

**PEPKOR**  
*Holdings Limited*

**2022**

INTEGRATED  
REPORT



# PEPKOR

*Holdings Limited*

## Our customers are at the heart of what we do.

We have been adding value to the lives of our customers by providing access to much-needed products and services, making a positive difference for more than a hundred years.



**With more than 5 000 retail stores,** we operate the largest retail and distribution network in southern Africa and are the closest to our customers.



**342 million**

physical transactions annually

**1.6 billion**

virtual transactions annually

# Highlights

In FY22, Pepkor continued to create value for stakeholders despite turbulent and volatile operating conditions.



## CUSTOMERS

Building better customer value through access to a variety of products at affordable prices

**29 million**  
known customers

**319**  
new stores opened



- MM** Customer focus
- MM** Maintaining a low cost of doing business
- BBB** Customer enablement



## EMPLOYEES

Building better talent through retention, training and development

**1.8 million**  
training hours

**3 811**  
learnerships, internships  
and apprenticeships



- MM** Attracting and retaining talent
- BBB** Employee development



## COMMUNITIES

Building better communities through community support and early childhood development (ECD)

**13 200**

children supported in  
ECD centres



**R64.6 million**

invested in CSI

- MM** Customer focus
- BBB** Community support



## INVESTORS

Building better business through sustainable growth, focused ESG integration and solid governance

**15.7%**  
growth in  
normalised HEPS

**AVENIDA**  
Acquisition of Brazilian  
value retailer

First-time inclusion in the  
**FTSE/JSE Responsible  
Investment Index**

- MM** Achieving growth in a low-growth environment
- MM** Allocating capital effectively
- BBB** Building better business



## SUPPLIERS

Building better supply chains founded in ethical behaviour through strong relationships

**Supplier code of conduct expanded**  
to include social and environmental standards

**140 million**  
clothing, footwear and accessory units sourced locally

- MM** Maintaining an efficient and effective supply chain
- BBB** Responsible sourcing



## OUR ENVIRONMENT

Building better environments through efficiencies to reduce our impact

**5.9 MWp**

solar energy generation  
project initiated

**First TCFD report  
published**

- MM** Maintaining a low cost of doing business
- TCFD** report

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Our operating businesses

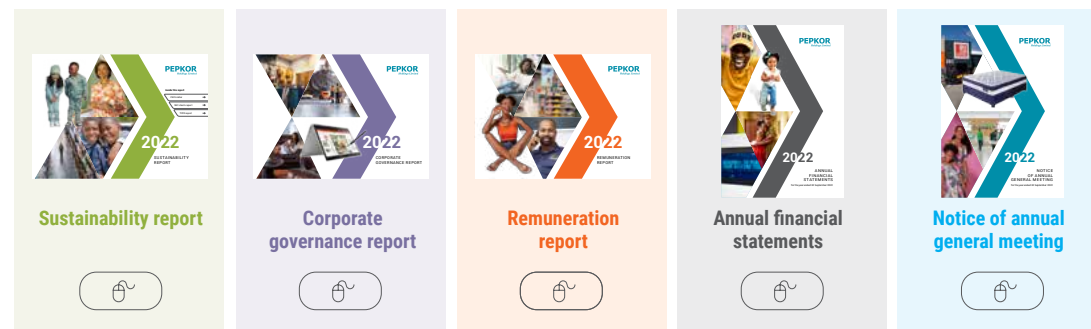
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## Integrated reporting suite

This integrated report is primarily aimed at the investor community, and is supported by a suite of reports that provide more detailed and specific information.

These reports are published on the group's website<sup>1</sup>. Read together, these represent Pepkor's integrated reporting suite and include:



The Pepkor Holdings Limited<sup>2</sup> 2022 integrated reporting suite covers the financial year ended 30 September 2022<sup>3</sup>.

## Report navigation

### What is new?

This year we have introduced an interactive digital format to allow more interactivity within reports and the greater suite of reports. The new digital format promotes integration and provides a more holistic approach to our reporting, allowing our readers to better interact with the content and our Pepkor story.

### Navigation guide

**LINK TO:**

This report includes links that allow readers to navigate to other sections within the report, or access additional information and reports on the Pepkor website.

**READ MORE:**

This indicates cross references where more information is available in the integrated report and other reports in the reporting suite.

### Icon identification

Throughout the report, cross references are made to our material matters, key risks and the capitals, as prescribed by the Integrated Reporting Framework (<IR> Framework).

The following icons are used:

#### Material matters

- MM** Our seven material matters

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- GD** Our eight growth drivers

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- BBB** Our seven pillars of building better business

#### Capitals

- FC** Financial capital
- MC** Manufactured capital
- H&IC** Human and intellectual capital
- SRC** Social and relationship capital
- NC** Natural capital



### United Nations Sustainable Development Goals (UN SDGs)

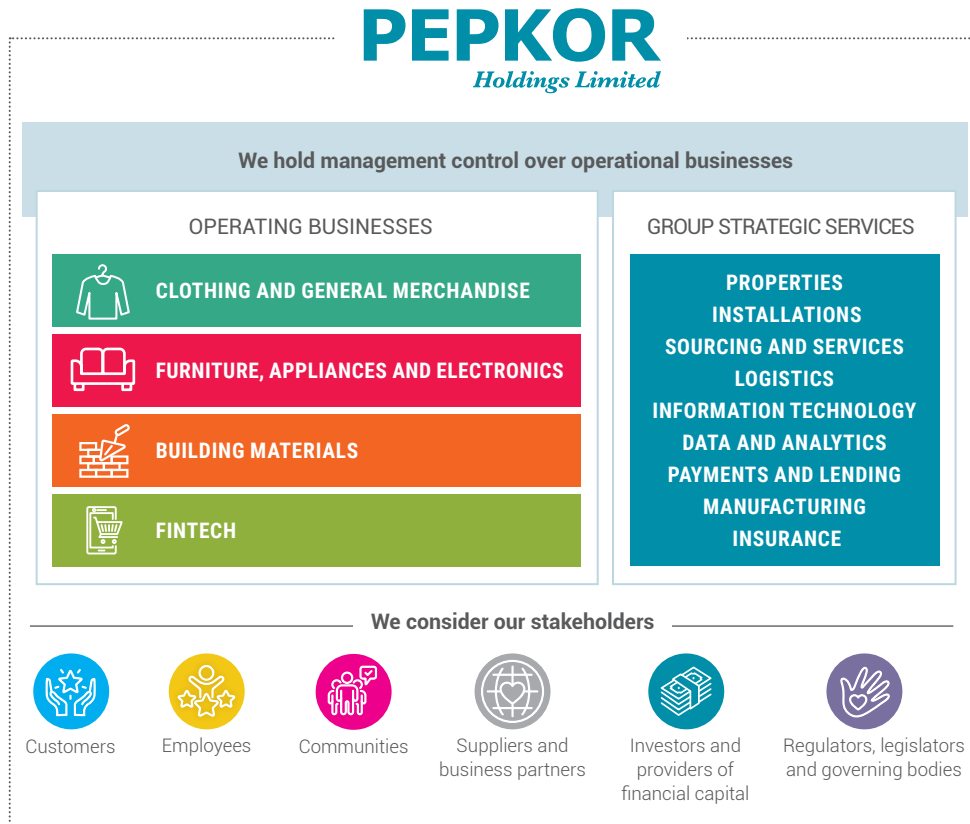
Where relevant and appropriate, links are made to the UN SDGs and these are identified by the official UN SDG icons.

<sup>1</sup> www.pepkor.co.za/investor-relations/integrated-report/  
<sup>2</sup> Pepkor, or the group  
<sup>3</sup> FY22

# About this report

## Scope and boundary

Pepkor's integrated reporting covers Pepkor Holdings Limited and its subsidiaries. All references to Pepkor, the group or the company refer to the operations within its decentralised structure.



## Materiality

The group uses materiality to inform its reporting content, and the context in and extent to which it discloses any material matters relating to the group. The group's risk management process considers materiality from both financial and non-financial perspectives.

- ☞ Material matters
- ☞ Key risks

## Stakeholders

Pepkor's scale of operations influences multiple stakeholders. We engage with our stakeholders to foster mutually beneficial relationships.

- ☞ Stakeholders

## Value creation

Pepkor's ability to create sustainable value is reported in the context of how we manage our capitals. We align our reporting of the capitals in terms of the <IR> Framework against the group's purpose and strategy, and implement our strategy through managing our risks and material matters.

- ☞ Strategy
- ☞ Business model

## Assurance

Pepkor's combined assurance model is designed to address 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.

Internal audit's scope includes a review of the integrated reporting suite, including financial and non-financial information. External assurance applies to the audit opinion on the group's annual financial statements and the broad-based black economic empowerment (B-BBEE) contributor level status.

- ☞ Audit and risk committee report
- ☞ Corporate governance report

## Forward-looking information

This integrated report contains certain forward-looking statements that relate to the financial position and results of the operations of the group. These statements are based on the view and considerations of the board. These statements, by nature, involve risk and uncertainty, and they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic events, changing market conditions, interest and foreign exchange rate fluctuations, competitive conditions and regulatory factors. These forward-looking statements have not been reviewed or reported on by the group's external auditor.

## Restatements

There were no significant restatements from prior periods. Financial information contained in the integrated report is extracted from the audited annual financial statements that were approved by the Pepkor board on 12 December 2022.

- ☞ Annual financial statements

**ABOUT THIS REPORT** *continued*

## Reporting compliance

The following principles, disclosures and guidelines were considered in the compilation of our reports:

- 1** International Integrated Reporting Council's <IR> Framework
- 2** The Companies Act, No. 71 of 2008, as amended (Companies Act), including reference to the United Nations Global Compact (UNGC), Organisation for Economic Co-operation and Development (OECD) and International Labour Organisation (ILO) principles
- 3** JSE Equity and Debt Listings Requirements
- 4** International Financial Reporting Standards (IFRS) and Interpretations issued by the IFRS Interpretations Committee, and the interpretations issued by the South African Institute of Chartered Accountants (SAICA); Financial Reporting Guidelines issued by the Accounting Practices Committee; and Financial Pronouncements issued by the Financial Reporting Standards Council
- 5** Broad-based Black Economic Empowerment Act, No. 53 of 2003

## Support of global/local initiatives



### United Nations Global Compact

Guidance from the 10 Principles of the UNGC is incorporated into group policies and best practice.



### United Nations Sustainable Development Goals

We have identified three UN SDGs where our sustainability efforts have the most meaningful contribution through our core business activities and sustainability initiatives.



### JSE Limited's (JSE) sustainability disclosure guidance

The JSE Sustainability Disclosure Guidance is aligned with and draws on the most influential global initiatives on sustainability and climate change disclosure. We have used the guidance to inform our sustainability disclosures.



### Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD framework provides visibility of climate-related risks and opportunities, and the financial impact and resilience of our strategy under different climate scenarios.

## Report approval

The board, supported by the audit and risk committee, acknowledges its responsibility to ensure the integrity of the integrated report.

The directors confirm they have reviewed the content of this report and are satisfied that the integrated report addresses all material matters. The report offers a balanced view of the group's performance as it related to strategy and the ability to create and preserve value in the short, medium and long term.

The board believes this report has been prepared in accordance with the <IR> Framework and authorised it for release on 12 December 2022.

On behalf of the Pepkor board:

*WYN Luhabe*

**Wendy Luhabe**

*Independent non-executive chair*

*PJ Erasmus*

**Pieter Erasmus**

*Chief executive officer*

### Supported by the board of directors

THEODORE DE KLERK

IAN KIRK

PAULA DISBERRY

ZOLA MALINGA

LOUIS DU PREEZ

ISAAC MOPHATLANE

RIAAAN HANEKOM

STEVE MÜLLER

HESTER HICKEY

FAGMEEDAH PETERSEN-COOK

# GROUP OVERVIEW



# Who we are

**Our mission is to make a positive difference** in the lives of our customers and the communities in which we operate.

📄 Strategy

**Our vision is to be a globally respected** discount and value retailer by being the best place to shop, work and invest.

📄 History and development

**Our values are to support, respect and trust** one another while we **enable** others to **grow**.

📄 Sustainability report

## Building Better Business

**We use our scale and our footprint** to keep costs down and provide easy access to everyday products and services at affordable prices.

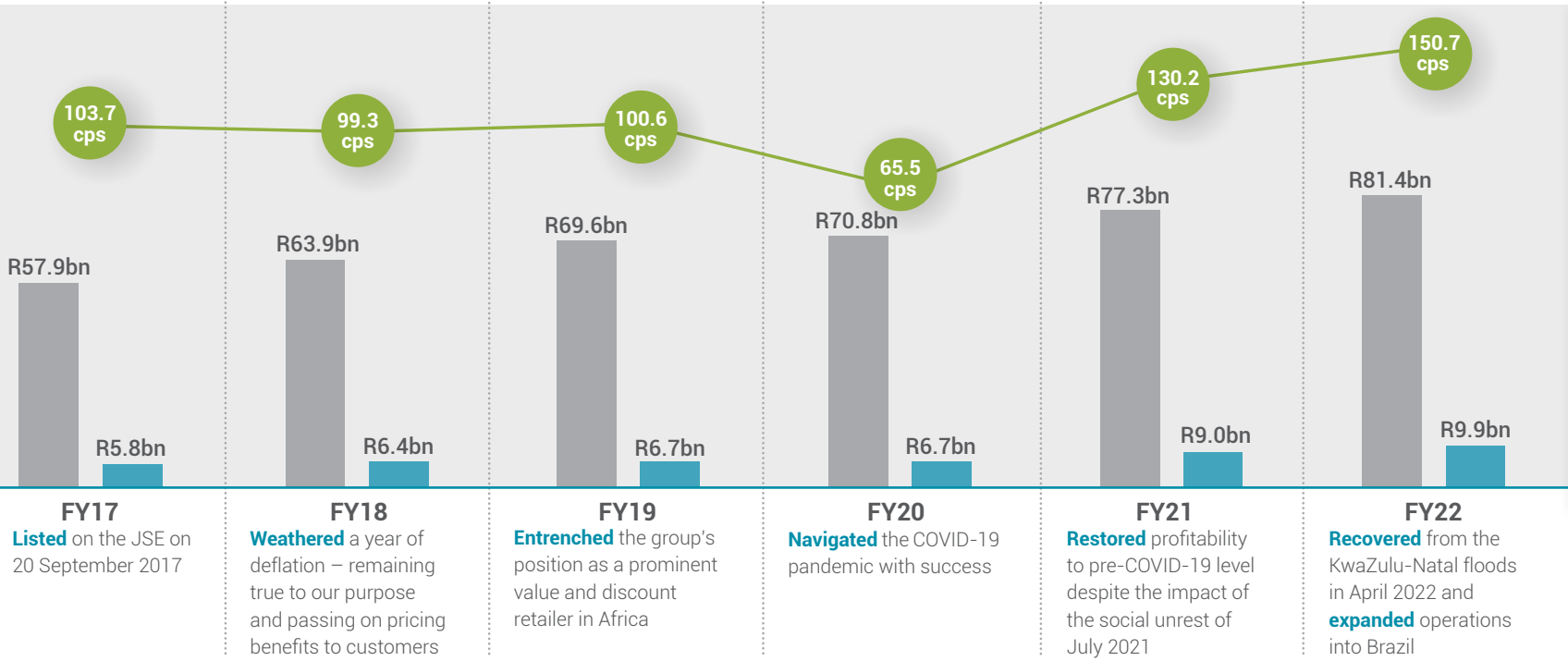
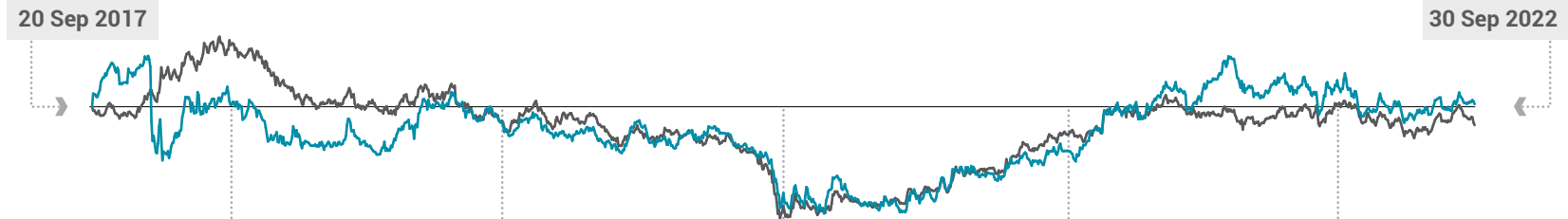
**The group continues to build trusted and iconic brands** with more than a 100-year history that is the foundation to create sustainable shared value.

**Our values underpin our philosophy of building better business**, which describes our approach that fully integrates our environmental, social and governance (ESG) pillars into the business for long-term sustainability.



# History and development

## Five-year performance



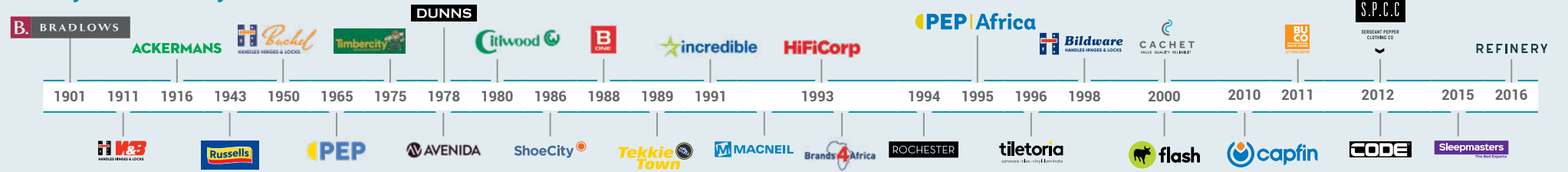
**FIVE-YEAR CAGR<sup>1</sup>**

Group revenue	+7.1%
Operating profit <sup>2</sup>	+11.2%
HEPS <sup>2</sup>	+7.8%

<sup>1</sup> Compound annual growth rate  
<sup>2</sup> Normalised

☐ Six-year performance

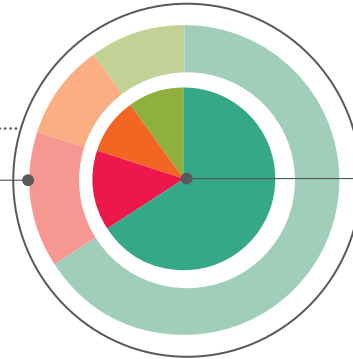
## 100-year history



# What we do

## Group structure

GROUP REVENUE  
**R81.4bn**



GROUP OPERATING PROFIT  
**R9.9bn<sup>1</sup>**

### Segmental contribution to revenue and operating profit

	66%   82%	14%   6%	10%   5%	10%   7%
	<b>CLOTHING, FOOTWEAR AND GENERAL MERCHANDISE</b>	<b>FURNITURE, APPLIANCES AND ELECTRONICS</b>	<b>BUILDING MATERIALS</b>	<b>FINTECH</b>
	37 100 employees   4 809 stores	5 700 employees   888 stores	5 700 employees   133 stores	1 200 employees   202 000 Flash traders   270 000 Capfin customer loans
	This segment provides clothing, footwear and homeware (CFH) products, fast-moving consumer goods (FMCG), cellular and financial services.	The JD Group comprises seven household furniture, appliances and consumer electronics retail brands under two divisions: JD Home and JD Tech. Abacus provides insurance products to customers of the JD Group and other group businesses.	The business operates across three divisions that include established and well-known brands that provide and distribute products for the building industry.	This segment provides transaction platforms and financial services, but does not enable sales in any of the Pepkor retail brands.
	<b>Resilient and consistent organic growth</b>	<b>Strong growth in profitability</b>	<b>Consolidation completed – set for growth</b>	<b>Invest in a digital ecosystem and the informal market</b>

The operating businesses are supported by Pepkor's Group Strategic Services<sup>2</sup>



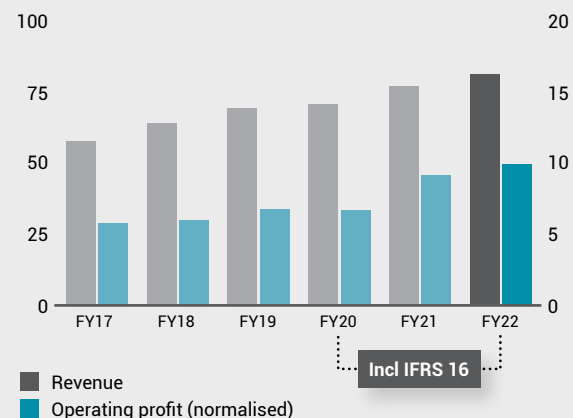
<sup>1</sup> Normalised <sup>2</sup> For financial reporting purposes, Group Strategic Services form part of the clothing, footwear and general merchandise segment

