

# Sustainability report

Having been nominated in 2009 as the company that most actively promotes sustainable living we are keen to ensure our performance continues to meet and exceed the expectations of our stakeholders.

## Our sustainability strategy

Our 2009 strategy sought to increase the visibility of our efforts and linkages with our core business through targeted communications and a focus on products (organic, local produce and an enhanced green range). To sustain and broaden this momentum, we have prioritised the following actions for the coming year:

- > Establishing quantitative objectives and targets for each key commitment area
- > Ensuring the Pick n Pay sustainability narrative is shared by all managers
- > Developing a more robust system to track and communicate performance
- > Consolidating our supplier initiatives to encourage more active sustainability commitment

Both our Chairman, Gareth Ackerman, and CEO, Nick Badminton, are members of our Sustainability SteerCom, which meets quarterly to review strategic direction. A five-year sustainability roadmap has been developed to guide our journey and we look forward to publishing our next comprehensive sustainability report later this year.



## Responding to climate change

Most of our carbon emissions are generated through electricity usage. Proactive energy management is an ongoing focus and we are currently implementing a coordinated action plan across our operations. We are presently finalising a revised climate change response strategy and will be rolling it out in the coming year. We continue to extend the scope and accuracy of our carbon footprint calculation. We actively support the Carbon Disclosure Project and will maintain public disclosure and a commitment to improve on our performance.

## Taking opportunities

We continue to build on our existing achievements and to make further progress in our strategic commitment areas. We are working towards some challenging objectives, and we are pleased to outline a few achievements in our focus areas.

## Our carbon footprint

Source of operational CO <sub>2</sub> emissions	CO <sub>2</sub> equivalent metric tonnes 2009/2010	CO <sub>2</sub> equivalent metric tonnes 2008/2009
Energy usage at stores, distribution centres and offices	586 268	584 530 (improved estimate)
Diesel usage from commercial fleet, company cars and generators	28 275	24 582
Petrol usage from commercial fleet and company vehicles	7 620	7 487
Business air travel	851	914



## Tracking our sustainable development key performance indicators (KPI)

Pick n Pay's Sustainable Development KPIs	2010	2009
<b>Economic and related core baseline indicators</b>		
<b>Continuing operations</b>		
Turnover	R54.7 billion (9.8% increase)	R49.9 billion
Trading profit	R1 653.1 million (2.5% decrease)	R1 695.6 million
Operating profit	R1 828.3 million (4.8% increase)	R1 743.80 million
Headline earnings per share	236.33 cents (1.1% increase)	233.86 cents
Dividends per share	174.50 cents (2.6% increase)	170.00 cents
Total number of stores and distribution centres	Corporate stores: 466 Franchise stores: 328 Distribution centres: 6	Corporate stores: 498 Franchise stores: 284 Distribution centres: 6
Number of environmental, health and safety and/or governance legal incidents	None	None
<b>Employee matters*</b>		
Total number of employees	37 876	38 409
Employee turnover	9.11%	11.75%
Employment equity targets:	Target (%): Actual (%)	Target (%): Actual (%)
– Top management	40:39	40:36
– Senior management	65:59	55:56
– Professionally qualified middle management	70:84	55:85
– Skilled junior management	80:93	70:94
– Semi-skilled and discretionary decision-making	100:98	60:100
Work-related fatalities	None	None
Number of classified injuries	461 injuries requiring time off work 1 030 injuries requiring minor attention	116 injuries requiring time off work 916 injuries requiring minor attention
Investment in employee training and development**	R55.2 million	R50.5 million
Number of lost workdays due to industrial action	57 man-days	11.2 man-days
<b>Environmental matters*</b>		
Energy usage (stores, distribution centres and offices)	569 million kWh	585 million kWh (improved estimate)
Energy usage per m <sup>2</sup> per annum	573 kWh	601 kWh
Waste – KZN stores (by weight)	55% waste recycled; 45% general waste (not recyclable)	42% waste recycled; 58% general waste (not recyclable);
Fuel usage (commercial fleet, company vehicles and generators)	10 750 907 litres (diesel) 3 312 956 litres (petrol)	9 346 837 litres (diesel) 3 255 018 litres (petrol)
Carbon footprint***	623 014 CO <sub>2</sub> equivalent metric tonnes	617 513 CO <sub>2</sub> equivalent metric tonnes (improved estimate)
Water consumption (stores, distribution centres and offices)	1.38 million kilolitres	1.63 million kilolitres (improved estimate)
Water consumption per m <sup>2</sup> per annum	1.39 kilolitres	1.68 kilolitres (improved estimate)
<b>Corporate Social Investment</b>		
Total spend	R61 million – 5.1% of post-tax profit	R60 million – 5.7% of post-tax profit

\*These performance indicators relate only to the operations of Pick n Pay Holdings Limited, Pick n Pay Stores Limited and Pick n Pay Retailers (Pty) Limited, our main operating company.

