Introduction

The value we create as a group is directly related to the value we provide to our stakeholders through our business activities and relationships, focusing on doing more good and less harm while growing our resilience. We acknowledge our responsibility within a broader ecosystem that includes our customers, employees, suppliers, communities and the planet's resources.

Across the board, sustainability indicators continue to perform in the wrong direction at a global and country level. South Africa (SA) is ranked 106th out of 165 countries in meeting the global SDGs. The theme for the World Economic Forum (WEF) 2025 was 'Safeguarding the Planet', focused on nature, emissions and resilience. 2024 marked the hottest year on record, intensifying global climate risks. The WEF Global Risks Report 2025 identified energy and water supply shortage, unemployment, poverty and inequality, and economic downturn as South Africa's top risks in 2025 – 2026. Brazil faces significant sustainability challenges, primarily deforestation driven by cattle ranching and coffee production, along with waste management issues. African countries, while diverse, commonly grapple with extreme poverty, food insecurity, climate change impacts, water scarcity and high debt vulnerabilities, though there is a growing movement towards circular economy solutions to address these issues. Sustainability is no longer a stand-alone risk category but is seen to amplify other risks. In that sense, it is increasingly viewed as a fundamental risk requiring new and collaborative ways of operating.

Pepkor is making a positive difference by providing solutions to South Africans with limited disposable income, enabling easy access to affordable and essential products and services. The bulk of our customer base faces serious financial constraints and is not able to pay a premium for sustainable options. These customers bear the burden of social inequality, and are directly affected by climate change. To reinforce our commitment to our clients, we are also making changes to the way we provide solutions, being more mindful of our impact on the environment and our utilisation of resources. We have made initial changes in what we know is an ongoing journey towards systemic change in the industry.

Pepkor plays a key role in democratising sustainability for customers, making sustainable options more accessible and affordable wherever feasible. This is achieved by balancing sustainability with the fulfilment of customer needs, meeting affordability constraints while remaining commercially viable and profitable – building a sustainable business.

Business continuity is critical and can be very challenging in South Africa's operating landscape. In this context we build operational resilience, which enables us to deliver on our purpose, while targeting the lowest cost of doing business. In many instances this has created opportunities to reduce our impact on the environment.

Our approach to sustainability and strategic impact areas are guided by our **Building Better Business (BBB)** framework.

PEPKOR Holdings Limited

Building Better Business

The way we frame our response.
The group is committed to the principles and practices of good corporate governance, which include upholding ethical standards in all its activities, and to comply with all prevailing laws that are applicable to its business and its operating environment.

Code of ethics

Our commitment to social impact remains our primary focus, including affordable products, employment and building sustainable communities. In recent years, we enhanced our environmental focus on climate, resource use, water and transportation, while improving supply chain visibility to drive industry-wide systemic change.

Our BBB framework guides the integration of sustainability across our decentralised businesses and operations. It advances our three strategic goals of affordable living, inclusive growth and environmental responsibility, creating social, economic and environmental value.

The BBB framework aligns with the UN SDGs of no poverty, sustainable consumption and production patterns, quality education and decent work, while prioritising those environmental, social and governance (ESG) issues that are within our sphere of influence.

Four priority SDGs linked to BBB goals

SDG 1
No poverty

SDG 4
Quality education

SDG 8
Decent work and economic growth

SDG 12
Responsible consumption and production

Material SDGs

Strategy integration

We follow an integrated approach, incorporating other business strategies, e.g. broad-based black economic empowerment (B-BBEE), to contribute to and align with the objectives of the BBB framework. This approach is centred on the basis of progressing three cross-cutting capabilities: comply, compete and cultivate.

