

# Corporate social responsibility report



## **PUBLICATION**

The group's policies, procedures, processes and strategies do not change on an annual basis. However, operational case studies that describe group activities relevant to sustainability will be added to the website periodically. These case studies illustrate how the operational businesses deliver on the group and their own strategies. Updated quantitative data will be published annually as part of the group's integrated reporting cycle.

© 31 January 2019

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Pepkor's corporate social responsibility (CSR) information forms part of the integrated reporting suite of reports, which is available on the company's website at [www.pepkor.co.za](http://www.pepkor.co.za). When read together, it will provide stakeholders with insight into the group's integrated performance. This report illustrates Pepkor's approach to sustainability and the way in which we manage our businesses.

# It's all about people

You can copy products, IT and processes, but you can't copy people.

If we support our people, they will grow. In turn, their businesses will grow, and the group will grow.

Everything we do is about our employees and our customers.

By understanding our customers and how and where they live, we can serve them better. But what makes us particularly proud and appreciative is that they have supported us for so many years.

**Leon Lourens, CEO**

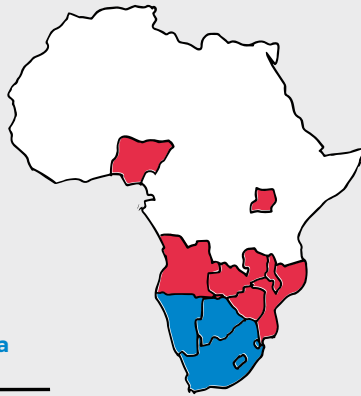


ADDRESSING	READ MORE
Strategy	Integrated report
Operational and geographical diversity	Annual financial statements
	Our history

# Pepkor at a glance

Pepkor Holdings Limited (Pepkor) is the biggest non-grocery retailer in South Africa and Africa.

With our wide product offering and extensive footprint, we are the preferred destination for delivering value to the African consumer and all other stakeholders.



- Angola
- Malawi
- Mozambique
- Nigeria
- Uganda
- Zambia
- Zimbabwe
- Botswana
- Lesotho
- Namibia
- South Africa
- Swaziland



### Our purpose

Offering customers access to products and services they can afford, that are close to their homes, and that will make a difference in their lives. It's also about growing our people and our business. When people grow, their businesses grow – and ultimately our group grows.

### Our vision

To be the preferred destination for delivering value to the African consumer and all other stakeholders.

### Our business

To keep costs down so that we can sell at the best prices, which is part of our down-to-earth attitude. We make sure that we are efficient in what we do by using world-class systems and processes throughout all our operations.

### Our values

Pepkor's values and culture are centred on the unwavering goal of improving the lives of our customers, who mostly find themselves in very challenging circumstances. We strive to make their lives easier and better.

Dignity and respect

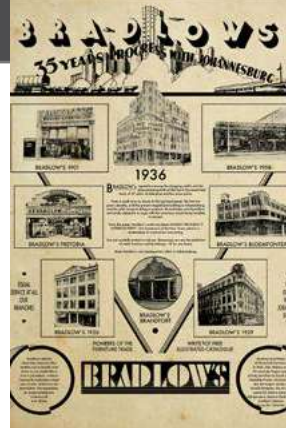
Trust and credibility

Value and affordability

### Our story started in 1901

From the oldest to the youngest, we are fortunate to have some of the most trusted brands in South Africa as part of our group.

- 1901 Bradlows
- 1916 Ackermans
- 1943 Russells
- 1965 PEP
- 1975 Timbercity
- 1986 Shoe City
- 1991 Incredible Connection
- 2011 BUCO
- 2016 Refinery



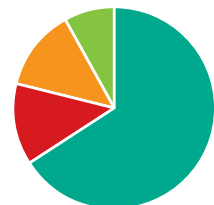
Pepkor has a rich and proud history of success and achievements – created by thousands of committed people over many years. We have a responsibility to build on this legacy. We will manage our business with honesty and integrity and keep finding new and better ways to support our operating businesses.

Ultimately, our focus is on our remarkable customers – on satisfying their needs and helping to make their lives better and easier.

Leon Lourens, CEO

### Our business offering

(% OF REVENUE)