# Six-year performance

		FY17	FY18	FY19	FY20	FY21	FY22
<b>Revenue and profitability</b>							
Revenue	Rm	57 850	63 912	69 634	70 827	77 329	<b>81 396</b>
Gross profit	Rm	20 438	22 097	23 995	24 199	26 534	<b>28 813</b>
Gross profit margin	%	35.3	34.6	34.5	34.2	34.3	<b>35.4</b>
EBITDA	Rm	6 775	7 014	7 996	10 547	13 104	<b>14 626</b>
EBITDA (excl. IFRS 16)	Rm	6 775	7 014	7 996	6 722	8 408	<b>9 691</b>
Operating profit (statutory)	Rm	5 815	5 880	6 697	6 653	9 305	<b>10 333</b>
<b>One-off items<sup>1</sup></b>	<b>Rm</b>	<b>-</b>	<b>(511)</b>	<b>(40)</b>	<b>-</b>	<b>265</b>	<b>439</b>
Operating profit (normalised) <sup>1</sup>	Rm	5 815	6 391	6 737	6 653	9 040	<b>9 894</b>
Capital items	Rm	(29)	(37)	(1 278)	(5 107)	(164)	<b>146</b>
Net finance costs	Rm	620	1 168	1 581	3 016	2 059	<b>2 206</b>
Net finance costs (excl. IFRS 16)	Rm	620	1 168	1 581	1 379	659	<b>823</b>
Effective tax rate	%	30.9	38.4	41.9	(81.6)	31.2	<b>26.2</b>
Earnings	Rm	3 550	2 874	2 230	(2 858)	4 875	<b>6 114</b>
Headline earnings	Rm	3 576	2 917	3 393	2 310	4 972	<b>6 009</b>
Headline earnings per share (statutory)	cents	133.6	84.5	98.3	65.5	135.4	<b>162.6</b>
Headline earnings per share (normalised) <sup>1</sup>	cents	103.7	99.3	100.6	65.5	130.2	<b>150.7</b>
Dividends per share	cents	-	27.8	20.9	-	44.2	<b>55.2</b>
Weighted average number of shares in issue	No.	2 678	3 450	3 450	3 520	3 674	<b>3 696</b>
		JSE listing and issuance of 882m shares	Guarantee exposure provided for	Guarantee exposure provided for	-	IFRS 16 gain: Acquisition of properties	Guarantee exposure recovered
IFRS implementation		-	-	IFRS 9 IFRS 15 IFRIC 23	IFRS 16	-	-

<sup>1</sup> Normalisation note

## Resilient growth in revenue and profitability (Rbn)

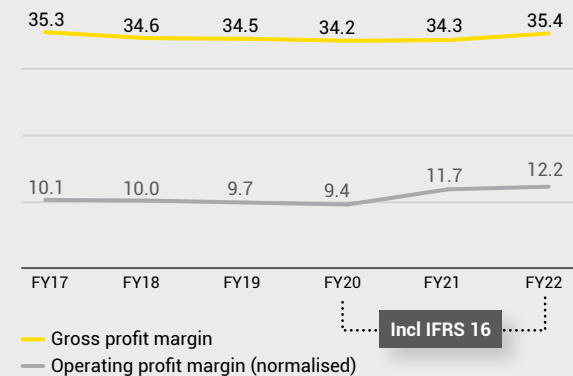


### FIVE-YEAR CAGR

Revenue  
+7.1%

Operating profit (normalised)  
+11.2%

## Consistent profit margins (%)



### SIX-YEAR AVERAGE

Gross profit margin  
+34.7%

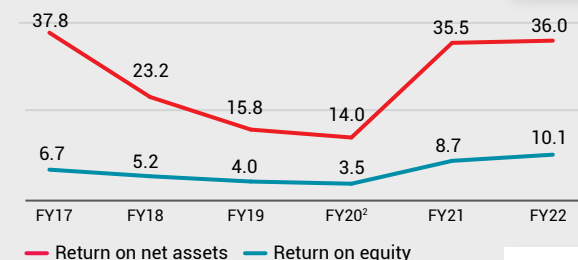
SIX-YEAR PERFORMANCE *continued*

		FY17	FY18	FY19	FY20	FY21	FY22
<b>Cash generation</b>							
Cash generated from operations	Rm	6 276	5 312	4 086	12 912	11 033	<b>11 187</b>
Cash conversion	%	96	79	94	122	84	<b>75</b>
Cash generated from operating activities	Rm	2 247	5 217	556	8 667	7 111	<b>5 465</b>
Cash flows from investment activities	Rm	6 211	(2 194)	(1 576)	(2 187)	(1 760)	<b>(3 470)</b>
Cash flows from finance activities	Rm	(7 312)	(220)	1 306	(4 621)	(4 985)	<b>(3 773)</b>
<b>Capital allocation and gearing</b>							
Capital expenditure	Rm	1 813	1 871	1 715	1 693	2 882	<b>2 613</b>
Capital expenditure as a percentage of revenue <sup>1</sup>	%	3.1	2.9	2.5	2.4	3.7	<b>3.2</b>
Share repurchases	Rm	–	–	–	–	762	<b>643</b>
Net debt (incl. IFRS 16)	Rm	11 951	12 623	13 931	23 249	19 306	<b>21 807</b>
Net debt (excl. IFRS 16)	Rm	11 951	12 623	13 931	7 068	4 977	<b>7 110</b>
Net debt-to-EBITDA (excl. IFRS 16)	times	1.80	1.64	1.70	1.02	0.58	<b>0.71</b>
<b>Returns</b>							
Return on equity	%	6.7	5.2	4.0	3.5 <sup>2</sup>	8.7	<b>10.1</b>
Return on net assets	%	37.8	23.2	15.8	14.0 <sup>2</sup>	35.5	<b>36.0</b>
<b>Operations</b>							
Number of retail stores	No.	4 953	5 197	5 415	5 480	5 470	<b>5 830</b>
Retail space	'000 m <sup>2</sup>	2 307	2 375	2 434	2 410	2 418	<b>2 592</b>
Trading density	R'000	25 224	26 800	27 909	27 984	30 920	<b>31 231</b>

<sup>1</sup> Includes Hammarsdale DC development, social unrest and KwaZulu-Natal floods

<sup>2</sup> Excludes impairment on goodwill and intangibles

Strengthening returns (%)



SIX-YEAR AVERAGE

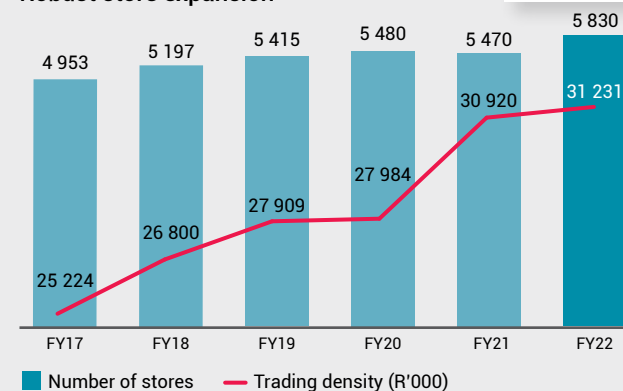
Return on net assets  
**+27.0%**

Return on equity  
**+6.4%**

FIVE-YEAR CAGR

Trading density  
**+4.4%**

Robust store expansion



# LEADERSHIP ENABLING GOOD GOVERNANCE



# Chair's review



**WENDY LUHABE**

*Independent non-executive chair*

I am pleased to present Pepkor's sixth integrated report. During FY22, the group delivered strong and consistent performance notwithstanding continued volatility and turbulence.

## Pepkor's role in society

South Africa continues to face significant socio-economic challenges with high unemployment impacting people's prosperity. Pepkor continued to play a significant role in society, providing employment for close to 50 000 people. We invested in the development of our employees through 1.8 million hours of training provided this year. We support our communities through many initiatives, including early childhood development which assists 13 200 children, while continuing to improve our broad-based black economic empowerment credentials. As a company, we are committed to diversity and inclusion, and we continue to make improvements in both areas. From an environmental perspective, we have made excellent progress in understanding our environmental impact through improved data quality and adoption of the Task Force on Climate-related Financial Disclosure framework which guided our first TCFD report. Most importantly, the group makes the unaffordable affordable and accessible for many South Africans with limited financial means.

- Operating environment
- Business model
- Sustainability report

## Performance in FY22 and beyond

Pepkor delivered commendable results in FY22 despite the headwinds faced during the year. The group continued its recovery from the social unrest which shook our country in July 2021. We reopened another 104 of the 549 stores affected by this during the year, while the remaining 37 affected stores will be reopened in the next financial year. The total damage suffered by the group due to the social unrest amounted to R1.5 billion. Although this amount was fully recovered from our insurers, it placed enormous pressure on our teams to restore operations. The PEP team faced its own unique challenge this year with the flooding of its KwaZulu-Natal distribution centre in April 2022. Despite the damage being significant, the team restored operations within an admirable time period.

These factors have strengthened our resilience but weighed on sales performance. However, the group's diversified portfolio, in combination with our diligent focus on costs, drove increased profitability. This enabled the group to declare a dividend of 55.2 cents per share, representing an increase of 24.9% on the prior year.

As is customary, the board reviewed and approved the group's three-year plan up to 2025. This plan includes numerous strategic initiatives in the form of eight growth drivers to leverage our strong position in the discount and value market to drive growth and expansion. A number of value-creation opportunities have been identified throughout the group. The group's first priority from a capital allocation perspective will be to execute on these strategic initiatives, creating sustainable value for all stakeholders. We will continue to focus on our strengths, while leveraging off our assets.

- CEO's review
- CFO's review
- Achieving growth in a low-growth environment

A very positive development during the year was the recovery of Pepkor's exposure to the management investment company, Business Venture Investments 1499 (RF) Proprietary Limited (BVI). As reported to shareholders in 2018, BVI was invested in Steinhoff shares and Pepkor fully provided for its exposure in terms of a financial guarantee on behalf of BVI and associated employee loans. The guarantee was converted to a loan between BVI and Pepkor in 2020. The successful implementation of the Steinhoff global settlement resulted in the recovery of this exposure. In addition, all related claims and litigation, as previously reported in Pepkor's annual financial statements since 2018, were settled. The Pepkor board is of the view that this is a very positive conclusion for Pepkor as it is able to honour its commitment made to shareholders in 2018 to recover the funds.

## Governance and leadership

The board welcomed Pieter Erasmus as non-executive board member in January 2022 to strengthen our retail experience on the board. Pieter is a chartered accountant and served as Pepkor group CEO from 2001 to 2017.

We were pleased to receive overwhelming support of above 90% for both our remuneration policy and implementation report at our annual general meeting (AGM) held in March 2022. This demonstrates the progress we have made regarding remuneration governance and disclosure.

In August 2022, Leon Lourens, who served as CEO from December 2017, informed the board of his decision to take early retirement after 32 years of dedicated service to the group. The board is indebted to Leon for his exemplary leadership and valuable contribution to the group during a time that Pepkor faced

a number of challenges, including dealing with the repercussions of the Steinhoff crisis, the effects of the COVID-19 pandemic, the 2021 social unrest and the 2022 KwaZulu-Natal floods. Under his stewardship, Pepkor successfully navigated these challenges and continued to deliver commendable results. Leon was also instrumental in the conclusion of Pepkor's acquisition of the Brazilian retailer, Group Avenida. We wish Leon great success in his future endeavours.

The board announced the appointment of Pieter Erasmus as an executive director and the CEO of Pepkor with effect from 1 October 2022. As a result of this appointment, Pieter resigned as member of the human resources and remuneration committee and was appointed as member of the social and ethics committee on 1 November 2022.

In addition, Sean Cardinaal was appointed as chief operating officer of Pepkor. Sean has considerable retail experience, having served as chief operating officer of the European listed Pepco Group. Sean successfully drove value creation in the Poundland and Dealz business, including developing the group's international sourcing capabilities. Prior to this, Sean was at PepClo (the group's manufacturing operation) from 2003 before becoming buying director of PEP. He served as managing director of Ackermans from 2011 to 2016 and was instrumental in repositioning the Ackermans business to become a value retail champion in South Africa, which laid the foundation for many years of market-leading growth.

The board looks forward to the value that both Pieter and Sean with their considerable business and retail experience and knowledge will add to the group.

### Corporate governance report

**Wendy Luhabe**

*Independent non-executive chair*

# Our board

The board and executive leadership team are responsible for upholding good corporate governance and safeguarding Pepkor's ethics and culture. Our commitment to good governance, ethics, integrity and compliance has been formalised to meet all applicable regulatory and governance requirements.

## Led by good governance

The board leads by example, instilling and nurturing a culture rooted in Pepkor's code of ethics. The philosophy of this code embodies the belief that ethical behaviour is good for business. The code is complemented by a number of corporate policies, charters and operating procedures which provide detailed guidelines on specific issues.

Good governance is a vital enabler for value creation. Sound corporate governance creates a solid foundation on which the sustainability of the group is founded. It instils a culture that attracts and retains employees, provides consumer confidence in the group's brands, operations, products and services, providing and enhancing long-term confidence in the company.

The board ensures Pepkor's strategic direction and purpose are well defined, while management has the responsibility

of formulating and implementing the strategy. Successful implementation of the strategy is in the best interest of all stakeholders.

### OUR FOCUS

Governance beyond compliance

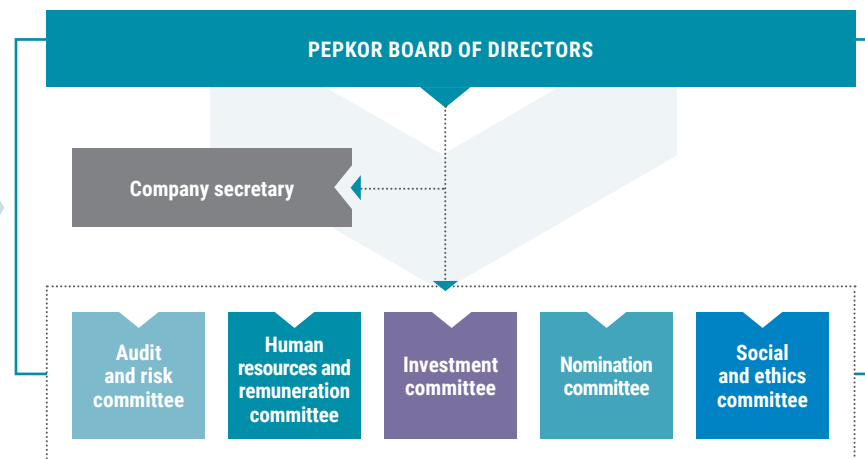
Ethical business practices

Responsible use of information and technology

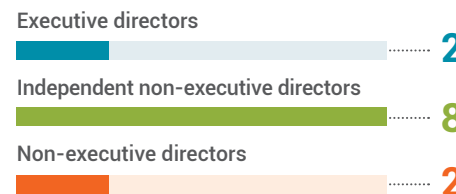
Responsible human resource management and remuneration practices

The board's scope of authority, composition and functioning is contained in a charter that is reviewed regularly. All board committees are governed by specific terms of reference that include its responsibilities and annual work plans against which it reports.

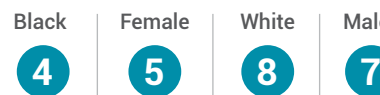
## Governance structure



### Board composition



### Diversity



**100%**  
scheduled  
board meeting  
attendance

OUR BOARD *continued*

# Board of directors

Executive directors



**PIETER ERASMUS (57)**

BCom (Hons) RAU, CA(SA)  
**Chief executive officer**

● ■

**RIAAN HANEKOM (53)**

BAcc, BCom Hons (Acc), CA(SA)  
**Chief financial officer**

●

Non-executive directors



**THEODORE DE KLERK (53)**

BCom (Hons), CTA, HDip (Tax),  
CFM

●

**LOUIS DU PREEZ (53)**

BCom, LLB

▲\*

● Member of the audit and risk committee    ▲ Member of the human resources and remuneration committee    ● Member of the investment committee  
\* Member of the nomination committee    ■ Member of the social and ethics committee

Independent non-executive directors



**WENDY LUHABE (65)**

BCom  
**Independent non-executive chair**  
\* (Chair)

■

**PAULA DISBERRY (55)**

BA (Hons), MA (Cambridge)

■

**HESTER HICKEY (68)**

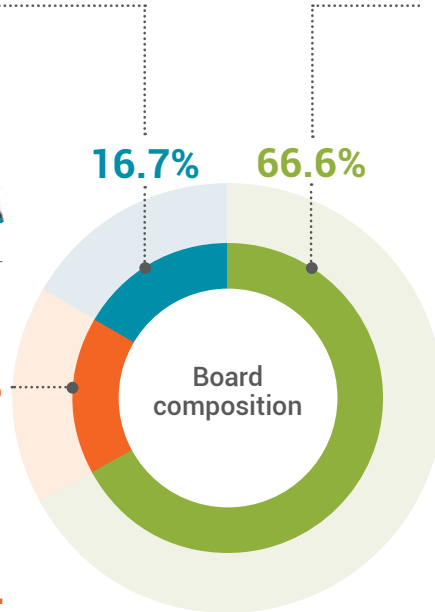
BCompt (Hons), CA(SA)

● (Chair) ●

**IAN KIRK (64)**

CA(SA), HDip BDP, FCA (Ireland)

● (Chair) ▲



**ZOLA MALINGA (44)**

BAcc (Hons), CA(SA)

● ■

**ISAAC MOPHATLANE (49)**

IT entrepreneur

▲\*

**STEVE MÜLLER (61)**

BAcc, BAcc (Hons), CA(SA),  
Sanlam EDP, IoDSA

▲ (Chair) ● ●

**FAGMEEDAH PETERSEN-COOK (47)**

BBusSc (Act.Sc.), FIFoA,  
Certificate in Climate Change and  
Sustainability, FASSA, PGDip Global  
Business OXON, PGDip (MgtPrac)  
UCT GSB, CD(SA) IoDSA

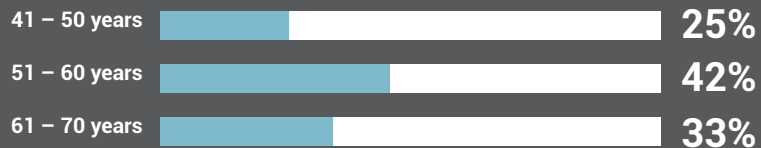
■ (Chair) ● ●

Diversity of skills



🔗 Director CVs are available in the corporate governance report

Diversity of age



# Governance focus in FY22

During FY22, the board focused on maintaining the company's performance and building the business in a sustainable manner, while addressing the numerous challenges facing the industry, economy and our customers. The attention on ESG matters was also enhanced.

The board acknowledges that an appropriate balance of board knowledge, skill, diversity and independence is essential to discharge its governance role and responsibilities effectively. Significant focus was placed on effective leadership as governance practices continue to evolve. An independent board assessment was conducted during the last quarter of 2022.

During FY22 an additional non-executive director, Pieter Erasmus, was appointed to the board with effect from 12 January 2022. The appointment was made with the primary objective of enhancing and strengthening the retail industry skill set of the board. Pieter was appointed as chief executive officer (CEO) (effective 1 October 2022) following the early retirement of Leon Lourens, who served as CEO of the group from 6 December 2017.

## Looking ahead

The board will continue to focus on overseeing management's plans to sustainably grow the business, while enhancing the governance within the organisation.

## Focus of board committees in FY22

### Audit and risk committee

- › Evaluated the performance and independence of the external auditors
- › Approved the group's combined assurance model
- › Approved the group compliance framework and revised the group risk management policy
- › Evaluated the independence and performance of the internal audit function
- › Monitored information security and data governance practices
- › Considered the FY22 annual financial statements

### Nomination committee

- › Considered the outcomes of the board evaluation
- › Reviewed the board succession plan and skill set of the various committees
- › Made recommendations regarding the appointment of the new director, the composition of the board committees, the appointment of the CEO and the re-election of the directors retiring by rotation in terms of the MOI
- › Reviewed the committee's terms of reference

### Human resources and remuneration committee

- › Considered employee-related metrics
- › Monitored and approved short-term and long-term incentives
- › Revised the committee's terms of reference
- › Introduced minimum shareholding requirement for the CEO and chief financial officer (CFO)

### Social and ethics committee

- › Placed considerable focus on ESG matters and climate-related disclosures
- › Recommended the company's stakeholder engagement policy and group gift policy to the board for approval
- › Reviewed the committee's terms of reference and Pepkor's code of ethics
- › Approved Pepkor's first TCFD report for publication
- › Increased focus on improving the group's B-BBEE scorecard performance

### Investment committee

- › Considered the portfolio review of Pepkor's businesses
- › Reviewed potential acquisitions and disposals
- › Reviewed the company's share repurchase and capital management programmes

- › Audit and risk committee report
- › Remuneration report
- › Sustainability report
- › Corporate governance report

# Our employees and remuneration

Our investment in our people is designed to develop our employees.

Pepkor's employees are instrumental in creating value for our customers and our business. We encourage our operating businesses to enable our employees to live the group's purpose and add value to customers.

We create a safe and engaging working environment, where they can develop as people and professionals.

Our code of ethics is the driving force of employee behaviour. The principles set out in our code of ethics are a summary of the way we have done things for many years. It is inherent in our culture and our values, and all employees are expected to respect and abide by the principles set out in the code.

Pepkor's policies and principles provide further guidance on how employees should engage with one another and our stakeholders.

Pepkor's collective organisational development and human resources (HR) departments provide guidance and support in terms of HR strategies, policies and group-initiated management training programmes. The group supports diversity and inclusion, and the goals and objectives of the Broad-Based Black Economic Empowerment (B-BBEE) and the Employment Equity Acts.

**49 700**  
employees<sup>1</sup>

<sup>1</sup> Full-time equivalent



## WHAT WE MANAGE

Adherence to human rights and labour standards

Responsible and fair remuneration

Freedom of association

Anti-corruption

Wellness, health and safety

Inclusivity and non-discrimination

Employee development and promotion

## Remuneration

### Driving value-creation through reward

Pepkor's remuneration philosophy originates from our purpose and strategy underpinning value creation for all our stakeholders in the short, medium and long term.

