

# JSE Sustainability Disclosure Guidance

The JSE Sustainability Disclosure Guidance – Narrative Disclosures and Metrics, have proven valuable in navigating the ever-evolving global sustainability landscape, particularly in light of the recently introduced ISSB standards.

More importantly, this guidance is finely tuned to the specific nuances of the South African context, making it a relevant and practical resource for enhancing the quality of sustainability disclosure and facilitating more informed investment choices. What follows is an overview of our approach to applying this JSE Narrative disclosure guidance.

## Sustainability governance

Effective governance is a vital component to the group's sustainability. The board has a responsibility for ensuring that the group is, and is seen to be, a responsible corporate citizen.

### Board oversight

While effective control of the group is the responsibility of the board, it has delegated certain authority to executive management and board committees. The board is also responsible for setting an ethical tone, 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 ESG matters. The independent non-executive chair of the committee, together with the CEO, is responsible at board level for all ESG matters reported on in the sustainability report, including climate change.

The SEC working group was established to assist the SEC in devolving initiatives into the operating businesses. The working group comprises executive and senior management and is supported by ESG champions that have been nominated in each operating business that acts as an operational subcommittee to the SEC. Most recently, focused workstreams across the operating businesses were established to further embed sustainability across the group.

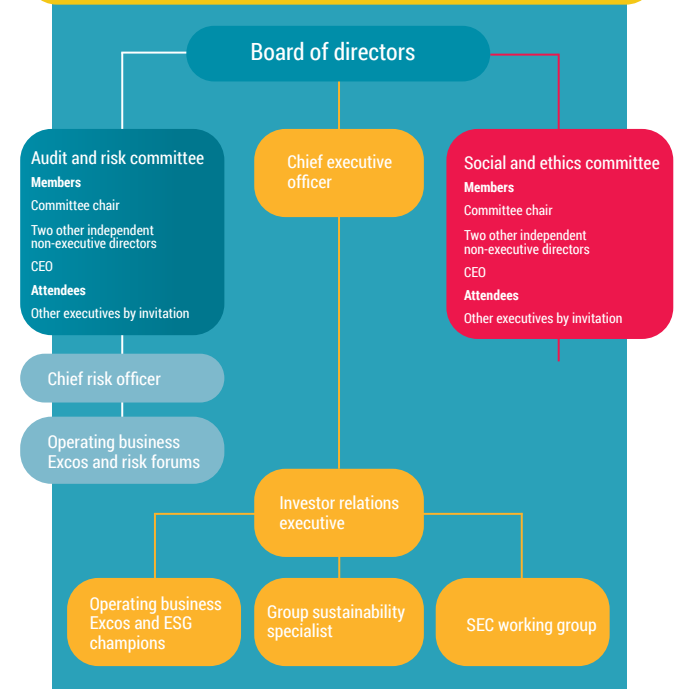
The board confirms it has reviewed the content of the information and believes it is a fair presentation of the group's sustainability performance.

### Sustainability governance structure

Effective governance is a vital component and contributor to the group's sustainability. The board and the CEO, supported by the executive leadership team, are responsible for upholding good corporate governance and providing oversight of sustainability-related impacts, risks and opportunities. Decisions and actions of the board embody fairness, responsibility, accountability and transparency. By setting the tone, the board ensures a culture of robust governance filters through the organisation. Operating businesses in turn set governance and management structures in place to execute on the group's sustainability strategy.

The board subscribes to the principles and recommended practices contained in King IV™, which are fundamental to good governance. The recommended corporate governance structures and practices are pivotal to delivering sustainable value in the interest of all Pepkor's stakeholders. As such, the group reviews these regularly to reflect best practice, facilitate effective leadership and responsible corporate citizenship.

### Governance structure for climate-related decision-making



For more detail on the group's board and governance structure, refer to our corporate governance report.

[Read more: Corporate governance report](#)

## JSE Sustainability Disclosure Guidance (continued)

### Integration into remuneration policies

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. They, in turn, have the responsibility to communicate it to their employees and ensure implementation. Feedback is provided to the SEC on the implementation and actions taken by divisional management for policies that are in the scope of the SEC's terms of reference.

ESG forms part of each operating business's executive team's responsibilities and are included as divisional and group executive long-term incentives. In future, we will also look at including sustainability targets into short-term incentives as a mechanism to drive and advance our sustainability agenda.

[Read more: Remuneration report](#)

### Policies and codes

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

[Read more: Documents and policies](#)

### Sustainability-related disclosure and communication

The JSE Sustainability Disclosure Guidance, informed by best practice international sustainability standards like the TCFD recommendations and IFRS Sustainability Disclosure Standards, has provided guidance in the way we manage and report on our ESG initiatives.

## Sustainability strategy

Facing the challenging aftermath and uncertainty of the Anthropocene (a time of significant human impact on the Earth's ecosystem), we see it as our responsibility to play our part in enabling livelihoods and fostering inclusive growth to create a more sustainable future where we can be resilient and continue to provide our customers with affordable products.

