

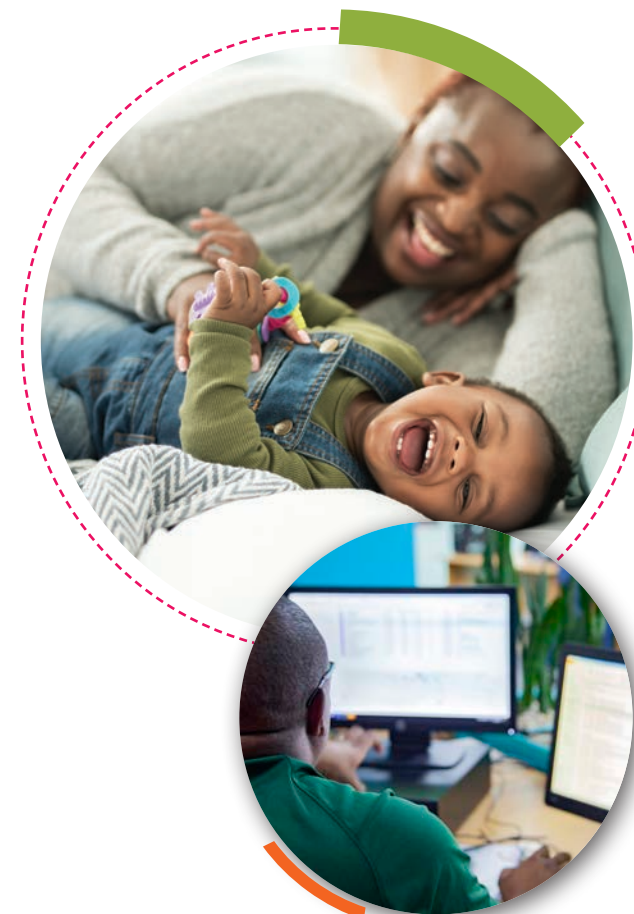


2021
SUSTAINABILITY
REPORT




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 **READ MORE**
Indicates where additional information is available elsewhere.

 **LINK TO MATERIAL MATTERS**
Indicates which material matter is integrated with the sustainability theme.



Pepkor's purpose is to make a positive difference in the lives of our customers.

The vast majority of people in our immediate communities have very little disposable income. Pepkor's strength lies in our ability to serve the needs of these consumers and to be their preferred shopping destination, making it possible for them to live with dignity and pride.

We see it as our responsibility to provide customers with affordable products that make their lives easier and better, and to play our part in building a better business that supports our purpose, while doing business right.

By continuously building a better business, with a unified long-term vision across our operating businesses, we will further embed and formalise our sustainability initiatives. The aim is to improve on environmental efficiencies, save costs, build on our reputation, and play our part in actively addressing our impact on climate change. Under the leadership of the social and ethics committee (SEC), the group has embarked on a journey to enhance our environmental efforts, while we continue our work on social and governance matters.

About this report

This report 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 report provides an overview of our strategic focus areas and explains how we have addressed these throughout the group.

Materiality

The Pepkor board and management consider materiality from both financial and non-financial perspectives, 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.

- ▶ Achieving growth in a low-growth environment
- ▶ Maintaining an efficient and effective supply chain
- ▶ Maintaining a low cost of doing business
- ▶ Attracting and retaining talent
- ▶ Allocating capital effectively and optimising gearing levels
- ▶ Customer focus
- ▶ Building better business

 **READ MORE**
Integrated report
Our risks p 50
Our material matters p 54

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.

Internal audit's scope includes a review of the financial and non-financial data of this report, as part of the review of the group's reporting suite. External assurance applies to the audit opinion on the annual financial statements and the broad-based black economic empowerment (B-BBEE) contributor level status.

Policies and supporting documentation

Pepkor's responsibility is to provide strategic direction and guidance to the operating businesses (by providing specific policies) and to report to stakeholders on the group's strategy and impact through our material matters.

The group's policies direct behaviour and give guidance on procedures and processes. These provide consistency in our operating businesses and support our strategy. Amendments or new policies are tabled with the group executive committee for submission to the board and its committees for approval, where necessary. Approved policies are communicated across the group to divisional management, who, in turn, have the responsibility to communicate it to their employees and ensure implementation. Feedback is provided to the social and ethics committee (SEC) on the implementation and actions taken by divisional management for policies that are in the scope of the SEC as per its terms of reference and in line with its responsibility as determined by the Companies Act of South Africa and the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)*.

The integrated reporting suite provides supporting documentation illustrating how the group and our operating businesses address material matters and deliver on our strategy. Quantitative environmental, social and governance (ESG) data is updated on an ad hoc basis when relevant, while chapter reports with qualitative ESG data are updated annually as part of the integrated reporting cycle.

 **READ MORE**
A full index of supporting documentation is available on p 28

Responsibility

The board has delegated certain powers and authority to executive management and board committees, but responsibility for full and

effective control of the group rests with it. The board is also responsible for setting an ethical tone and for creating a culture of integrity and compliance characterised by appropriate levels of transparency and disclosure. The board's function is assisted and supplemented by the SEC.

The SEC oversees and reviews the group's strategy and performance as it relates to, inter alia, ESG matters. The independent non-executive chairman of the committee, together with the chief executive officer (CEO), is responsible at board level for all ESG matters reported on in the sustainability report, including climate change.

The board confirms that it has reviewed the content of the report and believes it is a fair presentation of the group's sustainability performance.

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 and specific information to address issues that concern our stakeholders, and to provide Pepkor's response to mitigate risk and harness opportunities within the context of the strategy and operating environment. This 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™)
- ▶ 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 Equity and Debt Listings Requirements
- ▶ Broad-based Black Economic Empowerment Act, No. 53 of 2003
- ▶ FTSE/JSE Responsible Investment Index.
- ▶ United Nations Sustainable Development Goals (UN SDGs)

2

INTRODUCTION

Letter from the CEO

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Social and ethics committee report

Our code of ethics informs our behaviour.

Pages 7 – 11

PURPOSE

Our purpose is to make a positive difference in the lives of our customers.



Letter from the CEO



In an unprecedented year of turmoil, Pepkor has again achieved remarkable outcomes, with the support of our amazing employees, for the benefit of our customers and other stakeholders.

The Pepkor group and our brands have a long and successful history. We pride ourselves on the responsible way in which we have conducted our business over the years, underpinned by solid values and ethical behaviour, to fulfil our purpose of providing our customers with the best value.

Characterised by the lingering COVID-19 pandemic, unprecedented unrest and looting, the challenges of load-shedding, deteriorating service delivery, growing unemployment, and the effects of extreme climate events, the year served as a reminder that our business is directly linked to communities and the wider socio-economic and physical environment. We are clear that business now needs to play a more prominent role in affecting change in all aspects of sustainability.

The Pepkor sustainability imperative is clear and compelling. We have always paid close attention to the *social* and *governance* elements of corporate responsibility. We are proud of our efforts to protect the health of staff and customers during the pandemic, and to protect their safety and our infrastructure during the unrest. The incredible effort of our teams to recover and rebuild swiftly was evidence of the resilience and resourcefulness of Pepkor's people. Another notable achievement this year was that Pepkor achieved a compliant B-BBEE score for the first time, having made considerable progress in preferential procurement, skills development and board diversity. We are proud that skills development progress included giving specific focus to our disability enablement strategy.

Historically, our *environmental* outcomes have been a product of efforts to streamline our supply chain and lower our cost of doing business. However, this year we shifted our

focus to *environmental stewardship*, and a more strategic and transparent approach to *mitigating our environmental impact*, and measuring our status and progress. Shareholders are looking to recognised frameworks to inform their decisions in assessing the potential return on investment and relative level of risk. We currently use the FTSE/JSE Responsible Investment Index as our primary reporting framework. In addition, we will work towards aligning with the Task Force on Climate-related Financial Disclosures (TCFD) framework to further measure and manage our commitment. This will require tracking of our non-financial indicators with the same strategic oversight and rigour as our financial ones.

