

PEPKOR

Holdings Limited



**CORPORATE SOCIAL
RESPONSIBILITY REPORT
2019**

We provide products and services at affordable prices. These products and services provide value to ordinary people – making a positive difference in customers’ lives.

Enhancing quality of life is part of our culture and integral to our business.

Pepkor consists of different operating businesses, including more than 20 prominent retail brands. Although each brand is responsible for its own strategic development and implementation (in line with that of the group), they are all committed to Pepkor’s ethics in their daily business practices.

Pepkor’s corporate social responsibility (CSR) has a social focus, with our customers, employees and communities being at the centre of most of our CSR initiatives. Building efficiencies across the value chain allows us to reduce costs and be more economical with our resources.

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ABOUT THIS REPORT

As a JSE-listed company, we are guided by the FTSE/JSE Responsible Index guidelines for the group's CSR reporting.

Many best practice standards and processes exist in the group's businesses, and we place an emphasis on quality reporting.

Our decentralised business structure requires a tailored approach to reporting. Businesses within the group have different priorities, with some being more advanced in their approach. Certain aspects of sustainability play a more prominent role in the group's sustainability initiatives.

This report articulates Pepkor's broad approach to sustainability and highlights how our CSR strategy and initiatives are positioned to support the group's efforts to address material issues and stakeholder concerns.

The report contextualises CSR as sustainability against the group's strategy and offers an overview of our CSR performance in two sections: our social sustainability, which focuses on employees, customers and communities; and our operational sustainability, which focuses on our environment and resources.

Reporting boundaries

The integrated report suite covers Pepkor Holdings Limited, its subsidiaries and operating businesses that, despite being concentrated in South Africa, include operations in 11 countries. Pepkor's risk management approach is key in determining material issues, which inform the boundaries of this report.

All references to Pepkor, the group or the company are to Pepkor Holdings Limited and its underlying subsidiaries.

Assurance

Pepkor's combined assurance model addresses all the significant risks faced by the group. It comprises management, the internal audit function, external audit services and other specialists contributing to combined assurance.

External assurance obtained in the current year was limited to the audit opinion on the group annual financial statements and the group's broad-based black economic empowerment (B-BBEE) contributor level status.

Responsibility and approval

The social and ethics committee acknowledges its responsibility to ensure the integrity of the CSR report. The directors confirm that they have reviewed the content of the CSR report and believe it is a fair presentation of the group's CSR performance, in accordance with sustainability frameworks and best practice.

Reader's note

The group's policies, procedures, processes and strategies do not change on an annual basis. Any changes and/or additional policies will, however, be noted annually. Operational case studies illustrate how the businesses deliver on the group's strategy. Updated quantitative data are published annually as part of the group's integrated reporting cycle.

- [Read more: Integrated report](#)
- [Read more: Corporate governance report](#)
- [Read more: Remuneration report](#)
- [Read more: Annual financial statements](#)

Reporting principles and frameworks

In light of the need for adherence to stricter reporting requirements and standards, we have used the following frameworks as the reporting blueprint for our journey:

- 1 The Companies Act, No. 71 of 2008, as amended (Companies Act), with specific reference to The Employment Equity Act, No. 55 of 1998 (EE Act), The Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (B-BBEE Act) and the Occupational Health and Safety Act, No. 85 of 1993 (OHASA)
- 2 The Consumer Protection Act, No. 68 of 2008 and the National Credit Act, No. 34 of 2005
- 3 The JSE Listings Requirements
- 4 The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)*
- 5 The International Integrated <IR> Framework as issued by the International Integrated Reporting Council (IIRC)
- 6 FTSE/JSE Responsible Investment Index
- 7 The principles set out in the United Nations Global Compact (UNGC), Organisation for Economic Co-operation and Development (OECD) and International Labour Organisation (ILO)

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MESSAGE FROM THE CEO [BUILDING BETTER BUSINESS, TOGETHER]

We have the ability and discipline to successfully manage a large and complex organisation in the discount and value retail sector.

Pepkor has done this over many decades. Our rich and proud history of success and achievement was created by thousands of committed people. We have a responsibility to continue to build on this legacy.



You can copy products, IT and processes, but you can't copy people. If we support our people, they will grow, and the group will grow. Everything we do is about our employees and our customers.

By understanding our customers and how and where they live, we can serve them better. But what makes us particularly proud and grateful is that they have supported us for so many years.



Pepkor is built on a commitment to make a difference in the lives of our customers, employees and communities. This remains at the heart of what we do. In doing this, we balance our sustainability with our responsibilities towards stakeholders. We have embarked on a Building Better Business journey to ensure we remain focused on our commitment to all our stakeholders. We are mindful that, without our stakeholders, we would not be in business. Simply put, we can only be better if we are better together.

South Africa's socio-economic needs drive most of the group's contribution to CSR. The group's environmental initiatives are largely managed through our focus on optimising our operational efficiencies. Our success in this regard stems from a culture of doing the right thing, which includes caring for the people around us and the environment in which we operate.

We seek to achieve our social objectives within the context of satisfying our customers' needs and helping to improve their lives. Guided by this focus, we decided to use the FTSE/JSE Responsible Investment Index (FTSE/JSE Index) as a reporting framework. I am pleased that Pepkor's 2018 reporting has made significant progress in terms of this framework.

I am confident in the abilities of our management teams and all our employees to deliver on our strategy. As our customers remain committed to us, we are committed to doing whatever we can to deliver exceptional value to them, while being efficient in our processes and responsible to our society.

I am particularly proud of the initiatives throughout the group and invite you to read our case studies to find out more about the projects we are involved in. I believe that these are examples of us building on our reputation as a social leader and that we will also continue to be our customers' first choice whenever they need to purchase a product at good value, for themselves, their families or their homes.

Leon Lourens
Chief executive officer

- [Read more: Case study: Customers choose us](#)
- [Read more: Case study: Community investment](#)
- [Read more: Case study: Succession is success](#)
- [Read more: Case study: More than a clinic at PepClo](#)
- [Read more: Case study: The lifeline of our business](#)
- [Read more: Case study: PAXI is not just a 'parcel in a taxi'](#)
- [Read more: Case study: From Hammarisdale to shelf](#)
- [Read more: Case study: Fluorescent-free](#)
- [Read more: Case study: 5 000 tonnes reused](#)
- [Read more: Case study: Flip-flops](#)
- [Read more: Case study: PepClo turns 50](#)

As the conscience of the company, the social and ethics committee executes its statutory role, and provides oversight of social and ethical matters relating to the group on behalf of the board.



Our code of ethics clearly states that it is the duty of all directors and all managers of the group to ensure that ethical standards and policies of the group are made known to all employees. Ultimately, however, it is up to each of us to adhere to Pepkor's values of dignity and respect, trust and credibility, to deliver value and affordability to our customers, and to perform our duties in accordance with all laws and regulations.

Within the scope of our social responsibility and the purpose of the group, we are focused on making a positive difference to the lives of our customers.

Introduction

The social and ethics committee (SEC or the committee) is a statutory committee, established in terms of section 72 of the Companies Act of 2008. The committee is defined by its terms of reference, which are shaped by the statutory duties of the committee as specified in regulation 43 to the Companies Act, and the JSE Listings Requirements.

Committee composition and meetings

The committee consists of two independent non-executive directors and one executive director:

Director	Designation	Date appointed	Qualifications
F Petersen-Cook	Chairman	2018 AGM	BBusSc (Act.Sc.), FIA, FASSA, PGDip (MgtPrac), IoD (Cert.Dir.)
WYN Luhabe	Member	2018 AGM	BCom
LM Lourens	Member	2018 AGM	HND (Human Resources), BCom (Marketing)

The nomination committee and the board are satisfied that these members have the required knowledge and experience as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulation, 2011.