### Our remuneration journey

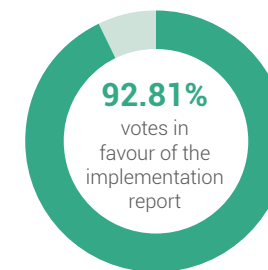
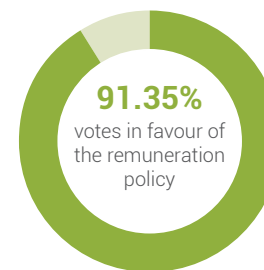
Since Pepkor's listing on the JSE in 2017, a substantial amount of work was conducted to optimise the group's remuneration policy. This supported the group's ability to create sustainable value for all stakeholders. In addition, the alignment of the interests of management and shareholders was strengthened.

The group vastly improved its transparency regarding remuneration matters through enhanced levels of disclosure that are appropriate and acceptable. This was confirmed at the 2022 Pepkor AGM where more than 75% of the group's shareholders supported both the Pepkor remuneration policy and the implementation thereof.

Pepkor continues to benchmark, monitor and review its remuneration policy to ensure it fulfils its purpose and strategy in the short, medium and long term. Based on this evaluation, we believe no substantive changes need to be made to our remuneration policy in FY23.

### Shareholder engagement and feedback

The remuneration policy and the implementation report on remuneration policy were presented to shareholders for non-binding advisory votes at the AGM held on 10 March 2022. Of the votes cast:



Pepkor engages with several shareholders on the topic of remuneration. During this year, the following issues were raised:

Shareholder feedback	Remcom's response
Positive feedback on the progress made on the group's remuneration policy and enhanced levels of disclosure	The Remcom is appreciative of this positive feedback which recognises the efforts of both management and the Remcom in this regard.
Recommendations on key performance indicators such as return-based metrics and cash generation	This will be considered in the regular review and benchmarking of key performance indicators to ensure these remain relevant and appropriate to driving the correct performance.

Both Pepkor's remuneration policy and FY22 implementation report will be presented to shareholders for separate non-binding advisory votes at the AGM in 2023. We trust that shareholders will again vote in favour of the remuneration policy and its implementation. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the AGM, Pepkor will engage with such shareholders and request written submissions or otherwise in order to address their concerns.

### Remuneration report

OUR EMPLOYEES AND REMUNERATION *continued*



**Remuneration governance**

The human resources and remuneration committee (the Remcom or the committee) oversees the group's remuneration philosophy and principles on behalf of the board. The committee is charged with ensuring fair, responsible and transparent remuneration practices that promote the execution of Pepkor's strategy and integrated value proposition. This entails achievement of sustainable growth and building better business, which integrates economic and ESG themes. In line with Pepkor's decentralised operating structure, each operating business within the group has its own remuneration committee. The group's CEO, CFO and human resources executive attend the meetings of these committees and report on relevant matters to the Remcom.

**Remuneration policy**

At Pepkor, we believe that great people are the foundation of our success. We provide remuneration packages that secure the specialist teams and systems required by each operating business and support the performance-focused culture

of the group. Recognising the dynamic nature of the group as a whole, the group remuneration policy is represented by the collective individual remuneration policies of each operating business.

**Remuneration philosophy**

Pepkor's remuneration philosophy reinforces our purpose and embodies our values. The aim is to create a positive impact for our customers, growth for our people, operating businesses and the group, and thereby serve shareholder interests. By applying appropriate remuneration structures across all employee levels, we aim to attract, motivate and retain key and critical talent through guaranteed pay, short-term and long-term incentives.

**Fair and responsible remuneration**

The Remcom views fair and responsible remuneration as being internally equitable and externally competitive.

**FY22 implementation of remuneration policy**

**Compliance with the remuneration policy**

The Remcom is satisfied that:

- the remuneration policy achieved its primary objectives;
- no deviations to the policy occurred; and
- no circumstances warranted the application of any malus or clawback provisions.

# CREATING VALUE THROUGH STRATEGY





**PIETER ERASMUS**  
Chief executive officer

## Pepkor's resilient business model continues to deliver growth despite challenging operating conditions.

➤ Strong earnings growth

➤ Substantial market share gains

➤ International expansion

## CEO's review

While this is my first report as CEO of Pepkor in its current form, I have a long history with the group. I joined the group in 1998 as financial director at PEP and was managing director of Pepkor from 2001 until 2017. During this period, Pepkor delivered significant organic growth and expanded locally and internationally through acquisitions. The first international acquisition was Best&Less in 1998, followed by the great success story of Pepco in Poland, which grew from 14 stores in 2003 to more than 3 500 stores today. Pepkor UK was formed in 2014 and a very successful international sourcing office was established in China during this time.

Since its inception, Pepkor's focus has always been to meet customers' needs as close as possible to their homes and at the lowest cost. This philosophy led us to expand our clothing offer to cellular and financial services, becoming one of the first retailers to enter this arena at the time. This offer was strengthened with the launch of loans through our Capfin business, as well as the acquisition of the Flash business in 2012.

Pepkor has some great South African brands in its stable with histories dating back more than 100 years. Sean Cardinaal, our newly appointed chief operating officer, also has a long history with the group. He joined PepClo (our manufacturing operation) in 2003, became buying director of PEP, and was the driving force behind the Ackermans success, serving as managing director from 2011 until 2016. After this he joined Pepkor UK and later Pepco Group. His role will further strengthen our ability to focus and grow our business.

Over the past five years, the Pepkor leadership team had to deal with extraordinary events. Leon Lourens led the team as CEO in an exemplary way and deserves the utmost appreciation of all the stakeholders of Pepkor. The strong cultures and commitment of teams within the Pepkor

businesses enabled the group to deal with COVID-19 in 2020, the social unrest in July 2021 and, most recently, the extensive flooding in the KwaZulu-Natal province. This enabled the group to become the leader in the discount and value market of South Africa, with substantial market share. Our positioning in this market underpins our ability to produce good results consistently through different economic cycles.

During FY22, the group executed on its eight growth drivers and delivered a good performance.

- GD1** New store openings  
**319 new stores**
- GD2** Development of new formats  
7 new formats developed since 2010
- GD3** Adult wear  
Market share in adult wear breaches **10%**
- GD4** Footprint leverage  
**PAXI delivered 11 million** customer parcels since its launch in 2018
- GD5** FinTech  
**1.6 billion** virtual transactions
- GD6** E-commerce  
**10%** of sales are online in JD Tech
- GD7** Informal market  
**7 million** daily Flash transactions
- GD8** Expansion opportunities  
**Avenida** acquisition completed in Brazil

**MM** Achieving growth in a low-growth environment

## Business review

### PEP

PEP's performance was most impacted by disruption in social grant payments and the flooding of its KwaZulu-Natal distribution centre. This impacted in-store product availability and sales.

Best price leadership was maintained, with 96% of products sold equally priced or cheaper than the competition. The PEP HOME stand-alone format achieved solid sales growth of 25.9% with substantial market share gains of 415 basis points over three years (RLC). The PEP HOME retail footprint was expanded to 355 stores through 61 new store openings. PEP sold 8.1 million cellular handsets with more than 50% representing smartphones. Cellular performance was impacted by increased competition.

The PAXI parcel distribution initiative, which leverages the retail footprint of PEP and other Pepkor brands in over 2 800 locations, increased volumes by 20%. PAXI distributed 4.2 million parcels during the year and supports 24 000 small and medium enterprises.

PEP opened 134 new stores during the year, expanding its retail store base to 2 579 stores.

### Ackermans

Performance in Ackermans was impacted by constrained consumers, electricity load shedding, which worsened in the last quarter, as well as incorrect merchandise mix decisions in some departments.

The credit sales mix decreased marginally to 17% from 18% in the prior year notwithstanding a record number of new accounts opened.

**CEO'S REVIEW** *continued*

The stand-alone Ackermans Woman format reported sales growth of 46.9%, supported by 12 new store openings, which increased the store base to 46 stores. The Ackermans Connect stand-alone format was expanded to 32 stores through 28 new store openings, and 2.7 million cellular handsets were sold during the year. Ackermans opened a total of 77 new stores during the year and expanded its retail store base to 951 stores. Ackermans' free click-and-collect service was rolled out to all stores and is performing well.

**PEP Africa**

The retail store footprint was consolidated further to 280 stores, while customer acquisition and reach is being enhanced through virtual channels. The group again achieved favourable repatriation of profits.

**Speciality**

The Pepkor Speciality (Speciality) retail brands with their value offering performed extremely well from both a sales and profitability perspective. Tekkie Town performed well despite international branded supplier restrictions on product inflows. Shoe City successfully adapted their product ranges to new consumer trends, and Dunns enhanced its product offering in ladies outerwear. Refinery expanded its store base to 99 stores with 18 new stores opened during the year as its ability to trade in new location types is proving to be successful. S.P.C.C opened five stores after developing a brick-and-mortar store format as part of its omnichannel strategy to leverage its strong online capability. Online sales more than doubled during the year off a high base. CODE opened 10 new stores, expanding its retail footprint to 30 stores. The Speciality store base was expanded to 864 stores following the opening of 48 new stores during the year.

**Avenida**

Pepkor acquired the Brazilian value retailer, Avenida, in February 2022 with 130 stores. The business was recapitalised and performed well, exceeding expectations in many respects.

The business is in the process of being repositioned to leverage opportunities in Brazil's emerging market with Pepkor's ability and experience to provide products and services at scale and at

affordable prices aligned with middle to low-end consumer markets. Avenida's focus is to formalise the highly fragmented clothing market, creating a predominant player in the value and discount retail market.

Avenida opened five new stores during the year, growing the store footprint to 135 stores. Based on the success of its value-creation plan, new store openings planned in FY23 have been raised to 15 from 10 stores initially, with expansion to be funded by cash generated in-country.

The Avenida credit book, which facilitates 43% of sales, performed to expectation and amounted to R670 million (gross). The provision level is 24% based on non-performing loans, which are within expected levels.

**JD Group**

Consumer demand for household goods and consumer electronics weakened during the year after two years of exceptional growth driven by digitisation, technology upgrades, work/school-from-home and home improvement trends. During this time, JD Group took advantage of consolidation in the market to expand its market share in key product categories with 137 basis points (GfK) since pre-COVID-19. Over the past three years, JD Group achieved compound annual like-for-like sales growth of 6.2%.

In the JD Tech division, online sales increased by 43.7%, contributing 10% to divisional sales for the year. Credit granting was expanded on a conservative basis during the year and resulted in the total credit sales mix increasing to 12% from 11% a year ago. As a result, the Connect credit book, which facilitates credit sales in JD Group, increased to R1.7 billion from R1.5 billion a year ago (gross). The provision level decreased to 31% from 35% a year ago, based on the improved quality and continued positive collections performance.

The JD Group store base was expanded to 888 stores and includes 48 new stores opened during the year. New store openings were predominantly driven by the expansion of the Sleepmasters specialist bedding brand.

**The Building Company**

Strong performance in The Building Company (TBCo) continued into the second half of the year despite the negative trends that exist in the South African building and construction industry, with continued slowdown in the rural and informal sectors. The interest rate cycle, heightened electricity load shedding and product inflation are critical factors impacting business confidence and performance of the industry. Load shedding does not only impact the store network but also the various contractors that are unable to operate as a result.

Timbercity was defranchised, with TBCo now operating all stores, and five Chipbase stores were rebranded to Timbercity stores. The consolidation of the Cachet and MacNeil operations into Brands4Africa was also completed during the year – reducing its operating cost base. The store base was expanded to 133 retail stores through seven new store openings during the year.

**FinTech**

The Flash business supports 202 000 traders in the informal market and is immersed in the South African informal market. The average turnover generated per trader improved by 12% during the year. Flash's understanding of consumer needs, the technology used and their extensive interconnected network of partners work to better connect the informal and formal market sectors. During the year, Flash digitised cash of R6.7 billion through 1Voucher, which connects consumers to more than 100 virtual content partners. Flash increased profitability by 19.3%.

The Capfin business performed well with healthy growth in new loan activations. The number of Capfin loans increased by 13% to 270 000 at 30 September 2022 compared to a year ago and the targeted new loan mix of 75% six-month loans was achieved.

CEO'S REVIEW *continued*

# Building Better Business

Pepkor has always been a purpose-led group where everything revolves around making a positive difference and adding value to the lives of our customers. With this in mind, the group identified seven focus areas as part of its building better business strategy, as indicated below. This includes only some of the many highlights achieved by the group in these areas during the year. More detail around this is included in our 2022 sustainability report.

Sustainability report

**Independent**  
and diversified  
board

**First**  
TCFD report  
published

**Group-wide**  
supplier compliance  
strategy



Pepkor was included in the FTSE Responsible Investment Index for the first time this year and I am satisfied to see the group being recognised for the important and significant role it plays in society from a sustainability or ESG perspective. We will always do what is right and what makes sense for our customers in their context.

FTSE/JSE Responsible Investment Index



## Looking ahead

The operating environment in the formalised retail market is becoming more and more challenging. Consumers are under increasing pressure as the cost of living rises well beyond growth in income levels. The bulk of the Pepkor retail businesses are more defensive in their positioning and, based on this, the group will continue to benefit from consumers buying down into the discount and value sectors of the market. In contrast, the informal market of South Africa is believed to be growing aggressively as people make innovative plans to supplement their income through small businesses and ventures.

Pepkor has an unparalleled ability to operate in close proximity to customers from a formal retail market perspective. The group sells more than one billion units annually through its expansive retail store footprint of more than 5 000 stores, enabled by its international sourcing and distribution capability.

From a virtual perspective, the group processed 1.6 billion transactions in FY22 and our reach into the informal market is further strengthened through 202 000 informal traders

using Flash devices to enable their businesses to sell virtual products to customers outside of normal trading hours.

These core competencies and capabilities place Pepkor in the unique position to leverage physical and digital assets and infrastructure. This enables the convergence of the formal and informal retail markets.

The emergence of virtual mobile networks along with the push for smartphone access by the authorities is changing the landscape very fast with banks, telecommunication companies and other retailers offering solutions to the market at a rapid rate. Pepkor sells seven out of 10 prepaid cellular phones in South Africa and will focus on enabling customers to access products and services that they need from Pepkor in this very competitive landscape.

I look forward to serving the Pepkor group and enabling it to grow to new heights and create sustainable value for all stakeholders.

**Pieter Erasmus**  
Chief executive officer

# Strategy

The group has a decentralised structure, where each retail brand has its own unique customer value proposition and approach.

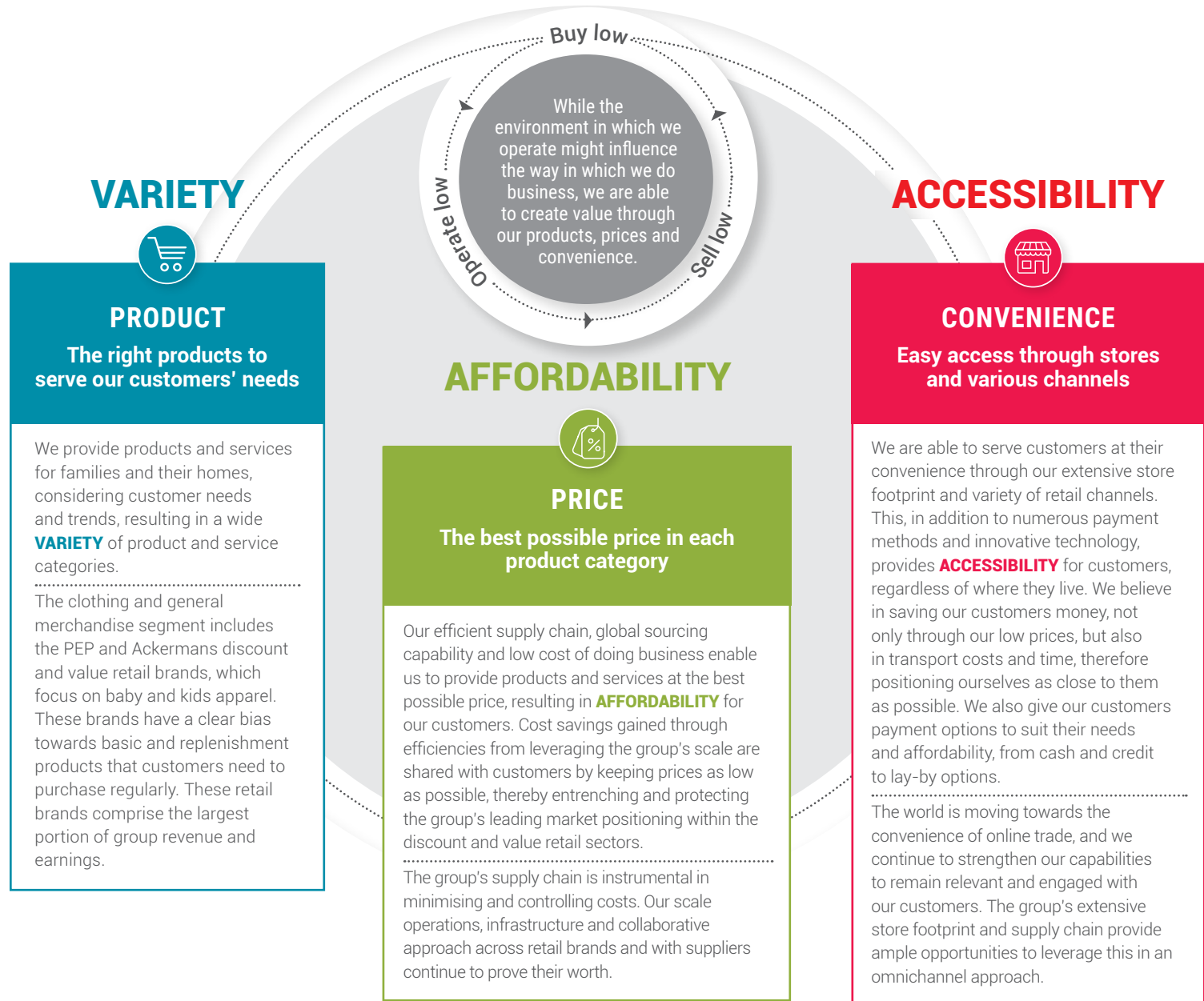
Our overarching strategy of providing customers with value for money is the focal point and guides the strategy in each of our operating businesses.

Operating businesses are supported and enabled by Group Strategic Services, including specialist skills and capabilities to share and apply best practice while leveraging the scale of the group.

The same key measure that applies to the group in terms of maintaining a low cost of doing business is fundamental to each of the operating businesses' strategies. Managing a large retail group in the discount and value retail market requires an approach focused on simplicity and efficiency to ensure costs are contained.

Our strategy and growth drivers effectively respond to our material matters.

- CEO's review
- Material matters



# Operating environment

Pepkor has a defensive business model and unparalleled position within the South African discount and value sectors that underpins its ability to drive sustainable growth and resilient performance in an increasingly challenging operating environment.



## Global economy

Following a tentative recovery in 2021 after COVID-19, global growth expectations were revised downward by the IMF<sup>1</sup> based on risks emerging as global output is negatively impacted by downturns in China and Russia, coupled with lower consumer spending in the markets such as the United States. Inflation has surged in most markets, based on food and energy prices in addition to lingering supply and demand imbalances. To combat inflation, tighter monetary policy is applied, driving interest rates higher and weighing on future growth expectations.

Risks identified by the IMF that could impact the global economic outlook include the war in Ukraine affecting European energy supply, the inability of markets to temper and reduce inflation, debt distress in emerging markets induced by tighter global financial conditions, renewed COVID-19 outbreaks affecting growth in China, and geopolitical fragmentation impacting global trade and co-operation.

The first priority for policymakers should be to reduce inflation to address pressure on living standards. This will come at a cost to growth and expansion. Governments can assist the most vulnerable through targeted fiscal support but this may result in increased taxes or lower government spending in other areas to fund it.

Climate change action is required to limit emissions and increase investment to support the green transition.

Global and industry-related market conditions have a direct impact on the group's operations and performance. **Our largest market is South Africa.**



## South African economy

With 60 million people of different races and cultures spread across nine provinces with 11 official languages, South Africa is very rich in diversity. With the highest level of inequality in the world<sup>2</sup>, the country faces many structural challenges with sustained high levels of poverty and unemployment.

History has shown that South Africa, as an emerging economy, has demonstrated itself to be relatively resilient in facing challenges. The country faces sustained high levels of inequality and unemployment and debilitating electricity supply rationing by the country's electricity provider, and inflation and increased cost of living have resulted in interest rate hikes by the South African Reserve Bank. These factors threaten growth prospects.

The socio-economic impact of COVID-19, the social unrest that erupted in July 2021 and the KwaZulu-Natal floods in April 2022 exacerbated existing challenges for government and business to stabilise the economy, improve service delivery and grow employment. Low productivity and the inability to do business has negatively impacted business confidence.

The extension of the Social Relief of Distress (SRD) grant to March 2023, as announced in the State of the Nation Address (SONA) by the president, will provide some respite for many South Africans who need to survive on a small budget. The introduction of a basic income grant continues to be considered by the government and will be positive to support individuals in dire need.

As a diversified economy, with prominent resource and agriculture sectors, South Africa should benefit from increased exports and higher commodity prices in resources and agriculture sectors as a result of the conflict between Russia and Ukraine.