In the first year of this climate impact journey, we made material progress, having updated our environmental policy, identified ESG champions across our operating businesses, and appointed a sustainability executive to give greater momentum to our climate-related initiatives. We have also aligned long-term incentives with ESG goals, and will set the base this year to allow us to align short-term incentives next year. This ensures that sustainability becomes the responsibility of everyone in the group, aligning our decentralised structure to our central strategy and goals. Aligning these key performance indicators (KPIs) has stimulated exciting progress in our environmental decision-making considerations and leadership. For example, with electricity consumption, we had previously considered LED lighting, but in the last year, considerations of renewable energy have become more prominent. Encouragingly, this approach has become increasingly important across our operating businesses.

We are, in many ways, at the beginning of our environmental journey. The next step will be to

establish our aspirations in terms of TCFD, and clarify our status on the relevant metrics across our business operations and our value chains. We can then develop our approach in terms of governance, strategy, risk mitigation, target-setting and metrics, embed these roadmaps into our organisation, and share them with all our stakeholders.

Our broader sustainability agenda is supportive of the progress we have made in continuously building a better business. This involves reporting against seven focus areas to complement the eight growth drivers that support our corporate strategy, ensuring we build holistically a better and more resilient business. The seven focus areas are:

- ▶ Customer enablement
- ▶ Employee investment
- ▶ Community support
- ▶ Responsible sourcing
- ▶ Diversity and inclusion
- ▶ Environmental protection
- ▶ Governance

These challenging times have made clearer than ever before our connectedness to the communities we serve and the natural environment, the importance of business continuity, and our ability to access resources predictably. In order to remain our customer's first choice and sustain strong financial performance, delivering on our sustainability commitments will further build the resilience of our business, strengthen our stakeholder relationships, and enhance our long-term legacy.

LEON LOURENS
Chief executive officer

Social and ethics committee report



As the conscience of the company, the social and ethics committee executes its statutory role and provides oversight of social and ethical matters relating to the group on behalf of the board.

Each employee remains responsible for adhering to Pepkor's values of support, respect, trust, enablement and growth to deliver value and affordability to our customers, and to perform their duties in accordance with all laws and regulations.

Governance

The social and ethics committee (SEC or the committee) operates within terms of reference provided by the board through a process into which the committee and management have provided input. The terms of reference set out the scope of the committee.

Within the group's decentralised structure, operational management is responsible for ensuring compliance with laws and policies, and communicating relevant requirements to their employees.

Critical sustainability issues are dealt with at the highest level of authority, and are escalated to the board where material. The SEC also oversees the group's sustainability activities and reporting.

The committee:

- ▶ ensures that the organisation is and is seen to be a responsible corporate citizen (King IV™ principle 3); and
- ▶ adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time (King IV™ principle 16).

Pepkor's code of ethics forms the basis for all behaviour. It clearly states that it is the duty of all directors and managers of the group to ensure

the ethical standards and policies of the group are communicated to and understood by all employees. It remains the responsibility of each employee and extended stakeholder to observe

the principles set out in the group's code of ethics, and to act in accordance with the laws and regulations relevant to the business and country of operations.

Composition of the committee

The committee is chaired by independent non-executive director Fagmeedah Petersen-Cook. The CEO Leon Lourens, Paula Disberry and Zola Malinga also serve on the SEC. Three of the four members of the SEC are independent non-executive directors and, accordingly, the committee meets the recommendations of King IV™ with a majority being non-executive directors.

Director	Designation	Date appointed	Qualifications
F Petersen-Cook	Chairman	July 2018	BBusSc (Act.Sc.), FIA, FASSA, PGDip (MgtPrac), CD(SA) IoDSA
P Disberry	Member	1 June 2021	BA (Hons), MA (Cambridge)
LM Lourens	Member	July 2018	HND (Human Resources), BCom (Marketing)
ZN Malinga	Member	1 June 2021	BAcc (Hons), CA(SA)

The human resources (HR) executive, head of internal audit, the compliance manager, the investor relations executive, group risk manager and various other specialists attend the committee meetings by invitation. The company secretary of the group acts as the secretary of this committee.

The committee held three scheduled meetings during the period under review. All members were present at all three meetings. Between formal meetings, the chairman has frequent update conversations with the executives involved in SEC matters.

The chairman is also a member of the audit and risk committee, which ensures seamless transfer of information between the two committees and reduces the risk of duplication of effort.

Operating business representatives are invited to attend SEC meetings, in order to improve the understanding and alignment of executives with the priorities of the SEC.

Management has proactively established an SEC working group at an executive and senior management level, who assist the committee in devolving initiatives into the operating businesses. The SEC working group has made great strides in improving the outcomes of the initiatives that the committee oversees. Importantly, the executive for mergers and acquisitions is also a member of this working group, and has improved the efficiency with which capital can be accessed to support the initiatives that the committee

is responsible for. Brand champions for SEC initiatives are identified by the SEC working group. These operating business representatives assist with cascading the priorities of the committee into the operating businesses. This is a critical step in the dissemination process, given the decentralised operating model of the group.

Role and responsibility

The SEC is a statutory committee, established in terms of section 72 of the Companies Act. The committee is defined by its terms of reference, which are informed by the statutory duties of the committee, as specified in regulation 43 to the Companies Act, and the JSE Equity and Debt Listings Requirements.

The committee has fulfilled its mandate as prescribed by the Companies Regulations, 2011, and there were no instances of material non-compliance to disclose.

In addition to the board's responsibilities to its shareholders, it is required to pay attention to the matters of the SEC. The SEC oversees the sustainability agenda of the group. It monitors and reports on the group's activities with regard to relevant legislation, regulatory requirements and prevailing codes of best practice.

The following responsibilities are included in the SEC's terms of reference:

- ▶ Health and public safety
- ▶ Consumer relationships
- ▶ Labour and employment
- ▶ The environment
- ▶ Social and economic development
- ▶ B-BBEE compliance
- ▶ Consumer relations
- ▶ Anti-corruption
- ▶ Corporate social investment
- ▶ Organisational ethics

Principles and structures for facilitating good governance are in place throughout the group's operating businesses. The board is committed to ensuring that these are reviewed regularly to improve effectiveness. Principles and structures specifically related to sustainability include:

- ▶ Overseeing ethical leadership
- ▶ Ensuring responsible corporate citizenship
- ▶ Adhering to organisational values, ethics and culture
- ▶ Guiding and supporting strategic implementation and performance measurement (ensuring that the group can continue to create sustainable value)
- ▶ Reviewing and improving reporting and disclosure
- ▶ Developing an awareness of the environment and the risks of climate change, and fostering the adoption of more sustainable business practices

- ▶ Deepening the transformation activities of the group in all areas of B-BBEE

Within the context of Pepkor's decentralised structure, the group's operational management is responsible for ensuring compliance with laws and policies, and communicating relevant requirements to their employees. Operating business leaders serve on Pepkor's executive committee to assist the CEO in fulfilling his responsibilities.

Achievements during the year

COVID-19

The first priority of the business has always been to look after our employees and to ensure their safety. This challenge has escalated in importance in the face of the COVID-19 pandemic. The committee has closely monitored the reporting on measures taken to keep employees safe, particularly in proximal working environments such as distribution centres (DCs), call centres, stores and manufacturing lines. By keeping employees safe, the group has been able to provide a safe shopping environment for our customers and continue to meet their needs.

The group has encouraged employees to get vaccinated against COVID-19 in order to improve the safety of the work environment for all. It has also made facilities available to improve employees' access to vaccinations. We mourn the loss of 65 valuable employees, who had committed their lives to serving our customers.

UN SDGs
Addressing sustainable development through economic empowerment



Civil unrest

South Africa was affected by localised civil unrest in the week of 12 July 2021, which led to loss of lives, looting and destruction of property. We acknowledge the swift response on the part of management in closing stores to ensure that employees and customers remained safe and to protect the assets of the group. Relief efforts were implemented to assist employees who had no access to food. We are pleased that 75% of the stores that were affected by the civil unrest were reopened by the end of October 2021 due to the efficient response of dedicated management and employees.

B-BBEE

Since its inception, the committee has focused on the performance of the group in terms of B-BBEE. The committee recognised the challenge the group faced in recognising black ownership, given our current ownership structure. However, we also recognised that there were a number of opportunities for Pepkor to expand our activities in order to improve the group's performance in other metrics utilised to assess B-BBEE.