The head of internal audit, the compliance manager, and various other specialists attend the committee meetings by invitation. The company secretary of the group acts as the secretary to this committee.

The committee held three scheduled meetings during the period under review.

Role of the committee

In accordance with regulation 43 of the Companies Act, in addition to the board's responsibilities to its shareholders, it is required to give attention to the matters of the SEC. The committee must monitor and report on the group's activities with regard to relevant legislation, legal requirements and prevailing codes of best practice relating to:

- social and economic development;
- good corporate citizenship;
- the environment, health and public safety;
- consumer relationships; and
- labour and employment.

Within the context of Pepkor's decentralised structure, the group's operational management is responsible for ensuring compliance with laws and policies and communicating relevant requirements to their employees. Operational business leaders serve on Pepkor's executive committee to assist the chief executive officer (CEO) in fulfilling his responsibilities. The CEO is responsible for all group operations and is accountable to the board of directors.

Principles and structures for facilitating good governance are in place throughout the group's operations. The board is committed to ensuring that these are reviewed regularly to improve effectiveness. Principles and structures specifically related to sustainability include:

- overseeing of ethical leadership;
- ensuring responsible corporate citizenship;
- adhering to organisational values, ethics and culture;
- guiding and supporting strategic implementation and performance measurement (ensuring that the group can continue to create sustainable value); and
- reviewing and improving reports and disclosures.

While the board has delegated certain powers and authority to executive management and board committees, ultimate responsibility for full and effective control of the group rests with the board. The board is also responsible for setting an ethical tone and for creating a culture of integrity and compliance characterised by high levels of transparency and disclosure. The board's function is assisted and supplemented by the SEC.

Critical sustainability issues are dealt with at the highest level of authority and may be escalated to the board. However, it remains the responsibility of each employee and extended stakeholder to observe the principles set out in the group's code of ethics, and to act in accordance with the laws and regulations relevant to the business and country of operation. The committee oversees the sustainability reporting of the group.

Pepkor's social sustainability centres on our ability to create socio-economic value for our customers, employees and communities. In this context, transformation and diversity are also key priorities, and the board supports the goals and objectives of the B-BBEE and the EE Act. The group sees this legislative framework as an opportunity to further develop and establish itself as a business focused on social leadership and change. The committee monitors and reports on the B-BBEE compliance of the group.

The SEC oversees the corporate social responsibility reporting of the group.

Fagmeedah Petersen-Cook
Independent non-executive director and chairman of the SEC

[Read more: Corporate governance report](#)

[Read more: Transformation page 22](#)



Pepkor has the largest retail store footprint in southern Africa.

Pepkor's retail brands service customers in the discount, value and specialist value retail market, which includes the majority of the southern African population.

Pepkor is diversified through the different product types offered to customers in four market segments, and focuses on providing basic products and services that customers need and want on a daily basis. Our businesses are supported and enabled by strategic central support services that include specialist skills and capabilities, leveraging the group's scale and best practice.

CLOTHING AND GENERAL MERCHANDISE

This segment includes retail brands focused on offering clothing, footwear and home (CFH) products. While the PEP and Ackermans businesses comprise the majority of this segment, the PEP Africa and the Pepkor Speciality cluster of brands is also included. The Pepkor corporate office and Group Services also form part of this segment.

36 900
EMPLOYEES

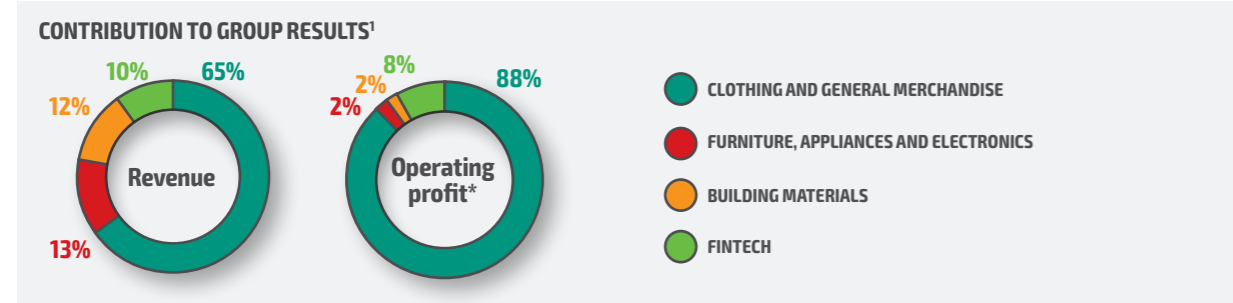
4 395
STORES

FURNITURE, APPLIANCES AND ELECTRONICS

This segment comprises the JD Group business, which includes household furniture, appliances and electronics retail brands. The business is structured into two retail divisions and includes six retail brands.

10 600
EMPLOYEES

900
STORES



BUILDING MATERIALS

The Building Company business is included in this segment. The business operates across three divisions, which include more than 10 established and well-known brands.

7 000
EMPLOYEES

120
STORES

FINTECH

This segment includes businesses that provide virtual products and services to customers in the informal sector through digital technology to make their lives easier. In many instances, these businesses leverage other Pepkor retail channels, including the store footprint.

1 600
EMPLOYEES

169 000
FLASH TRADERS

↑ 9.0%
REVENUE GROWTH¹
TO R69.6bn

↑ 15.6%
GROWTH IN OPERATING
PROFIT² TO R6.8bn

↑ 12.0%
GROWTH IN OPERATING
PROFIT³ TO R7.2bn

11
COUNTRIES

2.4 million m²
TOTAL RETAIL SPACE

329
STORES

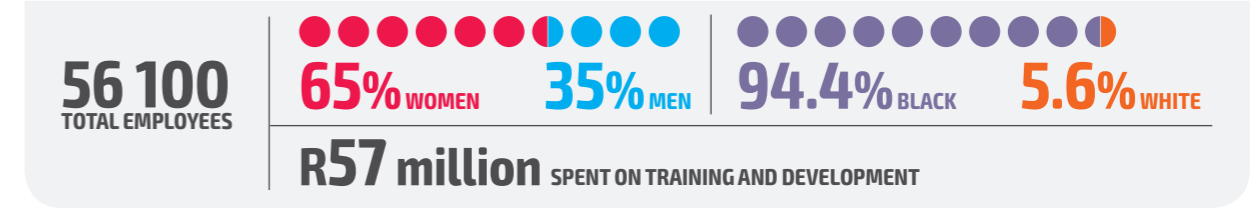
5 415
TOTAL STORES

5 086
STORES

338
NEW STORES OPENED

Angola
Malawi
Mozambique
Nigeria
Uganda
Zambia

Botswana
eSwatini
Lesotho
Namibia
South Africa



VALUE-ADDED STATEMENT	30 September 2019	30 September 2018
Total operations		
Turnover	69 634	64 168
Cost of products and services	(53 463)	(49 389)
Value added	16 171	14 779
OPEX before working capital changes	9 759	8 643
Salaries and wages	7 709	8 033
Turnover	(69 634)	(64 168)
Inventories	(1 981)	(2 161)
VAT payable	569	264
Cost of products and services	(53 463)	(49 389)
Income from investments	198	242
Total wealth created	16 369	15 021
Distribution of wealth		
Salaries and wages	7 709	8 033
Interest paid	1 779	1 434
Taxation paid	1 707	1 804
Dividends and capital distribution paid	959	-
Reinvested	4 215	3 750
	16 369	15 021

1 billion
UNITS SOLD PER ANNUM

400 million
TRANSACTIONS PER ANNUM

R7 billion
SPENT ON SALARIES
AND WAGES

R6.7 billion⁴
TAX CONTRIBUTION

R45 million
CORPORATE SOCIAL
INVESTMENT

¹ From continuing operations.
² From continuing operations before capital items and including the impact of BVI-related costs and the implementation of IFRS 9.
³ From continuing operations before capital items and excluding the impact of BVI-related costs and the implementation of IFRS 9. Refer to the CFO's report on page 22 to 25 of the integrated report.
⁴ Includes taxes borne by the group, as well as third-party taxes collected.

