Sustainability risks and opportunities

Pepkor operates in a dynamic environment shaped by interconnected systemic risks that extend beyond traditional retail considerations. In 2025, the resilience of our business is increasingly defined by how effectively we respond to chronic infrastructure weaknesses, socio-economic instability, regulatory evolution and accelerating climate impacts across southern Africa and Brazil. These risks are not viewed in isolation but as part of an integrated landscape that influences operational continuity, cost structures and long-term competitiveness.

MM5

Pepkor's risk landscape continues to evolve within a complex social, economic and regulatory environment across South Africa, Brazil and the broader southern African region.

Our approach to risk management

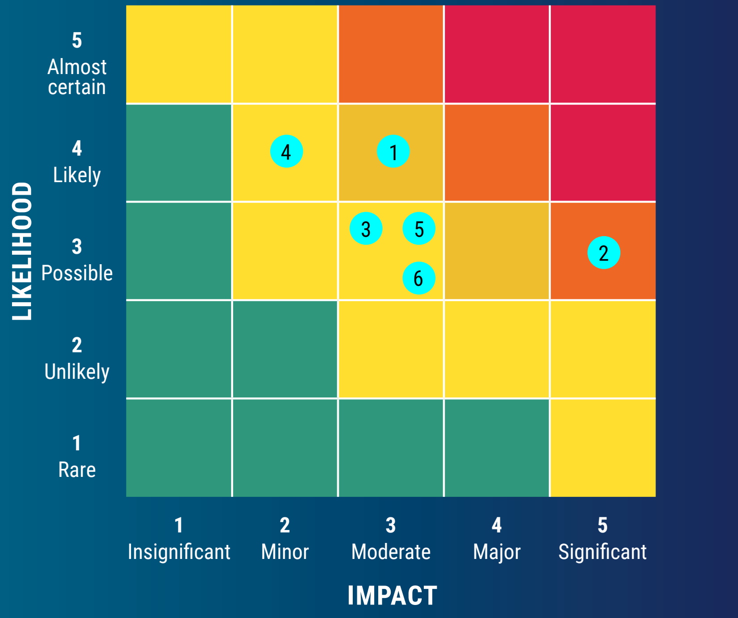
Our approach to risk management is proactive and opportunity-driven. By embedding the Task Force on Climate-related Financial Disclosures (TCFD) framework and aligning with global sustainability standards such as ISSB IFRS S1 and S2, we are able to identify, quantify and respond to both physical and transition risks. We recognise that resilience – whether in energy supply, workforce capability, regulatory compliance or supply chain transparency – is now a source of competitive advantage.

Each of the following thematic areas outlines Pepkor's key exposures, mitigations and opportunities in 2025. Together, they demonstrate how systemic pressures are being transformed into strategic strengths through targeted investment, operational agility and continuous adaptation.

Overview of our risk management process

Material risks and opportunities

1. Systemic infrastructure and utility instability
2. Socio-economic instability and community safety
3. Human capital
4. Evolving regulatory and climate disclosure landscape
5. Physical climate resilience and adaptation
6. Ethical and transparent supply chain management



The sustainability risks are material to the business over the short term (S) 0 – 2 years medium term (M) 2 – 5 years and long term (L) 5 – 10 years.

TREND: Increasing Stable

1 Systemic infrastructure and utility instability

TCFD CATEGORISATION
PHYSICAL RISKS: CHRONIC; ACUTE
TRANSITION RISKS: POLICY AND LEGAL

S, M & L TERM

Risk context

Our operating environment, particularly in southern Africa, is characterised by systemic instability across energy, water and transport networks, presenting a significant operational risk. While 2025 has seen a reduction in the intensity of electricity load shedding, the grid's underlying fragility and escalating tariffs continue to impact costs and operational certainty. Similarly, logistical bottlenecks at national ports and deteriorating water and transport infrastructure pose persistent threats to our supply chain resilience and business continuity. Erratic municipal water supply across several parts of our South African store network poses material risks to operational continuity, employee well-being and customer health. Recognising these external dependencies, we are proactively enhancing our operational resilience through strategic investments in alternative energy, water conservation and supply chain diversification to safeguard service delivery and ensure we continue to provide affordable products to our customers.

Opportunity

By investing in energy independence and resource security, Pepkor is insulating operations from South Africa's infrastructure volatility while capturing significant cost advantages. Erratic municipal water supply is prompting the installation of water storage tanks to safeguard sanitation facilities and maintain dignified working and shopping conditions for the communities we serve.
These interventions deliver measurable business benefits, for instance, lower operating costs, uninterrupted trading, protected revenue streams and enhanced investor confidence, while positioning Pepkor as a resilient retailer capable of sustained performance regardless of external infrastructure challenges. The result is a competitive advantage through operational continuity, transforming systemic risk into strategic differentiation.