	01 Disclosure	02 Strategy and risk integration	03 Workstreams
OBJECTIVES	Deliver on ESG expectation	Manage ESG risks and opportunities	Increase resilience to ESG disruption
CROSS-CUTTING CAPABILITY	**Comply** **Disclosure:** Meeting ESG reporting requirements	**Compete** **Strategy and risk integration:** Prioritising profit-enabling sustainability innovations that are scalable to manage social and environmental impact	**Cultivate** **Workstreams:** Creating cross-functional collaboration – ensuring compliance, risk management and sharing experience and expertise across the wider group
STRATEGY	Focus on priority disclosures	Mitigate risks; leverage scale	Help teams adapt and respond
	Major rating agencies • FTSE/JSE • MSCI • ISS • CDP • S&P • Sustainalytics JSE Climate and Sustainability Disclosure Guidance ISSB	• Profit-enabled initiatives • Risk integration • TCFD progress • Combined assurance • Budgets and three-year plan	Energy Waste Packaging Change & comms Merchandise Transport and logistics

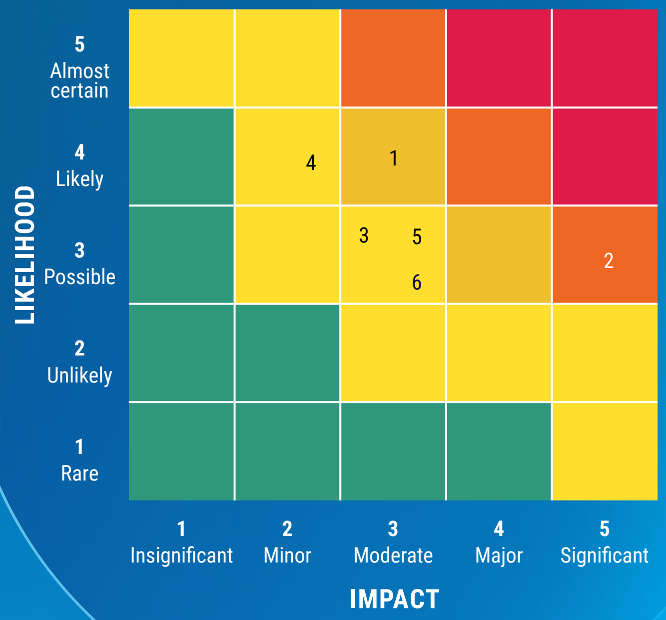
Risk integration

Based on our three strategic BBB goals, we identified our material sustainability risks and opportunities for FY25 through both board level and operational level assessments.

Pg Sustainability risks and opportunities

Top sustainability opportunities and risks

1. Systemic infrastructure and utility instability
2. Socio-economic instability and community safety
3. Succession planning and leadership diversity
4. Evolving regulatory and climate disclosure landscape
5. Physical climate risk and adaptation
6. Ethical and transparent supply chain management



We also progressed in the process to align our climate disclosure practices with TCFD through scenario planning in order to develop our adaptive climate strategy and response plans. The next step will aim to set relevant metrics and targets where feasible.

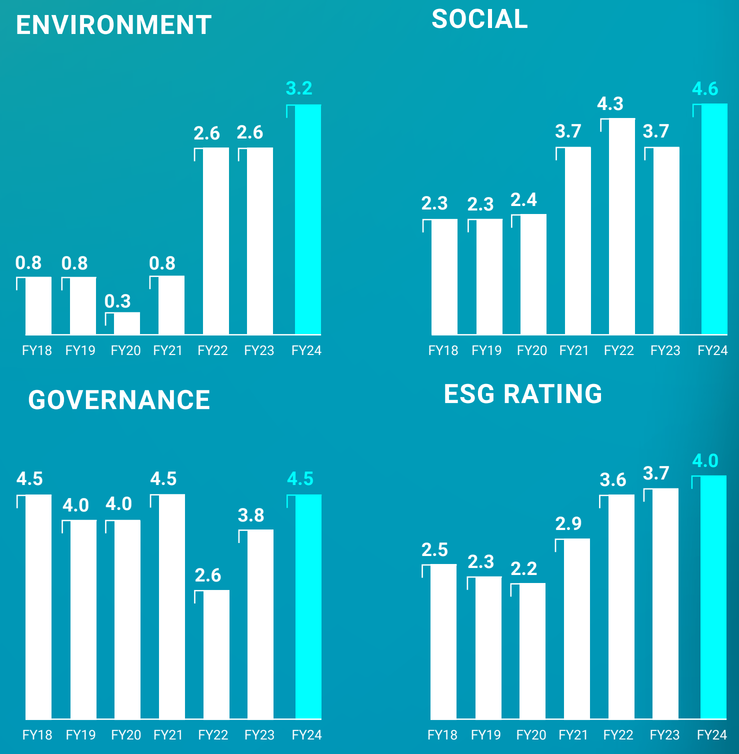
Pg Our response to climate disclosure

In addition to our climate actions, we have formalised 68 critical and large profit-enabled impact initiatives in areas like packaging, customer products, energy and local sourcing. Our three-year plan process now includes sustainability metrics and the group plans to spend R272 million on social programmes and R192 million on environmental initiatives between FY26 and FY28.