Over the last three years the committee has therefore focused the group's attention on the development and implementation of plans to develop black talent across our operating businesses through various recognised mechanisms provided for in the B-BBEE Act.

We have focused management's attention on procurement and enterprise development activities in order to advance the creation of jobs in, and the growth of, the South African economy. The group is now focusing on the acquisition and development of black talent at executive and senior level. The committee has liaised with the

human resources and remuneration committee to ensure the appropriate level of incentivisation of group and operating business executives to encourage behaviour that will serve to improve the transformation of the group. B-BBEE is a specific KPI for executives.

As part of the development of talent within the group, Pepkor offers middle management and operating business executives opportunities for admission to business programmes. Specific focus is placed on developing black employees, ultimately adding to the pool of black retail skills in South Africa. We train school-leavers through various programmes like learnerships, graduate recruitment and internships to improve the employability of South African youth. The group has implemented various entry-level and junior management programmes. Specifically, we have implemented a successful internship programme with a focus on IT skills. Even global listed technology companies have recruited from it. The group has a chartered accountants programme for accounting graduates, advancing the group's contribution to the South African pool of black talent.

The board has improved the skills and diversity of its membership with a number of appointments during the year. This has strengthened the skills and leadership of the board and its committees, and positively impacted our B-BBEE score for the management and control element.

The committee is therefore pleased to report that the group has, for the first time, achieved a compliant score in terms of the B-BBEE scorecard for this financial year ended 30 September 2021. The business has still not achieved the required sub minima on the elements of ownership, and is therefore marked down one level.



Notwithstanding this, we are pleased that we are compliant in terms of the B-BBEE Act and it is our intent to remain compliant in the future.

Climate action

Pepkor is acutely aware of the need for all humanity to change its relationship with the natural environment, and the consumption of natural resources, given the impact we have on climate change. This is already observable in the natural environment in Africa and, in particular, South Africa, through droughts, floods and other severe weather events. We are also aware that climate change will ultimately most severely impact the communities that we serve. Regrettably, there is little legislation in Africa as a whole, which compels companies to change the way they interact with the environment. In particular, little progress has been made to reduce the carbon intensity of economic activity.

We recognise that there is a need to change how we use natural resources and the impact of our business operations on the environment to ensure the sustainability and resilience of operations. We know that it is the right thing to do.

The committee recognises that, in order for any climate change to be sustainable and effective, we need awareness around the impact of climate change, we need climate action, and a change in behaviour from the group and operating business executives. It is prudent that management takes responsibility for championing climate-related issues in their operating businesses and cascade awareness across all employee levels.

External environmental advisors have worked with management to develop frameworks that reflect potential interventions to reduce the impact of business operations on the environment. These activities must be monitored, measured and reported to ensure there is a realised and measurable change. In order for this to be done, the group will focus on extending current measurements of non-financial metrics relating to climate change. The group has historically measured limited non-financial metrics, and is currently in the process of implementing more extensive and focused measures, processes and controls in order to gather the necessary data to perform a baseline assessment. The committee will continue to promote the need for climate action on the part of management.

Policies and structure

The group has zero tolerance for non-compliance with legislative and regulatory compliance. The committee is responsible for overseeing the management of ethics, and monitoring and management of crime, fraud and corruption within the group. We are in the process of rationalising our various ethics and fraud hotline functions that service the various operating businesses into a single service provider for the group. This will facilitate monitoring and reporting of such activity and ensure consistency in the investigation, escalation and consequence management of all reported incidents.

During the year, the committee reviewed and recommended the following policies for approval by the board:

- ▶ Environmental policy
- ▶ Code of ethics
- ▶ Stakeholder policy
- ▶ Board conflict of interest policy
- ▶ Employment equity policy

The group focused on the implementation of measures to ensure compliance with the requirements of the Protection of Personal Information Act by the due date of 1 July 2021. All submissions to the Information Regulator have been made as required. This is of particular importance in areas of the business where we hold sensitive client information, such as in the financial services businesses. The SEC is comfortable that the necessary processes have been put in place to ensure ongoing compliance.

Looking ahead

The TCFD was established to enhance the provision of information to investors, lenders and insurers to establish further focus on climate-related risks and opportunities.

Climate change has an impact on resources globally, and we are reliant on some of those resources. Pepkor is reviewing the requirements to align with the TCFD as it relates to the group, and has started the journey to map the group's operational activities and measurements relative to the framework.

The committee recognises the need for the board to have an understanding of the future long-term risks that we face from climate change. We use the FTSE/JSE Responsible Investment Index as our primary ESG framework, which supports the disclosure elements of the TFCFD. In the year ahead, we will leverage the work done around this index and analyse these risks, and their potential financial impact.

Once clear action plans have been agreed for the businesses, the group will work towards incentivising management more directly for achieving targets for climate action.

The UN SDGs are a business's way to support the mandate of governments and countries to achieve a better and more sustainable future for all by 2030. The intent is for companies first to do business responsibly, and then to pursue opportunities to solve societal challenges through business innovation and collaboration.

Pepkor has identified initiatives for three primary SDG goals. As our contribution to achieve these goals increases, we will look for further opportunities to expand our contributions to the SDGs.

TCFD
*is part of our
roadmap*



47 000
EMPLOYEES*

* Full-time equivalents

An area of work that is receiving renewed focus is supplier compliance and the review of supplier contracts to make sure contracts adhere to the group's supplier code of conduct. This code is also being expanded to include more comprehensive environmentally responsible aspects. Although the group has had a relationship based on an informal view of suppliers, since many already adhere to international and European standards, it has not been formalised as part of all supplier contracts. We shall continue to increase visibility and transparency of our supplier base with regard to ethical and environmentally responsible behaviour.

Stakeholder engagement

We engage with a range of stakeholders. During 2022, we will focus specifically on the following stakeholders:

► Shareholders

We engage with shareholders on an ongoing basis. Part of the agenda is to reflect on our integrated approach to building better business, which includes ESG matters.

► Employees

We have various mechanisms to engage with employees. Relevant communication via e-mail, forums, information sessions, conferences or newsletters will be used to communicate with employees. In 2022, we plan specific communication and training of employees on our environmental policy and related matters.

► Suppliers

We will continue to engage with suppliers during 2022 to progress the group's proposed updated supplier code of conduct on matters related to ethics, social, quality, health and safety, human rights and environmental standards.

Resources

We have appointed a Pepkor executive, whose focus will be dedicated to sustainability and to further enhance the work of the SEC.

Recognition

To conclude, I wish to express my gratitude to the members of the SEC for their invaluable input, advice and support.

My thanks also to the HR executive, the compliance officer, the head of internal audit, head of investor relations, group risk manager, members of the Pepkor SEC working group, the executives of the operating businesses, who implement the many sustainability initiatives, and all other contributors for enabling the committee to execute its mandate.

FAGMEEDAH PETERSEN-COOK

Chairman of the social and ethics committee

SOCIAL



OUR AIM

is to create value through our business activities, our interactions and relationships.

Customer enablement

We have a 'people first' approach – our promise is to provide our customers with the best quality products they can afford.

Page 14

Employee investment

We invest in our culturally diverse employee base, and we are cognisant that our employees live and work in environments with many social challenges.

Pages 15 – 18

Community support

Our aim is that our CSI activities add value to society.

Page 19

Responsible sourcing

We aim to invest in and develop local suppliers and encourage responsible sourcing throughout the supply chain.

Page 20

Diversity and inclusion

Page 21

Social



Pepkor's social sustainability initiatives centre on our ability to create socio-economic value for our customers, employees, communities and suppliers.

Our customers are at the centre of our strategy, and we aim to understand their environment and behavioural trends to best serve their needs and create value. We engage with them respectfully, while giving them access to the products and services they need and want.

Our employees are instrumental in creating value for our customers and our business. We create a safe and engaging working environment, where our employees can develop as people and professionals.

By nurturing our relationships with customers and employees, we make an important contribution to the communities in which they live and work, and where we operate. We assist through various projects that help to improve living standards. Our focus on education includes continuous learning and development of our own employees.

Our relationships with our suppliers have been built over many years by focusing on developing mutually beneficial partnerships. We provide an opportunity for our partners to deliver on satisfying the needs of our customers.