66%

Clothing and general merchandise

PEP- ACKERMANS J&M AFRICA TekkieTown ShoeCity REFINERY JOHN CRAIG DUNNS

13%

Furniture, appliances and electronics

Russells B. BRADLOWS Sleepmasters ROCHESTER Incredible CONNECTION SHIP HiFi Corp

13%

Building materials

BU CO HERMAN BRIDGES tiletoria software-tiles-vinyl-laminate

8%

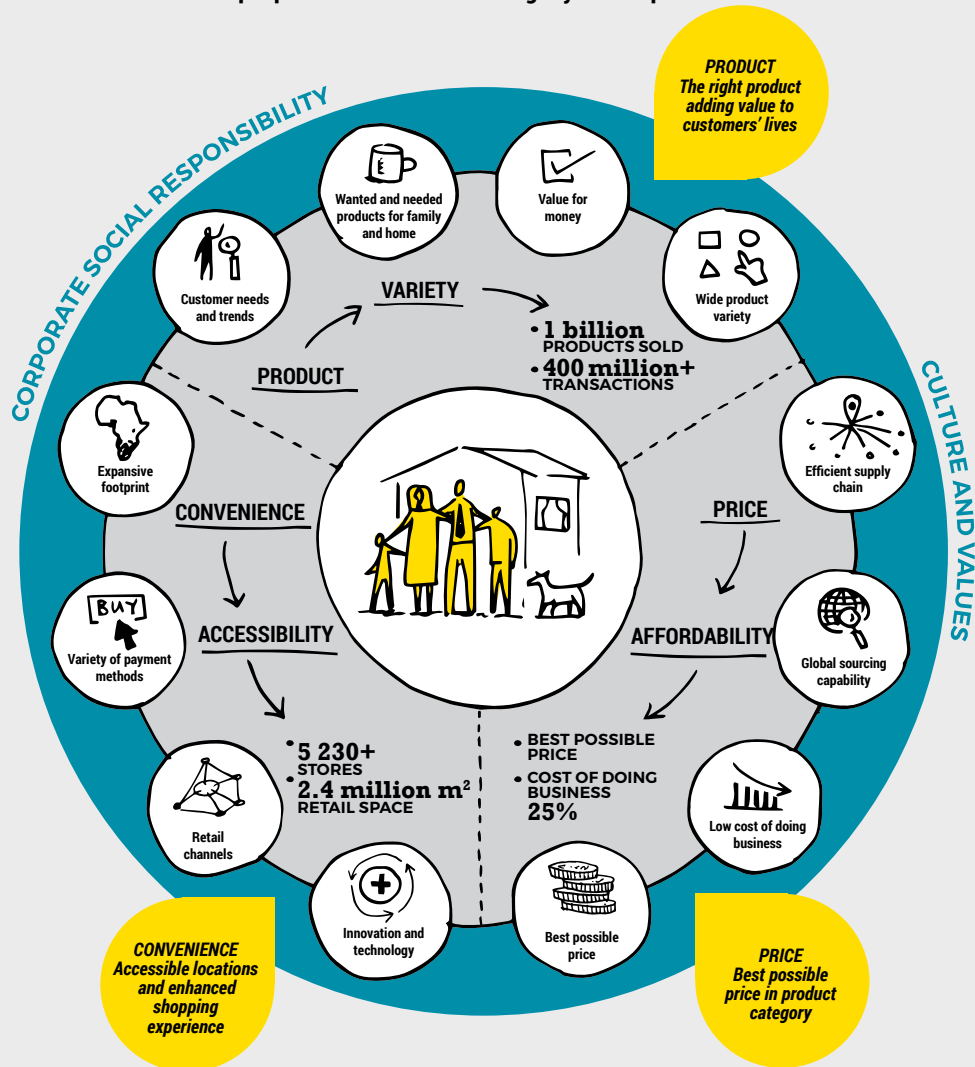
FinTech

FLASH capfin

# Pepkor's value creation strategy

We place our customers at the centre of everything we do.

Our focus remains on our remarkable customers – satisfying their needs and helping to make their lives better and easier. Everyone, rich and poor, deserves the same access to products, services and friendly customer service from people who treat them with dignity and respect.



The outcomes we achieve addressing the needs of our stakeholders.

Operational businesses implement the group's strategy in ways that are material and relevant to them while staying focused on their customers.

<b>FINANCIAL CAPITAL</b> Shareholders + suppliers + financiers	<b>TURNOVER</b> R64.2bn <b>REFINANCED</b> R18.0bn <b>REINVESTED</b> R3.7bn <b>MAIDEN DIVIDEND DECLARED</b> R960m
<b>SOCIAL CAPITAL</b> Communities + customers	<b>GIVING BACK TO BUILD SUSTAINABLE COMMUNITIES</b> THE LARGEST PORTION OF OUR CUSTOMERS ARE LOW-INCOME EARNERS >> Our social investment strategy is integrated into our business – to give customers the opportunity to save money and to help build communities to be self-sustainable mostly through education. We help to provide dignity and respect to those most in need, by providing access to products. <b>INCOME TAX PAID</b> R1.6bn
<b>HUMAN CAPITAL</b> Employees	<b>WE DEVELOP PEOPLE</b> >> We create opportunities. <b>TRAINING AND DEVELOPMENT</b> <b>INCREASE IN PERMANENT EMPLOYEES</b> 43 000+ to 48 000+ <b>NEW JOBS CREATED</b> 2 500+ <b>SALARIES PAID</b> R8.0bn
<b>INTELLECTUAL CAPITAL</b> Customers	<b>BEST PRICE LEADERSHIP</b> >> With our experience and processes, we look at every aspect of the supply chain to keep the costs of doing business down to give our customers the best products at the best possible prices. <b>BUILDING EFFICIENCIES</b> <b>LOW COST OF DOING BUSINESS</b> 25%
<b>MANUFACTURED CAPITAL</b> Customers	<b>INFRASTRUCTURE PROVIDES ACCESSIBILITY</b> >> Bringing our brands to where our customers are, saving them money and increasing the demand for merchandise and services. <b>MANAGING 2.4 million m<sup>2</sup> RETAIL SPACE</b> <b>STORES OPENED</b> 428 <b>TOTAL STORE FOOTPRINT</b> 5 236
<b>NATURAL CAPITAL</b> Communities + customers + business partners	<b>TOTAL CARBON FOOTPRINT</b> 273 348 tonnes CO <sub>2</sub> e <b>TOTAL SCOPE 1 (FUEL)</b> 56 100 tonnes CO <sub>2</sub> e <b>TOTAL SCOPE 2 (ELECTRICITY)</b> 217 248 tonnes CO <sub>2</sub> e

READ MORE	
Corporate governance report	Community investment: Giving back
Code of ethics	Employees: A culture of responsibility
B-BBEE: Creating opportunities	Case studies

# A socially responsible retailer

Few companies have the ability or discipline to successfully manage a big, complex structure, at a low cost of doing business, in the discount and value retail sector over many decades.

To sell at the best possible price, we have to keep our costs down through efficiencies that support this ability. We therefore have world-class systems and processes in place throughout all our operations.

## Social

Everything we do is centred around a strong societal theme, internally and externally. We exist to give our customers the best products they can afford; to develop our people to be the best they can be, at work and at home; to build efficiencies to keep prices low; to invest in education; and to provide resources to charities, benefitting the communities in which our customers and employees live.