<sup>1</sup> International Monetary Fund World Economic Outlook Update July 2022

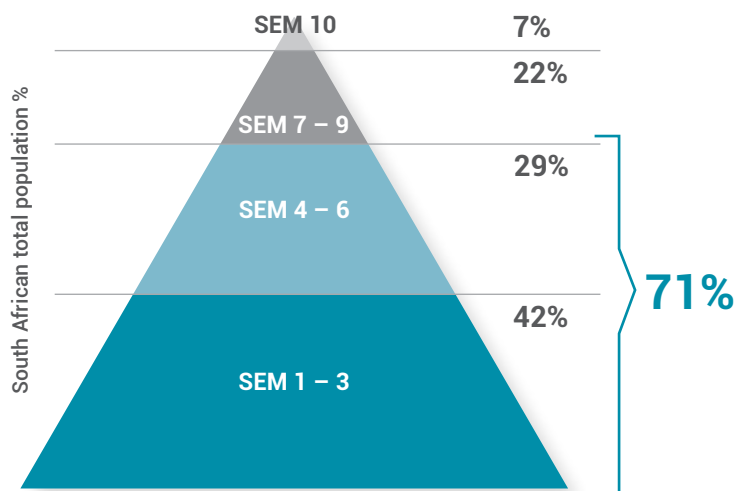
<sup>2</sup> World Economics.com

OPERATING ENVIRONMENT *continued*

## Retail industry

The South African retail industry comprises a blend between the formal and informal sectors based on the cross-sections of consumers.

SEM distribution of the South African population



The socio-economic measure (SEM)<sup>1</sup> depicts how South Africans live and what they have access to. The SEM distribution of the South African population shows that the **vast majority – 71% of the total population – find themselves in the lower SEM categories (SEM 1 to 6)**. These consumers have limited access to products and services based on their limited financial means.

Consumer confidence remains extremely depressed<sup>2</sup> as the cost of living rises and household income remains stagnant. Consumer spending is expected to reduce as consumers are forced to prioritise spending to less discretionary items, favouring the discount and value retail sectors, which have demonstrated resilience over time and through periods of crisis.

Pepkor is the most prominent player in the discount and value retail sectors, offering needed products where little discretion exists in the purchase decision of consumers.

It is therefore not surprising that this is an attractive proposition for competitors to enter these sectors. We remain focused on further entrenching our market position based on our unparalleled experience to operate sustainably and profitably in these sectors.

The informal sector is expected to be more resilient as consumers are unable to afford purchasing and transacting in the formal sector due to the cost of banking and data remaining high. The group sees this as an opportunity to leverage our already established penetration into this sector further.

## Consumer trends

Some normalisation trends in consumer buying behaviour have emerged following COVID-19 with customers returning to stores in larger shopping centres. Online trends have resulted in changes in consumer spending patterns as consumers reconsider the ways in which they shop and transact. In the group's context, this is most prominent with customers of higher-end brands, as the cost of data and technology remains prohibitive in the discount space.

We have, however, seen a clear shift by customers to smartphones and away from feature phones over the past few years. This presents an opportunity to engage more with our customer in a digital format and to leverage our expansive retail and distribution footprint which already positions us so close to our customers – offering them the right product at the right price and at their convenience.



<sup>1</sup> The Broadcast Research Council of South Africa

<sup>2</sup> Bureau for Economic Research

# Business model

## Strategy and approach

We use and apply our capital inputs to provide products and services to our customers through our brands and operational businesses.



Stakeholders

In our operational activities, our business model allows us to buy low, operate low and sell low.

### Buy low - Operate low - Sell low



Strategy

We measure and manage by-products (such as waste and carbon) that are produced during the manufacture and distribution of our products and services.

Sustainability report

## Dependencies we manage and rely on

<p><b>FINANCIAL CAPITAL</b> <span>FC</span></p> <ul style="list-style-type: none"> <li>MM Achieving growth in a low-growth environment</li> <li>MM Maintaining a low cost of doing business</li> <li>MM Allocating capital effectively</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder equity</li> <li>Debt financing</li> <li>Customer sales</li> <li>Investor confidence</li> </ul>
<p><b>MANUFACTURED CAPITAL</b> <span>MC</span></p> <ul style="list-style-type: none"> <li>MM Maintaining an efficient and effective supply chain</li> <li>MM Achieving growth in a low-growth environment</li> </ul>	<ul style="list-style-type: none"> <li>Access to product supply</li> <li>Reliable services</li> <li>Retail store network</li> <li>Logistics and information technology (IT) infrastructure and systems</li> </ul>
<p><b>HUMAN AND INTELLECTUAL CAPITAL</b> <span>H&amp;I</span></p> <ul style="list-style-type: none"> <li>MM Attracting and retaining talent</li> <li>MM Maintaining an efficient and effective supply chain</li> <li>BBB Employee development</li> </ul>	<ul style="list-style-type: none"> <li>Employee commitment</li> <li>Strong board and executive team</li> <li>Diverse skills and talent</li> <li>Innovative capability</li> <li>Intellectual property</li> <li>Supplier management</li> <li>Trusted governance</li> </ul>
<p><b>SOCIAL AND RELATIONSHIP CAPITAL</b> <span>SRC</span></p> <ul style="list-style-type: none"> <li>MM Maintaining an efficient and effective supply chain</li> <li>BBB Customer enablement</li> <li>BBB Community support</li> <li>BBB Responsible sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Market demand for needed products and services at affordable prices</li> <li>Brand loyalty</li> <li>Socio-economic stability</li> <li>Regulatory environment</li> <li>Stable and reliable supplier base</li> <li>Responsible supply chain practices</li> <li>Continued investment in communities</li> </ul>
<p><b>NATURAL CAPITAL</b> <span>NC</span></p> <ul style="list-style-type: none"> <li>MM Maintaining an efficient and effective supply chain</li> <li>MM Maintaining a low cost of doing business</li> <li>BBB Environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>Energy and water security</li> <li>Supply chain efficiencies</li> <li>Resource and waste management</li> </ul>

## Inputs

## Outputs

## Outcomes

<p><b>R62.9 billion</b> shareholder equity</p> <p><b>R11.5 billion</b> interest-bearing borrowings</p> <p><b>R20.4 billion</b> operating expenditure</p>	<p><b>R11.2 billion</b> cash generated by operations</p> <p><b>R823 million</b> net finance cost (excluding IFRS 16)</p> <p><b>150.7 cents</b> normalised HEPS</p> <p><b>55.2 cents</b> dividend per share declared</p> <p><b>36.0%</b> return on net assets</p>	<ul style="list-style-type: none"> <li>Sustainable returns for investors</li> <li>Strong and flexible financial position with optimal gearing levels to execute on growth opportunities</li> <li>Ethical and responsible business practices for long-term sustainability</li> </ul>
<p><b>R1.2 billion</b> DC development</p> <p><b>R2.6 billion</b> capital expenditure</p> <p><b>319</b> new stores opened</p>	<p><b>5 830</b> stores</p> <p><b>58</b> DCs and hubs</p> <p><b>745 527 m<sup>2</sup></b> total DC and hub space</p> <p><b>28 million</b> parcels distributed through the PKL<sup>1</sup> distribution network</p>	<ul style="list-style-type: none"> <li>Effective and efficient supply chain which optimises in-store serviceability of our retail store network and caters for long-term growth, expansion and enabling leverage.</li> </ul>
<p><b>R8.6 billion</b> paid in salaries</p> <p><b>R57.5 million</b> training investment</p> <p><b>2 800</b> PAXI locations</p> <p><b>R380 million</b> IT spend</p> <p>Supply chain <b>expertise</b></p> <p>Brand <b>management</b></p>	<p><b>49 700<sup>2</sup></b> employees</p> <p><b>81.8%</b> permanent PDIs<sup>3</sup> employed in South African operations</p> <p><b>58 372<sup>4</sup></b> employees trained</p> <p><b>18.3%</b> employee turnover</p> <p><b>25.3%</b> cost of doing business</p> <p><b>4.2 million</b> PAXI parcels delivered</p> <p><b>153</b> new format stores opened</p>	<ul style="list-style-type: none"> <li>Development, retention and attraction</li> <li>Fair remuneration</li> <li>Ethical and safe working conditions</li> <li>Diversity and inclusion</li> <li>Strong governance</li> <li>Digital transformation</li> <li>Best price leadership with a low cost of doing business</li> <li>Trusted and responsible brands</li> </ul>
<p><b>200</b> Ububele schools and <b>25</b> PEP Academies supported</p> <p><b>R5.2 million</b> contributed to the Do More Foundation</p> <p><b>Commitment</b> to the R-CTFL Master Plan</p> <p><b>R64.6 million</b> CSI spend</p>	<p><b>29 million</b> known customers serviced</p> <p><b>13 200</b> learners in ECD programmes through Ububele schools and PEP Academies</p> <p><b>Supplier code of conduct</b> includes social and environmental aspects</p> <p><b>Improved</b> B-BBEE contributor level</p>	<ul style="list-style-type: none"> <li>Customer affordability, accessibility and convenience</li> <li>Supplier development</li> <li>Responsible sourcing</li> <li>Community development</li> </ul>
<p><b>6.5 MWp</b> total solar generation investment</p> <p>Aligned group reporting processes to determine <b>baselines and set targets</b></p>	<p>Scope 1: <b>25 935</b> (CO<sub>2</sub>e tonnes)</p> <p>Scope 2: <b>260 332</b> (CO<sub>2</sub>e tonnes)</p> <p>Scope 3: <b>63 829</b> (CO<sub>2</sub>e tonnes)</p> <p><b>14 166 409 kWh</b> electricity saved through LED implementation</p>	<ul style="list-style-type: none"> <li>Energy and fuel efficiencies</li> <li>Greenhouse gas emission reduction</li> <li>Reduced production waste</li> <li>Responsible packaging options</li> <li>Visibility of financial impact of environmental risks through TCFD framework adoption</li> </ul>

<sup>1</sup> Pepkor Logistics

<sup>2</sup> Full-time equivalent

<sup>3</sup> Previously disadvantaged individuals

<sup>4</sup> Total number reflects all employees trained during the reporting period and not only the permanent FTE headcount

# Material matters

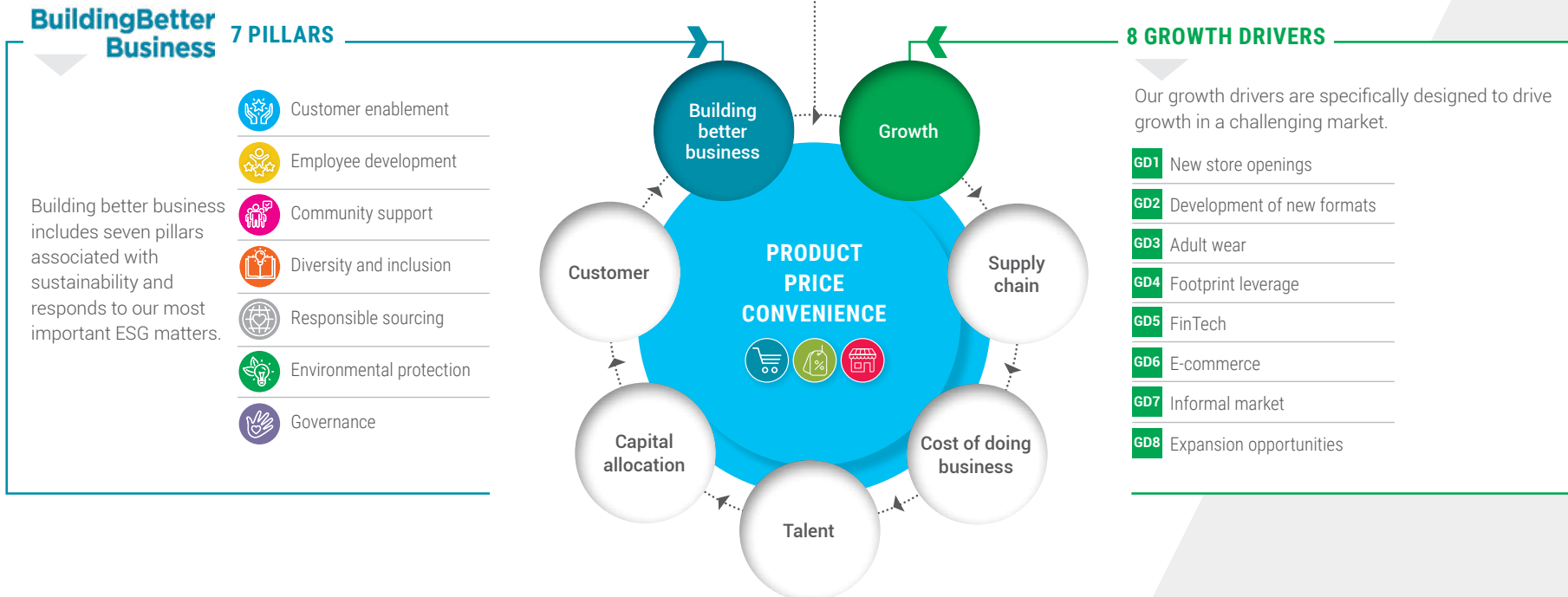
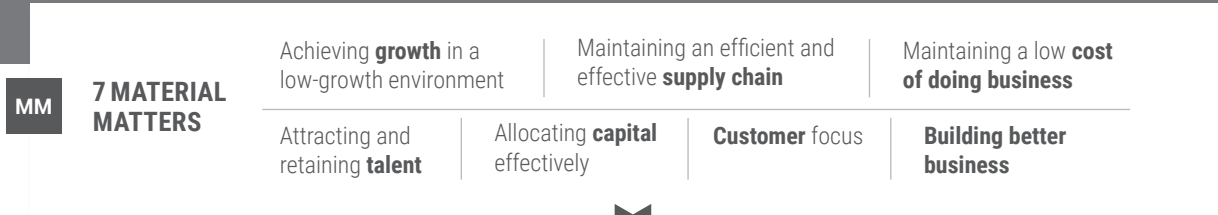
We use our material matters as our roadmap to implement our strategy. Through delivering on our material matters we add value to our business and stakeholders.

Our material matters are informed by our operating environment and based on our integrated risk management process.

The integrated risk management process is managed by senior management with input and approval from the executive directors. Risks are presented to the audit and risk committee and approved by the board.

Material matters have not been directly tested with external stakeholders, other than through customer and supplier feedback from our operating businesses.

- ☐ Operating environment
- ☐ Key risks
- ☐ Sustainability report



**MATERIAL MATTERS** *continued*

We have identified eight strategic growth drivers to underpin sustainable growth:

**1** Achieving **growth** in a low-growth environment

CAPITALS AFFECTED ⚙



KEY RISKS ⚙

1, 2, 3

The group's strong position in the discount and value markets gives us the opportunity to gain further market share as more consumers look for affordable value offerings.

Our focus is to invest in areas where we can achieve growth.

In a volatile and stagnant economic climate, there are many challenges to contend with, one of which is cost control and our ability to keep our prices as affordable as possible.

This environment places pressure on our customers' disposable income, motivating them to prioritise spending on non-durable products where they have little to no discretion in their purchase decisions. As a result, customers prioritise spending towards food, followed by essential clothing products – especially for babies and children.

We are well positioned in the discretionary market through specific product ranges and services within the brands that service the lower SEM markets in the discount and value sectors. Our scale allows us to successfully operate in these discount and value sectors.

🏠 Operating environment

**GROWTH DRIVER #1**

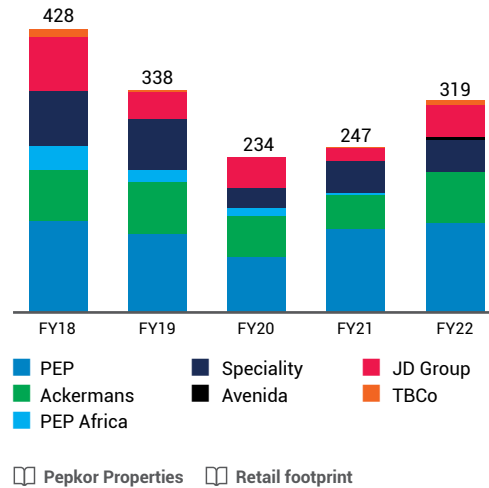
**New store openings**

The group has a long history of successfully growing and expanding our retail store footprint across our 30+ brands.

**319** new stores opened this year with potential to open more stores in future

We have consistently grown our store footprint over the past five years with sufficient opportunities in the pipeline to open more stores in future. Flexible store sizes allow our retail brands to operate successfully and profitably in both large and small economic nodes. This enables expansion opportunities as new shopping nodes develop and allows for closer proximity to our discount and value customers.

**New stores opened**



**GROWTH DRIVER #2**

**Development of new formats**

The group has successfully developed new store formats supplementary to or within our core retail brands. These formats consider the changing consumer environment and focus on key strategic product categories such as cellular, home and adult wear.

**7** new formats developed since 2010

New formats typically take time to develop and test to ensure the customer value proposition and formula are appropriate to appeal to targeted consumers in the correct locations. In a market where more competition exists in the value and discount segment, our scale and experience in this market position us favourably to allow for faster expansion.

Formats across cellular, home and adult wear have been developed over time and are performing well. The PEP HOME format took many years to develop and perfect. The Dealz discount variety format has not yet been able to establish itself as a destination store. The discount variety concept is very successful abroad but is proving to be a challenge to replicate locally.

The Ackermans Woman format is gaining good traction while the internally developed Refinery brand, launched in 2016, is proving to be very successful. A physical store concept was developed for the S.P.C.C pure online retail brand – attracting new customers.

**PEP**

- PEP HOME** 61 stores
- PEP CELL** 27 stores
- Dealz!** 5 stores

**ACKERMANS**

- ACKERMANS WOMAN** 12 stores
- ACKERMANS CONNECT** 28 stores

**REFINERY** 18 stores



Moved to omnichannel by adding 2 stores to online offering

**MATERIAL MATTERS** *continued*

**1** Achieving **growth** in a low-growth environment *continued*

**GROWTH DRIVER #3**

**Adult wear**

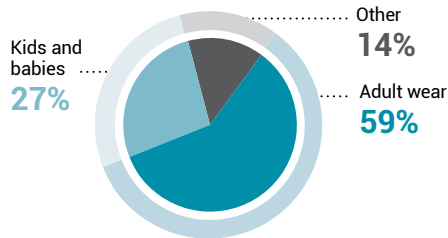
Pepkor is under-indexed in adult wear and this presents a sizeable expansion opportunity in the value space.

Group market share in adult wear breached **10%** in FY22

The foundation of the group's CFH segment will remain anchored in PEP and Ackermans providing basic and needed products for children and babies. This focus is not subject to short-term seasonal or fashion trends, which provides flexibility in the sourcing of products and the overall supply chain.

According to Retailers' Liaison Committee (RLC) data, the biggest apparel market segment is adult wear and the group's share of this segment has been very small historically. An opportunity exists to grow market share through a compelling value offering in existing retail formats and newly developed formats including Ackermans Woman, Dunns, Refinery, CODE and S.P.C.C. This has resulted in the group's market share in adult wear breaching double digits.

**South African apparel market<sup>1</sup>**



The Ackermans Woman stand-alone store concept, which focuses on value women's wear, is performing well and is ready for more aggressive expansion.

The Speciality brands have shown significant growth and continued good performance. It has more prominence in the adult men's product category across its six clothing and footwear brands, and plans to grow its women's offering through Dunns and Refinery. The branded athleisure and streetwear ranges appeal to a large unisex audience. Speciality will focus on growing its private label offerings and local designer collaborations with brands.

<sup>1</sup> RLC data

**GROWTH DRIVER #4**

**Footprint leverage**

The group's extensive geographic footprint adds to our resilience, and most brands are well known and represented in urban and rural areas and small towns.

PAXI delivered **11 million** customer parcels since its launch in 2018

The group's scale of operations enables us to service a broad geographical area through a highly efficient supply and distribution network, keeping costs down and prices affordable.

By leveraging this footprint and infrastructure, we offer customers more variety and serve more of their needs. We are the closest to our customers and therefore have the unique opportunity to leverage this connection.

**PAXI parcel delivery**

We specifically leverage our CFH store network for the PAXI parcel delivery service, allowing customers to send PAXI parcels to **2 800 locations** across PEP, PEP HOME, PEP CELL, Tekkie Town and Shoe City stores, offering more locations than the South African postal service. The PAXI initiative has grown exponentially since its launch in 2018, with no extra costs to the group's supply chain. PAXI supports **24 000 entrepreneurs** who use PAXI to distribute their products to their customers.



**Our purpose**  
We make it easy for anyone to send and receive parcels anywhere in South Africa

**Cellular**

Our cellular offering reaches customers across a retail footprint of 3 800 stores, including PEP, Ackermans, Dunns, Incredible and HiFi Corp.

Customers' move to smartphones from feature phones provide an opportunity to leverage the group's substantial market share and reach to the customer outside of the physical store network, where we can offer customers more in terms of virtual products and services.



The group sells **12 million** prepaid cellular handsets per year and has a market share of **71% (GfK in units)<sup>2</sup>**

Case study: PAXI supports community entrepreneurs

<sup>2</sup> Growth for Knowledge data and consumer goods intelligence

MATERIAL MATTERS *continued*

**1** Achieving **growth** in a low-growth environment *continued*

**GROWTH DRIVER #5**

**FinTech**

Consumers are more connected and digitally engaged than ever before, and expect convenient access to virtual products and services, anywhere and at any time.

**1.6 billion** virtual transactions completed

The options available to consumers to access virtual products and services (airtime, data, financial services, bill payments and other value-added services) have increased on the back of the rapidly growing number of smartphone users and corresponding internet penetration.

Bill payments, financial services and insurance products are also available to customers in most of our stores, supported by the services and infrastructure of Tenacity (A+ store credit facility in CFH).