The value we create as a group is linked to the value we create for all our stakeholders. This happens through our business activities and our interactions and relationships with stakeholders and how well we look after the environments in which our stakeholders live, work and do business.

Communities	2021	2020	2019
▶ CSI spend	R57.3m	R40.7m	R45.0m

Customers	2021	2020	2019
▶ Known customers	27m	20m	20m
▶ Product units sold	2.7bn ¹	1bn	1bn

¹ Includes physical and virtual products

Employees	2021	2020	2019
▶ Employees ²	47 000	50 000	56 100
▶ Salaries paid	R7.9bn	R7.1bn	R7.4bn

² Full-time equivalents (FTEs) for FY20 and FY21. FY19 is not a comparable FTE number against what was reported that year.

Suppliers
▶ Signatory to the South African government's R-CTFL ³ Master Plan
▶ 1 500 manufacturing employees

³ Retail, clothing, textile, footwear and leather

SDGs primary support



No Poverty. End poverty in all its forms everywhere

We provide competitive and affordable prices to our customers across a spectrum of products, services and price points. Although we have some specialised offerings, most of our products are value-priced items. Our extensive footprint allows us to leverage our scale to reduce costs. Lay-by and credit options also assist households to better manage cash flow.



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

Learnerships focus specifically on youth and disabled people. This not only helps the country deal with engendering the independence of disabled persons, but also with the scourge of youth unemployment. We support social investment programmes and initiatives by contributing time, expertise and products. The Ackermans Ububele Schools (since 2015), and the PEP Academies help make schools and crèches fun, engaging and interactive.



Decent Work and Economic Growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

We invest in the development of our employees, who all have access to an extensive range of ongoing in-house training programmes.

Our policy of non-discrimination prohibits any form of discrimination and is guided by the principles of the Employment Equity (EE) Act. We are working at achieving better B-BBEE compliance scores. To this end, KPIs are integrated at operating business level.

Our PAXI delivery service uses our extensive store network. The Flash business supports 203 000 traders in the informal market, who are all entrepreneurs in their local communities.

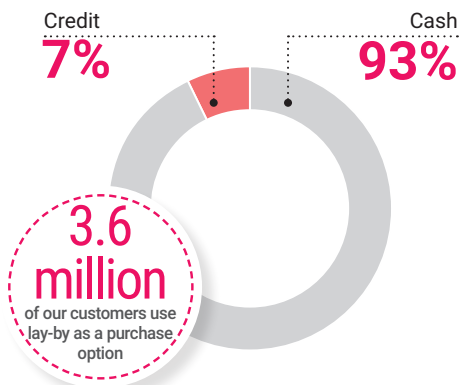
Customer enablement

We have a 'people first' approach, and our promise is to provide our customers with the best quality products they can afford.

Pepkor's extensive footprint allows us to leverage our scale to reduce costs, while seeking new business and market opportunities. Our intellectual property and extensive retail experience support our ability to manage effectively each step in the supply chain, from high-level oversight to introducing new technologies and systems; and from the time the product leaves the manufacturing facility until it is purchased by the customer.

LINK TO MATERIAL MATTERS
 Customer focus
 Maintaining a low cost of doing business

Customer payments



Product

We understand our customers and the communities in which they live, and address their needs by providing them with access to a variety of needed and wanted products and services. We serve from individual customers to local businesses and entrepreneurs (small and medium-sized enterprises (SMEs)) across five key categories with a focus on basic needs items.



Price

We manage the cost of doing business by overseeing efficiencies throughout the group's supply chain, using our scale and footprint to our advantage. We can therefore provide competitive and affordable prices to our customers across a spectrum of products and services. Although we have some specialised offerings, most of our products are value-priced items.

We use the same synergies for our service offerings from digital transactions to parcel deliveries.



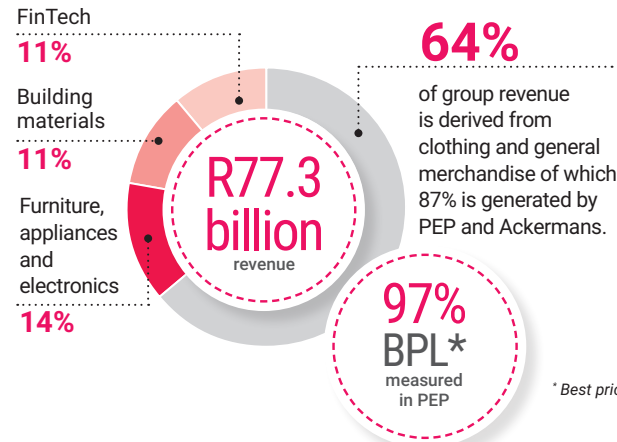
Convenience

Our wide store footprint (both in the formal and informal market), supply chain, technology capabilities and various buying and delivery channels provide customers the opportunity to transact in ways that suit them, making their lives easier and saving them time and money.

The PAXI service uses the clothing, footwear and homeware (CFH) store base to provide delivery services to customers, including SMEs. The Flash business supports 203 000 entrepreneurs in the informal market.

Our expertise, infrastructure and extensive footprint enable us to provide our customers with products and services at their convenience. They can go into a store in their hometown or buy online, and pay via their preferred channel, be it cash, credit, or lay-by.

Revenue split



* Best price leadership

3.5 million PAXI parcel deliveries

6.5 million daily Flash transaction



WELCOME



R56.2m
invested in
employee
training

15.3%
employee
turnover

Employee investment

We invest in our culturally diverse employee base, and we are cognisant that our employees live and work in an environment that has many social challenges.

Our code of ethics is the driving force of employee behaviour. The principles set out in our code of ethics are a summary of the way we have done things for many years. It is inherent in our culture and our values, and all employees are expected to respect and abide by the principles set out in the code.

Pepkor's policies and principles provide further guidance on how employees should engage with each other and our stakeholders.

Pepkor's collective organisational development and HR department provide guidance and support in terms of HR strategies, policies, group-initiated management training programmes, employment EE and B-BBEE roll-out.

Through market-related remuneration, skills development, training and wellness programmes, we are able to attract and retain employees who contribute positively to long-term value creation.

Without our employees, we would not be able to add value to the lives of our customers or our business. They are at the heart of what we do and are the ambassadors of our culture. We are proud that many employees pursue their careers with us for many years. Those who choose to move to other companies value the experience they have gained while working for Pepkor. They know

our business and love our brands and it is their passion to serve our customers that makes us who we are. The group encourages our operating businesses to enable our employees to be the best they can be.

Skills development

We are committed to investing in our people, which will enable us to grow our employees, create a wider talent pool for ourselves, and develop talent for the benefit of the countries in which we operate.

It is important for us to attract, develop and retain motivated, experienced, fulfilled employees to deliver on our purpose and serve our customers. We therefore focus not only on their development to serve Pepkor, but also on wherever they may go.

We provide employment in 10 African countries across urban and rural communities. Owing to the socio-economic challenges facing many of the regions where we do business, our employees are often the only income earners supporting their families. Therefore, Pepkor aims to concentrate on assisting employees to develop their skills and employability. We believe every employee has the right to realise their full potential.

Ongoing training and development equip employees with the competencies they need to fulfil their employment requirements and to develop as individuals, while enhancing the critical skills pool that supports the business. All employees have the opportunity to grow in their careers and have access to an extensive range of ongoing in-house training programmes that play a

crucial role in building the group's skills pipeline. We prefer to promote from within and to recruit externally when specialist skills are not available within the group.

Development programmes are predominantly managed within the operational businesses and are rolled out at different levels, giving any employee the opportunity to advance in their career. External programmes are also utilised when appropriate to develop employees, grow skills, and attain job readiness.

Accredited programmes, some of which receive discretionary funding from the relevant Sector Education and Training Authorities (SETAs), especially the Wholesale and Retail (W&R) SETA, are used for learnerships, internships and bursaries/graduate programmes (see Development and promotion). These programmes focus largely on youth and disabled people.

Research done by the W&R SETA and Pepkor has identified data science, data analytics and digital roles, as well as business and systems analysts, product designers and planners as scarce skills to develop and fill. Together with the W&R SETA, we will be embarking on identifying equity talent as early as their second year. Giving potential candidates exposure to initiatives such as vacation work, bursaries and experiential learning will ensure we fill the gaps in scarce skills, as well as contribute to achieving our own and the national skills development targets.