The long history of the group's businesses is testimony to what we believe is important. Everyone, rich and poor, deserves the same access to products, services and friendly customer service from people who treat them with dignity and respect.

The group comprises many operating businesses with more than 20 retail brands. Although each of these is responsible for its own strategy implementation and development (in line with that of the group), we are all equally and fully committed to remain ethical in our daily business practices.

Our vision and purpose is to be a social leader in retail. Our sustainability revolves around people and the products they purchase.

- People – we consider their well-being, development, and prosperity as contributors to society at large.
- Products – the range of products we offer at the best price and value to our customers enables them to look and feel good.

Enriching society is part of our DNA and integral to what we do. Initiatives are therefore mostly focused on employment, training and education, and on building efficiencies in the supply chain to reduce costs and be more economical with our resources.

## Employees

There are people who have been with the group and operational businesses for many years, some for more than 40 years. Many have 'grown up' in the group, know the brands and love the business. It is the passion of each of the individuals who come to work every day to serve each other and their customers, that make us who we are.

## Customers

In a country like South Africa, and even in the other African countries where we have stores and do business, the purpose of what we do is to give customers access to products and services that will make their lives better and easier.

Our customers are remarkable people, who often have very limited disposable income, but still manage to make it possible for their families to live better lives.

Our goal is to make it achievable for them to live with dignity and pride, to dress their children, furnish their homes and pay their bills. We make sure that our customers can find what they are looking for, and we make the shopping experience as effortless as possible.

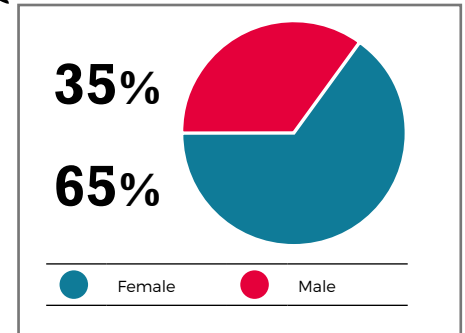
Every time we do this successfully, we save our customers money and increase their buying power.

**400 million+**  
transactions per annum



**R8 billion**  
paid in salaries and wages

**48 000+**  
permanent employees



## Communities

The group gives back on a daily basis by providing customers with access to products and services in locations that are convenient to them and at prices they can afford. Through the FLASH business, we provide the opportunity both to enter the informal business sector and for existing small business entrepreneurs to extend their own customer offering. We give back by being respectful and treating everyone the same. But we also give back by investing additional funds and time in programmes and communities where we believe we can make a difference.

The many programmes and initiatives across the group are examples of how we and our employees reach out to lend a helping hand. We encourage our people to get involved and stay involved. Each business has a CSI budget and, in many instances, employees are given time off work to personally make a difference to a worthy cause.

**145 000**  
FLASH entrepreneurs

**R25 million**  
contributed to CSI projects

**R150 million**  
allocated to a social,  
economic and educational  
endowment fund

# A socially responsible retailer (continued)

## Governance

The group's values and history demand an ethos of integrity, determination and authentic leadership.

These values have enabled this organisation to stay the course through difficult periods over the years and have, more recently, shown that they will sustain Pepkor despite setbacks and challenges that might come our way.

Trust is the golden thread that runs through everything we do, and we have a responsibility to look after the relationships we have with all our stakeholders.

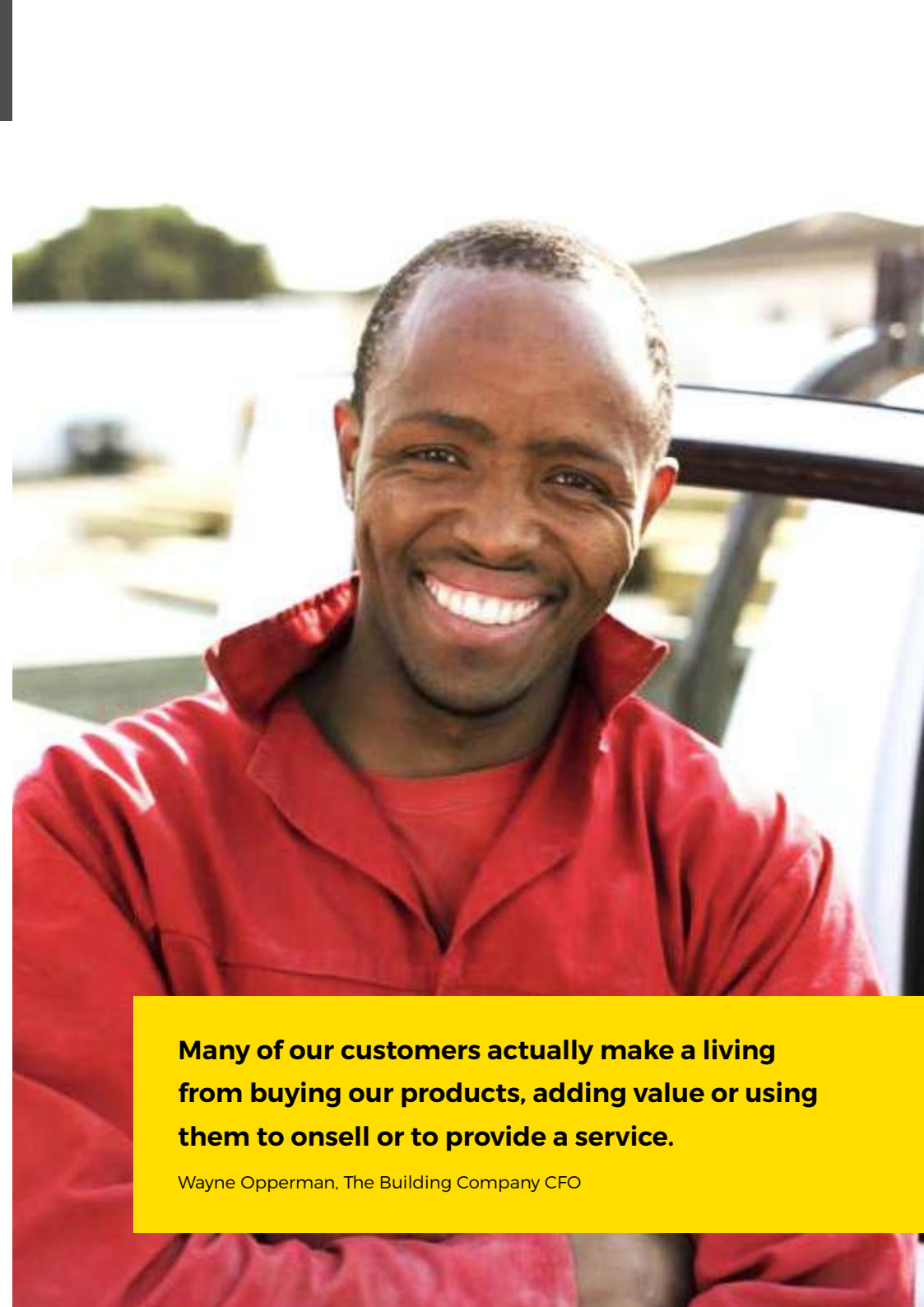
The board of directors, and the CEO with his executive leadership team, is responsible for upholding good corporate governance. Through their example, they instil a culture of abiding by the group's code of ethics without exception and doing what is required to protect its reputation.

