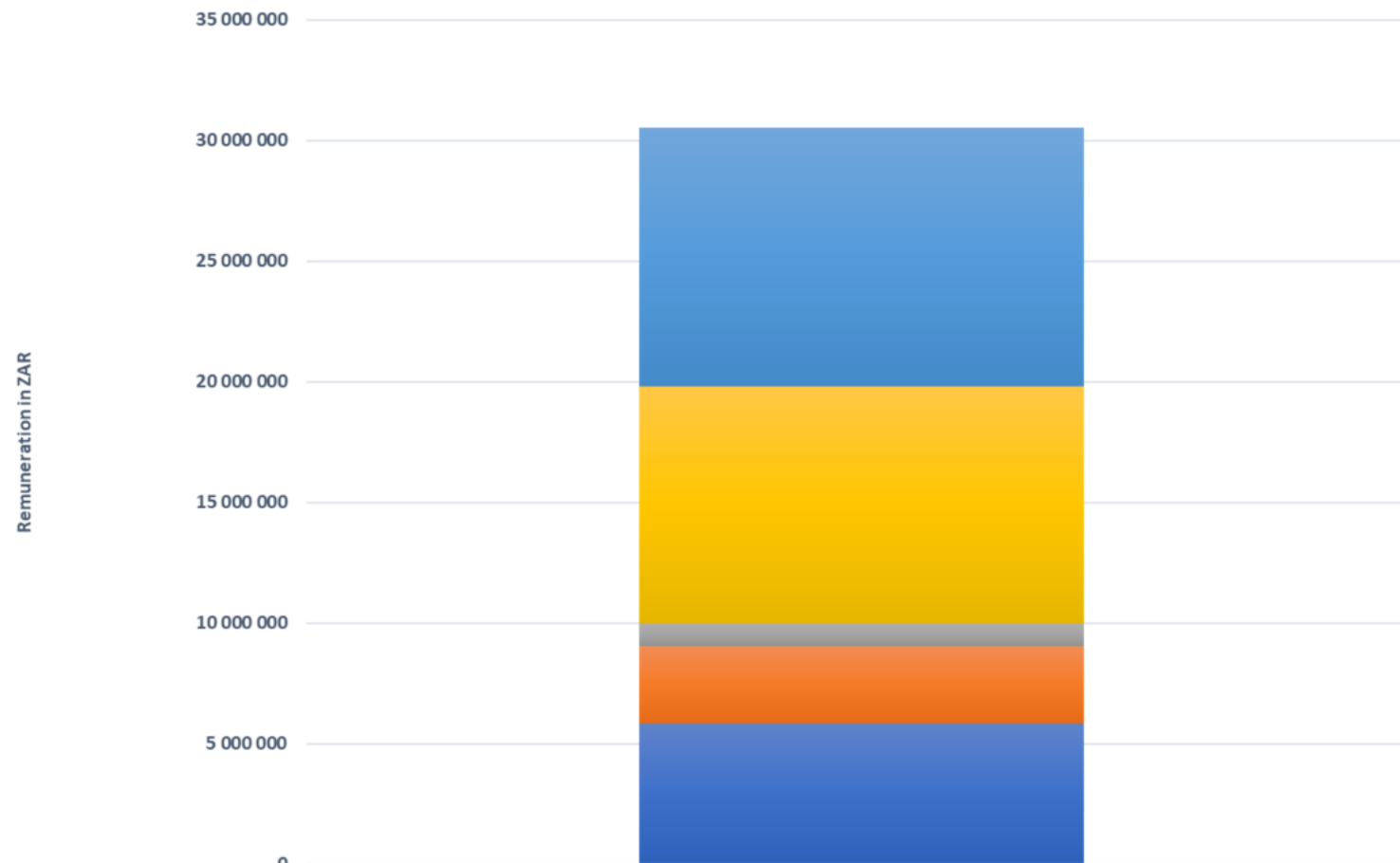


CEO remuneration

Brasher retired as CEO on 20th April 2021. He received a huge remuneration which mostly consists of an LTI payment.