Employees	2021	2020	2019
▶ Training investment (R)	R56.2 million	R37.9 million	R57.1 million
▶ Training spend (time)	1 million hours (21 h/employee)	226 186 hours (4.5 h/employee)	230 939 hours (4.1 h/employee)
▶ Bursaries	277	327	302
▶ Learnerships, internships and apprenticeships	2 751	1 356	1 093



The era of enablement: We want people to walk away with a qualification and a network of relationships.

'My name is Protoss Khumalo. I am visually impaired. For me, disability is not a block, but it's a self-motivator. This skill academy, they told me, "We are accepting your application". I was like, oh wow, I'm so happy. I'm so thankful. And that's where life started to change. I'm all computerised now. I know how to do things.'

The importance of skills development

- ▶ Addressing scarce skills needs within the industry and Pepkor
- ▶ Aligning training and development programmes with the needs of the group
- ▶ Optimising the use of available funding
- ▶ Creating a potential recruitment pipeline
- ▶ Ensuring we build an equity talent pool from which the group can employ

Training split: % of employees

- ▶ 48.7% trained in anti-corruption
- ▶ 22.8% trained in health and safety

Human rights and labour standards

The SEC is responsible for overseeing and managing the group's commitment to upholding the principles set out in the UNGC.

The group supports internationally recognised human rights as stipulated in the 10 principles of the UNGC. Elements of the UNGC are addressed in the group's code of conduct and across various policies throughout the operational businesses, which have to ensure they are not complicit in human rights abuses.

Policies and standards stipulate rules regarding the following, among others:

- ▶ Child labour: the employment of underaged groups is regulated by law
- ▶ Forced labour: the freedom to choose to work
- ▶ Equal opportunities: no discrimination is applied in hiring, compensation, access to training, national origin, religion, age, disability, gender, marital status, sexual orientation, political affiliation
- ▶ Freedom of association: the freedom to belong to organised trade unions and collective bargaining councils
- ▶ Excessive working hours and minimum wages

HR managers, as well as specialist employee relations practitioners, guide Pepkor's line management in interpreting and applying workplace legislation. In countries outside South Africa, we collaborate with local specialists to ensure compliance with the applicable legislative requirements.

Other group policies include employment standards and working conditions, remuneration, health, safety and employee well-being, safe working environments, whistle-blowing procedures and employment equity.

Remuneration

We continue to benchmark, monitor and review our remuneration policy to ensure we fulfil our purpose and strategy and deliver value for all our stakeholders in the short, medium and long term.

Fair and responsible remuneration is defined as salaries and wages that are competitive and market-related and remuneration policies that support a performance-oriented culture. Business 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 operating businesses and are related to employees' level of responsibility.

Positions are mainly graded according to the Paterson Grading System, which places employees into groups based on their grade level. This is used in the application of the remuneration policy.

 **READ MORE**
Remuneration report

Employee engagement

We actively address staff engagement, culture, training, job security, remuneration and transformation.

Acknowledging and celebrating our employees, the work they do, and the difference their contributions make to our customers play a significant role in most employee engagements. Communicating policies, procedures, best practice and company news form part of regular updates.

Key methods of engagement include induction, daily notices and support, health and safety training, physical and mental wellness initiatives, and company news. All our businesses have different forms of information sessions with employees to keep them updated on the progress of each business and the group. Digital communication is being used more extensively since it was the most effective means of communication during the COVID-19 pandemic in 2020 and, in many instances, remains so.

We do culture and engagement surveys across our group on a regular basis. Each operating business manages this in the most effective way to support their employment brand.

Whistle-blowing, anti-corruption and freedom of association

Pepkor is trustworthy in our dealings with customers, suppliers and other stakeholders and require all our employees in the performance of their duties to act in good faith, in a manner promoting Pepkor's aspiration to be a good corporate citizen.

Stakeholders across the group have access to anonymous and independently managed ethics hotlines to manage instances of protected disclosures as required by the Protected Disclosures Act. These hotlines are available to any stakeholder (internal and external) who requires an anonymous channel to report unlawful or irregular conduct by their employers or other employees without fear of retaliation. These reports are treated as confidential and investigated objectively. Where necessary, there will be appropriate recourse.

Various anti-corruption treaties, laws and regulations, as well as ethical business practices require that neither Pepkor, nor its employees, representatives and agents, directly or indirectly, are involved in any way or can be implicated in corrupt activities. Pepkor expects all employees to comply with these treaties, laws and regulations.

Pepkor believes in the principles of free competitive enterprise and applies this principle across all our jurisdictions within the parameters of avoiding any anti-competitive conduct. Within this framework, all employees must understand and comply with anti-competition laws in their day-to-day responsibilities.

The group strives to maintain positive, well-established relationships with all recognised trade unions. Voluntary association with trade unions is allowed without distinction, and employees are free to join or form associations with trade unions of their choosing, to bargain collectively, or to form worker representative groups in the context of the prescribed laws of their country of employment. In South Africa, 25% of employees are covered by company or industry-level collective agreements.

Wellness, health and safety

The well-being, health and safety of our employees and customers are of the utmost importance.

While we operate predominantly in a retail environment with low physical risks, a small number of our employees work in high-risk areas. These are limited to certain logistics activities, along with The Building Company's woodwork workshops and building yards.

Most employees in our manufacturing and distribution operations have access to on-site clinic facilities or healthcare workers, who provide basic services. Pepkor Clothing's (PepClo's) clinic provides a comprehensive range of services to more than 1 500 manufacturing employees. It has been instrumental during the implementation of the COVID-19 screening regulations. PepClo's site, in association with the National Bargaining Council for the Clothing Manufacturing Industry, has been set up for vaccinations once a week, making it easier for employees to be vaccinated.

Pepkor's DCs and distribution logistics hubs comply with health and safety laws and requirements. These locations and activities are audited internally and externally and must pass periodic inspections to retain their certifications.

Regulations of the Occupational Health and Safety Act are followed and closely measured and managed.

Various programmes are in place to support employees. HIV/Aids programmes inform and educate employees, while COVID-19 updates are ongoing. Additional assistance and wellness programmes provide further support to employees and, in special circumstances, their families. With the unfortunate scourge of armed robberies, employees are assisted with appropriate training and the necessary counselling and support, if an armed robbery occurs.

COVID-19 remains a focus area that requires continuous management. During the year, all health and safety regulations to safeguard our employees and customers from COVID-19 were implemented at all Pepkor locations. We continue to focus on the following:

- ▶ In our corporate centres, we have adopted policies that address new ways of working based on the COVID-19 Alert level and our



H&S

forms part of ongoing employee training

requirements. This covers a combination of work-from-home and work-at-the-office scenarios to ensure we have the opportunity to engage in person again.

- ▶ The vaccine roll-out has been a key topic of discussion, and we encourage our employees to support the government's vaccination drive. We do this through various ongoing educational and information support and internal vaccination drives. Depending on a specific context or event, we may request that only those who are vaccinated attend.
- ▶ To date, 5 482 of employees have been recorded as having COVID-19, of whom 96.5% recovered. We regret that 65 sadly passed away. We provide funeral assistance to the family in cases of a COVID-19 death. The rate of COVID-19 infections has dramatically decreased, with only 82 employees being in quarantine or self-isolation compared to 134 at the same time in FY20.

 **READ MORE**
Case study
More than a clinic at PepClo



HEIN SCHOLTZ

I see the LEAD programme as a roadmap that teaches you to lead effectively by influencing others through building connections.

Inclusivity and non-discrimination

A policy of non-discrimination prohibits any form of discrimination and is guided by the principles of the EE Act.

Pepkor recognises the national and business imperative of employment equity, which is an integral element of the overall transformation journey in South Africa. We support the goals and objectives of EE and see this as an opportunity. We are proud that 94% of our employees and our store managers are black, and 71% are black women*.

We adhere to local employment laws and have been proactively employing people from all backgrounds and ethnic groups for many years. Our employees add to the richness of our culture, and help us to better understand our equally diverse customer groups.