Our mission, vision and values revolve around our customers, employees, communities and suppliers. Without them, we would not have a purpose.

The way we do business centres on a strong social theme. The group interacts with millions of people daily, and in doing so has a responsibility to our:



Customers – treating them with dignity and respect, while giving them access to the products and services they need and want.



Employees – creating a safe and productive working environment where they can develop as people and professionals.



Suppliers – providing them with the opportunity to deliver on agreed quality and cost standards, building and improving efficiencies along the way.



Communities – assisting them through various projects that help improve their standard of living.

Pepkor is focused on:

- Being aware of the social needs of our customers and employees
- Having a positive influence on our customers' lives
- Providing customers with convenient access to everyday products and services at affordable prices
- Creating an environment where people want to work, grow and develop – and making a difference in their communities
- Encouraging investment in our business

To achieve this, we:

- Support each other at work and our partners in our supply chain
- Respect our colleagues, customers, suppliers and the communities that we touch in one way or another
- Enable our employees to be the best they can be, our customers to provide for their families, and our business partners to deliver to the best standard possible
- Trust our culture of doing the right thing all the time
- Grow together – as people, a group, and communities

Corporate social responsibility positioning

Ethics

Integrity, fairness, transparency, inclusiveness and accountability are all principles set out in the group's code of ethics. This code provides structure and guidance by outlining every employee's responsibility.

The board sets the tone for compliance with the code and leads by example. These principles are also followed when interacting with our customers, suppliers, communities and other stakeholders.

The board is responsible for the group's values, ethics and culture, but has delegated the responsibility of managing this to the audit and risk and social and ethics committees.

[Read more: Code of ethics](#)

Policies and principles

Each business must adhere to the group's code of ethics and other relevant policies. Pepkor's policies and principles provide a road map for how our employees engage with each other and our stakeholders. It is expected that they should respect and abide by these principles.

Processes are in place for employees and customers who wish to report unethical behaviour that they believe contravenes any of the group's policies and principles. While country-specific laws dictate how Pepkor operates in each geographical region, the group also applies internationally recognised principles within its employment policies.

The SEC is responsible for overseeing and managing the group's commitment to upholding the principles set out in the UNGC, which include:

Human rights: support and respect the protection of internationally proclaimed human rights, and ensure that they are not complicit in human rights abuses.

Anti-corruption: work against corruption in all its forms, including extortion and bribery.

Labour: uphold the freedom of association and the effective recognition of the right to collective bargaining, support the elimination of all forms of forced and compulsory labour, support the effective abolition of child labour, and eliminate discrimination in respect of employment and occupation.

Other group policies include employment standards and working conditions, remuneration, health, safety and employee well-being, safe working environments, whistle-blowing procedures, and employment equity.

Reporting principles and frameworks

The group uses the principles set out in the International <IR> Framework to explain our business model and how we use our resources to create value. To this end, we have used the six capitals as referenced by the International <IR> Framework to illustrate how we execute our strategy. The outcomes of our value creation process also form part of our operational reviews and case studies.

[Read more: Integrated report: How we create value](#)

[Read more: Integrated report: CEO's review, CFO's review, Operational review](#)

Stakeholder engagement

Our values define how we interact with our stakeholders and approach our responsibility to nurture these important relationships. Pepkor's scale, synergies and customer focus mean that our group-level activities influence multiple stakeholder groups at any given time. Stakeholders are included in Pepkor's interactions and communication when and where relevant to the specific relationship.

Pepkor aims to ensure that engagement:

- is directly linked to delivering value to the group and the people or organisations we engage with;
- pays specific attention to addressing material issues;
- is always professional and ethical; and
- is managed and directed according to the specific requirements and is relevant to the stakeholder group and its relationship with Pepkor.

Material issues

Pepkor's risk management process utilises a top-down and bottom-up approach, resulting in a holistic view of risk. Risks are identified using the group's risk management framework, which is designed to ensure the effective oversight, implementation and assurance of risk management and control systems.

Recognising the group's risks, our sustainability initiatives also address the group's material issues, which include:

- 1 SUSTAINABLE GROWTH
- 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 AND OPTIMISING GEARING LEVELS

[Read more: Integrated report: Our strategy](#)

Pepkor's social sustainability initiatives centre on our ability to create socio-economic value for our customers, employees and communities.

Our customers are at the centre of our strategy and we focus on understanding their environment and behavioural trends to best serve their needs and create value.

Our employees are instrumental to creating value for our customers and our business.

By nurturing our relationships with customers and employees, we make an important contribution to the communities in which they live and work and where we operate.



We have a 'people first' approach and our promise is to provide our customers with the best products they need at the best prices they can afford.

Pepkor's values of enriching lives mean that we:

- are dedicated to job creation;
- actively grow our people through development and on-the-job training programmes, as well as enrolment for formal tertiary educational programmes;
- are involved in our communities to make a difference where we can; and
- fully support national efforts to participate in enterprise development, which in turn develops small entrepreneurs and creates grassroots employment.

Our approach to sustainability is integrated into our business. It addresses and supports how we manage our business and material issues.

Employees

Attracting and retaining talent

Strategy

Through market-related remuneration, skills development programmes and wellness and transformation initiatives, we are able to attract and retain employees who contribute positively to long-term value creation.

Stakeholder engagement

We actively address staff engagement, culture, training, job security, remuneration and transformation.

We do this through induction and training programmes, forums and conferences, staff meetings, printed and digital communication, annual performance discussions and our whistle-blowing hotline.

Customers

*Maintaining a low cost of doing business
Sustainable growth*

Strategy

By working closely with our internal and external supply partners, we continuously evaluate and improve efficiencies in the supply chain, reducing costs and saving our customers money.

By focusing on our customers and providing them with products and services that add value to their lives, we retain a loyal customer base and gain new customers looking for affordable shopping alternatives.

Stakeholder engagement

Years of building relationships with our suppliers and customers help us to understand customers' needs, and we negotiate with suppliers to deliver the best quality products and services at the most affordable prices. Our brands are in constant and direct communication with 20 million known customers and enjoy access to immediate customer feedback – whether digitally or with in-store employees. Supplier relationships are closely managed by buying and merchandising teams who have the support of buying agents, authorities and a central sourcing division in the clothing and general merchandise segment.

Communities

*Maintaining a low cost of doing business
Achieving growth in a low growth environment*

Strategy

By keeping our costs as low as possible, we enable the communities in which we operate to purchase products and use services they might otherwise not be able to afford or access.

By focusing on our customers and providing them with products and services that add value to their lives, we retain a loyal customer base, irrespective of income level or location. We make sure that our customers not only get the products and services they need, and can afford, but also that they enjoy the dignity and respect they deserve in their daily interactions with our employees.