The board is supported by various committees that make sure that checks and balances – from financial to social aspects – are adhered to. During 2018, after the unfortunate events at Steinhoff International Holdings N.V. with which we have been associated by default, we have revisited our own internal processes. We have implemented even more stringent procedures with regard to the authenticity and transparency of information. We believe that our internal controls and systems provide appropriate assurance of the integrity and reliability of the group's performance as it is reported. Management remains committed to transparent reporting and communication with stakeholders.

The group and operational businesses make use of internal and third-party audits, client and culture surveys and supplier scorecards (where applicable and material) to determine and manage behaviour and processes. Policies inform implementation of operational processes.

## Environment

We understand that people live within a physical environment that comes with challenges. We understand that we have a responsibility to manage and minimise our impact on the planet and use our resources effectively. Without basic resources like water, clean air and food, neither we nor our customers will survive in the long term.



**Many of our customers actually make a living from buying our products, adding value or using them to onsell or to provide a service.**

Wayne Opperman, The Building Company CFO

- Distribution of wealth
- Investment in employees
- Responsibility toward government and society

- Integrated report
- Annual financial statements

# Adding to society

	FY18 Rm	FY17 Rm
<b>Total operations</b>		
Turnover	64 168	57 850
Cost of products and services	(49 389)	(44 704)
Value added by operations	14 779	13 146
Income from investments	242	312
<b>TOTAL WEALTH CREATED</b>	<b>15 021</b>	<b>13 458</b>

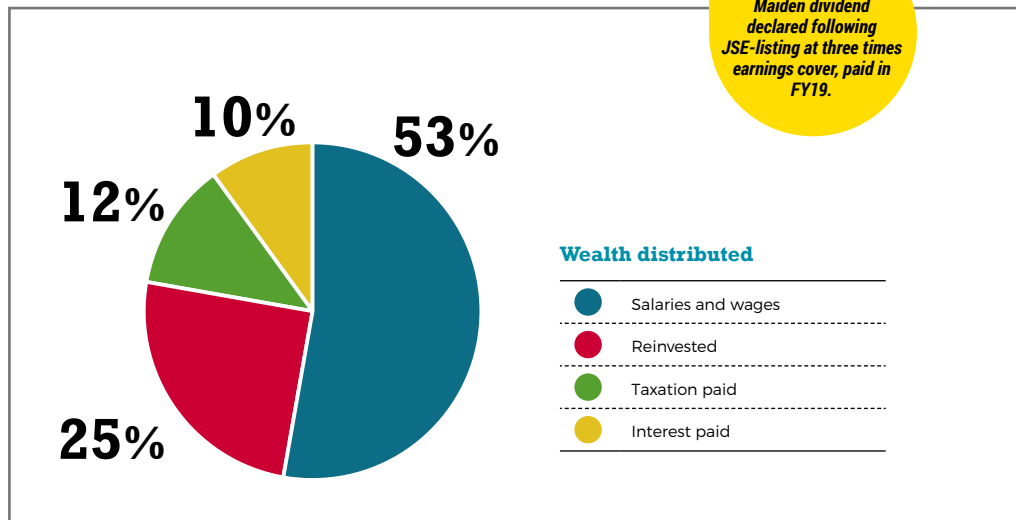
## Distribution of wealth

Salaries and wages	8 033	6 634
Interest paid	1 434	932
Taxation paid	1 804	1 599
Dividends and capital distribution paid	–	2 013
Reinvested	3 750	2 280
<b>TOTAL WEALTH DISTRIBUTED</b>	<b>15 021</b>	<b>13 458</b>

**STORES**  
Increased from 4 900+ to 5 200+ increasing the demand for merchandise and services.

**EMPLOYEES**  
Increased from 43 000+ to 48 000+

**DIVIDENDS**  
Maiden dividend declared following JSE-listing at three times earnings cover, paid in FY19.





# At the heart of what we do

The group interacts with millions of people on a daily basis and has responsibilities toward our employees, customers and communities.

We value our employees. We have been able to grow our staff complement consistently over the years, adding value to them and their communities. We believe in fair remuneration, continuous training and development, and providing them with a safe and productive working environment. Our aim is to be an employer of choice, and a healthy corporate culture is very important in each of our operational businesses.