Disclosure integration

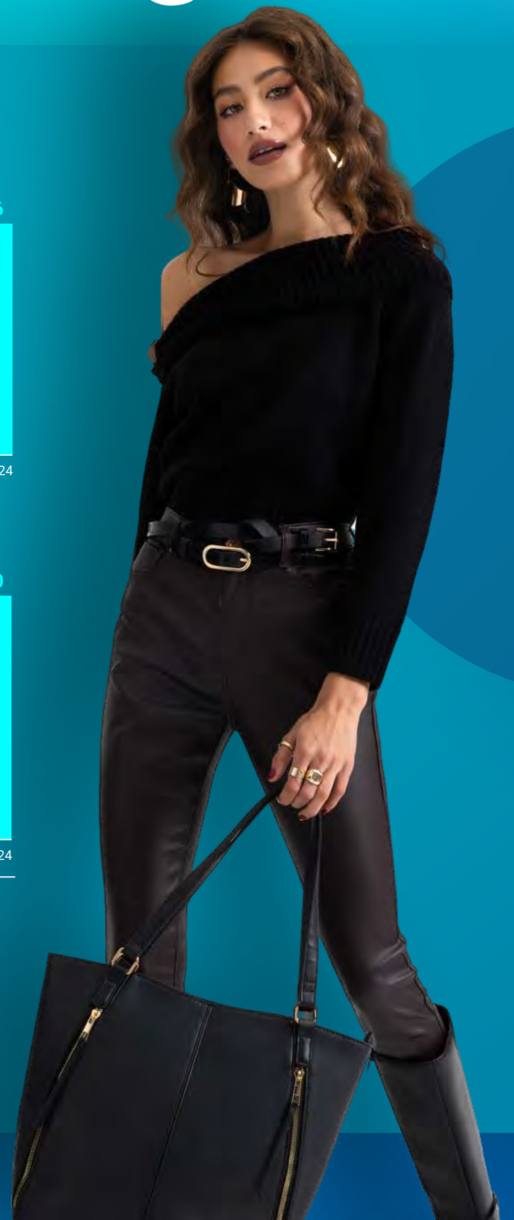
We are pleased that we have been included in the list of Top 30 companies of the FTSE/JSE Responsible Investment Index for the second consecutive year, achieving an overall ESG score of 4.0.

Pepkor FTSE score improvement*

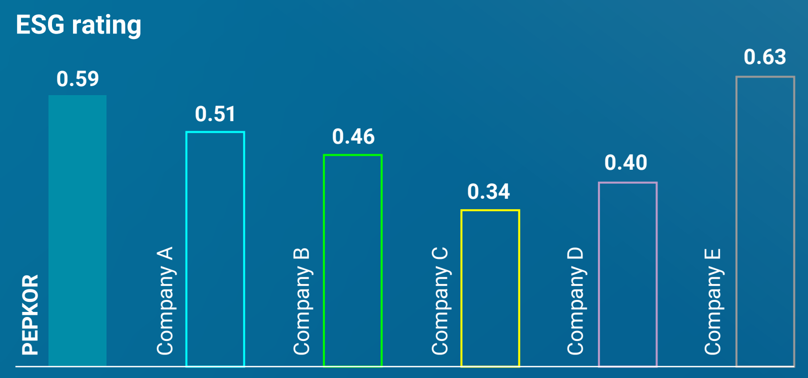


Based on standardised ESG ratings for scores available on the major rating agencies that we proactively track and manage, including the S&P, ISS, Sustainalytics and CDP, we are performing favourably against other retail peers.

* The FTSE assessment cycle does not align with our financial reporting cycle, resulting in a difference in period.



