Report from the chair of the SEC

The group has significantly enhanced its sustainability endeavours.

Our approach to sustainability

Pepkor's Building Better Business framework, developed in 2022, continues to provide an effective foundation for our societal impact. Enabling affordable living, inclusive growth and road to green remain the focus areas through which we can deliver meaningful outcomes at scale. Our teams have worked with intent in these areas, and their ability to provide measurable and meaningful impact has become a notable trend.

Pg **Sustainability strategy** – Management approach

FAGMEEDAH PETERSEN-COOK

Top 30 FTSE
Responsible Index inclusion

R13.7 billion
procurement from black women-owned SMMEs

R192 million
investment planned for energy-efficiency project roll-out (FY26 – FY28)

44% of all
employed W&RSETA sector target learnerships provided by Pepkor

The world we operate in

The global environment in which Pepkor operates continues to be shaped by uncertainty and complexity. Disruptions in supply chains, shifting trade flows, changing consumer behaviour and evolving regulatory frameworks create ripple effects that are difficult to manage through traditional planning models.

In the United States, political pushback against ESG and diversity, equity, inclusion and belonging (DEI&B) has created uncertainty for businesses navigating social expectations, while in Europe, momentum towards unified disclosure standards has slowed as governments balance sustainability with competitiveness concerns. These shifts underline the fact that even the frameworks designed to provide clarity are in flux – reinforcing the need for organisations like Pepkor to adopt approaches that are adaptive rather than overly dependent on external consensus.

For a discount retailer serving millions of lower-income households, these fluctuations have a direct bearing on our ability to deliver on our purpose of making life more affordable. This is why conventional approaches to sustainability often fall short. In times of uncertainty, sustainability cannot be reduced to compliance checklists or framed as trade-offs against profitability. Setting explicit targets in the face of complex dynamics can have unintended consequences like tunnel vision or workarounds.

For Pepkor, affordability is non-negotiable – we cannot ask our customers to carry the cost of sustainability. This requires us to think differently about what sustainability means in our business and how it is integrated into our operating model. During my seven years as chair of the SEC, I have been proud to see an unfolding shift in how sustainability is understood and embedded in the Pepkor business model.

Over time, our strategy has consolidated around three cross-cutting capabilities:

COMPLY

We take compliance as a baseline

Meeting disclosure and regulatory expectations, including ISSB, TCFD and JSE requirements, is non-negotiable. These frameworks matter for transparency and accountability, but they are a starting point, not the destination. By their nature, they are standardised and cannot capture the nuance of individual business models, which is where the competitive capabilities lie.

COMPETE

We drive profit-enabled impact through innovation

We look for opportunities where innovation in logistics, distribution and merchandise planning strengthens our competitive position while delivering sustainability outcomes. Efficiency gains, waste reduction and renewable energy adoption all demonstrate that profitability and sustainability can reinforce one another. A clear example is bringing our response to the EPR regulations in-house, giving us more control, developing expertise and the ability to tailor innovations to our specific conditions and challenges.

CULTIVATE

We extend our core capabilities

The most significant dimension of our approach, and perhaps giving us an edge in sustainability practice, lies in resilience. Our teams have long been adept at finding creative ways to deliver value in uncertainty. Instead of treating sustainability as an external pressure, we are learning from this adaptive capacity and embedding it into our sustainability practice. This pivot strengthens strategic alignment, enhances resilience in supply chain and merchandise planning, and brings cultural benefits: teams feel heard, supported and recognised for their ingenuity in difficult conditions. In turn, this deepens Pepkor's people-oriented culture and reinforces our ability to adapt as an organisation.

Governance and oversight

The SEC continues to fulfil its statutory responsibilities under the Companies Act, guided by the King IV principles.

We oversee ethical conduct, social impact, environmental performance and transformation across the group. This includes monitoring alignment with evolving sustainability disclosure requirements, reviewing emerging regulatory developments such as the Climate Change Bill and EPR regulations, and ensuring that compliance strengthens rather than distracts from business priorities.

The committee met three times during the year, engaging with management on key issues ranging from supply chain compliance to climate resilience. We also worked closely with the remuneration committee to ensure that B-BBEE transformation and sustainability remain incentivised at senior leadership and operational levels.

The committee serves as the statutory SEC for the entire group, including subsidiaries, and has carried out its responsibilities as mandated by the Companies Act, its terms of reference and the King Codes on Corporate Governance.

The group maintains a strict stance on regulatory compliance, with the committee overseeing policies and monitoring of ethics, anti-fraud, bribery and corruption as well as human rights. A centralised ethics and fraud hotline is monitored and in FY25 no significant incidents were reported.

Pg Statutory responsibility of the SEC and JSE Sustainability Disclosure Guidelines

SEC terms of reference

Building resilience in practice

In FY25, Pepkor advanced its integration of resilience into operations.

We are:

- developing a group-wide internal supplier non-compliance policy to enhance supplier compliance;
- continuing investment in local sourcing and supplier development partnerships, strengthening the domestic retail ecosystem;
- deploying systems and digital tools to improve merchandise planning and logistics efficiency, reducing waste and supporting cost savings; and
- engaging teams in dynamic mapping and scenario-based analysis to inform our climate response, with a view to extending it to better anticipate disruption and inform decision-making more broadly.

These initiatives reflect our conviction that sustainability is not only about meeting external standards but about strengthening the organisation's ability to adapt in a volatile world.

Looking ahead

In FY26, the committee will focus on:

- continuing to meet stakeholder expectations, including alignment with international sustainability disclosure frameworks;
- expanding renewable energy and water efficiency initiatives where they support both affordability and resilience;
- deepening the integration of adaptive practices, extending insights from supply chain, logistics and merchandise planning to other areas of the group;
- monitoring the EPR scheme implementation and performance; and
- strengthening enterprise and supplier development to reinforce local economic participation and inclusivity, while increasing supply chain agility.

Conclusion

Pepkor aims to make life more affordable, and this anchors our approach to sustainability.

For us, this is not a story of trade-offs, but one of innovation, resilience and people. Compliance will always be part of the picture, but our true differentiator lies in harnessing the ingenuity of our teams and the strength of our core capabilities to navigate uncertainty. In this way, our sustainability efforts focus on building a business that is profitable, adaptive and resilient and able to meet the needs of customers today while preparing for the challenges of tomorrow.

I thank my fellow committee members, the board and Pepkor's management and employees for their openness to exploring new approaches to sustainability and for their commitment to advancing this work. Together, we continue to build better business in a complex and changing world.

Fagmeedah Peterson-Cook

Chair of the social and ethics committee