Pepkor's retail brands have been offering customers these services for many years. In response to the changing consumer expectations, the group identified FinTech (collectively referring to the above-mentioned virtual products and services) as a strategic growth area.

Flash's 1Voucher effectively allows customers to digitise cash, providing access to virtual products and the ability to shop online.

**1 Voucher**  
Your way to pay  
**100+ partners**

**R6.7 billion**  
cash digitised  
since inception

[www.1voucher.co.za](http://www.1voucher.co.za)

**GROWTH DRIVER #6**

**E-commerce**

The sales growth we are seeing from our digital platforms support the notion that more customers shop or browse online.

**10%** of sales are online in JD Tech

We have leveraged the strength of our brands to increase our presence on all digital platforms across all brands. The focus is on what platform or digital solution is best suited to the customer.

Our customer-focused convenience solutions range from pure online (Everyshop) to omnichannel (Speciality, JD Group brands and TBCo), click-and-collect (Ackermans) to PEP's webroom where customers can check stock availability in-store to plan their journeys and thereby save money on transport cost. The PEP business model is to be close to customers who do not have access to online transactional ability or reliable delivery methods without increasing the cost of the item.

Our e-commerce sales are supported by existing logistics and distribution infrastructure or dedicated courier services.

The click-and-collect offering in Ackermans provides customers in outlying areas access to the full range of Ackermans products, where their closest store may carry a narrower range of products.

**PEPKOR**  
Holdings Limited

**+47% growth in group online sales**

**ACKERMANS**

**41 000 click-and-collect orders** completed in Ackermans since inception

**60% of click-and-collect orders** go to smaller stores in outlying areas that carry a limited product range

[www.ackermans.co.za](http://www.ackermans.co.za)

**PEPKOR**  
Speciality

**Online orders up 82%**

**GROWTH DRIVER #7**

**Informal market**

We believe the informal retail market presents with exponential opportunity and Pepkor can bridge the gap between formal and informal.

**7.0 million** daily Flash transactions in the informal market

With a retail store base of more than 5 000 stores, the group has extensive reach and proximity to our customers. The Flash business, which supports 202 000 traders in the informal market, has further expanded our reach into this sector.

Flash traders are all entrepreneurs in their local communities, providing access to virtual products through transactional services to customers using the Flash point-of-sale (POS) technology. Customers can safely and conveniently sell, buy and top up their favourite digital products at the Flash trader in their community, saving them time and money.

Flash earns commission from approximately 7.0 million transactions a day. Commissions earned from service partners are shared with traders, supporting their businesses. This keeps money in the communities, provides entrepreneurial opportunities for small businesses and creates new digital transaction economies through an open ecosystem.



**flash**  
Sell these products:

- + Airtime
- + Data
- + Electricity
- + Payments
- + 1Voucher
- + Global
- + Transfers
- + RICA

**+11.5% growth in turnover per Flash device**

MATERIAL MATTERS *continued*

**1** Achieving **growth** in a low-growth environment *continued*

**GROWTH DRIVER #8**

**Expansion opportunities**

We are continuously considering expansion opportunities, both locally and internationally.

Expansion into Brazil through the acquisition of **AVENIDA**

In February 2022, we acquired an effective shareholding of approximately 87% in the Brazilian retailer Grupo Avenida S.A.

Similar to PEP and Ackermans, Avenida specialises in low-cost clothing, footwear, accessories and cellular. Avenida is a well-established value retailer with a proven track record of 42 years.

The Avenida acquisition expanded the group's reach into a market with many similarities to that of South Africa. With our expertise in scalable international retail, complemented by local knowledge from the Avenida management, we are well positioned to add value to our new Brazilian customers.

Avenida was recapitalised as part of the acquisition and it is expected that future growth will be funded in-country based on cash generation. The business is in the process of being repositioned to leverage opportunities in Brazil's emerging markets with Pepkor's ability and experience to provide products and services at scale, at a price aligned with the middle to low-end consumer markets. Once repositioned, the store footprint will be expanded aggressively across three corridors of Brazil, building distribution capacity as required.

Avenida's focus is to formalise the highly fragmented clothing market, creating a predominant player in the value and discount retail market.



**2 000** employees

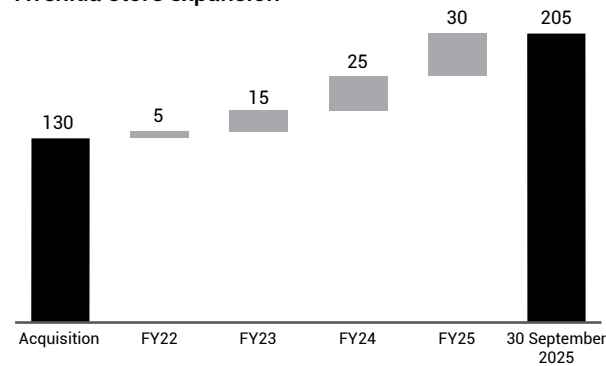


**135** stores

**Achievements since acquisition**

- **Recapitalised** the business
- **Improved** stock availability
- **+35.8%** like-for-like sales growth
- **+30.2%** increase in trading densities
- **5 new stores opened** – performance exceeding expectations

**Avenida store expansion**



Avenida



**MATERIAL MATTERS** *continued*

**2** Maintaining an efficient and effective supply chain

CAPITALS AFFECTED



KEY RISKS

1, 2, 4, 5

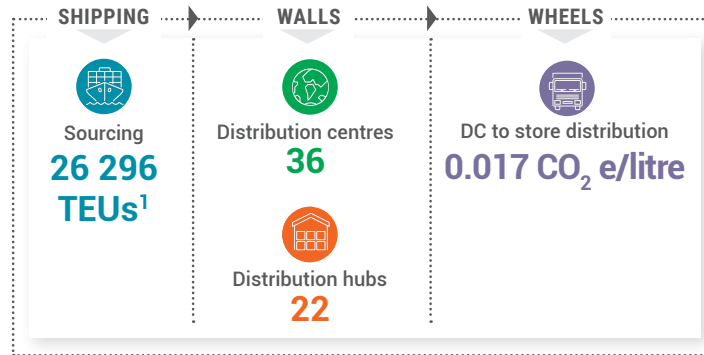
Our customers need the right product at the right time in the right store, which is dependent on our manufactured and intellectual capital, our physical infrastructure, experience, knowledge and ability to manage it.

We rely heavily on business continuity and our ability to deliver. Our supply chain capability, with a strong focus on process management, is a significant contributor to our ability to source and distribute goods on a large scale and at low cost. This strength has been built over many years with strong supplier relationships, effective systems and extensive infrastructure.

It comprises the group's extensive store footprint, warehousing, logistics hubs, logistics functions and technology. This is where a significant amount of capital is invested through continuous store roll-outs, maintenance and upgrades or new development projects that form part of long-term growth plans. Our operating businesses do everything in their power to sweat these assets, continuously improving overall efficiencies in order to deliver products and services at the lowest cost possible.

**WHAT WE MANAGE**

Each operating segment manages its own sourcing, warehousing and logistics functions owing to the specific nature of products, delivery functions and market segments.



<sup>1</sup> Twenty-foot equivalent unit (cargo capacity) shipping container

**Sourcing capability**

The scale of the group's operations, specifically the volume of units required to serve our CFH customers, requires that most of the merchandise, focused on basic and replenishment apparel categories, is imported and results in long lead times. In addition to robust planning and buying systems, our supply chain model allows for flexibility to respond to and engage with suppliers in the event of disruptions.

The group's buying and planning teams have great experience in how to source the best product at the best price for our customers.

**Pepkor's role in local sourcing**

The group's CFH segment sources 140 million units from local production suppliers in South Africa. In support of the South African government's 2030 Retail – Clothing, Textile, Footwear and Leather Master Plan (R-CTFL Master Plan) for



The PepClo schoolwear production facility is the largest of its kind under one roof in South Africa.

It has been producing schoolwear for more than 50 years and employs 1 600 people.

☐ PepClo

the clothing manufacturing sector, PepClo's flip-flop factory was established and is fully operational. This new production facility created additional jobs and has increased production capacity. The facility is specifically set up to produce good quality schoolwear at the lowest possible price, giving our PEP and Ackermans customers the ability to afford much-needed basic items.

JD Group procures 93% of its furniture products from local manufacturers and has committed to further support the Furniture Industry Master Plan (FIMP), which should be signed for implementation in FY23. TBCo procures 73% of its products from local suppliers.

**MATERIAL MATTERS** *continued*

**2** Maintaining an efficient and effective supply chain *continued*

**Supply chain visibility**

Owing to the diverse nature of the group's operations and scale, we have implemented a project to improve and centralise supply chain visibility across our CFH brands. Our supplier code of conduct includes social matters (as prescribed by the UNGC and ILO). It was revised to include environmental matters and will be formally approved by the board, adopted and rolled out. We are in the process of conducting stakeholder engagements for group-wide approval.

Pepkor Sourcing Solutions has completed work on centralising more of the sourcing functions (CFH imports) and has re-established its office in Shanghai. A small central team works closely with brands' buying and logistics teams to manage the product journey from procurement, to international buying agents and directly with suppliers, until arrival at distribution centres.

**Pepkor Sourcing and Services**

**Warehousing and logistics**

Pepkor serves customers from more than 5 000 store locations. We are therefore reliant on adequate port and road infrastructure to receive and deliver our products.

Distribution from port to our DCs, and from DCs to CFH stores, is managed by PKL. Working with outsourced logistics providers, our PKL teams meticulously plan routes and manage efficiencies for an optimal distribution function. Logistics in JD Group and TBCo are managed directly when products are not collected in-store by customers.

The **123 000 m<sup>2</sup>** PEP DC in Hammarsdale aims to support future growth. The project in Hammarsdale is progressing well and is expected to be completed in 2023 at a total cost of **R1.2 billion**.

**Pepkor Logistics**

**Technology**

Our intellectual property and extensive retail experience support our ability to manage each step in the supply chain, from high-level oversight to introducing new technologies and systems; and from the time the product leaves the manufacturing facility until it is purchased by the customer.

For us, technology has two directives: IT and new technology innovations. IT includes our systems and platforms, hardware and software that we use to stay connected and enable our stores to trade. New technology is what we use in areas of development like 3D product design.

Digital transformation in 3D technology allows for enhanced product design and greater efficiencies from ordering to cut, make, trim to in-store merchandising.

**Unforeseen events**

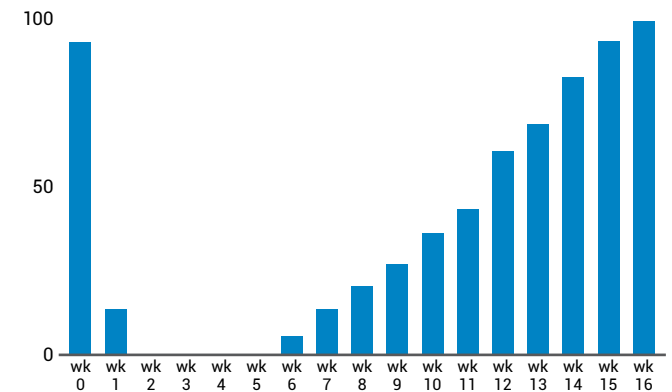
The COVID-19 pandemic, the localised social unrest in July 2021 and the floods in KwaZulu-Natal in April 2022 represent recent unforeseen events, which the group had to contend with. The resilience and strength of our operational teams were highlighted in all of these instances.

PEP's Isipingo DC in Durban sustained significant damage from the KwaZulu-Natal floods in April, while the PEP Africa DC was damaged to a lesser extent. Our supply chain operations were adversely affected and several stores were temporarily disrupted as a result of inaccessibility.

A substantial amount of recovery, refurbishment and replacement work was required and it took 16 weeks to fully restore distribution operations. The total damage to merchandise, infrastructure and disruption of operations is estimated to be as much as R800 million and is fully covered by the group's insurance cover for material damage and business interruption.



**PEP Isipingo DC**  
Restoration of distribution capacity (%)



**MATERIAL MATTERS** *continued*

**3** Maintaining a low cost of doing business

CAPITALS AFFECTED



KEY RISKS

1, 3, 5

Our commitment to offering our customers the best possible price drives our dedication to maintain a low cost of doing business and to share any savings with our customers.

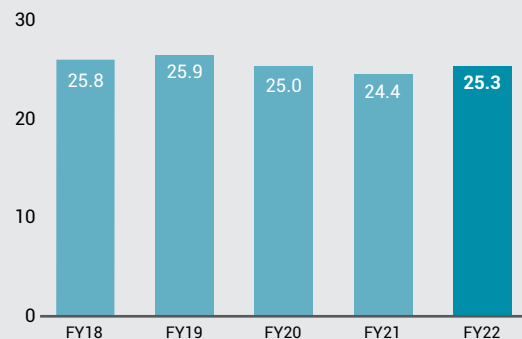
Pepkor is known for its value and discount offering, founded on our ability of maintaining a low cost of doing business through our disciplined approach to manage costs and to leverage our scale and investments in efficient systems and processes. This extends across various functional areas in managing aspects such as foreign currency hedging to compliance and operations.

We effectively utilise our scale of operations to secure cost savings and thereby maintain our market-leading low cost of doing business. Merchandise inflow margins are kept consistent, with any cost savings passed on to customers. In the event of cost increases – such as increased shipping container costs during the year – these are unfortunately passed on to customers as a last resort once all other opportunities to reduce costs are exhausted. Affordability is, however, closely monitored to ensure the retail brands maintain their market positioning, including the positive pricing gap compared to competitors in a retail brand such as PEP.

PKL's service is dedicated to reducing as much cost as possible from the supply chain to maintain a low cost of doing business for PEP and Ackermans.

**Pepkor Logistics**

**Low cost of doing business (%)**



**CFO's review**



**4** Attracting and retaining talent

CAPITALS AFFECTED



KEY RISKS

6

Our employees are the ambassadors of our culture and are led by a dedicated and experienced team that provides consistency and assurance, and has years of experience in our industry and our group.

Throughout the group, each operating business or retail brand is providing value to customers, supported by each business's culture. These cultures are maintained and nurtured by our talented employees and are extremely important to our success.

Specialist retail and IT skills remain scarce, while competition in retaining and attracting skilled staff remains challenging, both in South Africa and globally. We work on an empowerment model that focuses on internal promotions. Our strategy and priorities within our group determine the human resources needs and capacity we might require to support and deliver on our growth ambitions.

Our biggest focus is on protecting jobs as much as possible. Second to that we drive learnerships to feed our own employment pipeline while supporting the government and our economy with learning,

development and job creation. We have added another 1 060 learners to our programmes during the year, with a focus on developing learners with disabilities.

**Sustainability report: Building better talent**



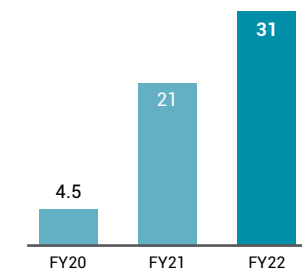
Various development and wellness programmes are in place that focus on nurturing our people to be the best they can be within the context of their work and life. Women play a significant role in our employment equity plans with 72% of our store managers in South Africa being black females.



**365**

employees were promoted to store managers who started as store assistants

**Growth in training time invested per employee (hours)**



**Sustainability report**

**MATERIAL MATTERS** *continued*

**5 Allocating capital effectively**

CAPITALS AFFECTED KEY RISKS   
**FC** **1, 2**

Pepkor has always aimed to maintain low debt levels, with profits used to finance growth initiatives.

High debt levels could potentially limit flexibility and impact decision-making for growth. Our capital allocation priorities are:

**1. Organic growth** – increasing our footprint organically by taking more stores closer to our customers.

- New store openings**
- Development of new formats**

**2. Mergers and acquisitions** – expanding into new (but similar) markets where our scale and experience has an advantage.

- Expansion opportunities**

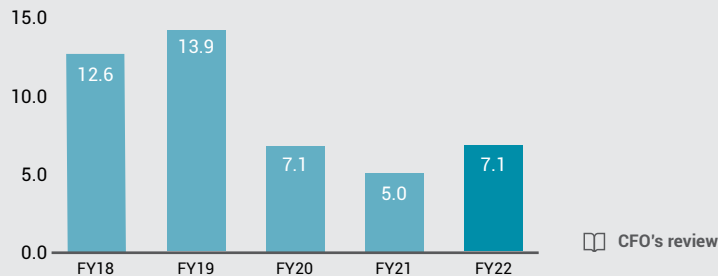
**3. Share repurchases** – shares are repurchased to prevent earnings dilution to shareholders as a result of the group's equity-based long-term share incentive scheme. During FY22, 32 million shares were repurchased and cancelled at a cost of R762 million.

**4. Dividends** – our current dividend policy is to pay dividends at 3 times earnings cover. The board evaluates this on an annual basis.

Allocation is determined based on individual value-creation plans submitted by the operating businesses. This guides the process of allocating funds based on need and where the most value can be added to the business over the long term.

The group has reduced its debt levels and gearing to appropriate levels over the past five years and maintained it within targeted ranges during the year. This results in a strong and flexible balance sheet that enables the group to execute on capital allocation priorities.

**Net debt (Rbn)<sup>1</sup>**



<sup>1</sup> Excludes IFRS 16

**6 Customer focus**

CAPITALS AFFECTED KEY RISKS   
**SRC** **3, 4, 8**

Customers are our largest stakeholder group and the business revolves around them.

It is important for us to provide our customers with the products and services they want and need, but more importantly, at the prices they can afford.

**Strategy**

In the fast-changing world of retail, it is imperative we stay abreast of consumer and market trends that influence our customers and business. We invest heavily in trend, design and behaviour analysis through our dedicated trend and design office and Pepkor Data and Analytics (D&A).

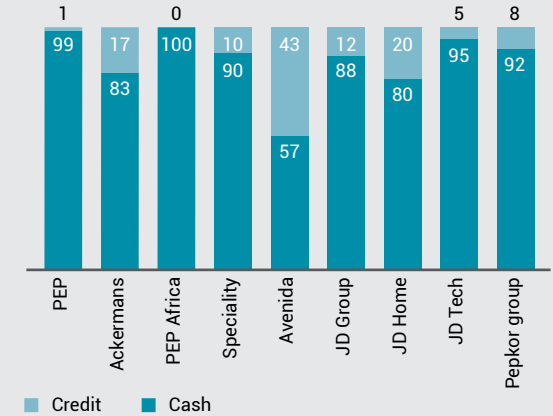
In view of current economic conditions, our customers are even more focused on essential and value products. It is therefore important for the group to provide them with convenient payment methods, enabling them to afford what they need.

Overall, the group is a cash retailer and has a low dependency on credit to generate sales. The group offers lay-bys in most retail brands as a payment alternative, giving customers more flexibility to manage their cash.

**92%**  
of sales are in cash

Lay-bys contributed  
**8%** to group sales

**Cash and credit mix per retail brand (%)**



The impact of the economic climate on our customers' ability to manage their credit is an area of risk to both them and us. Credit is managed conservatively and granted responsibly through centralised contact and customer care centres. This includes Tenacity, which manages credit on behalf of the CFH segment, and Connect, which supports the JD Group. The credit books are performing well with adequate provisions in terms of the group's credit methodology.

There is a commercial benefit to data while it also provides us the opportunity to personalise our communication with our customers. Going forward, we will add more value through a planned group-wide customer acquisition and retention initiative that will improve the average lifetime value of these customers. We are able to analyse product preference and buying behaviour with a specially developed basket analyser tool.

Pepkor believes in the commercial value of data and is investing in a customer data platform. This technology will enable the group to identify customers across all platforms and systems where they interact with the group. This capability provides the opportunity to develop and deliver a better and more personalised service. Customer acquisition and retention remains a focus to improve the lifetime value of customers.

**Pepkor Data and Analytics**

**MATERIAL MATTERS** *continued*

**7 Building better business**

CAPITALS AFFECTED



KEY RISKS

6, 7, 8

The value we create as a group is linked to the value we create for our stakeholders through our business activities and relationships with stakeholders. We understand our role as a responsible corporate citizen and therefore our approach to building better business is the foundation of our approach to sustainability. We believe doing good for our customers is good business.

We are critically aware of the environment in which our customers and communities live and work. We recognise that we have an imperative role to play in pursuit of achieving our purpose, not only from a business perspective, but also in a supporting role. The majority of the customers we serve are in the lower SEM\*, mass-market segment. This makes our responsibility more significant with a continuous focus on our social impact and operational efficiencies.

In the past few years we have, however, been more deliberate to develop a formalised environmental approach that aligns our reputation as a good corporate citizen with directly addressing climate change.

To build a better business, we are integrating a long-term sustainability vision across our operating businesses and will further embed our sustainability initiatives that aim to protect, create and enable environmental, social and economic value.

We follow an integrated approach whereby the work done in the seven pillars of building better business is used to enhance and support other areas like B-BBEE and managing our carbon footprint. Our approach is that the ESG pillars of sustainability, together, must create and preserve value for stakeholders, including economic value in the short, medium and long term.

\* Social economic measure (previously LSM)



**Customer enablement**

PRODUCT, PRICE AND  
CONVENIENCE

Socio-economic pressures of high unemployment and an underperforming economy have placed huge pressure on consumers, and many are in need of more affordable options. Our extensive footprint allows us to leverage our scale, while our retail experience supports our ability to effectively manage each step in the supply chain, containing our costs to save our customers money.

MM Customer focus



**Employee development**

EMPLOYER OF CHOICE

Without our employees, we would not be able to add value to the lives of our customers. They are the ambassadors of our culture and our purpose. We have moved from mostly internal development programmes to more Sector Education and Training Authority-accredited programmes, while we added additional learnerships to our training and development strategy.