Stakeholder engagement

Operationally, Pepkor businesses are close to their communities and invest in projects and initiatives that they believe will be most beneficial. Staying in touch with customers on a daily basis in our stores ensures that our employees are aware of their communities' needs. Each business chooses the best method of social interaction, and the nature of their connection to local communities varies. Some are directly involved in community programmes and initiatives, while others work through appointed specialists who implement and manage CSI and community investments.

Our employees are our most important asset.

Our employees are at the heart of our business and are the ambassadors of our culture. Many started their careers within the group and are still with us. They know our brands well and love the business as a whole. It is the passion of the people who come to work every day to serve each other and their customers that makes us who we are.

Pepkor is culturally diverse and operates in an environment that has many social challenges, but also opportunities. We adhere to local employment laws and have been proactively employing people from all backgrounds and ethnic groups for many years. Our employees add to the richness of our culture, and help us to better understand our equally diverse customer groups. Although Pepkor's workforce is representative of the countries in which we operate, we still have to ensure that more previously disadvantaged employees fill positions at executive and management level.



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[Read more: Employment equity policy](#)

We focus on employee development.

Employment and remuneration

We have consistently increased and developed our employee base and currently provide employment in 11 countries, across urban and rural communities. Due to the socio-economic challenges facing many of the regions where we do business, many of our employees are the only income earners supporting their families. Pepkor therefore focuses strongly on assisting employees to develop their skills and general employability profile.

The group's employment equity policy determines that all businesses must:

- support Pepkor's vision of creating a working environment that is conducive to attract, train and retrain skilled people from all sectors of society;
- prepare a leadership talent pool to sustain the group's growth opportunities and long-term future;
- entrench an organisational culture that values diversity; and
- give effect to South Africa's employment equity legislation.

Each business is responsible for its employees. Everyone is expected to act in good faith in the performance of their duties, in a manner that promotes Pepkor's aspiration to be a good corporate citizen. We strictly avoid anti-competitive conduct, and each employee must understand and comply with the anti-competition laws within their day-to-day responsibilities.

A non-discrimination policy – guided by the South African EE Act – prohibits any form of discrimination.

Fair and responsible remuneration is defined as salaries and wages that are competitive and market-related and remuneration policies that support a performance-focused culture. Business performance, individual performance and changes in responsibilities are taken into consideration when determining annual base salaries, while additional benefits provide further security for employees. Benefits and incentives are determined by individual businesses and are related to employees' level of responsibility.

Human resources managers and/or specialist employee relations practitioners guide Pepkor's line management in interpreting and applying workplace legislation. We have maintained an active membership of the National Retail Association that facilitates representation to the National Economic Development and Labour Council (Nedlac). In countries outside South Africa, we collaborate with local specialists to ensure compliance with the applicable legislative requirements of each country.

[Read more: Remuneration report](#)

Positions are graded according to the Paterson Grading System, which places employees into the following groups based on their grade level, and which is used in the application of the remuneration policy:

Responsibility level	Grade level	Guaranteed pay	Short-term incentives	Long-term incentives
Operational and logistics employees	D1 and below	Salaries are reviewed annually based on an assessment of the competence of the employee or via a collective bargaining process.	A commission or gainsharing or outcome-based bonus may be awarded as an add-on to guaranteed pay. In some instances, a guaranteed thirteenth cheque also applies.	Skills development is encouraged and subsidised, facilitating career advancement.
Administrative employees				Employment benefits include retirement, medical, death and disability cover, as well as study funding. In addition, bursaries are provided to employees' children.
Line managers (Heads of departments)	D2 to D5	Guaranteed pay is reviewed annually based on an assessment of the competence of the employee.	A performance bonus may be earned, based on the performance of the individual department and/or business.	The incentives as outlined above apply in effect to this group of employees.
Executive management (The members of the group and business executive committees)	E and F		A performance bonus may be earned based on the performance of the business. Financial and non-financial criteria are used as measures.	In addition, some employees that are identified by the CEO and his executive team through succession planning processes as having high potential or being key for retention may be awarded long-term incentives.
Executive directors (Shouldering the responsibility for group strategy)	F		A performance bonus may be earned as above but is calculated based on group performance. Financial and non-financial criteria are used as measures.	Employees participate in long-term incentive schemes based on group and business performance.

Training and development

Ongoing training and development equips employees with the competencies they need to fulfill their job requirements and to develop as individuals, while enhancing critical skills to support the business.

Pepkor's ethos is to promote from within, and to recruit externally when specialist skills are not available within the group. All employees, regardless of level, have the opportunity to grow into higher positions and have access to an extensive range of ongoing in-house training programmes that play a crucial role in building the group's skills pipeline. These programmes are managed by the individual businesses and are rolled out at different employee levels, giving all Pepkor staff the opportunity to advance their career paths.

Leadership growth plays a critical part in Pepkor's employee development strategy. Accordingly, several programmes have been specifically developed to facilitate succession from line manager to executive levels.

The group established an employee development fund in 2008, aimed at promoting the social, educational and economic development of Pepkor employees and facilitating the managerial development of black employees. Pepkor allocated R75 million to the fund, to be used for:

- bursaries for part-time, post-Grade 12 employee qualifications;
- bursaries for tertiary education for employees' children;
- employee training and development initiatives related to retail and life skills;
- sports funding for competitive sport (at provincial level), for employees and their dependents;
- retail diplomas at Unisa for PEP employees; and
- a wellness programme for Ackermans employees.

Wellness, health and safety, and employee assistance programmes

The well-being, health and safety of our employees and customers are of utmost importance to Pepkor. While we operate mainly in a retail environment with low physical risks, a small number of our employees work in higher-risk areas. These are limited to certain logistics activities, along with The Building Company's woodwork workshops and building yards.

Pepkor's distribution centres (DCs) and distribution logistics hubs are tightly managed and comply with all health and safety laws and requirements. These locations and activities are audited internally and externally and must pass periodic inspections to retain their certifications. Lost-time injuries are not recorded in retail environments, but the OHASA regulations are rigidly implemented and closely measured and managed.

At operational business level, various programmes are in place to support employees. HIV/Aids programmes inform and educate employees, while additional assistance programmes provide further support to employees and, in special circumstances, their families.



[Read more: Case study: More than a clinic at PepClo](#)

302
BURSARIES AWARDED

24 300
EMPLOYEES TRAINED, INCLUDING TRAINING ON HEALTH AND SAFETY AND HIV/AIDS AWARENESS

Transformation

Pepkor recognises the national and business imperatives of employment equity, which is viewed by the group as an integral element of the overall transformation journey in South Africa. We support the goals and objectives of employment equity. We see this as an opportunity to help achieve our purpose to make a positive difference in people's lives.

Transformation, inclusivity and non-discrimination are synonymous with the group's business practices. We are proud that more than 90% of our employees and our store managers are black.

We are mindful that our B-BBEE contributor level requires significant improvement and we are on a journey to achieve this. By way of example, we achieved a score of 40.87 points in this verification period. This score is a significant improvement on the FY17 rating of 14.9, testament to our focus on B-BBEE over the last two years.

Our operational businesses have their own scorecards and many of them already achieve better results on their B-BBEE ratings.

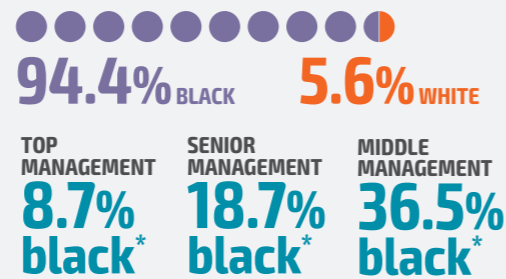
We also believe that every employee has the right to realise his or her potential. Within this context, the board of directors is committed to investing in Pepkor's talent development strategy, which enables us to grow our employees and create a wider talent pool for the countries in which we operate.