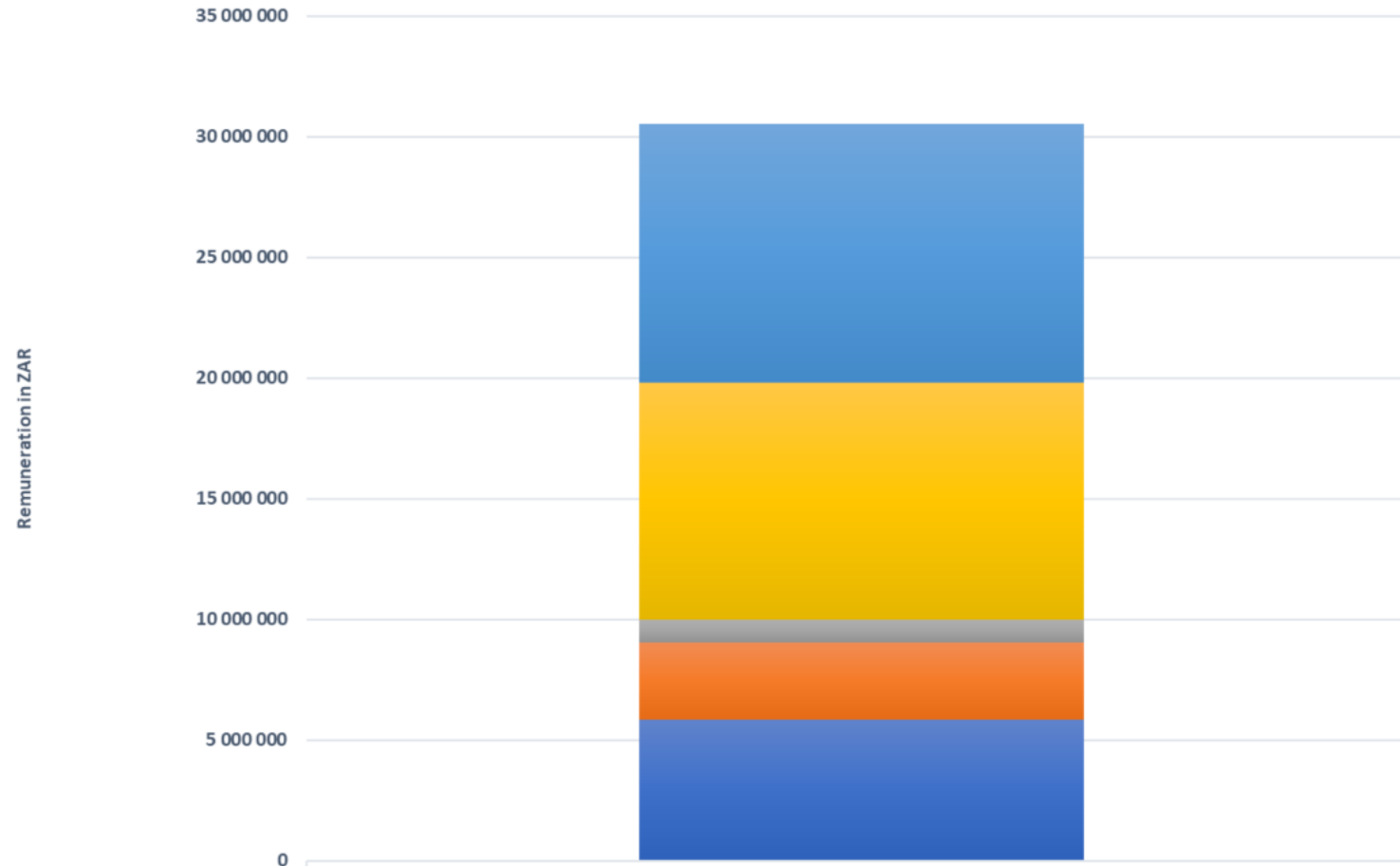


PNP CEO REMUNERATION: 2014 to 2023



	(Boone) 2023
Salary	10 707 000
Cash bonus	9 814 800
Benefits	968 500
Other payments	3 200 000
LTI	5 817 800