In turn, we and our employees aim to help our customers, who are ordinary people, to improve their lives and live with dignity and respect. We take our products and services to where our customers live, giving them access and providing them with the service they deserve.


We are passionate about helping our communities. We aim to make a difference through investing mostly in education. In times of need, we help with donations and disaster relief, and by our employees volunteering.

Both employees and customers have processes they can follow to report unethical behaviour. The group has a zero-tolerance policy for any actions that contravene any human rights principle



**Parents are able to dress their Grade 1 child (five to six years old) for under a R100.**

Jaap Hamman, PEP CEO

ADDRESSING	
	B-BBEE rating
	Management
	Targets

# Creating opportunities

The Pepkor group, through its founding PEP brand, has a long history of encouraging change in South Africa. Our first B-BBEE initiative dates back to 1987, in the apartheid era, when our founders and management recognised the need for fair and equitable customer service, employment and opportunities.

**Our current B-BBEE contributor level is not representative of our culture, but we acknowledge the requirements to address the areas where we fall short of the required criteria. The group surpassed its 2018 target, and will continue to implement incrementally more challenging targets going forward.**

Management will continue to drive our B-BBEE strategy.

We have committed to actions that will assist the group in reaching an improved B-BBEE contributor level and build a relevant and sustainable workforce and business. Plans are in place to achieve a more representative group demographic, including at management level, to support our efforts to create a socially sustainable business.

Some aspects of data collection in terms of skills development, socio-economic development and enterprise and supplier development are being refined and structured to enable improved collation of data and monitoring of initiatives.

The group approved the allocation of more than R40 million for B-BBEE initiatives. This will be allocated proportionately to the operational businesses. An additional R43 million will be allocated to learnerships for the disabled.

**The group also established an endowment fund in 2008. The objective is to promote the social, educational and economic development of Pepkor employees, and to facilitate black managerial development within the group. An amount of R150 million was allocated to the initiative, and the returns are used for:**




- 
- bursaries for part-time post-Grade 12 qualifications for employees;
- 
- bursaries for tertiary education for children of employees;
- 
- training and development initiatives related to retail and life skills for employees;
- 
- sports funding for competitive sport (at provincial level) for employees and their dependents;
- 
- retail diploma at Unisa for PEP employees; and
- 
- wellness programme for Ackermans employees.

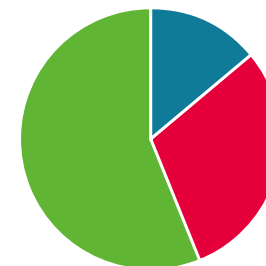
**500 bursaries** awarded for part-time studies and tertiary education over the past three years

**R150 million** allocated to social, economic and educational endowment fund



## Employment equity per management level

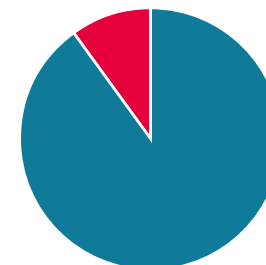
(% OF PREVIOUSLY DISADVANTAGED INDIVIDUAL (PDI) EMPLOYEES)

	Top	14%
	Senior	30%
	Middle	56%





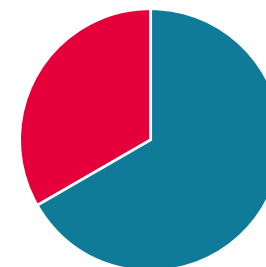
## Employee split

	PDIs	90%
	White	10%



## Gender split

	Black females	60%
	Black males	40%



**576** black physically disabled employees

**B-BBEE processes and improvements will form part of operational management's KPIs and incentives.**

**The group's employment equity policy determines that all operational businesses:**

- 
- support Pepkor's vision of creating a working environment that is conducive to attracting, training and retaining skilled people from all sectors of society;
- 
- prepare a leadership talent pool to sustain the group's growth opportunities and long-term future;
- 
- entrench an organisational culture that values diversity; and
- 
- give effect to the South African employment equity legislation.

ADDRESSING	READ MORE
Human rights	Case studies
B-BBEE	
Companies Act and SEC mandate	
Community and social upliftment	

# Giving back

Our strategy revolves around providing the best product at the best possible price at our customers' convenience. Therefore, we are very aware of their daily needs.

Many of our customers live in rural areas and have limited disposable income. Pepkor's existence therefore revolves around the following:

having a business approach that benefits our customers and their families. We do this through the products, services and easy access we provide, but also through new initiatives that we include in our offering, e.g. PEP's PAXI service and the FLASH business – making our customers' lives easier and better.

providing work in communities through our extensive store footprint. In many instances, our employees are the main breadwinners and support a large extended family. Employing local people supports local economic viability.

adding value to the communities in which our customers work and live. Our operational businesses align their community involvement with their customer and community needs. Each operating business supports projects and initiatives relevant to them. Most projects support mainly education. Employees are encouraged, through internal incentives, to participate in volunteer programmes. Merchandise is donated to disaster relief.

socio-economic development (SED) is one of the priorities the group will focus on to assist us in achieving our optimal B-BBEE score. Programmes will include those aligned with the objectives of SED contributions (with the required number of black beneficiaries):

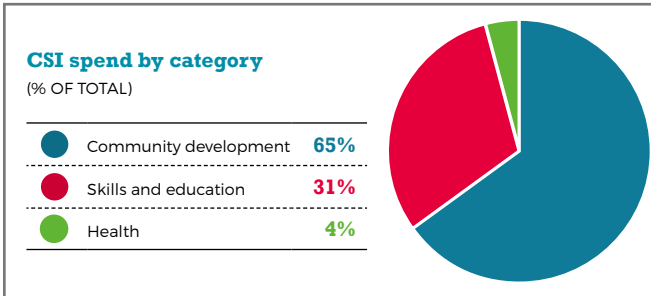
development programmes for women, youth, people with disabilities and people living in rural areas;

support of healthcare and HIV/Aids programmes;

support for educational programmes, resources and materials at primary, secondary and tertiary education level, as well as bursaries and scholarships;

community training, skills development for the unemployed, and adult basic education and training; and

support of arts, cultural or sporting development programmes.