### Key sustainability-related impacts, risks and opportunities

[Read more: Sustainability risks](#)

[Read more: Sustainability opportunities](#)

### Materiality

The group considers materiality from both a financial and non-financial perspective, 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:

#1 Customer focus

#2 Maintaining an efficient and effective supply chain

#3 Maintaining a low cost of doing business

#4 Attracting and retaining talent

#5 Allocating capital effectively

### Sustainability framework

Our sustainability strategy and initiatives focus on three strategic goals in the Building Better Business framework. In FY23, we have mapped out an implementation journey to integrate sustainability into operating businesses, following a more measured process of identifying and understanding sustainability risks and opportunities for the group. Our next steps will be to further embed sustainability into existing work plans, to perform scenario analysis to quantify the impacts of risks and opportunities on our strategy and to develop a profit-enabled impact portfolio of initiatives. The outcome of this process will be used to inform the setting of targets and activate new strategies, while scaling existing initiatives that have a positive net impact.

[Read more: Building Better Business](#)

[Read more: Primary SDGs](#)

### Sustainability integration into the business strategy

[Read more: Letter from the CEO](#)

## JSE Sustainability Disclosure Guidance (continued)


### Resilience

The retail system is a complex adaptive system intertwined within socio-ecological systems that faces rapid, unknown and uncertain changes. In order to continue our operations and offerings to our customers, we consider sustainability risks and opportunities and put plans in place to recover, adapt or innovate and transform from disturbances.

A climate scenario analysis is performed to test resilience. It assesses and determines the financial impact of climate risks and opportunities on strategy under different possible future scenarios. Pepkor is still at the beginning of understanding the potential financial impact of climate-related risks and opportunities on the group's strategy and financial planning.

### Value creation/erosion for stakeholders

	2022	2023
<b>For government</b>		
Pepkor group's total tax contribution	R10.9bn	<b>R9.1bn</b>
<b>For employees</b>		
Salaries and wages	R8.6bn	<b>R9.4bn</b>
<b>For providers of capital</b>		
Dividends paid to shareholders	55.2cps	<b>48.1cps</b>
<b>For communities</b>		
CSI spend	R64.6m	<b>R62.9m</b>

 [Read more: Stakeholders](#)

### Management approach

The passion and values of Pepkor's management team is essential to the successful execution of our sustainability goals.

#### Risk management

The SEC working group provides guidance with regard to identifying, measuring, assessing and disclosing climate-related risks and opportunities, in line with the group's risk management framework. In the group's decentralised business model, risks are also identified from the bottom up, creating a cross-section of material risks per operating segment.

The group risk manager ensures the top business risks, which include ESG adoption and integration risks, are communicated to the group Exco and audit and risk committee. Critical sustainability issues are dealt with at the highest level of authority, and are escalated to the board where material.

Each operating business in turn will remain responsible to integrate sustainability impacts, risks and opportunities into management processes in ways relevant to that business. This approach follows the group's decentralised management structure. However, the operating businesses are required to align and address the focus areas as described in the group's policies and strategic framework.

#### Opportunity identification and capture

Opportunity identification and capture follows a similar process as the risk identification process where opportunities are identified from the bottom up and top down following the group's decentralised business model.

#### Planning and decision-making

We will be able to integrate relevant sustainability initiatives into three-year plans and budgets, and set performance metrics and targets in FY24. This, together with the Building Better Business framework roll-out across the group, will ensure planning and decision-making incorporate ESG.

### Innovation

We have established the foundation of the Building Better Business sustainability decision framework and the next step is to socialise and integrate it into the operating businesses. In this process we will focus on identifying profit-enabled impact initiatives where our core capabilities can be leveraged to create bigger scale and a bigger net positive impact. This work will include looking at patterns of innovation and new ways of delivering value to our stakeholders.

#### Management systems

As part of the Building Better Business framework roll-out we will identify existing work plans including management systems that can inform and support decision-making around integrating the three big sustainability goals in all aspects of the business.

### Metrics, targets and performance

While our approach to tracking, monitoring and reporting performance has evolved over the past few years, we are still in the process of identifying meaningful metrics and targets to incorporate into our strategic and budget plans. The measurement of KPIs in a complex environment must continuously consider emerging patterns and relationships.

#### Key performance indicators

Data accuracy and completeness continues to be a priority area since it forms the basis upon which targets will be set. During FY22, we worked on establishing processes and systems to improve how we measure, monitor and manage sustainability data, impacts, risks and opportunities. This has helped to further enhance our data accuracy and completeness and to establish a carbon footprint baseline for the group in FY22. Using the improved data we have started the target-setting journey in FY23. We will be able to integrate relevant sustainability initiatives into three-year plans and budgets and set performance metrics and targets in FY24.

## JSE Sustainability Disclosure Guidance (continued)

### Data collation

Operating businesses report non-financial data as part of the annual financial reporting cycle. The Pepkor Corporate Office collates this information from data owners across the different locations, including stores, DCs, hubs and head offices, providing reporting and feedback across the group. For environmental-related data, an in-house reporting tool was developed to facilitate the collection, which includes a two-step review and approval process where first approvers reviews the data submitted by data owners against supporting documents, with the final sign-off by the respective operating businesses' ESG champions.

Social-related sustainability data is overall more mature since the majority of the data exists within established HR systems and has been reported on for a number of years. It follows a similar central collation and review process as environmental-related data.

### Verification and 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 non-financial data 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 B-BBEE contributor level status. In the medium to long term we will explore obtaining limited third-party assurance on our data to supplement the internal audit process.