Standardised rating peer comparison



Ratings included: S&P, ISS, Sustainalytics and CDP

Governance and structures

Our board, through the social and ethics committee (SEC), ensures we operate as a responsible corporate citizen. The SEC oversees ESG strategy and performance, operationalised by ESG champions in each operating business. Sustainability risks are included in the group's enterprise risk management (ERM) framework, while a B-BBEE forum supports social transformation initiatives.

JSE Sustainability Disclosure Guidelines – Governance structures

Metrics, targets and performance

Data quality is a priority, with ongoing efforts to ensure accuracy and completeness through data validation checks and internal audit review.

ESG performance metrics, including Pepkor's FTSE/JSE RI score and B-BBEE level, are part of the executive teams' responsibilities and linked to long-term remuneration incentives.

ESG targets – Remuneration report

In context of the ESG targets set out at the start of the year, we achieved the majority of the targets in FY25. The main focus was advancing employment and economic growth in South Africa. In this aspect, we well-exceeded our learnership target and continued to offer the most in the country. We drove social transformation through supporting black-owned enterprises and helped communities through socio-economic development initiatives. We expanded our operational resilience through renewable energy infrastructure and completed our second CDP submission, and reached the targeted CDP score of B- for climate disclosure.

Area	Description	Target FY25	Actual FY25	Target FY26
Environmental	Solar MWp added	1	2.6	3.6
	Tonnes second-hand boxes reused	3 420	3 170	3 400
Social	Learnership and internships	3 000	3 937	2 593
	Enterprise development (ED) target	1% of FY25 NPAT	1% of FY25 NPAT	1% of FY26 NPAT
	Supplier development (SD) target	2% of FY25 NPAT	2% of FY25 NPAT	2% of FY26 NPAT
	Socio-economic development (SED) target	1% of FY25 NPAT	1% of FY25 NPAT	1% of FY26 NPAT
Governance	CDP rating	B- score	B- score	B- score
	FTSE score	3.7	4.0	4.0

About this report

The group's sustainability information articulates Pepkor's approach to our corporate sustainability strategy.

It highlights Pepkor's efforts to address material matters and stakeholder concerns within our social and environmental contexts. The information provides an overview of our sustainability focus areas, explaining how we have addressed these throughout the group.

Reporting boundary

Pepkor's integrated reporting covers Pepkor Holdings Limited and our subsidiaries. All references to Pepkor, the group or the company refer to the operating businesses within the group. Although operating businesses might have different priorities, their strategic implementation and reporting is aligned with the group's material matters and ESG themes.

The integrated suite of reports aims to furnish more detailed information to address issues that concern our stakeholders. It provides Pepkor's response to mitigate risk and harness opportunities within the context of the strategy and our operating environment that creates sustainable value for stakeholders.

Principles and frameworks

The group has considered the following principles, disclosures and frameworks:

- The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™). While King V has been released, at the time of drafting the board had not yet reviewed and assimilated the content and applied it to the governance of the business.
- The Companies Act, No. 71 of 2008, as amended (Companies Act), including reference to the United Nations Global Compact (UNGC), Organisation for Economic Co-operation and Development (OECD) and International Labour Organisation (ILO) principles
- JSE Listings Requirements and JSE Debt and Specialist Securities Listings Requirements
- Broad-Based Black Economic Empowerment Act, No. 53 of 2003
- FTSE/JSE Responsible Investment Index
- United Nations Sustainable Development Goals (UN SDGs)
- UN Global Compact's Principles
- Climate Disclosure Protocol (CDP)
- JSE Sustainability and Climate Disclosure Guidance
- Task Force on Climate-Related Financial Disclosures (TCFD)

Other reports

The integrated reporting suite provides supporting documentation illustrating how the group and our operating businesses address material matters and deliver on our strategy. These reports are published on the group's website. Together, they represent Pepkor's integrated reporting suite.

Sustainability strategy

Our sustainability strategy leverages Pepkor's scale, diversity and reputation to enhance value through affordability, inclusivity and efficiency to create a more sustainable and resilient future.

Materiality

The group considers materiality from both a financial and non-financial perspective, with the risk management approach and general stakeholder concerns determining the group's material matters.