[Read more: Employment equity policy](#)

Employee engagement

We communicate with our employees in a variety of ways. Key topics of engagement include induction, daily notices and support, health and safety, physical and mental wellness and company news. Acknowledging and celebrating our employees, the work they do and the difference their contribution makes to our customers are important aspects of most employee engagements.

The group strives to maintain positive, well-established relationships with all recognised trade unions. Voluntary association with trade unions is allowed without distinction, and employees are free to join or form associations with trade unions of their choosing, bargain collectively or form worker representative groups in the context of the prescribed laws of their country of employment. In South Africa, 62% of employees are covered by collective industry salary negotiated agreements.



*African, Coloured and Indian



Michelle Skhosana moved to PEPhome Ikageng as Regional support manager

R57 million
SPENT ON TRAINING AND DEVELOPMENT

R45 million
CORPORATE SOCIAL INVESTMENT*

*All corporate social investment that this accounts for goes to black beneficiaries.

Whistle-blowing processes provide anonymous, confidential and independently managed channels for employees to report any kind of unethical behaviour. Information regarding reported incidents is treated as confidential. Only individuals directly involved in handling or investigating an incident know the identity of the employee, and only to the extent required. Investigations are carried out objectively, and all incidents are dealt with in an appropriate manner relative to the misconduct, whether through disciplinary or legal action.



[Read more: Case study: PepClo turns 50](#)



Acknowledgement: Employees and teams are acknowledged at annual functions for their commitment and going the extra mile. Riaan van Rooyen (above left), CEO of Tekkie Town with Tekkie Town's IT team.



Continuous interaction: Management continuously visits stores for training purposes, to get on-the-ground feedback and build relationships. Jaap Hamman (centre back), CEO of PEP with store employees.



Employee initiatives: Divisional culture committees actively keep their employees involved and engaged. Tenacity has a RAP (value) session every Friday morning when management personally greets everyone when they arrive for work. It usually coincides with music to celebrate the successes of the week.

Our strategy brings value to our customers.

The majority of our customers are under financial pressure and do not have the luxury of choice or access to products and services beyond their means. We therefore strive to ensure that our customers can always find what they need, and that their shopping experience is as effortless as possible. Every time we do this successfully, we save our customers money and increase their options and buying power, which in turn supports our customers and their families in living with dignity and pride.



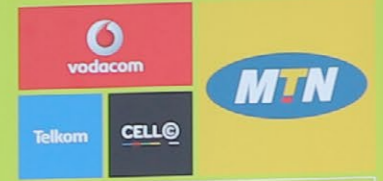
DEAR CUSTOMERS
WE SELL DRINKS IN BULK 2
LITRES = 6 FOR 87.00 (also stock here)
1.25 CRATE = 99.60 (also stock here)
R2.50

TYPING
FAXING
SCANNING
EMAILING


PAY YOUR DSTV HERE


 **FLASH**

Available here



FLASH eeziairtime ANY

 Eskom
Prepaid Electricity

 DStv
Pay Here

18 PHANDA PUSHA PLAY

 **Data**
Top up here!

#MakingLifeEasier
f | flash.co.za

HAIR NOVA

SHARON
MULTI STYLE

MEDIUM STYLE 

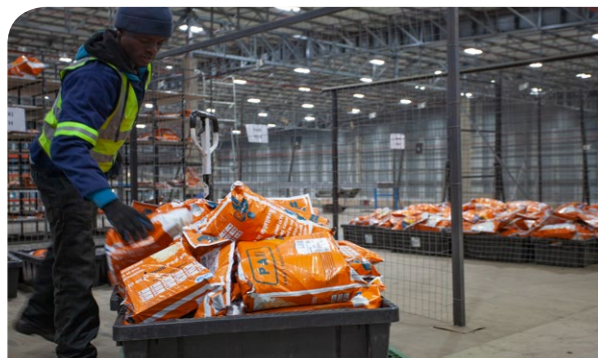
  LONG STYLE

ALL IN ONE

Affordable products and services

Although most of our customers purchase value products, Pepkor's diverse product range also caters for customers with specialist requirements. Across the entire group, regardless of the cost of a product, we save our customers money. We keep prices down through the group's global capability to source products at the best price, and by excluding unnecessary costs from the supply chain. By using our retail skills, investing in technology and finding solutions together, we increase the power of synergies and scale to keep our prices as competitive as possible.

Our expertise and infrastructure give us the opportunity to provide our customers with affordable and convenient services. The PAXI initiative leverages PEP's footprint. This parcel delivery service is available in all PEP stores in South Africa, giving customers the opportunity to send parcels between any two PAXI points during retail hours. Using our existing footprint and logistics network, this service provides convenience and added options to customers without adding any additional costs or resources (like fuel) to our existing operations.



[Read more: Case study: PAXI is not just a 'parcel in a taxi'](#)

[Read more: Case study: Flip-flops](#)

[Read more: Case study: The lifeline of our business](#)

Retail and payment options

Pepkor has stores in major metropolitan areas as well as rural towns. We bring our products and services to people who would otherwise not have access to them. Our brands not only offer affordable products, but also support great shopping experiences with convenient and safe payment options.

With southern Africa's average internet usage now at 51%*, Pepkor's businesses across the group are investing in digital technology focused on developing convenient, compelling digital shopping alternatives. The furniture, appliances and electronics segment has advanced significantly to provide customers with omnichannel solutions, including the introduction of a new omni-POS system to extend aisle sales, new online marketing channels, online credit applications and the commissioning of an online sales distribution centre.

- Alternative retail and payment channels in the group include:
- FLASH technology provides thousands of customers access to virtual transactions in the communities where they live.
 - The Building Company gives their contractor customers more convenience with the opportunity to order building and contract materials online, saving them time.
 - PAXI provides their Small and Medium-sized Enterprises (SME) customers with a bespoke and self-developed app and online parcel booking system.

[Read more: Case study: PAXI is not just a 'parcel in a taxi'](#)



FLASH enables more than 169 000 entrepreneurs to provide their customers with alternative options when buying mobile data and airtime, prepaid electricity, Lotto and online payment vouchers and doing money transfers and account payments. The commission earned from transactions is shared between FLASH and the traders, keeping money in the communities and providing opportunities for small businesses to prosper.

FLASH aims to give underserved communities greater value. Whether it is through micropayments or access to a growing basket of products, 'making people's lives easier' is the focus of everything they do.

Store cards are an important sales enabler that provides customers with payment options. Comprehensive credit checks are standard with all store cards, and all credit applications and approvals follow the strict regulations set out by the relevant credit and consumer acts. If customers do not receive credit approval, they have the option to lay-by products. Pepkor is committed to responsible lending, ensuring that all credit applications are thoroughly vetted for affordability in full compliance with the requirements of all relevant legislation and regulations. Qualifying customers are supported in making prudent choices, based on complete information and options suited to their individual circumstances.

During the process of credit applications and applying for store cards, customers entrust us with their personal data. We are a responsible custodian of information, actively investing in and monitoring cyber and physical security to protect all our data and systems. Pepkor operates within the strict parameters of the Consumer Protection Act, and we are regulated by the Consumer Goods and Services Ombud and the National Credit Regulator.



[Read more: Case study: Customers choose us](#)

Connecting with customers

The group's retail brands measure and manage their customer interaction through a broad spectrum of channels. Continuous customer research provides information that guides teams when making decisions regarding products, store environments, shopping experiences and customer service.