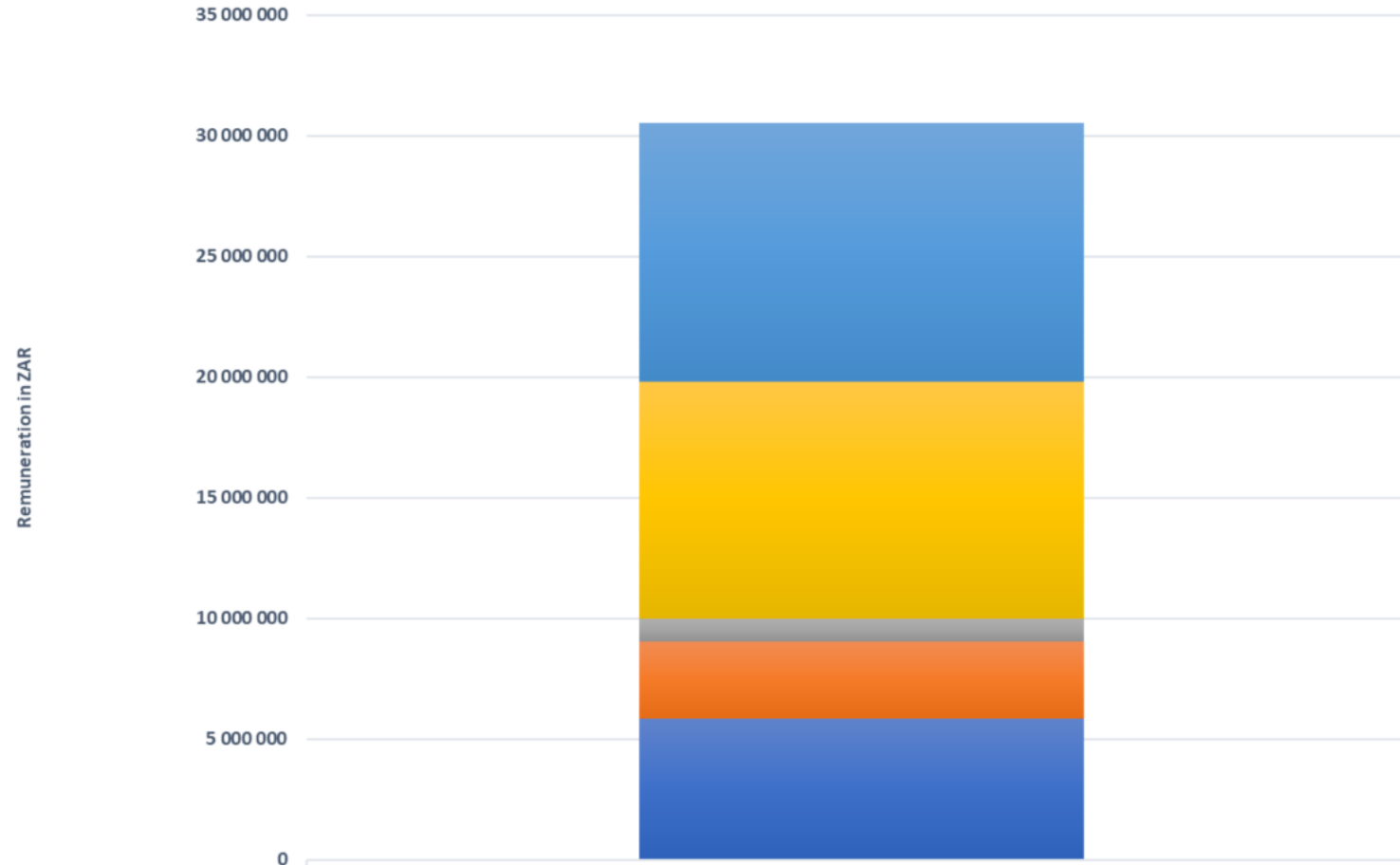
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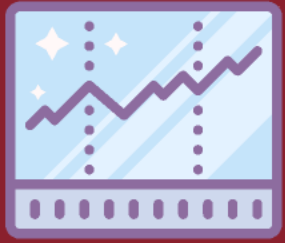


PNP CEO REMUNERATION: 2014 to 2023



	(Boone) 2023
Salary	10 707 000
Cash bonus	9 814 800
Benefits	968 500
Other payments	3 200 000
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Boone's Sign-on-Bonus



Boone was awarded a total of **1,000,000 shares as a sign-on-bonus.**

- 500,000 shares were awarded during the 2021-2022 financial year (June 2021). These shares will vest (become his) in June 2024.
- The rest of the 500,000 shares will be awarded in June 2023, and will vest (become his) in June 2026.

Suzanne Ackerman retired as an executive director on 31 March 2022, and was appointed as a non-executive director on that date.

Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive director from that date.