The report focuses on specific sustainability themes that have been identified as relevant and strategic to the group, with reference to the material matters:

1. **Customer focus**
2. **Maintaining an efficient and effective supply chain**
3. **Maintaining a low cost of doing business**
4. **Attracting and retaining talent**
5. **Allocating capital effectively**

Sustainability framework

Our sustainability strategy and initiatives revolve around three strategic goals within the Building Better Business framework. We identified our top sustainability-related risks and opportunities and applied a complex adaptive approach to scenario analysis to start mapping our climate actions and response plans.

A portfolio of profit-generating impact initiatives that focus on areas such as customer products and services, transformation, energy, packaging, waste and responsible sourcing has been established to aid in integrating sustainability into existing work plans.

Our three-year plan process now includes sustainability metrics, and the group plans to spend R272 million on social programmes and R167 million on environmental initiatives between FY26 and FY28.

Sustainability integration into the business strategy

Pg Letter from our CEO

Resilience

The retail system is a complex adaptive system intertwined within socio-ecological systems that faces rapid, unknown and uncertain changes. In order to continue our operations and offerings to our customers, we consider sustainability risks and opportunities and put plans in place to recover, adapt or innovate and transform from disruptions.

A climate scenario analysis process tests resilience. It assesses and determines the financial impact of sustainability risks and opportunities on strategy under different possible future scenarios. Pepkor started the process of understanding the potential financial impact of sustainability-related risks and opportunities on the group's strategy and financial planning through scenario analysis.

Value creation for stakeholders

	FY22	FY23	FY24	FY25
For government Total tax contribution (R'bn)	10.9	9.1	9.9	**10.9**
For employees Salaries and wages (R'bn)	8.6	8.4	9.0	**10.2**
For providers of capital Dividends to shareholders (cps)	55.2	48.5	45.6	**53.0**
For communities CSI spend (R'm)	64.6	62.9	62.4	**65.7**

Management approach

The passion and values of Pepkor's management team are essential to the successful execution of our sustainability goals.

Risk management

The group risk and audit executive provides guidance with regard to identifying, measuring, assessing and disclosing climate-related risks and opportunities, in line with the group's risk management framework. In the group's decentralised business model, risks are also identified from the bottom up, creating a cross-section of material risks per operating segment.

The group audit and risk executive ensures the top business risks, which include ESG adoption and integration risks, are communicated to the group Exco and audit and risk committee. Critical sustainability issues are dealt with at the highest level of authority and are escalated to the board where material.

Each operating business in turn will remain responsible to integrate sustainability impacts, risks and opportunities into management processes in ways relevant to that business. This approach follows the group's decentralised management structure. However, the operating businesses are required to align and address the focus areas as described in the group's policies and strategic framework.

Adverse weather events is a material risk for the group since we rely on long and complex supply chains that require natural resources to manufacture and deliver our products to our customers. Unseasonable weather, droughts and floods can severely impact our supply chain, merchandise performance and customers. As a result, we continued our TCFD journey by integrating climate and broader sustainability risks and opportunities into ERM processes and the operating businesses' risk registers.

We have identified sustainability risks and opportunities linked to several of the group's top 10 risks. This includes climate-related risks and opportunities related to the physical risks caused by severe weather events and transition risks as a result of the global shift towards a low-carbon economy.

Pg Sustainability risks and opportunities

Opportunity identification and capture

Opportunity identification and capture follow a similar process as the risk identification process where opportunities are identified from the bottom up and top down following the group's decentralised business model.

Pg Sustainability risks and opportunities

Planning and decision-making

We have integrated relevant sustainability initiatives into three-year plans and budgets and started the process of setting performance metrics and targets in FY25. This will advance our Building Better Business goals across the group, and will ensure planning and decision-making incorporate ESG.

Innovation

We have established the foundation of the Building Better Business sustainability decision framework and in FY24 have socialised and made progress integrating it into the operating businesses. In this process we have focused on identifying profit-enabled impact initiatives where our core capabilities can be leveraged to create bigger scale and a bigger net positive impact. This work is ongoing and will include looking at patterns of innovation and new ways of delivering value to our stakeholders.

Management systems

As part of the Building Better Business framework roll-out we will identify existing work plans, including management systems that can inform and support decision-making around integrating the three strategic sustainability goals in all aspects of the business.