Through the group's IT infrastructure, data and analytics capabilities, in-store feedback and online tools, we are able to measure a number of aspects that we use to improve our offering.

20 million
KNOWN CUSTOMERS (EXCLUDING FINTECH)

1.7 million
ACCOUNT HOLDERS

0
PRODUCT RECALLS

< 1% PRODUCT RETURNS RECORDED IN THE FURNITURE, APPLIANCES AND ELECTRONICS SEGMENT

14.6 million
IN AND OUTBOUND CUSTOMER CALLS FIELDIED IN FY19

> 18 million
SOCIAL MEDIA ENGAGEMENTS ACROSS THE CLOTHING AND GENERAL MERCHANDISE SEGMENT IN FY19

* Digital 2019: Global digital overview, www.datareportal.com/reports

We give back to our communities.

We support social investment programmes and initiatives in communities by contributing time, expertise and products where we believe they will have a positive impact. Management and our employees lend a helping hand where we can.



We invest in our communities through education and social development, giving our time, services and products.

Approach

Corporate social investment (CSI) is an integral part of Pepkor's commitment to sustainable development. It is an important mechanism for improving the group's reputation with our customers, suppliers and communities as a responsible corporate citizen and valued supplier of products and services. Our CSI activities should add value to society.

Each Pepkor business has a CSI budget, and we encourage employees to get involved and stay involved in local social development. The group's CSI policy encourages businesses to allow employees one working day per year to volunteer for a worthy cause. The diverse nature of the group means each business has the ability to define the extent of their social initiatives, with programmes ranging from larger, long-term initiatives to employees offering 67 minutes to a worthy cause on Mandela Day.

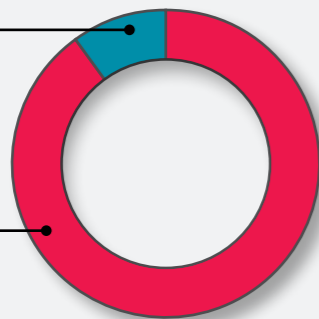
We invest in the education and economic development of the communities in which we operate. We believe that focusing on these two key areas will make a positive, long-term, sustainable difference to our business, our communities and our wider economy. By sending educated young people into the world and increasing their employability, we contribute to the development of socio-economic stability. Supporting SMEs and local suppliers within the Pepkor supply chain further contributes to creating employment opportunities and driving economic growth.

[Read more: Case study: Community investment](#)

[Read more: CSI policy](#)

10%
OF CSI SPEND
FROM EMPLOYEE
INVOLVEMENT AND
PROFESSIONAL
ASSISTANCE

90%
OF CSI SPEND
FROM MONETARY
INVESTMENT IN
PROJECTS



PEP Academy

PEP Academy was designed to make a positive difference to the lives of young people, to keep children in school, and to give Grade 4 learners extra tuition in literacy and numeracy. A PEP Academy is selected according to criteria specified by PEP's partner in this initiative, Social Innovations, and by the Department of Education, which has fully endorsed the programme.

25
PEP ACADEMIES

> 4 000
GRADE 4 AND 5 LEARNERS IN FY19

> 18 500
LEARNERS HELPED THROUGH PEP ACADEMY
(2008 TO 2019) – AS WELL AS HUNDREDS OF TEACHERS
AND SCHOOL MANAGERS



Ebuhleni Primary in Soweto celebrated 10 years of being a PEP Academy school. The principal and deputy principal of the school handed an award of appreciation to PEP. Ebuhleni was one of the first PEP Academies. Today it is one of the flagships among the 25 academies nationally.

Ububele Schools

Ackermans brings 'Value to life' through its Ububele Schools programme, which seeks to nurture a love for reading and learning in South Africa's next generation of leaders. The company partners with Wordworks, The Unlimited Child and Lima Rural Development. Together they help make schools and crèches fun, engaging and interactive by:

- introducing new literacy programmes;
- improving the physical environment;
- developing teacher skills; and
- equipping parents to support informal learning at home.

SINCE INCEPTION

46
SCHOOLS
1 800
LEARNERS TAUGHT

106
EDUCATORS TRAINED
305
PARENTS GRADUATED



[Read more: Ackermans' comprehensive Ububele programme](#)

Schools and children's homes

The Building Company has assisted Newkidz, Life Tree Community Project and Nelspruit Primary School with much-needed building materials. These are donated to help the organisations with the maintenance and improvements necessary to provide safe and comfortable living and learning environments.

Newkidz provides makeovers of children's homes, to address much-needed building maintenance and upgrades, and ensure that the homes are safe and comfortable for the children who live there. The makeovers also help Newkidz and the communities they service to create awareness and support for orphans, destitute and vulnerable children in South Africa.

Nelspruit Primary School in Sonheuwel has served the Nelspruit community for more than 50 years. This public school strives to give its learners a quality education, a safe environment that allows them to learn and develop, as well as sports programmes to keep them active.

Life Tree Community Project offers broad-based community upliftment initiatives to the Kya Sands informal settlement community. The project currently focuses on the upgrade of the Thorn Tree Academy Primary School, which provides private quality education to learners from Grades 1 to 7. The premises are also used for nurses' training during school holidays, and church services and a soup kitchen over the weekends.

7
CHILDREN'S
HOMES
ASSISTED

Thorn Tree
ACCOMMODATES 60 LEARNERS ON
SCHOOL DAYS, 30 NURSES FOR TRAINING
AND 80 RESIDENTS ATTEND WEEKLY
CHURCH SERVICES AND THE SOUP KITCHEN.



Learners from **Thorn Tree Academy Primary** assisted the BUCO team when building materials arrived to upgrade their temporary container classrooms.

FLASH

FLASH, a division of Pepkor, is an important part of our CSR strategy. It gives community members the opportunity to enter the informal business sector for the first time, and offers existing small business entrepreneurs the opportunity to extend their customer offering by engaging with our brands.

FLASH positively affects thousands of lives outside its primary business activity. It contributed to Operation Smile, an organisation that improves safe surgery, by sponsoring two surgical missions, one of which changed the lives of 18 youths with cleft palate conditions. FLASH also supports the training of mothers and employees in hospitals hosting surgical weekends. In addition, FLASH has sponsored Basic Life Support, Paediatric Advanced Life Support (PALS) and Helping Babies Breathe courses at several hospitals across South Africa.

Leading by example, FLASH directors Mike Morris and Paul Potter crossed the Namib desert on foot to raise over R80 000 for Operation Smile. FLASH director Ross Norton also completed a trans-Himalayan cycle event, covering over 2 400 km, in support of the Baphumele Children's Hospital, an initiative that has raised over R110 000. Mike Morris also participated in an indoor rowing marathon. He rowed non-stop for six days and covered more than 1 460 kilometres. The goal was to raise R450 000, but he managed to raise an incredible R690 000 that will be used to build another home for the Ingane Yami Children's Village.



[Read more: More smile stories](#)

Click Foundation

Pepkor brands in the furniture, appliances and electronics segment have invested in the Click Foundation, an online English literacy programme. This programme develops children's English capability, creating a strong foundation for subsequent learning. The programme gives learners access to important digital and technology-based skills, and develops learners' auditory, phonetic, fluency, comprehension, reading and writing abilities. The programme supports the South African Department of Basic Education's Read to Lead campaign.

> 650 000
LEARNERS HAVE BEEN REACHED SINCE THE CLICK FOUNDATION STARTED IN 2013.

THE CLICK FOUNDATION



The Click Foundation has been rolled out in 147 learning environments across five provinces in South Africa. The programme provides digital technology while working closely with the schools, districts, appointed Click facilitators and educators. Learners have individualised logins and pace themselves through their learning modules.