Mitigations

- Implement energy-efficiency programmes, such as LED lighting and HVAC optimisation, to reduce electricity consumption
- Install rooftop solar PV systems on owned and leased properties to generate renewable energy and reduce reliance on the national grid
- Explore energy wheeling agreements with independent power producers to secure a stable, long-term energy supply
- Install back-up water tanks at key stores and DCs to buffer against interruptions in municipal supply
- Implement rainwater harvesting and grey-water recycling systems at DCs and larger stores
- Increase buffer inventory levels to absorb short-term disruptions in the supply chain and at ports

MM1 MM2 MM3 FC SRC NC

2 Socio-economic instability and community safety

TCFD CATEGORISATION
TRANSITION RISKS: POLICY AND LEGAL; MARKET; REPUTATION

S, M & L TERM

Risk context

The challenging socio-economic landscape across southern Africa, characterised by high unemployment, inequality and rising living costs, presents a significant and interconnected risk to our operations and the communities we serve. This environment fuels security threats, including crime, targeting our stores, employees and customers, alongside broader societal issues of extortion and social unrest. Potential disruptions and operational difficulties in high-stress areas threaten business continuity. While national crime statistics present a complex picture, the persistent socio-economic pressures suggest a continued, elevated risk to community and business stability.

Opportunity

By integrating protection and prevention strategies, Pepkor is creating safer operating environments while strengthening its social licence to operate. These interventions deliver tangible business benefits, for instance, reduced security incidents, improved staff retention, enhanced brand reputation and stronger community relationships, while simultaneously addressing systemic socio-economic challenges. The result is a resilient business model that thrives through shared prosperity, transforming security threats into opportunities for sustainable growth and deepened stakeholder trust.

Mitigations

- Enhanced physical security measures and co-ordinated security and incident operations centres to protect high-risk stores and DCs
- Provide comprehensive de-escalation and emergency response training for all customer-facing employees
- Collaboration with local community policing forums and private security partners for improved intelligence
- Supply chain analytics to identify and mitigate route-based risks and potential disruptions
- Localised community engagement strategies to support social cohesion in vulnerable areas
- Integrate local employment and youth skills development into our new store opening and support office strategies
- Establishing and maintaining strategic partnerships with NGOs to address the root causes of social instability, such as food security and education
- Champion enterprise development programmes within our supply chain to foster local economic growth and resilience

MM1 MM2 MM3 MM4 SRC HIC FC

TREND: Increasing Stable

3 Human capital

TCFD CATEGORISATION
TRANSITION RISKS: POLICY AND LEGAL; MARKET; REPUTATION

S, M & L TERM

Risk context

Our group's long-term sustainability is intrinsically linked to our ability to attract, develop and retain a diverse and skilled workforce, while navigating a complex and evolving regulatory landscape. The increasing competition for specialised talent and the introduction of more stringent Employment Equity (EE) Regulations and sectoral targets from 2025 present a significant challenge. These factors necessitate a heightened focus on succession planning, talent development and training, leadership diversity aligned with B-BBEE principles and fostering an inclusive culture. While we face gaps in representation at senior level, we view this as an opportunity to reinforce our commitment to transformation. By proactively investing in our people and adapting to new compliance requirements, we can strengthen our reputation as a socially responsible organisation committed to equitable growth.

Opportunity

By embedding transformation across talent and leadership development, Pepkor is building diverse capability that drives competitive advantage. Comprehensive EE planning and targeted leadership and development initiatives and programmes are strengthening succession pipelines for senior to executive talent. These interventions deliver measurable benefits, including robust leadership pipelines, improved employee engagement and reduced compliance risk, positioning Pepkor as an employer of choice and transforming regulatory imperatives into strategic differentiation and long-term organisational resilience.

Mitigations

- Conduct a thorough gap analysis against the new EE sectoral targets to inform our five-year compliance plan
- Review and enhance the transformation strategy for operating entities
- Development programmes and initiatives are in place for high-potential previously disadvantaged employees to build a robust succession pipeline for senior management
- Integrate diversity and inclusion metrics into business strategy governance and monitoring mechanisms
- Build on the culture of continuous learning and inclusivity throughout the organisation to drive organisational performance and improve employee retention and satisfaction
- Strategic learnership and internship programmes are in place to cultivate a future pipeline of diverse talent for Pepkor and, more widely, the sector

MM1 MM3 MM4 MM5 HIC SRC FC

4 Evolving regulatory and climate disclosure landscape

TCFD CATEGORISATION
TRANSITION RISKS: POLICY AND LEGAL; MARKET; REPUTATION

S, M & L TERM

Risk context

Pepkor operates within an increasingly complex and dynamic regulatory environment across southern Africa and Brazil. The proliferation of new sustainability-focused regulations, such as South Africa's Climate Change Act and mandatory EPR regulations, presents significant transition risks. Coupled with the Johannesburg Stock Exchange's adoption of the International Sustainability Standards Board's (ISSB) IFRS S1 and S2 standards and heightened scrutiny from financial regulators like the South African Reserve Bank (SARB), this signals a clear and accelerating trend towards more stringent sustainability governance and reporting requirements. These developments increase compliance costs, necessitate changes to business processes and pose financial and reputational risks if not managed proactively. We view this evolving landscape not just as a challenge, but as an opportunity to strengthen our governance, enhance operational resilience and build greater trust with our stakeholders.