Pg Report from the chair of the SEC

Metrics, targets and performance

While our approach to tracking, monitoring and reporting performance has evolved over the past few years, we are still in the process of identifying meaningful targets. The measurement of KPIs in a complex environment must continuously consider emerging patterns and relationships.

Key performance indicators

Data accuracy and completeness remain a priority, as it is the foundation for setting targets. In FY22, we developed processes and systems to enhance how we measure, monitor and manage sustainability data, impacts, risks and opportunities. This also helped us establish a carbon footprint baseline for the group in FY22. With this improved data, we began our target-setting journey in FY23. By FY24, we had integrated relevant sustainability metrics into our three-year plans and budgets to account for profit-enabled impact projects. In FY25, leveraging better data and increased visibility of energy consumption, including past efficiency improvements and forecasted savings from planned capital expenditures over the next three years, we advanced in determining useful performance metrics and targets.

Data collation

Operating businesses report non-financial data as part of the annual financial reporting cycle. The Pepkor Corporate Office collates this information from data owners across the different locations, including stores, DCs, hubs and head offices, providing reporting and feedback across the group. For environmental-related data, an in-house reporting tool was developed to facilitate the collection, which includes a two-step review and approval process.

Social-related sustainability data is more mature overall since the majority of the data exists within established HR systems and has been reported on for a number of years. It follows a similar central collation and review process as environmental-related data.

Verification and assurance

Pepkor's combined assurance model addresses all significant risks faced by the group. It comprises management, the internal audit function, external audit services and other specialists contributing to combined assurance.

Material SDGs

In line with the group's Building Better Business goals, we align our sustainability strategy to the following primary SDGs, reflecting the meaningful contribution and scale of impact achieved through our core business strategies.

NO POVERTY

End poverty in all its forms everywhere

Pepkor contributes to the SDG goal of ending poverty by providing quality products and services at affordable prices. This includes our range of essential items, and lay-by and responsible credit options helping households manage their finances effectively. It aligns with the group's strategy to make necessary items affordable, enabling people to live with dignity and pride. The Flash business understands the need for consumer accessibility and, through technology and their extensive interconnected network of partners, connects the informal and formal market sectors. In terms of making customers' lives easier, Flash traders are now able to facilitate SASSA SRD grants distribution to beneficiaries.

QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

The group prioritises quality education as essential for sustainable development, enhancing employability and overall quality of life. Our philanthropic focus includes ECD and learnerships, which anecdotally exceeds the number of learnerships provided by any other retailer in South Africa (based on publicly available information), targeting youth and people with disabilities, addressing both independence for disabled individuals and youth unemployment. We support social investment initiatives through contributions of time, expertise and products.

DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The group offers diverse employment opportunities, employing over 48 000 individuals and prioritises employee development through in-house training programmes. We uphold labour standards throughout our operations and value chains, focusing on productive, inclusive and freely associated employment. PepClo, the group's manufacturing facility that produces affordable schoolwear sold in PEP and Ackermans stores, provides jobs to 1 900 people. The group also adheres to government regulations, emphasising non-discrimination and aligning policies with the Employment Equity Act and Broad-Based Black Economic Empowerment Act. We assess compliance using the B-BBEE generic scorecard, setting targets for individual operating businesses. Key performance indicators (KPIs) are integrated to drive change, participation and improvement.

ENSURE RESPONSIBLE CONSUMPTION AND PRODUCTION PATTERNS

Minimising the natural resources and toxic materials used, and the waste and pollutants generated, throughout the entire production and consumption process

We use our extensive network to enhance resource efficiencies, minimise costs and ensure affordable prices. Our environmental commitment focuses on responsible consumption and production in our operating businesses and supply chain, driving efficiency in energy, transport, water and waste. We also strive to procure environmentally friendly supplies, procuring locally when commercially viable, to reduce carbon emissions. The group's supplier code of conduct encourages the suppliers to consider the effects of their operations on the environment and to use natural resources (e.g. water, energy and raw materials) in a responsible way, while promoting awareness of environmental management and impact reduction.

PEP's stock donations generated a combined profit of R3 million for TBC micro-entrepreneurs.