Letter from our CEO

It's in our DNA

Building a stronger, more sustainable business is the outcome of our purpose. We believe in connecting customers, empowering entrepreneurs and supporting resilience in everyday life.

The past year has once again tested the resilience of consumers and companies alike. Against this backdrop, Pepkor continued to do what we do best – it is in our DNA to deliver affordable access to everyday essentials while growing responsibly and profitably.

Our ability to combine disciplined execution with a long-term commitment to Building Better Business is what keeps us relevant in a fast-changing world.

Our strategy starts, as always, with understanding customer needs. For many of our customers affordability is an absolute necessity. By keeping essential products and services within reach, we create both economic and social value. This is where sustainability begins for Pepkor: in the daily reality of helping households live a little better, and entrepreneurs trade a little stronger.

PIETER ERASMUS

Through businesses like Flash, which digitises and enables over 170 000 micro-enterprises, and PAXI, which gives small businesses affordable access to logistics to distribute their products, we are deepening our reach into communities while supporting livelihoods.

Next, we focus on execution – turning insight into operational excellence. Efficiency has always been Pepkor's strength. The Building Better Business framework reinforces this discipline by embedding resource efficiency, agility and long-term value thinking into how we manage energy, materials and supply chains. Our ongoing solar and light-emitting diode (LED) retrofits are investments in cost savings and resilience in a constrained energy environment – allowing us to continue serving our customers. Likewise, initiatives that repurpose textiles and reuse packaging reduce waste while improving supply chain reliability and efficiency.

Pepkor's scale and diversity give us reach locally and internationally, while innovation gives us agility. Our sustainable innovation seeks solutions that deliver positive social impact and make commercial sense. When we find traction in both areas, our operating model executes them at scale. This virtuous cycle – which we call profit-enabled impact – underpins the competitive aspect of Building Better Business. It is partly why we decided to manage Extended Producer Responsibility (EPR) in-house, rather than outsourcing it to third parties. Another example is the FoneYam initiative, which enables customers who would otherwise be excluded to afford a smartphone and participate in the digital economy. This is sustainable growth in its most practical form.

Our wide product and channel mix – spanning apparel, homeware, fintech and digital services – allows us to meet customers' where they are, in store, online and across formal and informal markets. Each of these channels also presents opportunities to reduce environmental impact and improve inclusion. For example, expanding local sourcing through supplier development partnerships like Kelmik and Ibhayi supports local job creation and shortens our supply chains, while digital platforms reduce the need for paper and transport. This is equally true in Brazil, where our Avenida business sources 86% units locally. In every case, we are working on aligning the commercial and sustainability logic.

Our strategy recognises that value segments are not static. As Pepkor continues to serve low-income households while expanding into new markets, sustainability outreach helps keep our growth inclusive and responsible. Whether through early childhood development programmes reaching over 35 200 children or enterprise support for black-owned suppliers, we are strengthening the ecosystems that sustain our customer base and our long-term competitiveness.

Finally, our enablers – scale, data and technology, and people – help us bridge between business performance and sustainability outcomes. Data and technology enhance efficiency and transparency, scale amplifies impact, and our 48 500 employees are the heart of the system. With over 3 900 learnerships and 2 300 internal promotions this year, we continue to invest in people who turn our strategy into reality.

Pepkor's strong financial performance – headline earnings up 23.4% and operating profit up 13.2% – positions us to deepen our sustainability investments without compromising competitiveness. In an environment of low growth and rising inequality, the ability to grow while enabling access is a demonstration of what resilience means in practice.

As we look ahead, our focus is clear: to continue serving customers needs through Building Better Business. Sustainability is how we secure the future of affordable retail. By embedding it into every decision, we can continue to make essentials accessible, empower local enterprises and build a company that grows stronger the more it contributes to society.

To all Pepkor employees and our many partners: Thank you for the dedication and passion you bring every day. By living our purpose, you make it real in the lives of millions.

Pieter Erasmus

Chief executive officer