

# Sustainability risks

The following 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.

Risk trend: Increasing Stable New

## 1 The economy, stores, people and supply chains affected by more extreme and frequent weather events as a result of climate change

### Risk context (physical – acute)

Climate change is causing heightened and more frequent extreme weather events, adversely affecting people's livelihoods, our business and suppliers, whether linked to damage to physical assets (DCs, stores), supply of goods and business continuity

### Mitigations



S, M & L term

- The group's SEC is charged with the responsibility to review and advise on the group's management of matters that could influence our long-term sustainability from an ESG perspective
- Increase commitment for sustainability from all operating businesses across the group to integrate sustainability into business strategies and implement initiatives to reduce carbon emissions
- Resource efficiency and reduction of waste in our operations
- Increased investment in renewable energy and energy-efficiency initiatives
- Grow manufacturing in local and other geographies to further diversify our supplier base

### Adaptations

- Comprehensive insurance cover for business interruption
- Disaster recovery plans and back-up systems, i.e. inverters
- CSI and ESG initiatives support communities affected by climate change
- Take appropriate measures to protect our people and assets, and provide a safe shopping environment for our customers
- Maintain focus on our position as a responsible retailer of choice by doing the right thing, taking consideration of market, consumer or sustainability trends

### Material matters

- #1 Customer focus
- #2 Maintaining an efficient and effective supply chain
- #3 Maintaining a low cost of doing business

### Capitals impacted

- NC
- FC
- SRC

## 2 Electricity and water security, including the escalating cost

Read more: Integrated report – Risks and opportunities, risk number 2

### Risk context (transition – market; physical – chronic)

Increased cost of doing business impacting operations and the supply chain, resulting in lost sales associated with increased water and electricity tariffs and the need for back-up power generation due to continued load shedding

### Mitigations



S, M & L term

- Resource efficiency and increased investment in renewable energy and energy-efficiency initiatives
- Investigate virtual wheeling solutions
- Extended back-up power to handle higher stages of load shedding
- Conduct regular tariff audits and implement stagger switching to reduce cost
- Monitoring and behavioural change to reduce consumption of water and electricity in own operations

### Material matters

- #1 Customer focus
- #2 Maintaining an efficient and effective supply chain
- #3 Maintaining a low cost of doing business

### Capitals impacted

- NC
- FC
- SRC

## Sustainability risks (continued)

### 3 Rising importance in ESG legislative requirements and reporting

#### Risk context (transition – policy and legal)

Increase in international and national climate policy and legislation, i.e. EPR, Climate change Bill, carbon taxes associated with decarbonisation, including more onerous environmental reporting requirements can have an impact on the group's operations, business prospects, costs, liquidity and overall sustainability

#### Mitigations



S, M & L term

- Stay abreast of evolving sustainability and environmental reporting requirements and legislation
- Understand the implications of legislative and reporting requirements on the business and what is required to comply
- Effectively communicate our sustainability efforts by providing meaningful, transparent, timely and accurate financial and non-financial information to our stakeholders
- Maintain focus on our position as a responsible retailer of choice by doing the right thing, taking consideration of market, consumer or sustainability trends
- Increase commitment for sustainability from all operating businesses across the group to integrate sustainability into business strategies and enhance reporting on targets and initiatives

#### Material matters

- #1 Customer focus
- #5 Allocating capital effectively

#### Capitals impacted

- FC
- H&I
- SRC

### 4 Peers entering sustainable product space decreasing opportunity for differentiation

[Read more: Integrated report – Risks and opportunities, risk number 3](#)

#### Risk context (transition – market)

The market and shift in customer preference for more sustainable products are increasing and can result in lost sales if we are unable to respond to the latest trends

#### Mitigations



S, M & L term

- Experiment and introduce more sustainably sourced products that are affordable for our customers
- Grow presence and support for the informal market traders
- Maintain focus on our position as a responsible retailer of choice by doing the right thing, taking consideration of market, consumer or sustainability trends
- Sourcing steering committee integration to focus on more sustainable product range offerings to customers

#### Material matters

- #1 Customer focus
- #2 Maintaining an efficient and effective supply chain
- #3 Maintaining a low cost of doing business

#### Capitals impacted

- SRC

## Sustainability risks (continued)

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### Reputational damage due to supplier ESG practices

#### Risk context (transition – market; reputation)

There is a growing interest by investors and stakeholders for companies to consider the entire ecosystem in which they operate, promoting a more responsible and ethical approach to business practices. Failure to adopt ethical and responsible business practices for the manufacturing of our products can cause significant reputational damage

#### Mitigations



S, M & L term

- Supplier Code of Conduct in place, covering social and environmental aspects
- MoA of the supplier code distributed and signed by top CFH trade suppliers
- Code translated to Chinese and Portuguese to ensure content is understood
- SAQ pilot rolled out to non-trade suppliers

#### Material matters

- #1 Customer focus
- #2 Maintaining an efficient and effective supply chain
- #3 Maintaining a low cost of doing business

#### Capitals impacted

- NC
- H&IC
- SRC

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### ESG integration and adoption

[Read more: Integrated report – Risks and opportunities, risk number 9](#)

#### Risk context (transition – market; reputation)

Increased shareholder/investor pressure on companies to be more sustainable. Increased risk of changing shareholders', customers', employees' and communities' perception of Pepkor's contribution to or detraction from the transition to a low carbon economy

#### Mitigations



M & L term

- The group's SEC is charged with the responsibility to review and advise on the group's management of matters that could influence our long-term sustainability from an ESG perspective
- A formalised approach to sustainability governance that ensures ESG matters are governed and reported on appropriately
- Integrate sustainability into existing work plans, quantify the effects of sustainability risks and opportunities on our strategy, where feasible, and develop a portfolio of profit-generating impact initiatives
- Set targets and incorporate into three-year plans and management incentives
- Maintain focus on our position as a responsible retailer of choice by doing the right thing, irrespective of market, consumer or sustainability trends
- Increase commitment on sustainability from all operating businesses across the group
- Proactively engaging with rating agencies to maintain good ESG scores

#### Material matters

- #1 Customer focus
- #5 Allocating capital effectively

#### Capitals impacted

- FC
- SRC