\*\*Figures do not include the Skills Development Levy cost of R27.0 million for 2010 (2009: R24.5 million).

\*\*\*Figures were calculated on the basis of fuel usage for our commercial fleet (product distribution and home shopping fleets), electricity usage in our stores, distribution centres and offices, business air-travel and our corporate fleet (company cars and corporate jet), and the use of diesel from our generators. Emissions from fuel usage and business air-travel were calculated using the DEFRA greenhouse gas emissions reporting protocol. Emissions from electricity usage were calculated using the Eskom conversion factor of 1,03 tonnes of CO<sub>2</sub> per MWh of Eskom electricity.

## Waking up to waste

An intelligent approach to waste requires the ability to measure how much we generate and to see materials as resources whether in the “waste stream” or not. With an innovative approach, we can make products and services, rather than waste.

Our focus is to significantly reduce the waste we contribute to landfill. Building on the success of our KwaZulu-Natal stores’ waste-management plan (which increased its recycling rate by 13% this year), we are implementing store waste-management across all our corporate stores. Our Gauteng and Western Cape distribution centres currently recycle 35% of total waste generated at each site, and we aim to increase this to 50% in the coming year.

There is clearly more to be done. Our focus will increasingly move to the broader system level, fostering dialogue between waste-management and product and packaging innovation to close the loop on waste generation.

A promising example of this approach is our biodiesel initiative. Waste oil currently collected from all our Western Cape corporate stores is converted to biodiesel for use in our commercial fleet. The rollout to all other regions will be completed by the end of 2010. We have also introduced a new in-store recycling unit for customers which allows for the recycling of ink-cartridges, CFLs, batteries and plastic bags.



### Some of our early win packaging initiatives:

- > **Reduced the volume and cost of packaging for Pick n Pay-branded products by converting cardboard sleeves to paper labels.**
- > **Shifted away from plastic sleeves to board sleeves on our convenience food lines and reduced the thickness of the board, thereby reducing usage of board equivalent to 3 tonnes.**
- > **Polystyrene trays are recyclable and can be used in the manufacture of hangers, seedling trays, cornices, frames and skirtings.**
- > **Replaced PVC trays with more environmentally friendly PET/polypropylene trays for various Pick n Pay produce lines.**
- > **Reduced the size of all Pick n Pay Fresh Produce product labels.**



### Food safety standards

Pick n Pay’s Food Safety Audit Standards have been accepted as the retail industry benchmark auditing standard by the Consumer Goods Council’s Food Safety Initiative

**Sustainable packaging:** Packaging presents an ongoing challenge and opportunity. While packaging reduction is clearly desirable from a cost and environmental point of view, damaged goods resulting from inadequate packaging generates an additional waste stream and must be avoided. Addressing this challenge within our house-brand division has led to some early wins and will provide for ongoing learning as we seek to apply packaging-reduction principles to all departments.

The approach was pioneered by our Fresh Produce division, which will introduce a range of new packaging materials shortly. Their initial explorations achieved a 2% reduction in packaging usage this year, amounting to an estimated annual reduction of 1 000 kg of waste. A packaging database for our Fresh Produce division will be completed by the end of 2010, and for our Corporate Brands by the end of 2011.

## Innovative products

The ability to offer products and services that meet sustainability and ethical criteria is becoming a differentiator in the mass retail market. We pioneered “green products” in the early ‘90s, and using the experience gained from this, we are creating an enhanced portfolio of green and ethical products for our customers. Price remains a critical factor influencing customer decisions to purchase in accordance with sustainability criteria and we are striving to achieve price parity on sustainable and ethical lines. Our customers have also responded positively to the Green Label household cleaners launched in June 2009 – and we are currently extending our range of products.



We are extending our Pick n Pay Green Cleaning Range

The ability to offer products and services that meet sustainability and ethical criteria is becoming a differentiator in the mass retail market. In the early ‘90s Pick n Pay led the way with a range of ‘green products’, and we continue to raise the bar with an expanded, enhanced portfolio of green and ethical products.



The Flowervalley project now supplies flowers to our stores

## Leveraging enterprise development

There is a strong drive within the organisation to establish a more strategic enterprise development initiative. We believe enterprise development must seek to quantify social and environmental value created across the supply chain, and that this approach should ultimately inform the broader business model for Pick n Pay.

Our efforts in recent years have focused on assisting small-scale entrepreneurs to become sustainable suppliers to the retail industry; and have sought primarily to address the inequalities of the past by focusing on Broad-Based Black Economic Empowerment. This hub of entrepreneurship is now increasingly becoming a pipeline of new and enterprising products reaching our shelves, and a lever to drive our product innovation.



For further details on our sustainability journey, please visit our Sustainable Living section on [www.pnp.co.za](http://www.pnp.co.za)