Executive director	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Short-term performance bonus R'000	Retirement gratuity ⁴ R'000	Total remuneration R'000	Long-term share awards charges – current year ⁵ R'000
FY23								
Pieter Boone	10 707.0	968.5	3 200.0	14 875.5	9 814.8	–	24 690.3	5 817.8
Lerena Olivier	5 160.0	488.1	340.4	5 988.5	3 870.0	–	9 858.5	3 838.0
Jonathan Ackerman	1 217.1	271.2	324.5	1 812.8	378.0	1 512.0	3 702.8	1 098.7
Suzanne Ackerman ¹	252.0	23.5	28.2	303.7	–	–	303.7	61.4
Total remuneration	17 336.1	1 751.3	3 893.1	22 980.5	14 062.8	1 512.0	38 555.3	10 815.9

Executive Directors' Remuneration

- Average base salary of the executive directors increased by 15.37% (from R3,7million in 2022 to R4,3 million in 2023).
- In 2022, average remuneration (excluding LTI payment) decreased by 31.08%. However, this increased again in 2023 by 17,7%.
- There was a sharp decrease in average remuneration (including LTI) between 2021 & 2022. This can be attributed to the large LTI payment made to Brasher on retirement. From 2022 to 2023, we see an increase of 46% mainly due to the reshuffling of the board.

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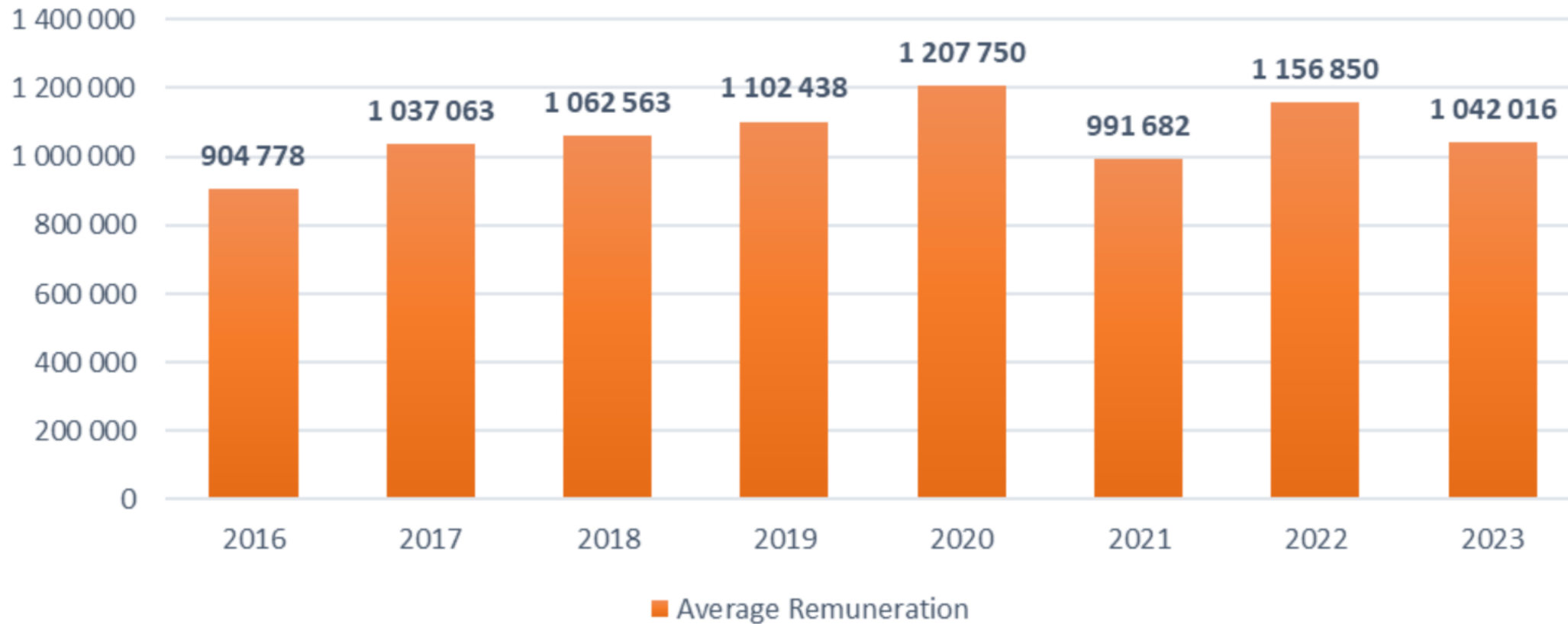
PNP Group has 12 non-executive directors, 8 of whom are considered independent.