MM Attracting and retaining talent



**Community support**

HELPING TO MAKE A  
DIFFERENCE

Corporate social investment (CSI) is an integral part of Pepkor's commitment to our social responsibility and includes the communities in which our customers and many of our employees live. It is therefore imperative that we positively influence and impact those communities where we can make a difference.



**Governance**

PRIORITISING ETHICAL BEHAVIOUR

Effective governance is vital to the group's sustainability. The board, supported by the executive leadership team, is responsible for upholding good corporate governance.

- Leadership enabling good governance
- Corporate governance report
- King IV™ disclosure

**Building Better Business**

Sustainability report



**Diversity and inclusion**

GIVING EVERYONE EQUAL  
OPPORTUNITIES

The group subscribes to the UNGC principles that include the elimination of discrimination in respect of employment and occupation. Locally, the group uses the B-BBEE and employment equity (EE) legislative frameworks as a guideline and we continuously evolve our strategies to improve against this framework.

B-BBEE certificate



**Responsible sourcing**

RESPONSIBLE SOURCING,  
MANUFACTURING AND DELIVERING

Our most significant differentiator is the group's ability to manage an extensive footprint and supply chain at a low cost.

Our supply chain enables us to deliver on the group's strategy. It is therefore important to responsibly source products, have visibility and to be aware of and mitigate supply chain risks that might impact on our ability to procure, distribute and provide products and services through our various retail channels and platforms.

MM Maintaining an efficient and effective supply chain



**Environmental protection**

OUR ROAD TO GREEN

We acknowledge that we have an impact on our environment in the way we do business, as much as how the environment influences our reliance on and use of resources and materials. It is our responsibility to respond to the global call to manage and reduce carbon emissions and to better understand the impacts climate change has on our operations, our environment and society.

TCFD report

# Key risks

The risks and uncertainties we face as a business evolve, many of which are volatile, requiring agile decision-making. Pepkor recognises effective risk management as an essential tool to support the achievement of our strategic and operational objectives.

The board is accountable and sets the direction for the manner in which risk management is approached and addressed in the group. The group's risk appetite and tolerance provides a framework for decision-making to achieve strategy-driven results and to proactively manage potential value erosion.

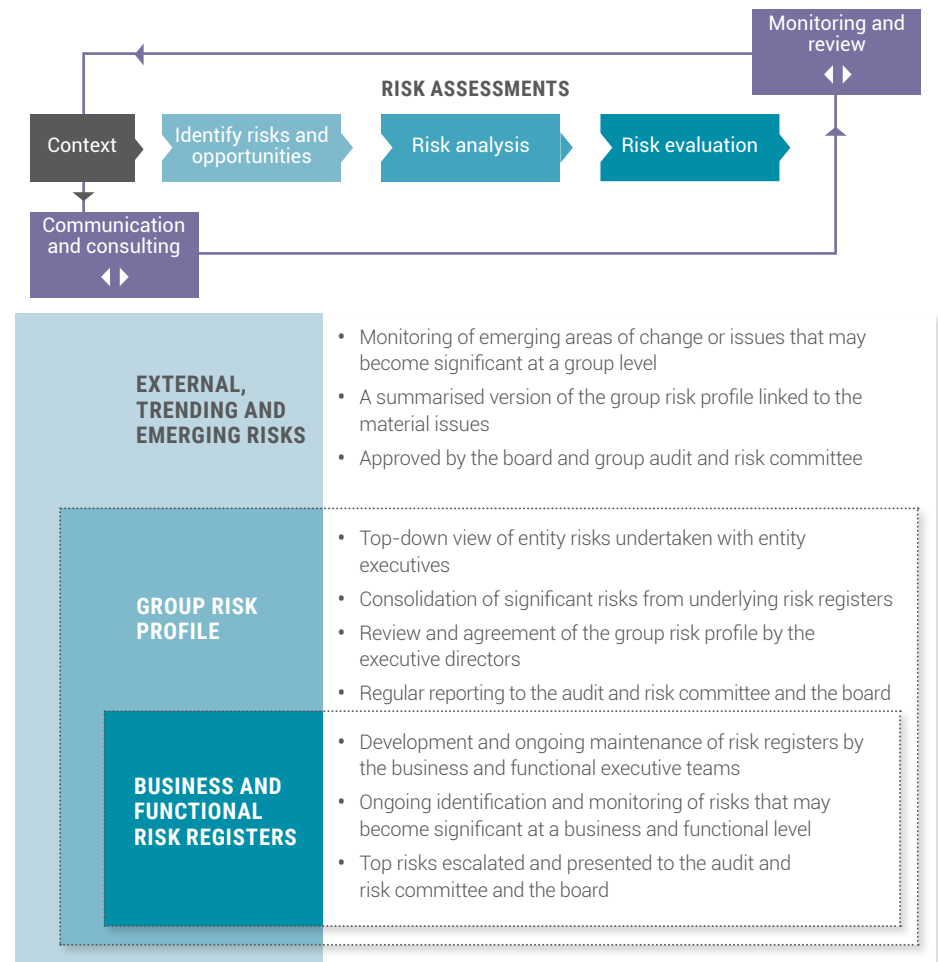
The audit and risk committee oversees the integrated risk management process and receives frequent feedback from management on all risk-related activities. It regularly assesses all risk governance structures and lines of defence to ensure roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalating risks within the group are appropriately defined and responded to.

The group's approach to risk management is pragmatic and relevant to the group's context.

It mirrors our decentralised operating structure, with each operating business and functional area being responsible for identifying, assessing and managing their risks. This includes the following:

- Risk management is added to the agenda of executive team meetings of each operating business. This creates a forum to align risk activities with business performance and enables senior oversight and challenge.
- Risks are consistently identified, measured and reported against a set of criteria considering the likelihood of occurrence and potential impact on the business.
- Business leadership representatives provide regular updates to the audit and risk committee regarding top risks.
- A formal yearly review is conducted by management of all risk registers of operating businesses, aligned with the strategic review process.
- This is overlaid with a group-wide review of risk to combine top-down and bottom-up perspectives and create a consolidated view in the group risk profile. In compiling the risk profile, an assessment is made of changes in the external environment, our strategy and operations. This includes consideration of emerging risks.

## Pepkor risk management process



## Key focus areas

We believe the quality of risk management improves as business accountability and embedding increases, with review and challenge at senior levels within the business. To drive this, we have focused on the following activities over the past year:

**Realigning our risk reporting process**

**Reinforcing accountability and ownership for risk management across the underlying operating business leadership teams**

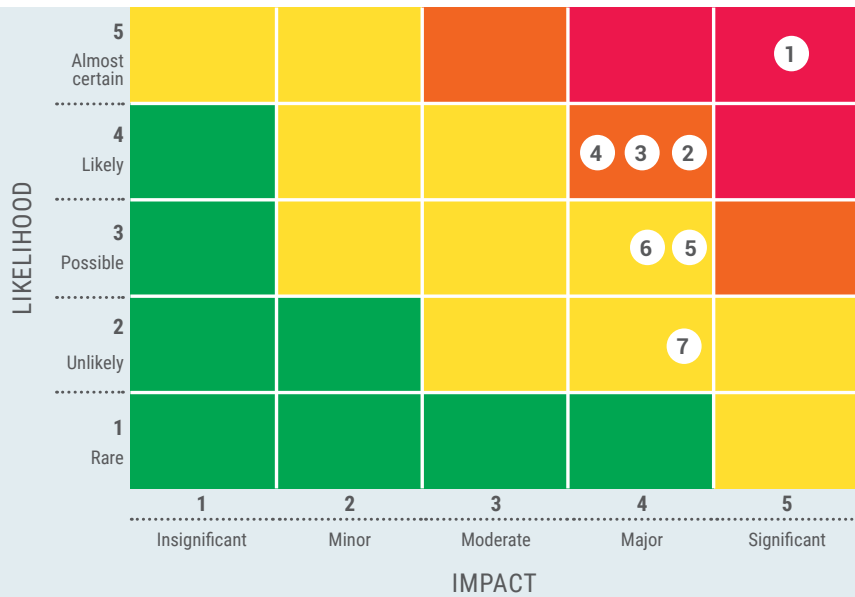
**Completing a full review of all risk registers to confirm relevance and linkage of risk to the strategy**

**Improving visibility of risk for executive teams at operational business level to allow the enhanced challenge and review of risks**

**Implementing combined assurance**

KEY RISKS *continued*

## Identified risks associated with material matters



**1**

**RISK**

Sociopolitical and economic instability negatively impacts business performance and growth objectives

▲ **INCREASING**

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**2**

**RISK**

Increasing competition and shift of retailers towards value and discount negatively impact profitability and market share

★ **NEW**

**MATERIAL MATTER**

- MM Achieving growth in a low-growth environment
- MM Maintaining an effective and efficient supply chain
- MM Maintaining a low cost of doing business
- MM Allocating capital effectively

---

**MATERIAL MATTER**

- MM Achieving growth in a low-growth environment
- MM Maintaining a low cost of doing business
- MM Customer focus

**3**

**RISK**

Failure to proactively respond to the evolving nature of cybersecurity threats

▲ **INCREASING**

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**4**

**RISK**

Supply chain disruptions

▶ **STABLE**

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**5**

**RISK**

Inability to attract, develop and retain key talent negatively impacts strategy execution and future growth prospects

▶ **STABLE**

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**6**

**RISK**

ESG integration and adoption

▲ **INCREASING**

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**7**

**RISK**

Brand and reputation risk

▶ **STABLE**

**MATERIAL MATTER**

- MM Achieving growth in a low-growth environment
- MM Maintaining an effective and efficient supply chain
- MM Allocating capital effectively
- MM Customer focus

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**MATERIAL MATTER**

- MM Maintaining an effective and efficient supply chain
- MM Maintaining a low cost of doing business

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**MATERIAL MATTER**

- MM Attracting and retaining talent
- BBB Employee development

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**MATERIAL MATTER**

- BBB Building better business

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**MATERIAL MATTER**

- MM Customer focus
- BBB Customer enablement

KEY RISKS *continued*

**1** Sociopolitical and economic instability negatively impacts business performance and growth objectives

**Risk description**

- ▶ Uncertainty as a result of the geopolitical conflict between Russia and Ukraine, and its impact on global markets
- ▶ Elevated global inflation level cascading into the local economy
- ▶ Increasing sociopolitical uncertainty resulting in poor economic growth prospects and the ever-increasing risk of social unrest and the resultant disruptions in South Africa
- ▶ Constrained customer resulting in low and declining consumer spending and demand
- ▶ Volatility of rand potentially impacting profitability (intake margins, price inflation and cost of doing business)
- ▶ Potential discontinuation of COVID-19 social relief grant and its impact on our customer

**Risk mitigation**

- Discount and value positioning. Our established operating businesses have a unique understanding of their customers and are uniquely positioned to attract customers who are now more focused on essential and value products as a result of the economic conditions
- Effective hedging and currency management policy is in place
- Comprehensive insurance cover for civil unrest and business interruption
- Additional emphasis is being placed on managing margins, expenses and driving efficiencies

- MM Achieving growth in a low-growth environment
- MM Maintaining an effective and efficient supply chain
- MM Maintaining a low cost of doing business
- MM Allocating capital effectively

**2** Increasing competition and shift of retailers towards value and discount negatively impacts profitability and market share

**Risk description**

- ▶ The competitor landscape remains highly contested as retailers fight for market share growth in a low-growth retail market
- ▶ Aggressive promotional activity by competitors
- ▶ Intentional shift towards value and discount segment by competitors
- ▶ The group's ability to respond effectively to competitive pressures and changes in the local retail market
- ▶ Constrained customer resulting in low and declining consumer spending and demand
- ▶ Changing shopping behaviour and the ability of our brands to understand and respond to the drivers of change

**Risk mitigation**

- Discount and value positioning. Our established operating businesses have a unique understanding of their customers and are uniquely positioned to attract customers who are now more focused on essential and value products as a result of the economic conditions
- Diversified customer base through our strong retail brands
- Our extensive footprint allows us to leverage scale, while our retail experience supports our ability to effectively manage the end-to-end supply chain, thereby providing value to our customers
- Balance sheet strength that enables the business to invest in organic and acquisitive growth

- MM Achieving growth in a low-growth environment
- MM Maintaining a low cost of doing business
- MM Customer focus

**3** Failure to proactively respond to the evolving nature of cybersecurity threats

**Risk description**

- ▶ Cybersecurity infrastructure and/or measures are insufficient or rendered obsolete by increasingly sophisticated and frequent cybercrimes
- ▶ Disruption of operating businesses
- ▶ Financial loss as a result of a cyberattack
- ▶ Negative impact on company reputation
- ▶ Third-party risk also exists in the form of value chain infrastructure vulnerability
- ▶ Information security
- ▶ Unauthorised access to protected or confidential data (POPIA<sup>1</sup> compliance)
- ▶ Increasing reliance on IT has raised the significance of potential IT failures within the business

**Risk mitigation**

- IT resilience is being addressed at all levels of the group and is considered part of the strategy and culture
- Ongoing focus on improving controls in line with our environment and threat landscape
- The dedicated information security function has multidisciplinary specialists
- Proactive risk management focusing on the ability to absorb and recover from a cyberattack (proactive penetration tests and crisis response simulations)
- Ongoing security training and awareness campaigns raise appreciation of information security threats
- IT disaster recovery plans are in place across the group and are regularly reviewed

- MM Achieving growth in a low-growth environment
- MM Maintaining an effective and efficient supply chain
- MM Allocating capital effectively
- MM Customer focus

**KEY RISKS** *continued*

**4** Supply chain disruption ➤

**Risk description**

- Increasing costs across supply chain (fuel, shipping and container costs)
- Disruption in the supply chain emanating from challenges at the source (manufacturing or resource procurement through suppliers)
- Shipping delays and shortages of containers, as a result of pent-up demand, have driven supply chain risks
- The loss of key strategic facilities (data centres, DCs, warehouses or multiple stores) in a single event
- The N3 highway corridor that is a key distribution route for the group in South Africa is at constant risk of disruption and threat
- Disruptions at or failure of a key supplier to deliver
- Impact of climate change (increase in extreme weather events and water scarcity) on the continuity of supply

**Risk mitigation**

- The group has a diversified supplier base to minimise the effect of disruptions
- Advocating ethical and responsible business practices
- Stable supplier base with long-standing relationships and collaboration to (proactively) resolve disruption
- Long product lead times allow for flexibility in addressing disruptions
- Alternative DC facilities
- Enhanced security mechanisms at key strategic and concentrated locations

**MM** Maintaining an effective and efficient supply chain  
**MM** Maintaining a low cost of doing business

**5** Inability to attract, develop and retain key talent negatively impacts strategy execution and future growth prospects ➤

**Risk description**

- Specialist retail and IT skills remain scarce, while competition in retaining and attracting skilled staff remains concentrated, in South Africa and globally
- Increasing costs of specialist retail and IT talent, amid global competition, which is further exacerbated by work from home
- Slow rate of employment equity and gender transformation at senior levels
- Leadership pipeline and succession planning

**Risk mitigation**

- Employee value proposition (EVP) designed to attract, engage, retain and motivate the talent required to deliver the strategy
- Greater investment into LinkedIn across our brands to promote and improve our employment brands
- Focused investment into the recruitment of young retail talent, through graduate and internship programmes across the business
- Regular benchmarking of remuneration

**MM** Attracting and retaining talent  
**BBB** Employee development

▲ Increasing ➤ Stable ★ New



KEY RISKS *continued*

**6** ESG integration and adoption ▲

**Risk description**

- Heightened awareness and focus on ESG matters globally
- Enhanced visibility and voice of external and internal advocacy groups
- A failure to adopt these ESG trends would impact the long-term sustainability of the group
- Value chain disruptions owing to natural disasters as a result of climate change
- Climate disruption on buying trends and seasonal clothing (trading out of season)
- Inability to attract investors and funding should we not be ESG compliant
- Increasing risks of natural disasters, in particular flooding

**Risk mitigation**

- Maintain focus on our position as a responsible retailer of choice by doing the right thing, irrespective of market, consumer or sustainability trends
- A formalised approach to sustainability ensures ESG matters are governed and reported on appropriately
- The group's social and ethics committee (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 to sustainability from all operating businesses across the group

**BBB** Building better business

**7** Brand and reputation risk ➤

**Risk description**

- Unforeseen event negatively impacting the group's brand and reputation
- Impact of social media
- The risk that third parties associated with the company conduct themselves in a manner that negatively impacts the group's brand and reputation

**Risk mitigation**

- A co-ordinated reputational risk response framework implemented across the group, with oversight from executive management
- Monitor online and social media to respond rapidly to customer complaints
- Protocols established to ensure content on the group's media campaigns, social media and online platforms is authorised by the responsible executive
- Organised communication and stakeholder engagement plans are in place to guide our response

**MM** Customer focus

**BBB** Customer enablement

▲ Increasing   ➤ Stable   ★ New



# Stakeholders

We create value through our business activities, our interactions and relationships with stakeholders, and how well we look after the environment in which our stakeholders live, shop, work and invest.

The group believes in mutually beneficial relationships that are linked to the value we can create together. Collaboration is more relevant with certain stakeholder groups like suppliers, while a more supportive role is played by Pepkor when it comes to our communities.

Pepkor follows a holistic approach to stakeholder engagement and no stakeholder group is more important than another; they can all significantly affect or be affected by our business activities or affect our ability to, in turn, create value over time.

Engagement is ongoing, varying in frequency and approach; from one-on-one in-store interviews with customers to investor meetings, or internal online surveys with employees.

- 📄 Business model
- 📄 Sustainability report
- 📄 Corporate governance report



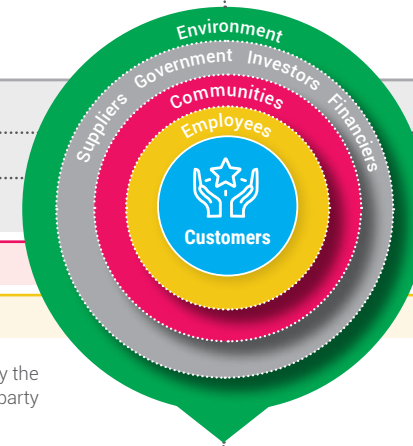
Stakeholders are regarded as those groups or individuals that can reasonably be expected to be significantly affected by the company's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the company to create value over time.

The contribution we make to our stakeholders is a result of implementing our purpose, contributing to society and acknowledging the role we have to play in supporting the government to address the SDGs.

Operating businesses are responsible for engagement with their respective customers, employees, suppliers and communities. Investor and regulatory engagement and interaction is managed through Pepkor strategic services.

**Our approach to communication is that it should:**

- deliver value to Pepkor and the groups or individuals with whom we engage;
- address specific requirements of the relevant stakeholder or group of stakeholders;
- consider the group's strategic intent and purpose, addressing our material matters and risks;
- stem from continuous interaction at different levels and intervals, mostly through interactions with operating businesses;
- be professional and ethical; and
- be guided by/comply with the group's various policies and codes, specifically our stakeholder engagement policy, code of ethics and POPIA.



	FINANCIAL CONTRIBUTION FY22
Tax paid <sup>1</sup>	R11.0 billion
Cost of sales	R52.6 billion
Dividends paid	R1.6 billion
CSI investment	R64.6 million
Salaries paid	R8.6 billion

<sup>1</sup> Includes taxes borne by the group as well as third-party taxes collected

To make a positive difference in the lives of our customers



STAKEHOLDERS *continued*



## Customers

- SRC Social and relationship capital
- MM Customer focus
- BBB Customer enablement

**29 million**  
known customers

**105 million**  
online engagements across  
all brands

Our customers are at the centre of our strategy.

**Intent:** to treat customers with dignity and respect, while giving them access to the products and services they need and want.

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<b>Approach</b> Customer communication is managed at operating business level, mostly through each consumer brand where marketing departments take the lead.	<b>Affordability, accessibility and variety</b>	<b>Strategy and purpose</b> <ul style="list-style-type: none"> <li>Extensive store footprint with products and services</li> <li>Increased store footprint, product, channel and service innovation</li> </ul>
<b>Channels</b> <ul style="list-style-type: none"> <li>In-store interviews and service interaction</li> <li>Focus group interviews</li> <li>Call centre interventions</li> <li>Communication via direct correspondence (with permission) or digital channels</li> </ul>	<b>Product and service delivery</b>	<b>Customer service</b> <ul style="list-style-type: none"> <li>Customer satisfaction scores</li> </ul>
	<b>Trusted and responsible brands</b>	<b>Brand reputation</b> <ul style="list-style-type: none"> <li>Trusted brands with more than a 100-year history, through brand recognition and brand/industry awards</li> </ul>

**Outcome**

By keeping costs as low as possible, we give our customers access, and in many instances, make unaffordable products and services affordable. Our extensive footprint and brand portfolio covers most market segments in urban and rural areas.



## Employees

- H&I Human and intellectual capital
- MM Attracting and retaining talent
- BBB Employee development
- BBB Diversity and inclusion

**49 700**  
employees

**1.8 million**  
training hours

Our employees enable us to fulfil our purpose.

**Intent:** to be an employer of choice, creating a safe and productive environment where employees can develop as people and professionals.