Although Pepkor's workforce is representative of the countries in which we operate, we still have to ensure that more previously disadvantaged employees fill positions at executive and management level.

The group's EE policy determines that all operating businesses must:

- ▶ support Pepkor's vision of creating a work 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 prospects;
- ▶ entrench an organisational culture that values diversity; and
- ▶ give effect to South Africa's EE legislation.

* South Africa-based employees

We are monitoring our progress in this regard and feedback mechanisms are in place across the group.

Development and promotion

Each operating business is responsible for its employees, from recruitment to development.

By joining the Pepkor group, employees become part of a family of brands and businesses that are leaders in their industries and value employee contribution. Our philosophy of growth across all sectors allows employees to seize opportunities to build a career with purpose by making a difference in the lives of our customers.

Pepkor's various operating businesses have become employment brands in their own right, attracting talent and developing and engaging employees in their unique way. Various development programmes enable employees to be promoted to the next level, for example, the large number of sales assistants who have become store managers.

Leadership development programmes are in place and identify employees at different levels. Specific targets have been set to ensure the demographics of South Africa, and especially the employment equity targets of our business, are reflected in all these programmes in the future.

READ MORE

Case study

Succession is success

Watch

Leadership development: Why we invest in our people
Pepkor Skills Academy



94%
store managers
are black



Community support

Our aim is for our CSI activities to add value to society.

Corporate social investment is an integral part of Pepkor's commitment to our corporate sustainability and includes the communities in which our customers and many of our employees live. It is therefore imperative that we influence positively and impact those communities where we can make a difference.

Pepkor's CSI contribution is an important mechanism for improving the group's reputation as a responsible corporate citizen and supplier of value products and services. We support social investment programmes and initiatives by contributing financial investment, time, expertise and products.

CSI investment focuses on education and the economic development of the communities in which we operate. We believe these two key areas will make a positive, long-term, sustainable difference to our business and our wider economy. By investing in early childhood development (ECD) and youth education, we increase employability, contributing to long-term socio-economic stability.

READ MORE
Case study

PAXI is not just a parcel in a taxi



Ingane Yami

A loving home for orphaned and vulnerable children, Ingane Yami rewrites stories. Their aim is to rescue children, restore lives, rebuild families and raise leaders.

Flash provides funding to support the growth, development and maintenance of the homes and facilities for the Ingane Yami village and the projects they work on.



Ububele

Since its inception, Ackermans has invested more than R12 million in their Ububele schools programme, which includes 120 schools and 78 ECD centres in three provinces. With the help of various partners, they have reached more than 5 000 children.



B Loved Foundation

JD partnered with the B Loved Foundation during FY21 to be a part of the restoration of society in FY22. B Loved aims to restore people and empower the broken, vulnerable and abandoned to understand their value.



Product donations

The Speciality brands provide much needed product donations to various organisations. Tekkie Town sponsored shoes. With Shoes4Souls, they helped to put a pair of shoes on the feet of those who do not have shoes. The aim is to restore dignity and to meet one of our most basic needs – a pair of shoes on our feet.



Ranyaka

TBCo supports Ranyaka, which works with various stakeholders to transform towns and communities across South Africa. TBCo aims to provide a meaningful contribution through material donations, resources and business experience. The product donations are used to make much needed enhancements to spaces to foster pride and unity and encourage ownership.



PEP Academies

PEP continues to invest in its flagship initiative, PEP Academies, which has reached more than 23 000 children since it started in 2008.



R1.9bn
investment in the
R-CTFL Master
Plan

1 500
PepClo
employees

23%
locally sourced
products by CFH
brands

56%
locally sourced
products by JD

69%
locally sourced
products by The
Building Company

Responsible sourcing

Development and support

Most of our involvement in supplier development and support pertains to the group's Southern African Development Community suppliers. We support the South African government's 2030 R-CTFL Master Plan for the clothing manufacturing sector.

The plan drives a competitive, sustainable and dynamic R-CTFL value chain through increased local procurement and supplier development.

These objectives are crystallised into a set of five strategic pillars:

- ▶ Market growth – both domestic and international
- ▶ Value chain localisation
- ▶ Competitiveness advancement
- ▶ Value chain transformation
- ▶ Skills and technology advancement

The group's direct contribution to this initiative is as follows:

- ▶ Being a signatory to the plan
- ▶ Continuous engagement with government
- ▶ Supporting local cut, make and trim suppliers through local procurement
- ▶ Employment in PepClo – the group's manufacturing facility, the second largest in South Africa and the largest on one site
- ▶ Social policies – this forms part of supplier agreements and we will continue to work closely with suppliers to improve transparency and encourage responsibility

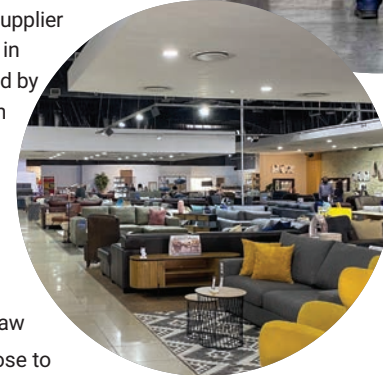
Human rights and labour standards

Pepkor suppliers are required to comply with our ethical trading code of conduct that forms part of our supplier contracts.

Suppliers locally and internationally need to comply fully with all national and other applicable laws relevant to their jurisdiction and industry. Suppliers must be fully transparent and confirm in writing their commitment to the requirements stipulated in the code of conduct. Accredited certifications are reviewed and, if any supplier does not have applicable accreditation in place, they will be assessed and audited by a specialised internal audit team. South African supplier contracts also include B-BBEE requirements.

The ethical trading code of conduct includes:

- ▶ Child labour: the employment of underaged groups is regulated by law
- ▶ Forced labour: the freedom to choose to work
- ▶ Equal opportunities: no discrimination is applied in hiring, compensation, access to training, national origin, religion, age, disability, gender, marital status, sexual orientation, political affiliation
- ▶ Freedom of association: the freedom to belong to organised trade unions and collective bargaining councils
- ▶ Excessive working hours and minimum wages



A central supplier portal for policy/contract listing for the group to review and manage supplier compliance is being developed with Pepkor Product Solutions for all CFH suppliers. This will make review, management and supplier compliance easier and more accurate.

READ MORE
Case study
Flip-flops expand into new factory
Watch
New flip-flop factory
A day in the life of PepClo

Diversity and inclusion

Transformation, inclusivity and non-discrimination are synonymous with the group's business practices.

Using the B-BBEE requirements as a framework is also a way in which we contribute to create socio-economic value for our customers, employees and communities. The board supports the goals and objectives of the B-BBEE and the EE Acts. The group sees this legislative framework as an opportunity to develop continuously as a business focused on social leadership and change.

A designated person is tasked to assist the operating businesses with more relevant implementation strategies. This enables improved operational changes and scores that align with achieving an improved group score. Individual work plans address the four scoring pillars, other than ownership, to ensure a holistic approach. We are proud to have achieved a compliant score of 58.91 points.

To achieve an acceptable group score, all operating businesses have certain B-BBEE compliance targets, although individual scorecards are submitted and verified, and many of them achieved improved results on their B-BBEE ratings. Our operating businesses are focusing on improving scores in skills development, enterprise and supplier development, and social economic development. Significant improvement has been achieved since FY17.

The group's **ownership score** is determined by the diversity of our shareholder base and, as a result, is on average 10 points lower than the industry average, substantially impacting the group's contributor level status. We were discounted from level 7 to level 8 as a result of our ownership score.

In addressing **skills development** at Pepkor, we are mindful of the need to achieve EE goals in a deliberate and planned manner; giving people who would traditionally not have access to learning the opportunity to get an education and/or develop in their career path. Targets have been set for all operating businesses.

Pepkor's traditional means of development has enabled the effective growth of Pepkor and our people over many years. Owing to the internal development of initiatives, many of the programmes were not recognised or accredited for the B-BBEE certification process. Acknowledging the requirement for accredited skills, the spotlight has shifted to ensuring that more accredited training is offered, and the group has set internal divisional targets to increase the number of qualifying learnerships.

We are proud to have achieved the minimum requirements for this priority element.