With oversight from the SEC, the group and its operational businesses will continue to uphold and safeguard our legacy and trusted reputation, as a company that considers our social impact on our communities:

We will promote equality, and prevent discrimination and corruption in all our initiatives and projects.

We will continue to contribute to developing communities where we do business or have influence.

We will take responsibility for and record our contributions to sponsorships, donations and charitable giving.

We will always treat all the recipients with dignity and respect in all our activities, interventions, outreaches, and in our day-to-day service to our customers.

**15 000** school children reached through the PEP Academy



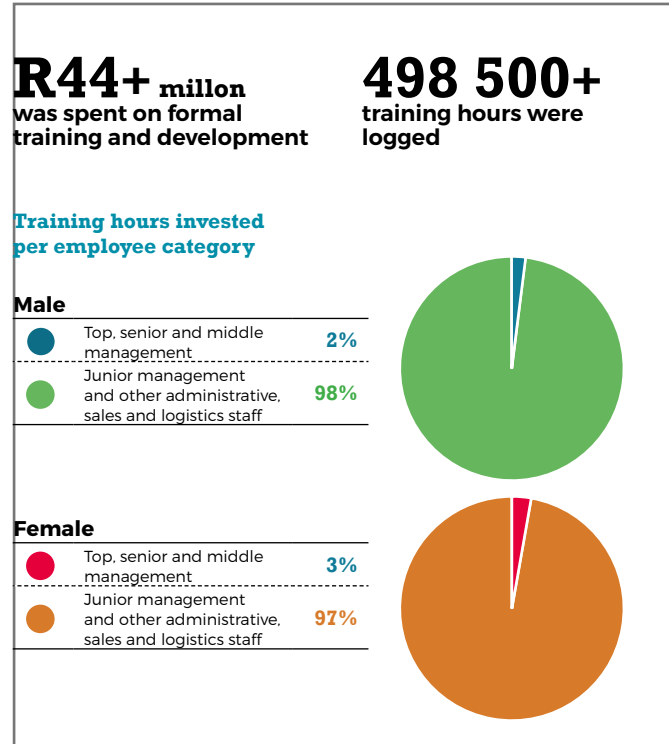
**Our businesses align their community involvement with their customer and community needs.**

READ MORE

	Code of ethics	United Nations Global Compact
	PAIA manual	Recommendations of the OECD
	Remuneration report	International Labour Organisation

# A culture of responsibility

To retain experience and promote development, the group offers competitive remuneration and has a proud track record of developing people, investing in training, and growing careers.



As a group we are down to earth; we respect ourselves and each other, regardless of job or title. Each business is responsible for their employees. Everyone, in the performance of their duties, is expected to act in good faith, in a manner promoting Pepkor's aspiration to be a good corporate citizen.

The code of ethics is made known to all employees. It is their responsibility to respect and adhere to Pepkor's principles of honesty, integrity and fairness, and to perform their duties in accordance with all laws and regulations of the countries and industries in which they work.

Pepkor strictly avoids anti-competitive conduct. Each employee must understand and comply with the anti-competition laws within their day-to-day responsibilities.

Employee remuneration includes salaries that are intended to be competitive and market-related. Company performance, individual performance and changes in responsibilities are taken into consideration when determining annual base salaries, while additional benefits provide further security for employees. Benefits and incentives are determined by the individual businesses and are relevant to the employee level.

Ongoing training and development equip employees with the competencies they need to fulfil their job requirements and to develop as individuals, enhancing critical skills to support the business.

Voluntary association with trade unions is permitted without distinction and employees are free to join or form associations with trade unions of their own choosing, bargain collectively, or form worker representative groups, if the conditions are within the prescribed laws of their country of employment. The group strives to maintain positive, well-established relationships with all recognised trade unions.

A policy of non-discrimination directs us to recruit, hire, promote, and provide equal opportunities for all employees, regardless of race, ethnicity, sex, religion or belief, age, disability, national origin or sexual orientation, except for those principles that support the Employment Equity Act in South Africa.

**27 700+** employees trained, including on HIV/Aids

**643** learnerships registered

**25%** of employees belong to collective bargaining councils

**83** internships/ apprenticeships awarded



# A culture of responsibility

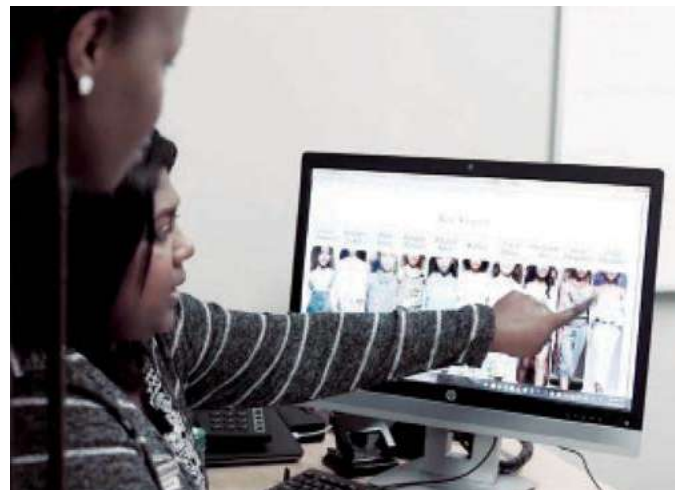
(continued)

**The health and safety** of our employees and customers are of the utmost importance. Each division is required to adhere directly to its own relevant industry and country-specific regulations and laws. External consultants and administrators are appointed when specialised expertise is required and where external accreditation has to be verified.