Making a difference

Employees throughout the group are involved to make a difference in their immediate communities through various initiatives including national campaigns.



PEP stores in the Free State, together with Vodacom and OFM, collaborated in a campaign to collect sanitary towels to help keep girls in school.



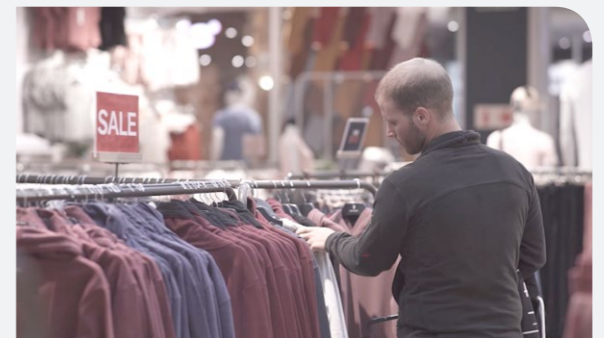
BUCO donated branded soccer kits to a team of young, talented soccer players from Sakhile Primary School.



Santa Shoeboxes reach more than 1 000 recipients each year. In 14 years, 958 835 have been donated, with some of our group operations being involved. On the back of this national drive, the JD Group has started their own Charity Shoebox drive aiming to fill 1 000 boxes with necessary products, including toothpaste, a toothbrush, soap, a washcloth, an item of clothing, educational supplies, sweets and a toy.



ACKERMANS supports Lima Gardens. The gardening programme was implemented at Ekujabuleni, Syathuthuka, Sakhisizwe and Zamokuhle early childhood development centres in Hammarsdale, Durban where we have a significant logistics operation.



CLOTHING DONATIONS are made by all retail brands to support the local charities in their areas. Product donations account for R15 million of our CSI contribution.

We look after our environment through the efficient utilisation of our resources.



By doing better business we improve our environmental responsibility.

Doing better business means that we continuously consider where we can implement resource and cost savings in our supply chain by:

- reducing fuel;
- managing electricity;
- recycling what and where we can;
- sourcing from trusted suppliers and partners; and
- supporting local manufacturing relevant to our operational and retail requirements.

OPERATIONAL SUSTAINABILITY [ENVIRONMENTAL RESPONSIBILITY AND SUPPLY CHAIN]

We balance our business practices with our social responsibility actions. Our approach to sustainability also addresses and supports how we manage our material issues.

Material issues

- 1 SUSTAINABLE GROWTH**
- 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 AND OPTIMISING GEARING LEVELS**

Strategic implementation

By continuously enhancing efficiencies throughout the supply chain and leveraging the group's scale and capabilities, we are able to keep costs as low as possible. This approach also has a positive impact on our broad environmental footprint.

We have built trusted relationships with our suppliers over many years by focusing on developing active partnerships that enhance product quality, manage costs, build efficiencies and introduce new solutions. Our intellectual property and extensive retail experience support our ability to effectively manage each step in the supply chain, from high-level oversight to introducing new technology and systems.

We need the right talent at every functional level in the supply chain to ensure we achieve the best results from the process we implement to deliver the best quality product at the lowest possible price. By employing experts and focusing on specialised development, we are able to deliver at scale.

As consumers adapt to an ever-changing, technology-driven world, the way they buy and interact with brands also changes. By investing in new technology, processes and infrastructure, we are able to keep providing innovative products and services to our customers.

Stakeholder engagement

Supplier relationships have been built over many years. Pepkor's product suppliers are managed by buying and merchandising teams, with the support of buying agents, authorities and a central sourcing division in the clothing and general merchandise segment.

Many of our operational suppliers have become business partners who work together with us to achieve the best outcome for every project.

Suppliers are managed through contracts and engaged through various communication channels, including a permanent on-site presence, supplier conferences, meetings, feedback sessions and scorecard reviews.

Note: Suppliers include service providers.

Environmental responsibility

We focus on improving our efficiencies and, by doing that, our operational businesses improve their environmental performance. Because of the group's decentralised approach, we are currently paying special attention to improving the collection and reporting of sustainability data at a group level. This will enable us to provide a better baseline against which to measure our group-wide efforts in future.

Ongoing initiatives are integrated into our day-to-day operational structure, and include:

- installing eco-friendly lighting during all store improvements and new store roll-outs;
- using recycled plastic bags and reusing plastic hangers;
- purchasing pre-used cartons for product distribution;
- recycling paper, cartons and packaging material;
- sourcing only sustainable timber that is Forest Stewardship Council (FSC) compliant; and
- reducing fuel usage by optimising logistics activities in conjunction with our outsourced partners.

Water usage is limited to general human consumption in our offices, including some wash bays at DCs. Here, water is recycled, and water tanks are used to supplement municipal water supply.

In general, however, Pepkor's water usage is low and not considered a material issue by the group.

Optimising our electricity usage

With an extensive leased store footprint, Pepkor is mostly reliant on state/municipal power supply. Many of the group's stores are located in remote areas where tenants are not always able to be prescriptive when negotiating lease agreements. Nevertheless, we endeavour to respect our tenant/landlord relationships while acting proactively where we can measure and manage our electricity usage. We have already made significant changes and adaptations in infrastructure to minimise our electricity usage as much as possible. South Africa's power supply challenges pose a risk to Pepkor's daily operations. This risk is mitigated through alternative power supply plans that are in place, mostly through stand-by generators and inverters. To avoid unplanned power outages and additional generator fuel costs, PEP Africa has developed a fully solar, off-the-grid prototype container store, designed specifically for remote African locations. This project is in its infancy, with one container store currently being tested.

ACROSS THE REST OF THE GROUP

- Stores are optimising air conditioner usage and are transitioning to energy-efficient lighting.
- DCs use natural daylight and motion-censored lighting.
- All upgrades and refurbishments include energy-efficient or alternative energy solutions.

[Read more: Case study: Fluorescent-free](#)

Recycling

The group's waste is limited to product packaging. We do as much as possible to minimise our packaging usage, and recycle whatever we can. Recycling is, however, a shared social responsibility. Even though we cannot accept responsibility for packaging waste after products have left our stores, we support a culture of recycling and encourage our customers to be equally aware and responsible wherever possible.

Clothing and general merchandise

All inbound packaging is reused for outbound deliveries of products, supplemented by additional cartons. Buying pre-used or recycled packaging is the most cost effective. The decision to utilise recycled materials wherever possible does not impact our service delivery.

PEP buys pre-used FMCG cartons for its product distribution to stores. The cartons are flat packed and delivered to the DCs, stacked, and then used in PEP's pick-and-pack store order process. Once it arrives at the stores, the packaging is recycled locally by the stores. In many of the smaller towns, cartons are collected and used by informal recyclers. Negotiations are

under way potentially to include other clothing and general merchandise segment brands in the same programme.

All our clothing stores reuse hangers. Ackermans pre-packs its products with hangers in the DC. The hangers are then sent back from the stores to the DC through a reverse logistics system, and are reused. PEP re-uses all clothes hangers in stores.

All plastic shopping bags are procured through a central department that has a directive to buy only plastic bags with a minimum 60% recycled material component. The viability of alternative options continues to be investigated.

5 000 TONNES OF REUSED CARTONS ARE USED AS SUPPLEMENTARY PACKAGING

ALL PLASTIC SHOPPER BAGS ARE PROCURED THROUGH A CENTRAL DEPARTMENT THAT HAS A DIRECTIVE TO BUY ONLY PLASTIC BAGS WITH A 60% RECYCLED MATERIAL COMPONENT.