The non-executive chair of PNP Group is Gareth Ackerman.

NEDs Remuneration

-9.9%

NED Average Total Remuneration: 2016 to 2022



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The retail and wholesale sectors specifically employ an estimated 2,825,000 people, 22% of the national labour force.

PNP reports employing 59,819 people in its company-owned stores.



Unions represented

Workers

Details on workers

Using this information, the number of employees in franchise stores is estimated to be at least 30,000, but this is not reported on.

The total number of the Group's employees remained approximately the same in 2021, 2022 and 2023 (around 90,000).

Based on the 2023 Sustainability Report, PNP Group reports the following:

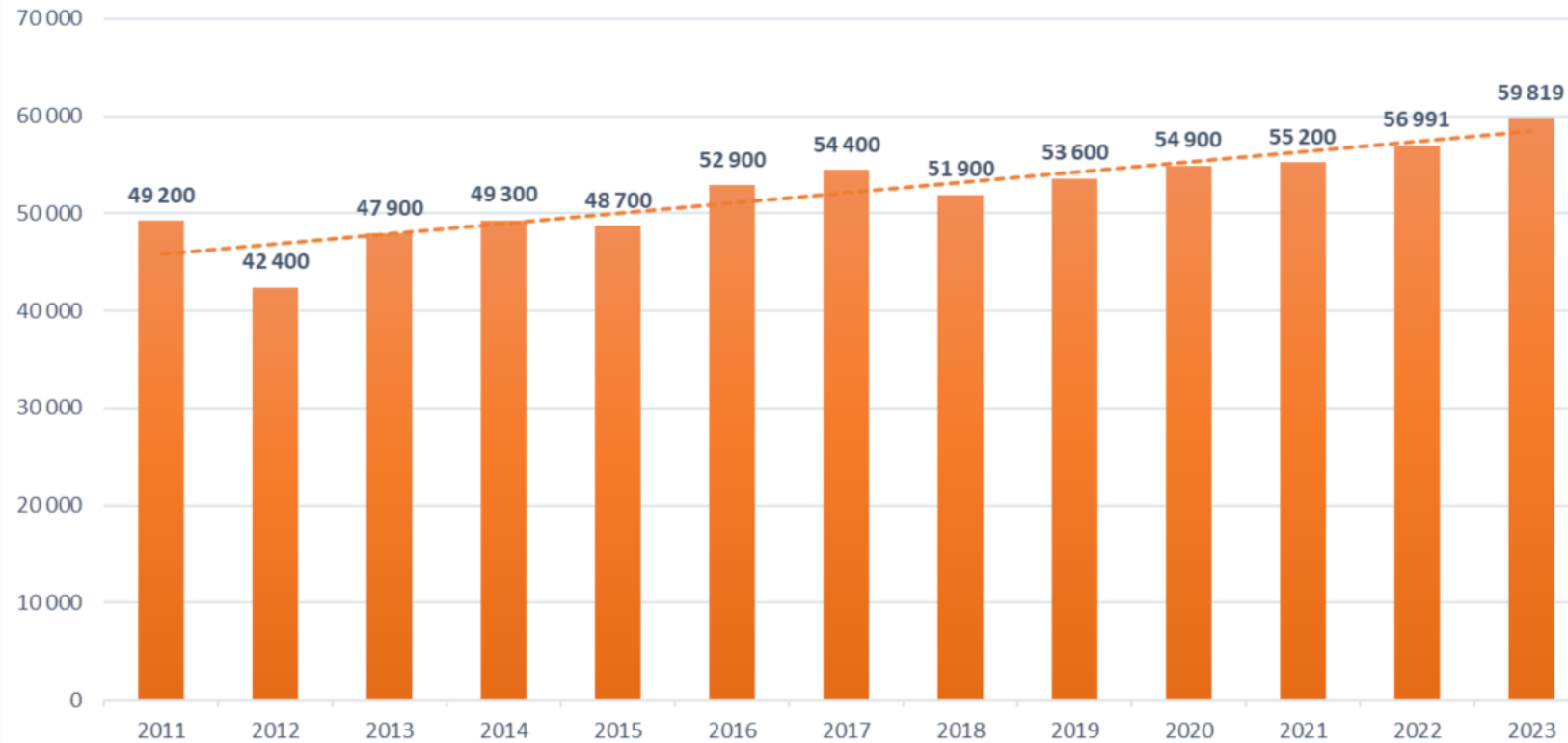
Women represent 64% of the workforce and 32% of top and senior management

99.53% of its employees are permanent (no differentiation between permanent full time and permanent part time)

44% of its employees belong to a trade union.