Opportunity

By proactively addressing climate disclosure and environmental compliance, Pepkor is transforming regulatory obligations into strategic capability. The establishment of a Producer Responsibility Organisation (PRO) ensures compliance while building institutional knowledge and stakeholder credibility. These interventions furthermore deliver measurable benefits: reduced compliance risk, improved investor confidence, enhanced operational efficiency and strengthened supplier relationships. The result is a competitive advantage through regulatory readiness, transforming disclosure mandates into strategic foresight and establishing Pepkor as a retail leader with long-term resilience.

Mitigations

- Achieve compliance with EPR regulations through the establishment of a Pepkor-owned PRO and implementation of waste management protocols
- Pepkor's social and ethics committee oversees the group's climate disclosure and regulatory response strategy
- Invest in robust data management systems to accurately capture, monitor and report on sustainability, and climate-related metrics
- Embed climate-related risks and opportunities within core enterprise risk management and strategic planning through structured scenario analysis workshops, enhancing risk identification and strategic decision-making capabilities
- Collaborate with suppliers to enhance transparency and improve sustainability metric performance across our value chain
- Systematically establish science-based targets for reducing GHG emissions throughout our operations
- Champion enterprise development programmes within our supply chain to foster local economic growth and resilience

MM1 MM2 MM3 MM5 FC HIC SRC

PEPKOR Holdings Limited

5 Physical climate resilience and adaptation

TCFD CATEGORISATION
PHYSICAL RISKS: ACUTE; CHRONIC

S, M & L TERM

Risk context

The increasing frequency of extreme weather and long-term climate pressures threatens operational resilience. Floods, warmer winters and water scarcity can disrupt store infrastructure, distribution networks and logistics, reducing efficiency and increasing costs. These disruptions directly impact merchandising performance, with seasonal apparel being particularly vulnerable to fluctuations in consumer demand and sales. Pepkor is strengthening operational resilience by preparing for these disruptions through diversified logistics, supply chain adaptation and infrastructure planning, while also contributing to broader climate adaptation in its operating regions.

Opportunity

By integrating climate adaptation across operations and strategic planning, Pepkor is protecting critical assets while building long-term business continuity. These interventions deliver measurable benefits: reduced operational disruptions, protected revenue streams, lower insurance costs and enhanced investor confidence. The result is a competitive advantage through adaptive capacity, transforming climate risk into strategic resilience and positioning Pepkor to thrive amid increasing environmental volatility.

Mitigations

- Enhance disaster preparedness and business continuity plans for DCs
- Review and adjust insurance coverage for assets in climate-vulnerable locations
- Adapt seasonal product strategies and strengthen water and energy-efficiency measures across operations to reduce exposure and build long-term resilience
- Conduct detailed physical climate risk assessments for all key assets and critical supply chain nodes to identify potential vulnerabilities and risks
- Diversify key logistics routes to create redundancy and reduce dependency on vulnerable infrastructure, such as the ports of Durban and Cape Town
- Integrate climate scenario analysis into long-range financial planning and corporate strategy

MM1 MM2 MM3 NC FC SRC

6 Ethical and transparent supply chain management landscape

TCFD CATEGORISATION
TRANSITION RISKS: POLICY AND LEGAL; REPUTATION

S, M & L TERM

Risk context

Maintaining the trust of our customers and investors is intrinsically linked to the integrity of our extensive supply chain across southern Africa and Brazil. The growing global demand for transparency and ethical sourcing presents a significant transition risk, encompassing reputational, policy and market dimensions. Scrutiny from consumers, investors and regulators regarding supplier compliance with ESG standards remains a constant priority. While the complexity of our supply chain presents challenges, it also offers a significant opportunity to reinforce our brand values, enhance resilience and meet the evolving expectations of a conscious market, thereby securing our long-term social licence to operate.

Opportunity

By embedding rigorous ESG standards across the supply chain, Pepkor is strengthening supplier accountability while building brand integrity and operational resilience. Enhanced due-diligence processes, systematic improvement in compliance standards and the reinforcement of sustainability expectations deliver measurable benefits: reduced reputational risk, improved product quality, enhanced brand trust and stronger supplier partnerships. The result is a competitive advantage through supply chain excellence, transforming compliance requirements into strategic differentiation and positioning Pepkor as a responsible retail leader with long-term stakeholder confidence.

Mitigations

- Enhanced due-diligence process for all current and new suppliers to include mandatory ESG compliance requirements
- Ongoing communication campaign for suppliers to reinforce Pepkor's code of conduct and sustainability expectations
- Implemented a supplier relationship management system with enhanced capabilities for tracking and auditing ESG compliance data
- A programme of regular, independent third-party audits for high-risk suppliers in our clothing manufacturing segments is in place
- Governance and ESG performance metrics are integrated into the incentive structures for our executive and commercial teams
- Strategic partnerships are in place with local industry bodies to collaborate on improving factory compliance standards at a systemic level
- Develop and pilot circular economy initiatives within the supply chain to promote more sustainable sourcing and production

MM1 MM2 MM3 MM5 NC HIC SRC