Management control

Our executive team's diversity composition improved as a result of the appointment of one additional black male to the team. We are also proud of our approach to disabled learnerships which impact our management control scoring.

Most supplier development programmes in South Africa align with the B-BBEE enterprise development requirements and aim to enhance employment, manufacturing and logistics opportunities. The group is committed to invest in local sourcing opportunities and has partnered with government, through the R-CTFL Master Plan, in this regard.

We continue to ensure we have B-BBEE certificates across our South African supplier base while we shift business to locally empowered suppliers where product or service delivery allows for all qualification criteria to be met. The group's inherent scale requires high-volume suppliers, which are naturally larger than the suppliers that qualify for development.

Each Pepkor operating business has its own CSI budget and focus. We encourage employees to get involved and stay involved in local social development.

The diverse nature of the group means each business has the ability to define the extent of social initiatives, with programmes ranging from larger, long-term initiatives to employees offering 67 minutes to a worthy cause on Mandela Day.

Most
improved area of development



Indicator	2021	2020	2019	Industry average ¹
▶ Ownership	3.70	3.44	2.12	14.54
▶ Management control	8.39	7.24	6.03	9.18
▶ Skills development	11.71	7.9	8.35	11.65
▶ Enterprise and supplier development	30.44	27.43	19.37	25.12
▶ Socio-economic development	4.66	5.00	5.00	5.00
Total²	58.91	51.01	40.87	65.49

¹ Calculated using the average of four industry competitors (TFG, MRP, Truworths and Woolworths) based on the latest available records published in 2021

² B-BBEE compliance is externally verified by Renaissance

LINK TO MATERIAL MATTERS
Attracting and retaining talent
Building better business



We utilise practices and materials that enhance our environmental sustainability.



ENVIRONMENTAL

The group's environmental policy is the backbone of the environmental strategy and framework that addresses:

Electricity

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Fuel

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Water

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Waste

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Responsible sourcing

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Environmental

The global emphasis on climate change mitigation and regulation and greater stakeholder concerns have shone a spotlight on the importance of having a focused sustainability approach.

Pepkor's FTSE/JSE Responsible Investment Index classification as a retail group places us in the low-exposure category for climate change. We do, however, acknowledge that the production of the products we source have a negative impact on the environment, and that our customer demographic could be the most affected by climate change. Accordingly, we have highlighted our responsibility to measure and manage our environmental impact.

The group's environmental initiatives have largely been managed by optimising operational efficiencies in the areas over which we have direct control or management influence. Our success in this regard stems from a culture of cost saving and doing the right thing. By managing efficiencies and costs, we inevitably manage the usage of and impact on our resources like electricity and fuel, and have been showing effective resource utilisation through various initiatives over the past few years.

Each operating business addresses its impact on the environment and the resources it uses in ways relevant to that business. This approach follows the group's decentralised management structure. However, during FY21, the group embarked on a journey to strengthen our holistic environmental strategy.

To provide more structure, the environmental policy was reviewed, and enhancements were made. The group acknowledges that the policy lays the ground rules and aspirations for environmental management, and has the backing of the highest levels of leadership. The policy is the backbone of the environmental strategy and serves as the foundation of an environmental framework that provides a blueprint for the operating businesses and the group to improve on our initiatives and reporting, and specifically reduce our direct impact. The framework also addresses the group's relevant material matters and risk management.

Throughout the group, there are pockets of excellence, as well as areas that need improvement. Part of our journey, as a fairly recently listed and operationally decentralised company, is to establish an accurate baseline and identify gaps that need to be addressed or can be improved on.

Areas of improvement and future focus:

- ▶ Roll-out of a group-wide environmental strategy framework, with implementation and reporting at operating business level
- ▶ Inclusion of environmental aspects in supplier contracts, with monitoring in the longer term.
- ▶ Improving reporting metrics and data quality to establish accurate baselines from which to calculate improvement targets
- ▶ Gap analysis of environmental initiatives against the group's material matters to identify divisional initiatives relevant to the environmental strategic framework, to be enhanced and/or developed
- ▶ Assessment of the TCFD framework to ensure we have a roadmap that enables future disclosure in terms thereof



Electricity

Managing infrastructure, impact on business

With an extensive leased store footprint, Pepkor is heavily reliant on municipal power supply and, in most instances, on the property owners for the supply of electricity because of leases.

Without power in our stores, the businesses cannot trade. Across the group, consistent power supply and the cost of utilities are growing challenges. While we do not always have direct influence over how and where we source electricity and respect our tenant/landlord relationships, we proactively make changes where we can. Some stores have access to solar power through the shopping centres where they are located, while many of the operating businesses have implemented initiatives to reduce the usage and cost of electricity. In PEP and Ackermans, the group's largest brands, we have rolled out extensive LED lighting projects. The new PEP DC, and what will be the largest DC in Hammarsdale, feature green technology to minimise usage as far as possible.



READ MORE Case study

LED roll-out project

340 000
lights replaced with
LED in PEP

65%

saving on electricity
usage in stores (in
PEP)

Electricity	2021	2020	2019
▶ Scope 2 emissions (CO ₂ e tonnes)	233 404	259 700	273 619
▶ Total electricity used (MWh)	224 211	251 036	261 382

Scope 2

Scope 2 emissions are indirect emissions associated with the purchase of electricity and is accounted for in an organisation's emissions calculations because they are a result of energy usage.

Group initiatives have been ongoing, with the first implementation dating back more than five years.



Alternative solutions

To mitigate the risk of downtime in stores as a consequence of electricity interruptions or lack of services, stores were equipped with stand-by generators. This has been reviewed and most of these generators have been replaced by inverters or other solutions. In the PEP Africa stores, solar and wind power has been installed.

Solar is also being applied at other facilities and locations and is being investigated throughout the group. The largest installation for the group will be at the new PEP DC that will generate 30% of its daily required usage from installed solar.

 **READ MORE**
Case study
 First off-the grid store



Fuel Logistics management

Pepkor's logistics infrastructure is the lifeline of the business and is a significant part of our ability to deliver to our customers. Owing to our diversified product ranges across four business segments, different distribution methods are in place. They present distinctive operational intricacies with respect to product dispatch, transport and receipt.

The highest volume of the group's logistics functions resides in the clothing and general merchandise segment. Pepkor Logistics (PKL) manages most of the logistics covering this

segment. Our suppliers provide the trucks and drivers, while PKL oversees efficiencies through load and route optimisation. Thanks to the centralisation of our logistics function, fuel is saved because one truck will deliver the stock of various brands in a single location. We also utilise reverse logistics to collect and deliver PAXI parcels. By making use of the existing distribution infrastructure, the group could add a service while limiting additional costs and excluding additional emissions. Real-time performance measures are in place, and efficiencies are managed on a trip, truck and driver level.

The JD Group and The Building Company own a fleet of delivery vehicles and have similar efficiency measures in place.

Fuel	2021	2020	2019
▶ Scope 1 emissions (CO ₂ e tonnes)	29 314	31 509	28 792
▶ Scope 3 emissions (CO ₂ e tonnes) – Downstream transportation and distribution	19 740	17 647	19 248

Scope 1

Scope 1 emissions are emissions associated with direct fuel combustion. For Pepkor, this includes mostly fuel used in vehicles, with a limited amount attributed to stationary use like boilers and generators.

Scope 3

Scope 3 emissions are the result of activities not owned by the company but indirectly impacting its value chain. Scope 3 emissions, also referred to as value chain emissions, often represent the majority of an organisation's total GHG emissions.

Downstream transportation and distribution refer to our clothing and general merchandise segment.



Water

Water usage is limited to general consumption in the work environment. Because of the location of most of our stores and these premises being leased, water forms part of general utilities and is not specifically measured.

The water shortage constraints experienced in South Africa have meant that some operational sites installed water tanks to supplement water supply. Many of the shopping centres where the group has stores have also implemented responsible use initiatives.

In our own buildings, offices, DCs and logistics hubs, water-saving initiatives are in place, largely via water-harvesting systems. We recycle water where we can; for example, where wash bays are used in the logistics operations.

Responsible water usage and installation are automatically considered with new property developments. The new PEP DC will feature a water-harvesting and filtration system. An on-site attenuation dam, with a three million-litre capacity, will provide water for all-purpose use, including drinking water. This will make this site fully self-sustaining.