ESG/Sustainability Databook		FY23	FY22	FY21
Labour				
Pick n Pay company-owned and Boxer data consolidated from FY22				
66	Number of Employees – Permanent	59 540	56 719	–
67	Number of Employees – Fixed Term (>90 Days)	279	272	–
68	Number of Employees – Temporary (<90 Days)	0	0	–
69	Total Number of Employees	59 819	56 991	–
70	Total Number of Contractor Employees	279	272	–
71	Total Number of Employees and Contractors	59 819	56 991	–
72	Total Number of Employees and Contractors Operating in South Africa	59 350	56 558	–
73	Percentage of Employees and Contractors Operating in South Africa	99.1%	99.2%	–
74	Percentage of Management (Top and Senior) deemed 'HDSA'	78.0%	77.0%	–
75	Percentage of Management (Top and Senior) who are Women*	32.0%	31.0%	–
76	Percentage of Employees who are deemed 'HDSA'	99.0%	99.0%	–
77	Percentage of Employees who are Women	64.0%	64.0%	–
78	Percentage of Employees who are 'Permanent'	99.53%	99.52%	–
79	Number of Employees who are deemed 'Disabled'	869	896	–
80	Disabled Persons Rate	1.5%	1.6%	–
81	Percentage of Employees who Belong to a Trade Union*	44%	70%	–
82	Employee Turnover (i.e., number of persons who departed relative to the total number of employees at year end)	19%	16%	–
83	Total Number of Person Hours Worked (PHW)*	108 049 863	103 951 584	–
84	Total Number of Employees Trained for Skills, including internal and external training interventions	23 088	23 534	–
85	Total Number of Employees with Disabilities Trained for Skills, including internal and external training interventions	402	–	–
86	Percentage of Employees Trained in South Africa*	99.5%	–	–
87	Rand Million Value of Employee Training Spend	102.1	102.6	–
88	Percentage of Training Spend in South Africa	99.5%	–	–
89	Total number of Person Days Lost due to Absenteeism	357 385	321 371	–
90	Percentage of Total Person Days Lost due to Absenteeism	2.73%	2.54%	–
91	Total number of Person Days Lost due to Industrial Action (i.e., strike action)	5	0	–
92	Percentage of Total Person Days Lost due to Industrial Action	0.04%	0.00%	–
93	Percentage of Employees Under the Age of 30	33%	–	–
94	Percentage of Employees Aged between 30 and 50	59%	–	–
95	Percentage of Employees Over the Age of 50	8%	–	–
96	The Total Rand Million Annual Remuneration of the Highest Paid Employee	24 690.3	25 419.4	–

PNP Total number of Corporate Employees (excluding Franchise)



+2828

In 2023, the number of employees in company-owned stores **increased by 2828** . In percentage terms, this represents a **4.9% increase**.

Unions

National Union of Commerce, Catering and Allied Workers -
NUCCAW
SACCAWU
Swaziland Commercial and Allied Workers Union

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Big companies typically
don't report on worker
wages or the wage gap.

Information sharing
between unions is critical
in the battle to achieve
fair remuneration for
workers



Company information is a tool that unions can use to prepare for negotiations. For example, if a negotiator knows that the company had an increase in both revenue and profit and that it was able to award its CEO a 20% remuneration increase worth millions, it can reinforce their demands for increases in workers' wages.

Lowest paid worker vs CEO

The average annual income for an entry level worker at PNP in South Africa is ZAR 61,200 (2022)

CEO Pieter Boone received a salary of ZAR 10, 707,000 (2022)

This is 175 times what the lowest paid worker was paid.

HOWEVER he received **total remuneration** of **ZAR 30,508,100**

This is 498 times what the lowest paid worker was paid.

Resources

LRS MNC Monitor

<https://lrs.dedicated.co.za/mnc/>

LRS Agreed

<https://lrs.dedicated.co.za/agreed/>

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Key organising achievements and setbacks

Collective bargaining victories

Lessons from your union to share with others

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