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<b>Approach</b> The HR function is decentralised through HR departments in each of the operating businesses and engagement is managed within the operating business. This includes interaction with organised labour.	<b>Remuneration</b>	<b>Remuneration policy</b> <ul style="list-style-type: none"> <li>Annual reviews against industry benchmarks for salary comparatives</li> <li>Continuous improvements in our remuneration policy</li> </ul>
<b>Channels</b> <ul style="list-style-type: none"> <li>Induction and training programmes</li> <li>Forums and conferences</li> <li>Employee meetings</li> <li>Printed and digital communication</li> <li>Performance discussions</li> <li>Whistle-blowing hotlines</li> </ul>	<b>Development opportunities</b>	<b>Training and development</b> <ul style="list-style-type: none"> <li>Increasing training hours for career development as well as personal development interventions</li> </ul>
	<b>Work environment and culture</b>	<b>Health and safety</b> <ul style="list-style-type: none"> <li>Full compliance with regulation</li> </ul>
	<b>Transformation and inclusivity</b>	<b>B-BBEE</b> <ul style="list-style-type: none"> <li>Increasing a culturally representative employee base at all levels of employment</li> </ul>
	<b>Human rights and labour relations</b>	<ul style="list-style-type: none"> <li>Human rights issues are reported through anonymous hotlines. All reports are externally managed and escalated where necessary</li> <li>36.6% of employees belong to bargaining councils and the group measures the number of industrial actions, financial loss and employee participation</li> </ul>

**Outcome**

Market-related remuneration, leadership and skills development programmes, and wellness and transformation initiatives help to attract and retain employees. We are proud that many employees pursue their careers with the group over many years.

STAKEHOLDERS *continued*



**Communities**

**SRC** Social and relationship capital

**BBB** Community support

**R64.6 million**

invested in CSI initiatives

Assisting communities through various projects that help improve their standard of living.

**Intent:** to align community and project investments with the benefit it can create for each community in working towards a shared value model.

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<p><b>Approach</b> Each operating business has specific methods of social interaction, based on the nature of their chosen initiatives and level of outcome.</p> <p><b>Channels</b></p> <ul style="list-style-type: none"> <li>Internal CSI champions</li> <li>CSI partners</li> <li>Direct interaction with initiative leaders and beneficiaries</li> </ul>	<p><b>Essential products and services</b></p>	<p><b>Strategy and purpose</b></p> <ul style="list-style-type: none"> <li>Increased use of services like 1Voucher and PAXI that enable communities to purchase products and use services they might otherwise not be able to access or afford</li> <li>Maintaining a low cost of doing business and BPL in PEP</li> </ul>
	<p><b>Appropriate social investment</b></p>	<p><b>Ongoing key initiatives</b></p> <ul style="list-style-type: none"> <li>Improving our CSI initiatives, looking for opportunities to drive shared value</li> <li>The number of children in early childhood development programmes</li> </ul>

**Outcome**

Pepkor businesses are close to their communities and invest in projects and initiatives that are most beneficial to them.



**Suppliers and business partners**

**SRC** Social and relationship capital

**MM** Maintaining an effective and efficient supply chain

**BBB** Responsible sourcing

**BBB** Diversity and inclusion

**140 million**

clothing, footwear and accessory units sourced from manufacturers in South Africa

Supporting the group's ability to provide customers with products and services.

**Intent:** to respect our suppliers and provide them with the opportunity to deliver on agreed quality and value, building and improving efficiencies along the way.

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<p><b>Approach</b> We manage our supplier relationships beyond short-term contractual obligations and rather focus on long-term partnerships and collaboration.</p> <p><b>Channels</b></p> <ul style="list-style-type: none"> <li>Sourcing office in China</li> <li>Buying and merchandising teams</li> <li>Supplier visits and compliance audits</li> <li>Contracts</li> </ul>	<p><b>Consistency and reliability in the way business is conducted</b></p>	<p><b>Contracts and supplier code of conduct</b></p> <ul style="list-style-type: none"> <li>Implementation of enhanced supplier code of conduct across all group suppliers, including the full spectrum of product and service providers across various industry segments and categories</li> <li>Compliance of suppliers through various audit processes</li> </ul>
	<p><b>Localisation of supply</b></p>	<p><b>Public-private participation</b></p> <ul style="list-style-type: none"> <li>Participation in industry and government initiatives including the R-CTFL Master Plan of the Department of Trade, Industry and Competition</li> <li>Increased support of local suppliers and SMEs within the South African context that includes enterprise development that supports B-BBEE</li> </ul>
	<p><b>Focus on social and environmental impact</b></p>	<p><b>Compliance with updated supplier code of conduct</b></p> <ul style="list-style-type: none"> <li>Implementation of enhanced supplier code of conduct across the diverse spectrum of product and service providers and industry segments and categories, aimed at giving guidance to suppliers in terms of human rights, health and safety, the environmental policy and ethics</li> </ul>

**Outcome**

The group has built long-standing relationships with suppliers and is able to negotiate the best quality products and services at the most affordable prices to satisfy customers' needs.

STAKEHOLDERS *continued*



## Investors and providers of financial capital

- FC Financial capital
- MM Achieving growth in a low-growth environment
- BBB Environmental protection

**R76.4 billion** market capitalisation as at 30 September 2022

**R3.2 billion** issued under the group's DMTN programme

Key stakeholders in this group include shareholders and domestic medium-term note holders and financiers.

**Intent:** to deliver on shareholder and investor expectations.

- Shareholder analysis
- Share performance

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<p><b>Approach</b> Maintaining transparency and consistency in all communication and engagement with the investor community.</p> <p><b>Channels</b></p> <ul style="list-style-type: none"> <li>• Corporate reporting and JSE-required communication</li> <li>• Direct engagement at the group's AGMs and periodic events</li> <li>• Results and investor presentations</li> <li>• Meetings and investor conferences</li> </ul>	<p><b>Return on investment</b></p>	<p><b>Strategy and purpose</b></p> <ul style="list-style-type: none"> <li>• Investors are our main source of financial capital used to execute our strategy. Investors require sustainable growth and an acceptable return on capital investment</li> </ul>
	<p><b>Appropriate and accurate disclosure and communication on performance and strategy</b></p>	<p><b>Accurate and transparent disclosure</b></p> <ul style="list-style-type: none"> <li>• Engagement with the investor community is done on a regular basis in terms of regulatory requirements while considering best practice</li> </ul>
	<p><b>Ethical and responsible business practices for long-term sustainability</b></p>	<p><b>Integration of ESG material matters</b></p> <ul style="list-style-type: none"> <li>• The integration of ESG material matters into our strategy and purpose, and enhancement of external reporting where necessary and appropriate</li> </ul>

**Outcome**

The group provides investor communications on a regular basis and in a consistent manner to enable investors to evaluate the group's performance and value creation.



## Regulators, legislators and governing bodies

- H&I Human and intellectual capital
- BBB Governance
- CG Corporate governance report King IV™ disclosure

## Committed to compliance and national priorities

Key stakeholders in this group include the JSE Limited, Prudential Authority and government.

**Intent:** to be ethical and compliant with applicable industry, regulatory and legislative requirements and supportive of national priorities.

ENGAGEMENT	CONSIDERATIONS	HOW WE MEASURE OUR RESPONSE
<p><b>Approach</b> The group has zero tolerance for non-compliance regarding laws and regulations. We further build solid relationships with a collaborative approach.</p> <p><b>Channels</b> Appropriate engagement with government, policymakers, legislators and industry regulators takes place where and when necessary.</p>	<p><b>Regulatory compliance and ethical business practices</b></p>	<p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Provide mandatory training programmes for regulatory risk areas across businesses including NCA<sup>1</sup>, CPA<sup>2</sup>, POPIA, OHASA<sup>3</sup>, and anti-bribery and corruption</li> </ul> <p><b>Non-compliance</b></p> <ul style="list-style-type: none"> <li>• Any instance of non-compliance is recorded and addressed through an internal audit process, through verified external review agencies or relevant government departments; for example, for compliance with OHASA</li> </ul>
	<p><b>Responding to national priorities</b></p>	<p><b>Participation as significant economic contributor</b></p> <ul style="list-style-type: none"> <li>• Support the R-CTLF and FIMP by increasing our number of product units manufactured (in PepClo) or through local procurement</li> </ul> <p><span style="border-bottom: 1px dashed black; width: 10px; display: inline-block; margin-right: 5px;"></span> <b>Case study: JD supports the SAFI Master Plan</b></p>
	<p><b>Continued investment in community upliftment</b></p>	<p><b>Making a positive difference in communities</b></p> <ul style="list-style-type: none"> <li>• Measured support of SDG1, annual tax contribution and improved B-BBEE contributor level status</li> </ul>

**Outcome**

We support the government's 2030 R-CTFL Master Plan for the clothing manufacturing sector. The JD Group has been involved in the consultation process for support of the FIMP, which was launched by government in 2022.

<sup>1</sup> National Credit Act   <sup>2</sup> Consumer Protection Act  
<sup>3</sup> Occupational Health and Safety Act

# CFO's review



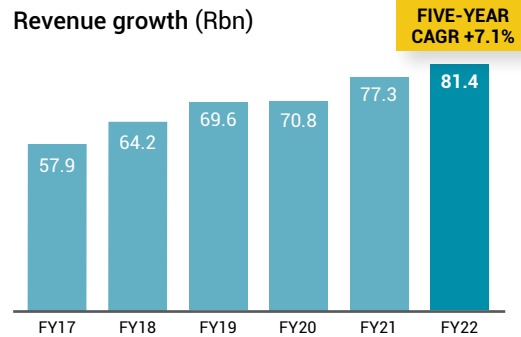
**RIAAN HANEKOM**  
Chief financial officer

**The group's strong and flexible balance sheet enabled expansion into the Brazilian value retail market.**

- Consistent growth in revenue supported by positive operating leverage
- R11.2 billion generated in cash
- Strong and flexible balance sheet

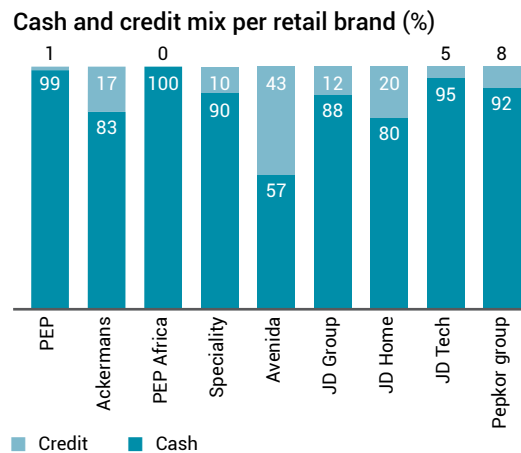
## Consistent revenue growth

Excluding the Flash business, where lower revenue was recognised due to a planned change in product mix, and R460 million in lost sales as a result of the flood damage to PEP's distribution centre in KwaZulu-Natal, revenue growth is estimated at 8.1%.



## Cash-based retailer

The group generated 92% of its sales in cash during the year with credit enabling only 8% of sales. The cash sales mix reduced from 93% in the prior year following the acquisition of Avenida.



Cash sales increased by 5.7%, while credit sales increased by 8.8% (excluding Avenida). Including Avenida, credit sales increased by 25.2%.

## Normalised results

Normalised results exclude the following three non-recurring items in the FY21 and FY22 results:

### FY22

#### ➤ Non-recurring recovery of exposure and settlement of claims and litigation

As reported during the group's FY22 interim results published on 27 May 2022, the group recovered its full exposure in terms of the management investment company loan, Business Venture Investments 1499 (RF) Proprietary Limited (BVI) and associated loans, and settled all Tekkie Town-related claims and litigation. This contributed c. 12 cents to FY22 earnings and headline earnings per share (HEPS).

#### ➤ Non-recurring insurance recovery of capital items

Earnings benefited from insurance proceeds recovered for the damage sustained to fixture and fittings during the social unrest reported in July 2021. Damaged fixtures and fittings were written off at net book value, after accumulated depreciation, while the full replacement value was recovered from insurance. This recovery is included as a capital item in the group's FY22 results and contributed c. 6 cents to earnings per share (EPS) only. Headline earnings, by definition, exclude capital items and are therefore not impacted by this insurance recovery.

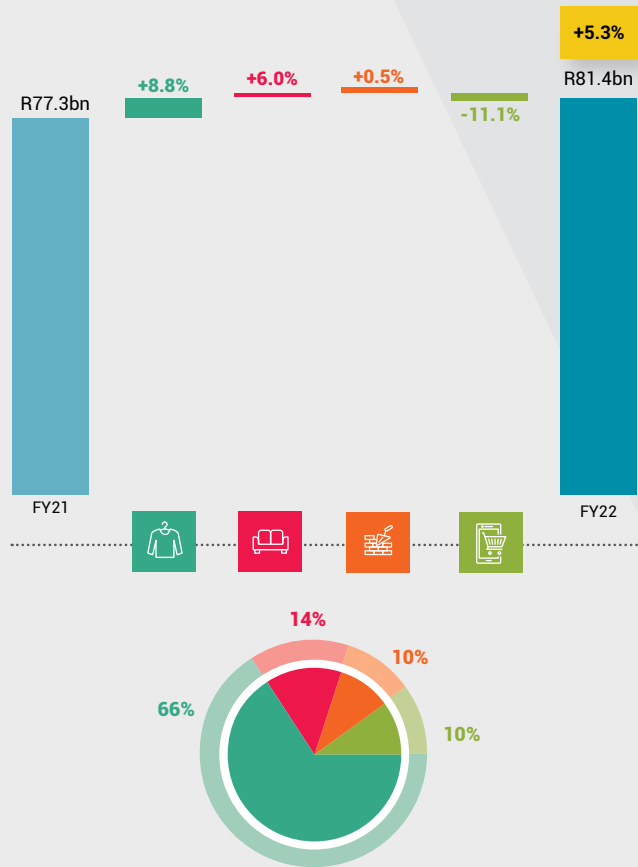
### FY21

#### ➤ Non-recurring IFRS 16 gain pertaining specifically to the acquisition of properties

As reported in the FY21 results published on 19 November 2021, a gain attributable to the acquisition of the portfolio of leased properties of R265 million is considered to be non-recurring in nature and contributed c. 5 cents per share to earnings and HEPS in FY21.

CFO's review *continued*

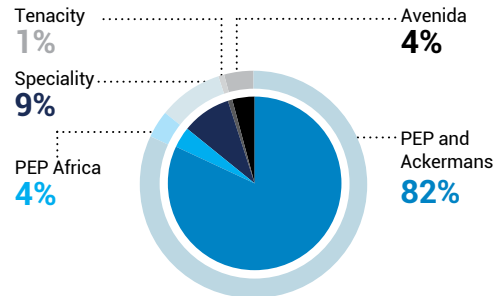
## Segmental revenue



### Clothing and general merchandise

The clothing and general merchandise segment contributed 66% to group revenue for the year, increasing by 8.8% to R53.6 billion. Revenue growth was driven by the robust organic retail footprint expansion programme and the acquisition of the Avenida business in February 2022, which contributed c. 2% to group revenue and 4% to segmental revenue in FY22.

#### Clothing and general merchandise revenue composition



- ▶ **PEP** increased sales by 5.0% and like-for-like sales increased by 2.7%. Excluding the impact from the floods, sales growth is estimated at 6.8%. Over the past three years, compound annual like-for-like sales growth of 2.4% was achieved.
- ▶ **Ackermans** increased sales by 2.8% and like-for-like sales increased by 1.1%. Over the past three years, compound annual like-for-like sales growth of 6.5% was achieved.
- ▶ **PEP Africa** performed well, increasing sales by 4.3% and like-for-like sales by 5.8% in constant currency terms. In South African rand terms, sales increased by 21.9% due to the strengthening of local currencies.
- ▶ **Speciality** increased sales by 10.3% and like-for-like sales by 9.0% (excluding John Craig which was disposed of in February 2021). Including John Craig, sales increased by 6.6%. Compound annual like-for-like sales growth of 6.9% was achieved over the past three years.
- ▶ **Avenida** increased sales by 37.5% and like-for-like sales by 35.8% in constant currency terms. In South African rand terms, sales increased by 62.4%, supported by the strengthening of the Brazilian real.



### Furniture, appliances and electronics

The furniture, appliances and electronics segment increased revenue by 6.0% to R11.4 billion. Sales in the JD Group increased by 5.4% and like-for-like sales by 3.9% for the year from a solid base in the prior year. Over the past three years, JD Group achieved compound annual like-for-like sales growth of 6.2%.



### Building materials

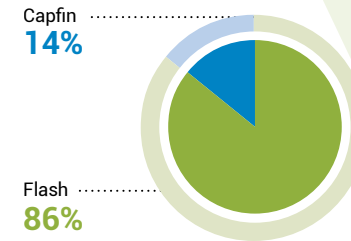
Sales in TBCo increased by 0.5% and like-for-like sales increased by 0.9% during the year. Over the past three years, TBCo achieved compound annual like-for-like sales growth of 3.2%.



### FinTech

Revenue in the FinTech segment decreased by 11.1% to R7.9 billion, impacted by lower revenue recognised in the Flash business due to a planned change in product mix.

#### FinTech revenue composition



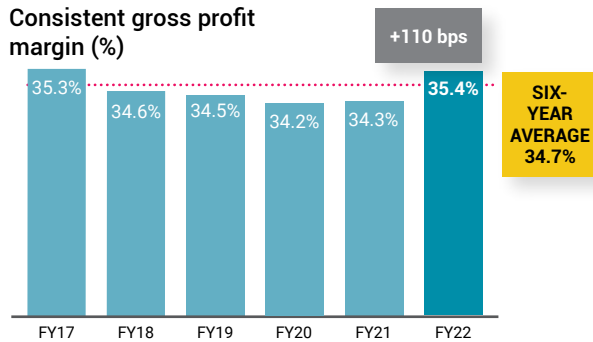
- ▶ **Flash:** Revenue declined in the Flash business as result of a deliberate change in product mix to include more products, such as Eezi airtime, where income is recognised as 'net commission' versus the 'full transaction value' as determined by International Financial Reporting Standards.
- ▶ **Capfin:** The credit book is in a healthy state and increased to R2.2 billion from R1.9 billion a year ago (gross). The provision level reduced to 17% from 19% last year based on satisfactory levels of collections and non-performing loans maintained at healthy levels.

CFO's review *continued*

## Consistent gross profit margin methodology

Over the past six years, the group has maintained consistent gross profit margins which is testament to our disciplined approach to maintain retail margins and pass on any additional costs and cost benefits to our customers.

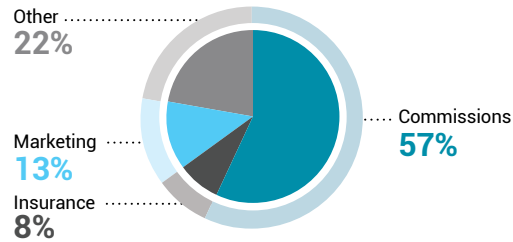
### Consistent gross profit margin (%)



During FY22, the group gross profit margin increased by 110 basis points to 35.4%, benefiting from the insurance recovery pertaining to business interruption, higher interest rates and increased credit granting in the financial services businesses, and lower revenue recognised in the Flash business.

Other income increased by 37.6% to R1.4 billion, including insurance proceeds of R510 million in FY22 and R171 million in FY21. Excluding these insurance proceeds, other income increased by 6.5% and includes income earned from commissions, insurance, marketing and other initiatives aimed at leveraging the group's proximity and reach to customers to offer them more value products and services.

### Other income



**GD4** Footprint leverage

## Lowest cost of doing business

The group prides itself on maintaining the lowest cost of doing business, managing all costs very closely to enable best prices for customers.

Operating expenses (excluding debtors' costs and depreciation and amortisation) increased by 9.4%. On a normalised basis and excluding operating expenses pertaining to Avenida, operating expenses increased by 3.7% – well below revenue growth and continue to achieve positive operating leverage.

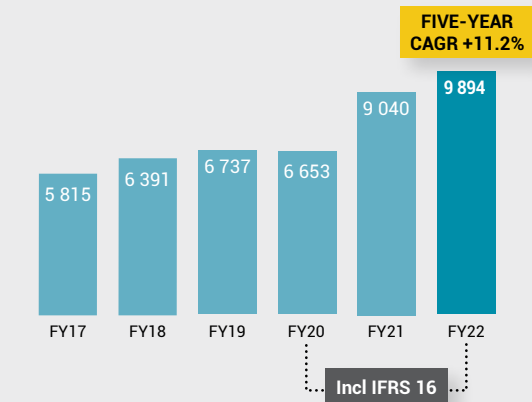
Debtors' costs increased by 38.2% to R1.1 billion, normalising in FY22 following the release of provisions in FY21. Actual bad debts written off reduced by 13.4% from R1.1 billion in FY21 to R990 million in the current year.

**MM** Maintaining a low cost of doing business

## Robust operating profit growth

Over the past five years, the group has achieved annual compound growth in operating profit of 11.2% (excluding non-recurring items).

