About this report

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

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

Reporting boundary

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

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

Other reports

The integrated reporting suite provides supporting documentation illustrating how the group and our operating businesses address material matters and deliver on our strategy. Quantitative ESG data is kept up to date as changes might occur in the business, while qualitative ESG data are updated annually as part of the integrated reporting cycle. These reports are published on the group's website. Together, they represent Pepkor's integrated reporting suite.

Integrated report suite FY24

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 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)
- UN Global Compact's Principles
- Climate Disclosure Protocol (CDP)
- JSE Sustainability and Climate Disclosure Guidance
- Task Force on Climate-related Financial Disclosures (TCFD)
- Task Force on Nature-related Financial Disclosures (TNFD)

How we see our role

The value we create as a group is directly related to the value we provide to our stakeholders through our business activities and relationships, focusing on doing more good, and less harm, while growing our resilience.

We acknowledge our responsibility within a broader ecosystem that includes our customers, employees, suppliers, communities and resources.

Pepkor plays a key role in democratising sustainability for customers,

making sustainable options accessible and affordable where feasible. Pepkor balances sustainability, fulfilling customer needs and meeting affordability constraints and commerciality, to create a profitable and sustainable business.

This year, challenges such as the late onset of winter, international supply chain disruption, including port delays, and unreliable electricity and water supply, combined with ongoing pressure on consumer spending, have underscored the importance of sustainability.

Pepkor is making a difference by providing access to affordable, convenient, and essential products and services to South Africans with limited disposable income. Our customer base faces financial constraints and is not able to pay a premium for sustainable options. These customers bear the burden of social inequality, and are directly affected by climate change.

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

Our commitment to purpose-driven growth has led to increased interest in sustainability, which enabled the launch of our Building Better Business framework in FY23.

Building Better Business

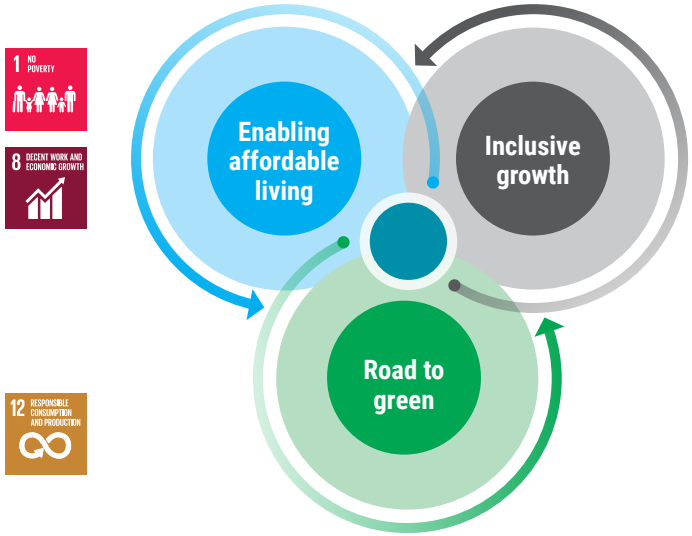
The way we frame our response

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

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

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

We follow an integrated approach, incorporating other business strategies, e.g. broad-based black economic empowerment (B-BBEE), to contribute to and align with the objectives of the Building Better Business framework, which also aligns with the United Nations Sustainable Development Goals (SDGs) while prioritising those environmental, social and governance (ESG) issues that are within our sphere of influence.



Priority SDGs linked to our Building Better Business goals

- **#1** No poverty
- **#4** Quality education
- **#8** Sustainable economic growth and decent work
- **#12** Responsible consumption and production

Our Building Better Business integration pillars focus on:

Strategy and risk

Integrate into strategy and risk management

- Building Better Business
- Profit-enabled initiatives
- Budget and three-year plans
- Executive management reports

Risk integration

- Task Force on Climate-related Financial Disclosure (TCFD) progress
- Combined assurance

Disclosure

Focus on major ESG rating agencies and the alignment of disclosures

- Major rating agencies
- FTSE/JSE
- MSCI
- Climate Disclosure Protocol (CDP)
- S&P
- Sustainalitics
- JSE climate & sustainability disclosure guidance
- International Sustainability Standards Board (ISSB)

Workstreams

Creating cross-functional collaboration: ensuring compliance, risk management, and sharing experience and expertise across the wider group underpinned by workstreams

- Energy
- Waste
- Packaging
- Merchandise
- Transport and logistics
- Change management and communication

JSE Sustainability Disclosure Guidance

Strategy and risk integration

Our sustainability strategy is centred on three strategic goals in the Building Better Business framework. In FY24, we progressed in the process to identify sustainability risks and opportunities, working towards impact quantification using scenario analysis.

We have formalised 58 critical and large profit-enabled impact initiatives in areas like customer products, energy, waste and local sourcing. Our three-year plan process now includes sustainability metrics and the group plans to spend R349 million on social programmes and R175 million on environmental initiatives between FY25 and FY27.

Sustainability opportunities

1. Youth employment, career advancement and employee wellness
2. Affordable and durable clothing and footwear
3. Solar photovoltaic (PV) and light-emitting diode (LED) projects
4. Transportation efficiency and packaging optimisation
5. Geographic supply chain diversification
6. Sustainable packaging, plastics recycling and waste reduction

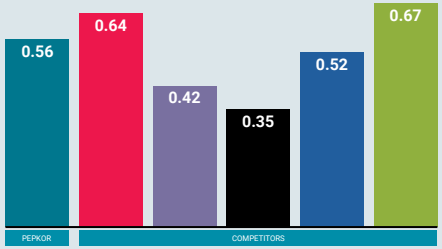
Sustainability risks

1. Infrastructure and weather disruptions impacting supply chain and trade operations
2. Unpredictable seasonal patterns disrupting supply chains and product demand
3. Reputational damage due to supplier ESG practices
4. Rising importance in ESG legislative requirements and reporting
5. Strengthening social sustainability
6. Impact of long-term climate change on store locations and trade operations

Risks and opportunities

Disclosure integration

Our proactive engagement with rating agencies and journey to mature the accuracy and completeness of data, has improved our ESG ratings.



We aim to maintain and make incremental improvements to these ratings using international disclosure standards such as the JSE Sustainability Disclosure Guidance, ISSB disclosure and TCFD recommendations.

Governance and structures

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

JSE Sustainability Disclosure Guidance: Sustainability governance structure

Metrics, targets and performance

Ensuring data accuracy is a priority. Pepkor established a carbon footprint baseline for the group in FY22 and continues refining our data collection processes. We have validation checks against prior year results and continue leveraging internal audit to ensure accuracy and completeness.

ESG performance is part of the executive teams' responsibilities, linked to long-term remuneration incentives.

Remuneration report: ESG responsibility and remuneration

Primary SDGs

R3 million combined profit generated from stock donations for TCB micro-entrepreneurs

No poverty
End poverty in all its forms everywhere

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

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

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

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

The group offers diverse employment opportunities, employing over 46 600 individuals and prioritises employee development through in-house training programmes. We uphold labour standards throughout our operations and value chains, focusing on productive, inclusive and freely associated employment. PepClo, the group's manufacturing facility that produces affordable schoolwear sold in PEP and Ackermans stores, provides jobs to 1 787 people. The group also adheres to government regulations, emphasising non-discrimination and aligning policies with the Employment Equity Act and Broad-Based Black Economic Empowerment Act. We assess compliance using the B-BBEE generic scorecard, setting targets for individual operating businesses. KPIs are integrated to drive change, participation and improvement.

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

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