Waste

The group's waste management is closely linked to our activities around reusing, recycling and re-engineering of material and systems to minimise waste to landfill and improve efficiencies. Physical waste in the operations consists predominantly of product packaging material.

We minimise our packaging usage and recycle whatever we can. Recycling is, however, a shared social responsibility. Even though we are not responsible for packaging waste after products have left our stores, we support a culture of recycling.

With a lack of electronic waste recycling depots available, Incredible Connection and HiFi Corp have partnered with Desco Electronic Recyclers, who are an accredited electronic waste disposal company in South Africa.

Desco has designed a specific type of bin for various e-waste products that is placed at all Incredible Connection stores.

Brands that utilise large amounts of packaging are continuously investigating how to limit the amount of packaging used, as well as introducing

packaging with a lower impact on the environment. All inbound packaging is reused for outbound deliveries of products, supplemented by additional recycled cardboard boxes. Buying pre-used or recycled packaging is the most cost-effective way to distribute products from DCs to hubs and shops. PEP buys pre-used FMCG cartons to supplement their requirement for distribution to stores. These cartons are reused and recycled by the stores once orders are received. Stores are responsible for recycling and will either tap into shopping centre/ landlord recycling efforts or make the cartons available to informal recyclers who collect paper for their own income-generation purposes.

The disposal of packaging material (cartons used for distribution) after delivery is the responsibility of the individual stores and is assimilated into the landlords' waste and recycling efforts, while customers have the responsibility to dispose of product packaging in a responsible way.

Across the group, all single-use plastic and non-recycled or recyclable plastic is being phased out. All PEP's plastic bags are made from post-consumable plastic waste, saving 1 000 tonnes of plastic from landfills per year. While there is a focus on plastic, Refinery and Shoe City have moved to only paper shopping bags and are working towards increased customer awareness and changing behaviour.

In the furniture division, most products are received, stored and distributed in their original packaging from the manufacturer. In most instances, packing material for furniture, mattresses and appliances is sent back to the DCs with the delivery vehicles once the merchandise has been unpacked and checked for quality.



13
tonnes
e-waste collected
annually

e-waste
collection since
2015



 **READ MORE**
Case study
Shopping bag alternatives

Responsible sourcing

The group's supply chain enables us to deliver on the group's corporate and sustainability strategies; from procurement through logistics to our retail distribution channels and platforms.

We are cognisant that external factors like the availability of materials, resources like fuel, and services like transport could play a significant role in supply chain disruption, where interruption may occur in the upstream manufacturing and logistics functions. Environmental regulations could also disrupt seamless product supply as suppliers change systems to meet new regulations.

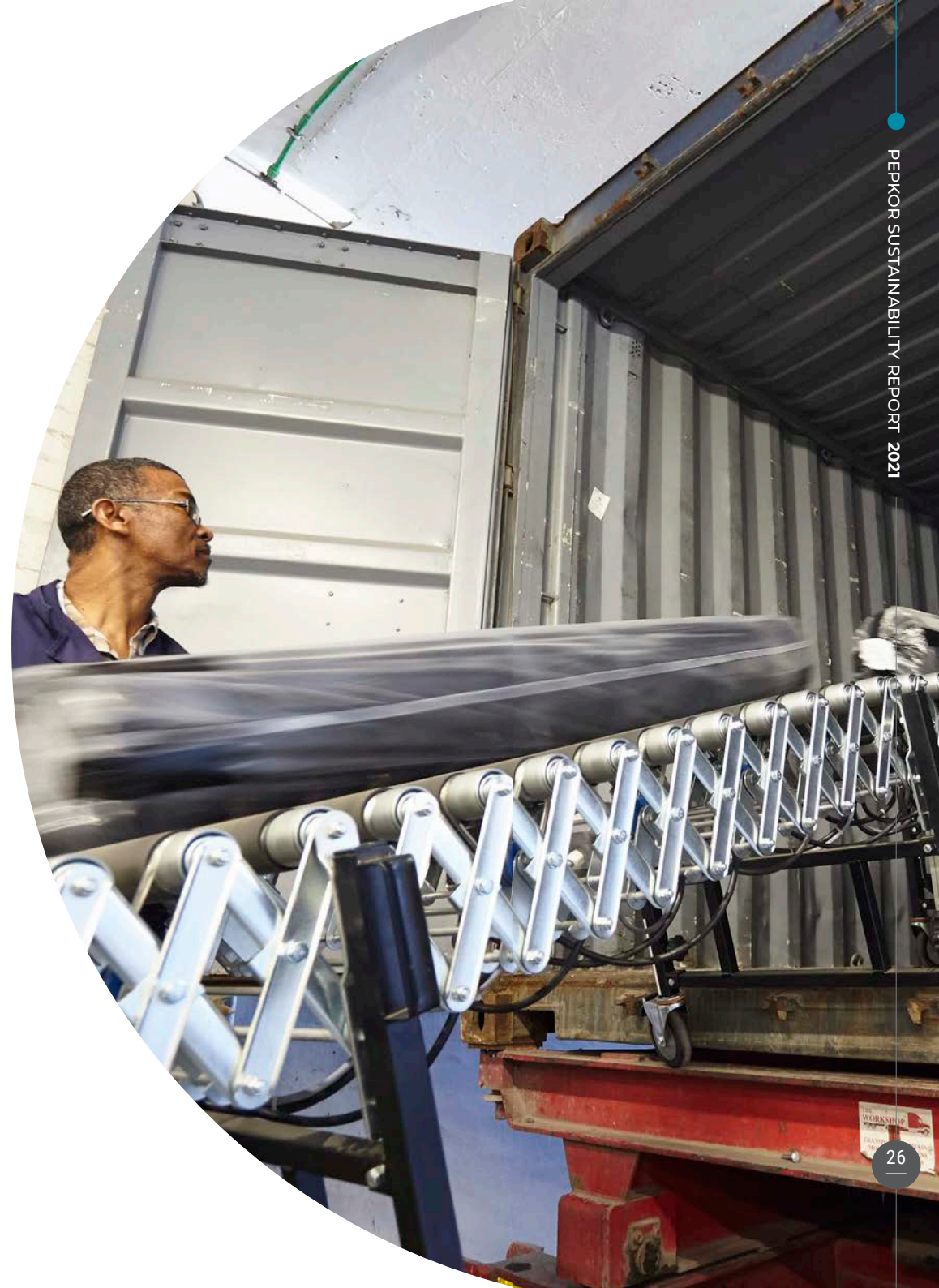
Owing to the group's diverse product and service categories, suppliers are evaluated against specific sets of criteria relevant to the product, service, value and applicable legislation. Any issues of non-compliance that may arise are dealt with immediately through appropriate channels.

We believe in dealing with suppliers and business partners that understand the importance of our strategy. We build collaborative partnerships and offer them opportunities for growth through long-term relationships. Each business drives its strategy with regard to supplier compliance and management.

Sourcing and procurement play a pivotal role within our supply chain. Although operational businesses use trusted suppliers and well-known international brands that comply with responsible

business practices, environmental risk within the chain will receive more attention in future, as the group progresses on its supplier journey and aligns with environmental frameworks.

Pepkor Sourcing Solutions has completed work on centralising more of the sourcing functions and has re-established its office in Shanghai. A small central team works closely with brands' buying and logistics teams to manage the product journey from procurement, with international buying agents and directly with suppliers, to arrival at distribution centres in South Africa.



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ADDITIONAL INFORMATION

References

Policies on the website

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Corporate information

Contact us

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KING IV™
*forms the
foundation of
governance.*

References

Policies and codes

- ▶ B-BBEE annual compliance report
- ▶ Promotion of Access to Information Act (PAIA) manual
- ▶ Code of ethics
- ▶ Board charter
- ▶ Board diversity policy
- ▶ EE policy
- ▶ Environmental policy
- ▶ Corporate social investment policy
- ▶ Insider trading policy

Chapter documents

- ▶ Corporate governance – refer:
 - Corporate governance report
 - King IV™ disclosure
- ▶ Employee summary
- ▶ Carbon footprint summary

Corporate information

Registration number 2017/221869/06

Share code PPH

Debt code PPHI

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