[Read more: Case study: 5 000 tonnes reused](#)

Furniture, appliances and electronics

Due to the size of the products, packing material for furniture, mattresses and appliances is bulky and difficult to dispose of. In most instances, customers will send packaging back to the DCs with the delivery vehicles once the merchandise has been unpacked and checked for quality. The packaging is then separated into paper and plastic for collection by contracted and/or informal recyclers.

According to the e-Waste Association of South Africa (eWasa), South Africans generate about 6.2 kg (per person) of e-waste every year. Although the disposal of e-waste is regulated, implementation is voluntary. In 2017, the Minister of Water and Environmental Affairs issued a notice that the manufacturers of electronic goods will be responsible for managing a product from the beginning to the end of its life. To encourage responsible usage, Incredible Connection and HiFi Corp stores offer customers e-waste collection points, which are serviced by registered e-waste management companies.

Building materials

The Building Company's direct waste is limited to and mainly includes wood offcuts, sawdust and shavings from cut shops and truss plants. These are disposed of in a responsible manner. In most cases, waste is removed by waste management companies like Interwaste. Similar waste from untreated timber products is recycled or repurposed in a number of ways. Untreated offcuts are donated to community forums and used in community upliftment projects. Shavings and sawdust are sold or donated to horse or chicken farms.

Paint that has reached expiry dates is generally returned to suppliers.

Geographical footprint

Our extensive footprint allows us to leverage our scale to reduce costs and seek new business and market opportunities. Despite this wide reach, we own a small number of delivery vehicles. Our people, through our systems, processes, technology and experience, manage most of the delivery functions, from the time the product leaves the manufacturing facility until it is purchased by the customer.

All property contracts are managed centrally by Pepkor Properties, which gives us line of sight of all contracts and allows us to strategically negotiate the best rentals, move to new properties, and open stores. This approach also gives us the opportunity to explore group-wide initiatives, saving costs and optimising resources in areas such as electricity and distribution.

Despite a worldwide move to digital convenience and e-commerce platforms, Pepkor operates mostly through physical stores. We have a strong, extensive logistics capability, but to deliver fully on e-commerce requires significant investments in advanced processes. Currently, our market segmentation remains too diverse to fully leverage our scale. Our brands are, however, moving towards strategically bringing digital solutions to their customers, using store infrastructure to deliver products.

Supply chain

Sourcing and procurement play a pivotal role in delivering on our promise to our customers to provide the best possible products at the best possible prices. Each business drives its strategy with regard to supplier compliance and management. To support our low-cost business model, we believe in dealing with suppliers and business partners who understand the importance of our strategy. We also believe in offering our suppliers opportunities for growth by building long-term relationships. Throughout the group, businesses use trusted suppliers and well-known international brands who comply with responsible business practices. Scorecards are used to evaluate suppliers against specific sets of criteria relevant to the product, service and value. Any issues of non-compliance that may arise are dealt with immediately.

THE MAJORITY OF APPLIANCES AND ELECTRONICS ARE SOURCED FROM SUPPLIERS WHO (AS INTERNATIONAL LISTED COMPANIES) ALSO HAVE TO COMPLY WITH RESPONSIBLE SOURCING/MANUFACTURING AND SUSTAINABILITY REQUIREMENTS.

WOOD PRODUCTS ARE SOURCED FROM SUPPLIERS THAT FOLLOW OR COMPLY WITH THE FOREST STEWARDSHIP COUNCIL REGULATIONS.

Supply chain transformation

Most supplier development programmes in South Africa align with the B-BBEE enterprise development requirements and aim to enhance employment, manufacturing and logistics opportunities.

Through business-specific initiatives, Pepkor is committed to driving the development of SMEs wherever viable. This is most visible and impactful in the furniture, appliances and electronics and building materials segments. Clothing and textile-related manufacturing is currently a challenge, but presents an opportunity for future investment.

Pepkor has started a formalised local supply chain development journey. Initially, most of the group's initiatives will remain focused on the manufacturing space and will centre on local raw material for the PepClo facility, raw material and components for furniture manufacturing, and developing logistics suppliers able to service store-to-home delivery routes.

Logistics

Pepkor's logistics infrastructure is the lifeline of the business and is a significant aspect of our ability to deliver to our customers. Due to our diversified product ranges across four business segments, different distribution methods are in place. They present different operational challenges with respect to product dispatch, transport and receipt.

Over the past two years, Pepkor has relocated and consolidated DCs across all segments. This has allowed us to use our resources more effectively.

While product distribution should account for most of our scope one emissions, all road/fuel-related activities are nonetheless outsourced to specialist third-party logistics partners. Despite the outsourced model, we acknowledge our responsibility to reduce the impact of our emissions.

Our strong cost control focus incorporates the drive to improve efficiencies which, in turn, includes managing outsourced and outbound logistics as effectively as possible. Our suppliers provide the trucks and the drivers, while we load the trucks and control, map and track route optimisation, reverse logistics, road conditions and traffic factors. Dedicated teams in the group's DCs and hubs work together, utilising our expertise and scale to save cost, time and fuel.

Highlights of Pepkor's sustainable logistics approach:

- The logistics footprint is optimised through the positioning of DCs and distribution hubs relative to stores.
- Consolidating brands into one DC has optimised the national distribution of product into areas, irrespective of brand. In some instances, more than five stores are located in one shopping mall – they benefit from shared deliveries within segments, which also reduces fuel emissions.

- Operation Styfpak (tightly packed) has optimised the loading of long-haul routes for the clothing and general merchandise segment to the maximum capacity of the interlink trucks. Packing is done by hand to ensure that all possible space is used.
- Deliveries are optimised for distance and time and the latest technology is used to pre-plan daily routes based on load distribution, traffic, roadworks, delivery times and product returns.
- We support local furniture manufacturing where possible to reduce logistics and shipping requirements.
- The 50 forklifts operating in the furniture DCs are electric, and run on energy-efficient batteries.
- PEP's national PAXI service uses the same logistics network and infrastructure as PEP product deliveries, translating to a 0% additional carbon impact for a parcel delivery service.

- [Read more: Case study: PAXI is not just a 'parcel in a taxi'](#)
- [Read more: Case study: The lifeline of our business](#)
- [Read more: Case study: From Hammarsdale to shelf](#)

<p>Registration number 2017/221869/06</p> <p>Share code PPH</p> <p>ISIN ZAE000259479</p>	<p>Auditor PricewaterhouseCoopers Inc. 5 Silo Square, V&A Waterfront Cape Town 8012 PO Box 2799, Cape Town 8000</p>	<p>Company secretary Pepkor Proprietary Limited (Registration number 1965/007765/07) 36 Stellenberg Road, Parow Industria 7493 PO Box 6100, Parow East 7501</p>
<p>Registered address 36 Stellenberg Road Parow Industria 7493 PO Box 6100 Parow East 7500 Telephone 021 929 4800 E-mail info@pepkor.co.za</p>	<p>Contact info@pepkor.co.za</p>	<p>Sponsor PSG Capital Proprietary Limited (Registration number 2006/015817/07)</p> <p>Stellenbosch office 1st Floor, Ou Kollege Building, 35 Kerk Street Stellenbosch 7600 PO Box 7403, Stellenbosch 7599</p> <p>Sandton office 2nd Floor, Building 3, 11 Alice Lane Sandhurst, Sandton 2196 PO Box 650957, Benmore 2010</p>
	<p>Investor relations investors@pepkor.co.za</p>	
	<p>Press enquiries press@pepkor.co.za</p>	



PEPKOR
Holdings Limited

pepkor.co.za