Divisional programmes around HIV/Aids are in place to protect and educate all employees.

**Supplier management** is a strategic focus. Pepkor follows a decentralised model whereby each trading division drives its own strategy with regard to supplier compliance and the management thereof. To support our low-cost business model, and for sustainability and continuity, we believe in dealing with suppliers and business partners who grasp the importance of our strategy and the promise of delivery to our customers. We also believe in offering our suppliers opportunities for growth and self-development by building longer-term relationships.

**Sourcing and procurement** play a pivotal role in delivering on our promises to our customers of providing the best possible products at the most competitive prices.



**Human rights laws** are dictated by the countries within which we operate, and internationally recognised principles are addressed in the group's code of ethics and employment policies.

According to the SEC's terms of reference, it is their responsibility to oversee and manage the group's adherence to uphold human rights principles. The group subscribes to the principles set out in the United Nations Global Compact (UNGC), which include the following:

**Human rights**

Businesses should support and respect the protection of internationally proclaimed human rights; and  
 -----  
 make sure that they are not complicit in human rights abuses.

**Labour**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
 -----  
 the elimination of all forms of forced and compulsory labour;  
 -----  
 the effective abolition of child labour; and  
 -----  
 the elimination of discrimination in respect of employment and occupation.

**Anti-corruption**

Businesses should work against corruption in all its forms, including extortion and bribery.

**Whistle-blowing/hotline facilities** provide confidential and independently managed channels for employees to report any kind of unethical behaviour. All information regarding any report is treated as confidential. Only individuals directly involved in handling or investigating an incident will know the identity of the employee, and only to the extent strictly required.

All investigations are carried out objectively, and all incidents are dealt with in an appropriate manner relative to the misconduct, whether through disciplinary or legal action.



**Whistle-blowing hotline resolutions**

Unfounded	46%
Valid	35%
In progress	19%



# Climate change, waste management and resources

We live in a world where the need for natural resources and its availability is unbalanced. This puts pressure on everyone to manage and minimise our impact, and at the same time to improve efficiencies and keep costs down for the benefit of our customers.

As a retail group, we have a large store footprint. Our greatest direct climate change impact is our electricity usage. This large footprint is also our biggest opportunity to save on logistics and distribution costs through economies of scale and creating efficiencies.

Every effort is made, through a variety of initiatives, to put processes in place to help save our planet. These initiatives include installing eco-friendly lighting during all store improvements and new store roll-outs; using only recycled plastic bags; sourcing sustainable timber that is Forest Stewardship Council compliant and recycling paper, cartons and packaging material.

Our operational businesses will continue to increase their environmental responsibility as we continue on a journey of improvement.

Special attention will be paid to measuring initiatives in order to provide a group view of our efforts.



**We reuse cartons and recycle hangers to minimise waste and reduce the usage of plastics.**

Charl Cronje, Ackermans CEO

ADDRESSING	READ MORE
Carbon footprint	Environmental policy
Fuel, water and waste	Case studies
JSE FTSE4Good	

# Climate change, waste management and resources (CONTINUED)

Our policy is to ensure that Pepkor’s group operations adhere to environmentally acceptable practices that benefit the environment, our shareholders, employees and the community at large.

We will continuously aim to improve the management of our environmental impact: to minimise our usage of water and energy, and our emissions to air and water; and to contain our production of waste where we can.

All operational businesses have to:

- comply, as a minimum non-negotiable requirement, with all environmental legislation, regulations, standards and codes of practice applicable to their operational sectors;
- identify significant environmental risks relevant to their operations and develop and implement appropriate environmental management strategies where necessary;
- develop environmental awareness across the group;
- set and use objectives and targets where applicable;
- measure and report, through Pepkor’s reporting structures, on compliance with relevant legislation and regulations, and on performance against objectives and targets where applicable;
- monitor new developments in environmental control and technology relevant to business operations; and
- adopt environmental management as a key strategic objective.

Due to our low-cost business model, it remains more cost effective to source from the Far East. However, the group’s businesses support local manufacturing where it is viable.

Initiatives include:

### Electricity – optimising power usage

All stores are optimising aircon usage and have changed or are in the process of changing to energy-efficient lighting.

### Logistics – reducing the use of fuel

The logistics footprint is optimised through the positioning of DC locations relative to stores.

We support local furniture manufacturing where possible to reduce logistics and shipping, thereby reducing our carbon footprint.

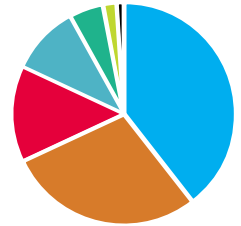
### Recycling – managing the usage of plastic and paper

Plastic shopping bags used in stores are made from recycled material.

Packaging cartons in DCs and stores are reused and then recycled, while hangers are reused multiple times.

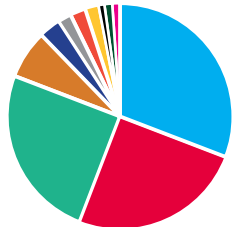
### Scope 1 emissions (by brand/division)

PEP	40%
The Building Company	29%
JD Group	14%
PEP Africa	10%
Ackermans	5%
FLASH	2%
Tekkie Town	1%



### Scope 2 emissions (by brand/division)

PEP	31%
JD Group	25%
Ackermans	25%
The Building Company	7%
Tekkie Town	3%
Dunns	2%
Shoe City	2%
PepClo	2%
John Craig	1%
Refinery	1%
Other	1%



### Fuel used (by type)

Electricity	48%
Diesel	43%
Petrol	9%



NOTE: All operations were covered, except the group’s administrative head office, which shares office space with PEP and houses less than 0.01% of employees.

Scope 1 and 2 greenhouse gas emissions were measured in accordance with the GHG Protocol.

Total carbon footprint	273 348 tonnes CO <sub>2</sub> e*
Total Scope 1 (fuel)	56 100 tonnes CO <sub>2</sub> e
Total Scope 2 (electricity)	217 248 tonnes CO <sub>2</sub> e*
Outside of scope (fugitive)	2 332 tonnes CO <sub>2</sub> e

\* The increase is due to the increase in store numbers from 4 953 to 5 236.

# Delivering on our corporate social responsibility

**The CEO is responsible for all group operations and is accountable to the board of directors.**

Pepkor operates on a decentralised basis with the operational businesses being responsible for their own strategic implementation, but receiving guidance from the group. Operational business leaders serve on Pepkor's executive committee to assist the CEO in fulfilling his responsibilities.

Although the board has delegated certain powers and authority to executive management and board committees, the ultimate responsibility for retaining full and effective control of the group rests with the board.

Management is satisfied that an appropriate balance has been achieved between the group's governance, social, financial and environmental objectives.



The initiatives relating to corporate social responsibility reflect the group's responsibility to its employees, society and the environment, while remaining accountable to shareholders in terms of financial performance and good corporate governance.



**We believe in developing, training and guiding people. Many start as sales assistants, then become store managers, and then they keep moving up.**

Lily Moreira, John Craig CEO



ADDRESSING	READ MORE
 <ul style="list-style-type: none"> <li>Materiality</li> <li>Assurance</li> <li>Reporting</li> <li>Targets</li> </ul>	 <ul style="list-style-type: none"> <li>Integrated report</li> <li>Annual financial statements</li> <li>Corporate governance report</li> </ul>

# Corporate social responsibility

We are confident that all the group’s businesses are fully aware of their responsibilities with regard to corporate social responsibility. We would not have successful businesses and trusted brands if we had failed to do so.

**During the past year, the group has come under scrutiny following the debacle that occurred at Pepkor’s controlling shareholder, Steinhoff International Holdings N.V. (Steinhoff), in December 2017. Understandably, stakeholders were concerned about the risk of contagion as a result of these negative events. Our management team has made good progress in dealing with the consequences, mitigating the impact on the group and its operations. Pepkor’s decentralised management and operational structure made it possible to insulate our operations from the corporate noise, allowing the operating businesses to focus on retailing and providing value to customers.**

This is the first full year that Pepkor is reporting independently, as a listed company. We are at the start of a journey to establish the most responsible, effective reporting structures and processes to address all aspects of reporting with the same diligence and attention. Being listed on the JSE, we will use the JSE FTSE4Good Index as the guideline for the group’s reporting on corporate social responsibility. Although many best-practice standards and processes exist in the group’s businesses, we acknowledge that our reporting at group level will evolve over time.

**Respect for stakeholders and the environment is non-negotiable and management is confident that it has appropriate systems in place, not only to protect the businesses, but also to provide long-term benefits to our stakeholders.**

**Respect for stakeholders and the environment is non-negotiable. Management is confident that it has appropriate systems in place, not only to protect the businesses, but also to provide long-term benefits for our stakeholders.**

**Materiality** is based on the potential impact and the effect of risks and opportunities on stakeholders and is identified and managed at operational business level. Our decentralised business structure creates challenges for a one-size-fits-all approach.

Some businesses have different priorities, are more advanced in their approach to certain aspects of sustainability, and play a more prominent role in many of the group’s sustainability initiatives.

South Africa’s transformational needs drive most of the group’s financial contribution to social change, while the group’s environmental initiatives are largely influenced by reducing our direct impact and use of natural resources.

**External assurance** on non-financial information is limited to the B-BBEE contributor level certification. External assurance in other areas of corporate responsibility reporting will be evaluated where deemed necessary and appropriate.

**A social and ethics committee** was established during the year under review. It is a constituted board committee and operates under terms of reference that are aligned with the requirements of the Companies Act and King IV.

Committee members include Ms F Petersen-Cook (independent non-executive director) as chairman, Mr LM Lourens (CEO) and Mr RG Hanekom (CFO). Ms W Luhabe (independent non-executive director) joined the SEC in January 2019.

The SEC is responsible for various statutory duties, having regard to any relevant legislation, other legal requirements or prevailing codes

of best practice. The committee provides monitoring, oversight and advice relating to activities under its auspices, as stated in its terms of reference.

The committee does not assume the function of management, which remains the responsibility of the executives and members of senior management.

Responsibility for implementing and managing sustainability initiatives rests with the operational management teams. Critical sustainability issues are dealt with at the highest level of authority, the board.

Operational management is responsible to implement and ensure compliance with policies, and to communicate these to their employees. However, it is the responsibility of each employee (and extended stakeholder) to observe principles of honesty, integrity and fairness, and to act in accordance with all the laws and regulations relevant to that division and country of operation.

**Targets** are set at operational level, relevant to each business, but are driven by the group’s strategy. Most targets are set against achieving results related to the group’s value-creation strategy.

**We will continue to support and develop** initiatives that will make our employees and our customers’ lives easier. Our operating businesses have been making a difference for many years. As a group, we are on a journey to improve our reporting in order to provide our stakeholders with the most appropriate information that will inform their view of our company.

**Fagmeedah Petersen-Cook**  
Independent non-executive director, chairman of the SEC

# Thank you for reading our report

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## Case studies

Visit the group's website to read more case studies on our efforts to do better business and help to change lives.



**Operation Smile**  
Social capital



**Education is key**  
Social capital



**A culture of can-do**  
Intellectual and human capital



**In the face of adversity**  
Social capital



**Affordable school clothes**  
Human and social capital



**Kindness and generosity**  
Social capital

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