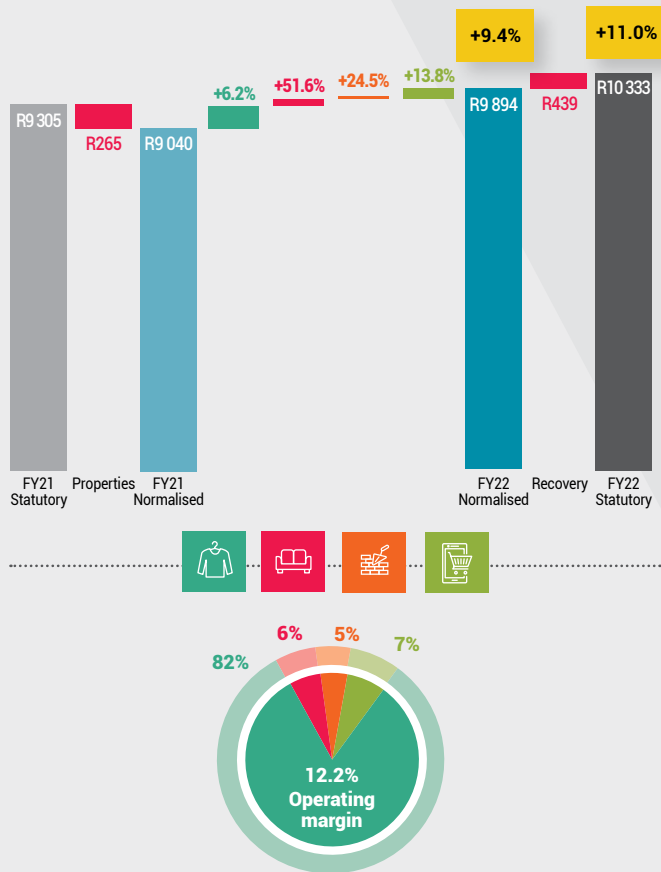
### Consistent operating profit growth (Rm)



Operating profit (before capital items) increased by 11.0% to R10.3 billion and by 9.4% on a normalised basis.

CFO's review *continued*

## Segmental operating profit growth<sup>1</sup>



<sup>1</sup> Before capital items (Rm)

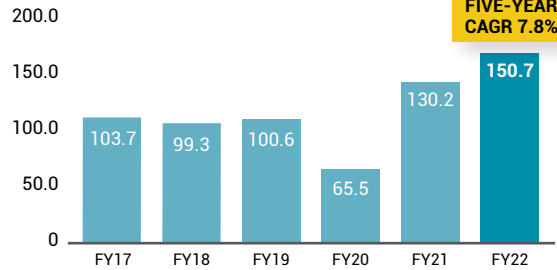
The clothing and general merchandise segment remains the largest contributor to the group's profitability. Operating profit increased by 6.2% to R8.1 billion, representing 82% of the group's normalised operating profit while the other reporting segments delivered strong growth in profitability.

A group operating profit margin of 12.2% was achieved in FY22 and maintained around the 12% level, which represents the norm following the implementation of IFRS 16. The group includes a diversified set of businesses with different operating profit margins representative of their markets and business models.

### Strong earnings growth

The group has achieved annual compound growth in normalised headline earnings of 7.8%.

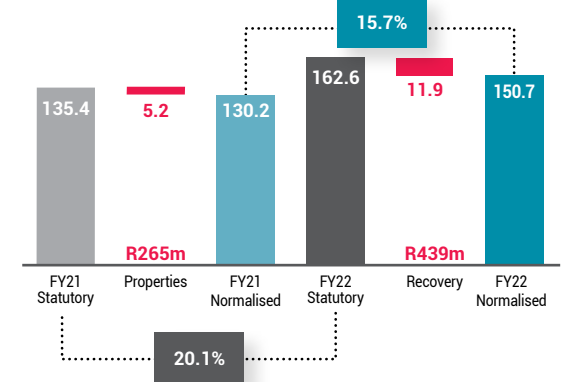
### Growth in normalised HEPS (cps)



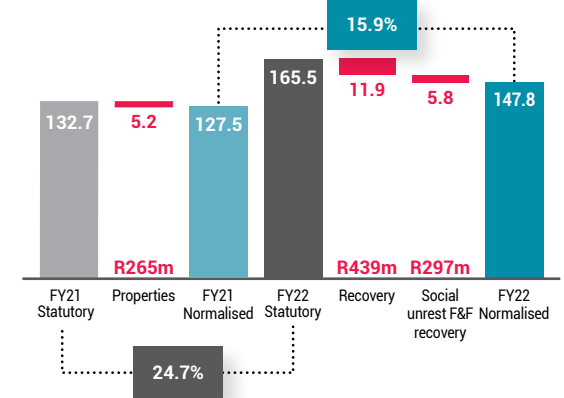
HEPS for FY22 increased by 20.1% to 162.6 cents.

On a normalised basis, both HEPS and EPS increased by 15.7% to 150.7 cents. Growth in FY22 earnings was further facilitated by good management of net finance costs and a lower effective tax rate. Pepkor's effective tax rate amounted to 26.2%, reduced by the non-recurring item, which is not taxable.

### Strong normalised HEPS growth (cents)



### Strong normalised EPS growth (cents)



CFO's review continued

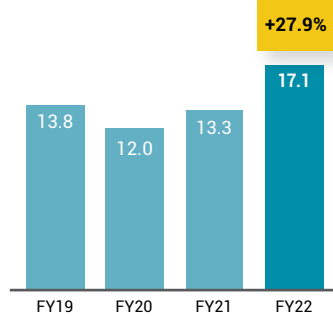
## Increased working capital levels

### Inventory

Inventory levels increased by 27.9% to R17.1 billion due to measures implemented to mitigate supply chain disruption and advance merchandise inflows to ensure product availability and freshness. The high level of inventory freshness, in addition to higher levels of inflation, should mitigate the level of markdowns required going forward. The acquisition of Avenida further contributed to inventory levels.

**MM** Maintaining an efficient and effective supply chain

### Healthy stock (Rbn)



### Credit books

The Tenacity credit book, which facilitates credit sales in the South Africa-based general merchandise retail brands, performed well. The gross credit book increased to R3.4 billion from R3.1 billion a year ago. The provision level reduced to 20% from 21% in the prior year based on positive collections and lower non-performing loans. The in-store revolving credit card now allows interoperability across all clothing and general merchandise stores, providing more choice to customers and ensuring that credit is facilitated within the group.

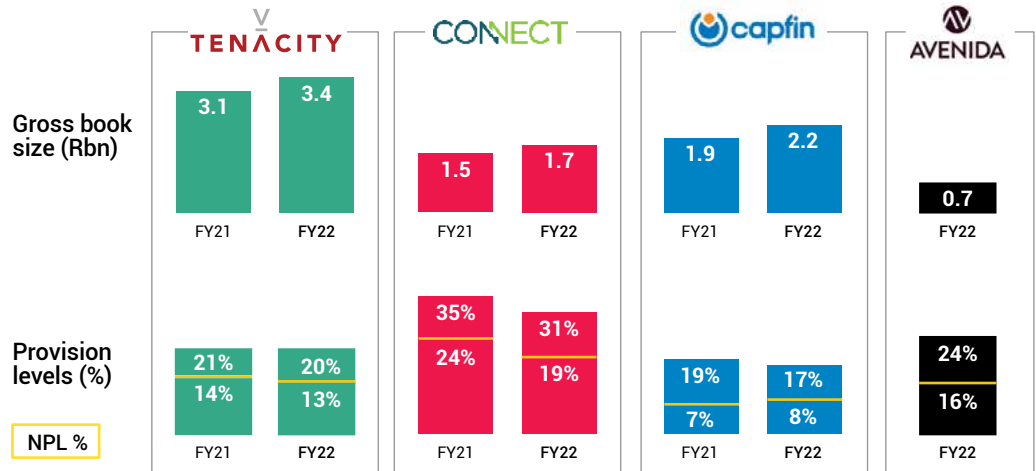
The Connect credit book, which facilitates credit sales in JD Group, increased to R1.7 billion from R1.5 billion a year ago (gross). The credit book provision level decreased to 31% from 35% a year ago, based on the improved quality and continued positive collections performance.

The Capfin credit book, which provides personal loans, is in a healthy state and increased to R2.2 billion from R1.9 billion a year ago (gross). The provision level reduced to 17% from 19% last year based on satisfactory levels of collections and non-performing loans.

The Avenida credit book performed to expectation and amounted to R670 million (gross). The provision level is in line with historical levels of 24% and non-performing loans are within expected levels.

**MM** Customer focus

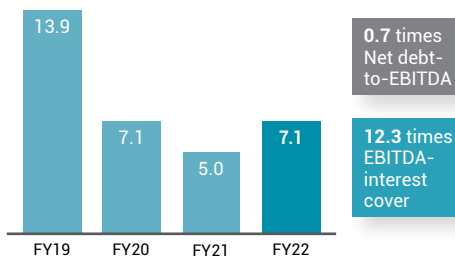
### Credit book health



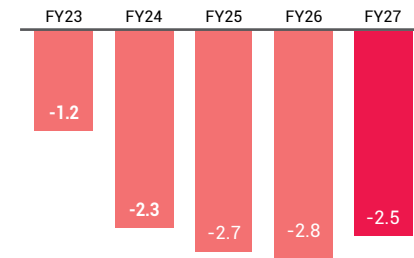
### Low gearing and flexible balance sheet

Net debt (excluding IFRS 16 lease liabilities) increased to R7.1 billion from R5.0 billion a year ago, mainly as a result of the Avenida acquisition completed. The net debt-to-EBITDA ratio of 0.7 times and interest cover ratio of 12.3 times remain within targeted levels and substantially within contractual funding covenants.

### Net debt within targeted range (Rbn)<sup>1</sup>



### Debt repayment profile: 30 September 2022 (Rbn)



<sup>1</sup> Excludes IFRS 16

CFO's review *continued*

## Capital allocation

The group deploys capital diligently in a prioritised manner to maximise return on investment.

**MM** Allocating capital effectively

### 1. Organic growth and expansion

The first priority is organic growth and expansion through the eight identified growth drivers.

During FY22, the group made capital expenditure of R2.6 billion. This includes close to R600 million invested in the expansion of the group's distribution capacity, including the new PEP Hammarisdale distribution centre, which will be completed in FY23. The group's retail footprint was expanded to 5 830 stores and included 319 new store openings.

**GD1** New store openings

**GD2** Development of new formats

**GD3** Adult wear

**GD4** Footprint leverage

**GD5** FinTech

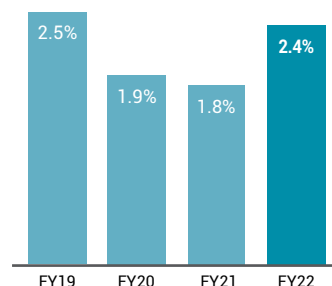
**GD6** E-commerce

**GD7** Informal market

**GD8** Expansion opportunities

The group makes continued capital investment to support future growth.

### Capital expenditure as a percentage of revenue<sup>1</sup>



<sup>1</sup> Excludes Hammarisdale DC development, social unrest and KwaZulu-Natal floods

### 2. Mergers and acquisitions

The acquisition of Avenida in Brazil was completed during the year, representing an investment of c. 4% of the group's total market capitalisation at the time. The group continues to consider opportunities for further growth and expansion through mergers and acquisitions from both a local and international perspective.

Avenida

### 3. Share repurchases

The group continued to repurchase and cancel ordinary shares from the open market on the JSE during FY22 at a total cost of R643 million. The cumulative number of ordinary shares repurchased and cancelled between September 2021 and 30 September 2022 amounted to 70.3 million shares at a total cost of R1.4 billion (average price of R19.99). The group will continue to repurchase shares opportunistically at attractive prices, providing sustained benefit to shareholders.

### 4. Dividends

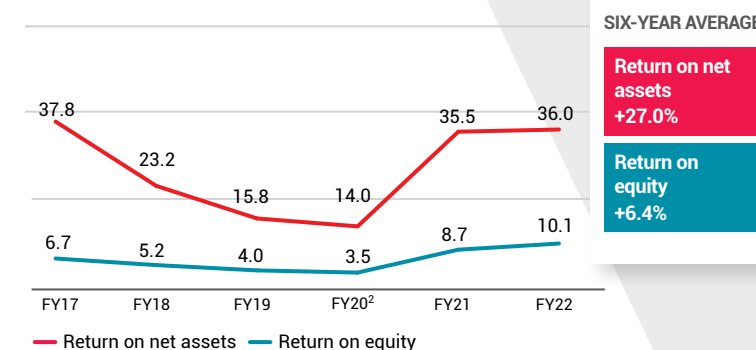
In line with Pepkor's dividend policy of three times earnings cover, a dividend of 55.2 cents was declared for FY22.

## Strengthening returns

The group's return on equity is negatively impacted by the substantial amount of goodwill and intangibles recognised on its balance sheet – an outcome following the group's restructuring into its current form prior to its listing on the JSE in 2017.

Return on net assets (RONA), which exclude goodwill and intangibles, is therefore a more representative measure of returns. Over the past five years, returns were impacted by establishing and building the internally funded Connect and Capfin credit books, resulting in an average RONA of 27.2%. During FY21 and FY22, RONA improved and again exceeded the 30% targeted level.

### Strengthening returns (%)



<sup>2</sup> Excludes impairment on goodwill and intangibles

**MM** Achieving growth in a low-growth environment

## Outlook

After a turbulent year, the group achieved pleasing results and continued to achieve growth in profitability. The group's balance sheet remains strong and flexible, enabling the group to execute on its growth strategy and deliver sustainable returns to all stakeholders.

**Riaan Hanekom**

Chief financial officer

Six-year review

Annual financial statements

# OPERATIONAL REVIEW





# Largest single brand retailer in South Africa

Bold discounter – adding value by providing customers with non-discretionary, everyday products and services to make their lives easier

<b>96%</b> BPL achieved	<b>16 800</b> employees	PEP's Sikhula KunYe culture is rated in the top <b>1%</b> of brand cultures <sup>1</sup>
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<sup>1</sup> Barrett survey results



### Retail

- › Clothing
- › Footwear
- › Homeware
- › Cellular
- › Fast-moving consumer goods
- › Pay-TV (DStv) decoders

### Value-added services

- › Airtime and data
- › Bill payments (such as DStv)
- › Flash tokens
- › TVoucher
- › Cross-border and local money transfers
- › PAXI parcel delivery service
- › Cash-backs
- › Capfin loan applications
- › Funeral insurance



PEP's purpose is to make it possible for their customers to look and feel good. The brand provides customers with products and services they can afford in stores that are close to where they live. This promise has positioned PEP as a trusted brand for more than 55 years.

PEP's customers are remarkable people who, on a tight budget, make it possible for their families to live with dignity and pride. PEP's customers are sensitive to increased living costs, which negatively impact their spending power. PEP is a significant household brand in the discount market serving customers in the lower- to mid-SEM clusters.

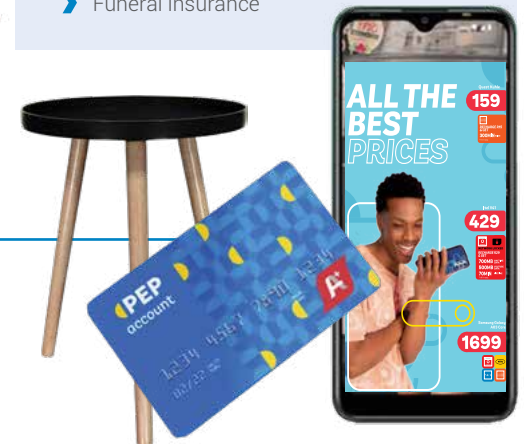
**PEP**  
1 645  
stores

**PEP HOME**  
355  
stores

**PEP CELL**  
562  
stores

**Dealz!**  
17  
stores

**PAXI**  
2 800  
PAXI distribution points





PEP *continued*

## Understanding our customers' needs

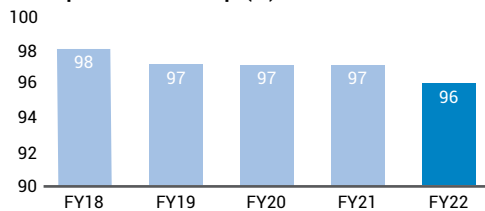
PEP provides the right assortment of everyday products and services that people need. Scale, years of retail experience and a deep understanding of their customers give PEP the advantage to effectively source and sell the right product at the right price.

**MM** Customer focus

## Best price leadership

Providing customers with the 'best products for less' is a key performance indicator (KPI) and the whole business is centred on this customer value proposition. PEP maintains product margins through operational efficiencies and passes pricing benefits to customers. Prices are benchmarked periodically and the brand has consistently maintained best price leadership<sup>1</sup>.

### Best price leadership (%)



It remains the brand of choice for affordable schoolwear. With PepClo as the group's owned production facility, and the scale of our output, PEP was able to keep the cost of a complete school uniform under R100.



**SCHOOL  
UNIFORM PRICE  
< R100**

<sup>1</sup> Best price leadership: PEP is cheaper on 96% of products in an average basket, compared to its competitors



## Closest to our customers

PEP understands that not all customers have access to stores, the means to afford transport, or e-commerce. PEP remains invested in its extensive store footprint, bringing its wide range of products and additional services closer to where our customers live.

The wide store footprint and reverse logistics capability in our supply chain allowed for the success of PAXI. It gives customers reliable and affordable options to courier items to store destinations that are convenient for them and close to where they live. Since inception, the PAXI service has been expanded to the Shoe City footprint as well. It has also become a popular service for small entrepreneurs.

**GD1** New store openings

**GD2** Development of new formats

**GD4** Footprint leverage

**Case study: PAXI is not just a parcel in a taxi**

## Building Better Business



### Building better communities

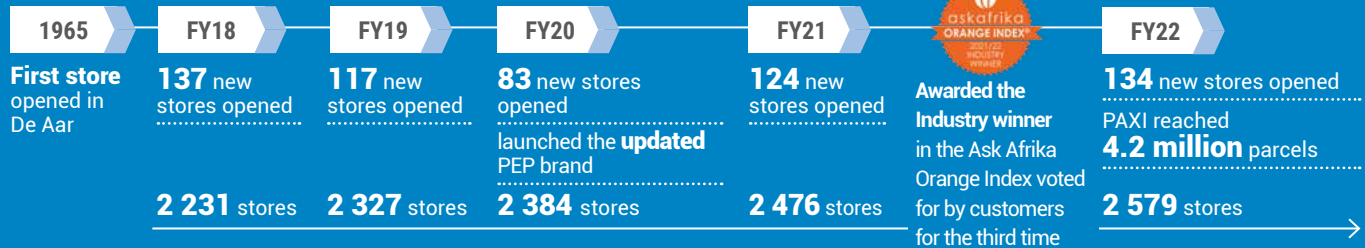
PEP focuses on intermediate phase education, directly contributing to the communities where they operate. Since inception, the PEP academies have made a positive difference in the lives of **23 000 children**.

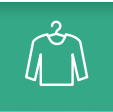


### Building better environments

Born out of cost saving and efficiencies, PEP's LED project saved more than R30 million per year in electricity costs derived from store lighting while having saved **20 292 tCO<sub>2</sub>e** through reduced electricity usage since FY19.

**Sustainability report**





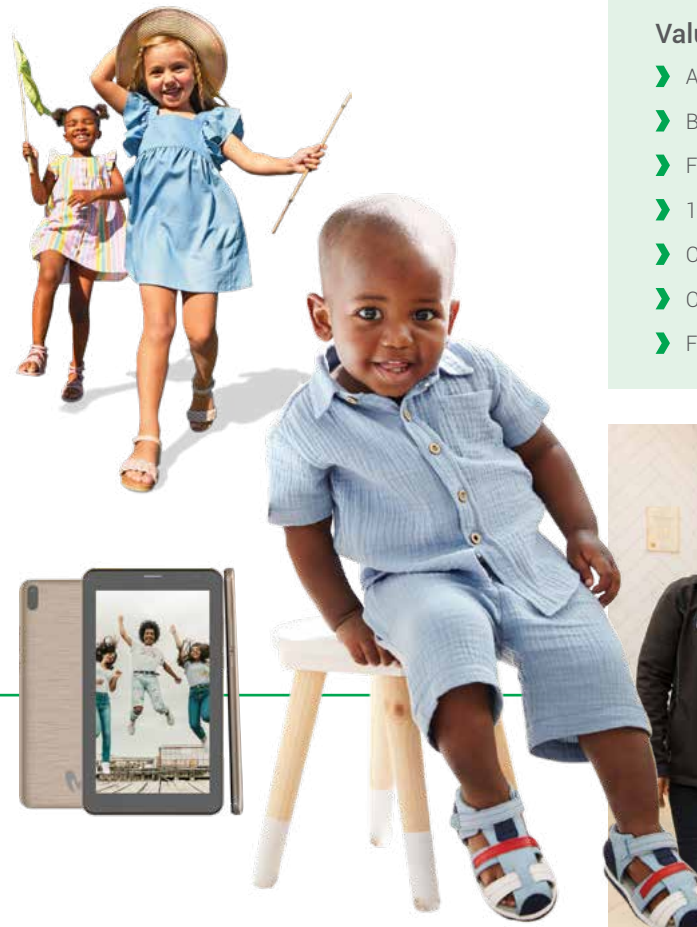
# Value disruptor, undisputed leader in baby and children's wear

**ACKERMANS**

Ackermans brings 'value to life', offering its customers a wide range of clothing, footwear and value-added services and is a leader in the market segment.

Striving to be the number one retailer for women with kids in their lives in the lower- to mid-SEM clusters, it adds value through its compelling babies', children's and ladies' offering.

**9 000**  
employees



### Retail

- Clothing
- Footwear
- Cellular
- Fast-moving consumer goods
- Pay-TV (DStv) decoders

### Value-added services

- Airtime and data
- Bill payments (such as DStv)
- Flash tokens
- 1 Voucher
- Cross-border and local money transfers
- Capfin loan applications
- Funeral insurance



**ACKERMANS**  
**873**  
stores

**ACKERMANS**  
**WOMAN**  
**46**  
stores

**ACKERMANS**  
**CONNECT**  
**32**  
stores



**ACKERMANS** *continued*

## Unbeatable value

Ackermans is a one-stop-shop for mothers buying for their children and themselves. It has an extensive store footprint and is well known for its seasonal category disruptor promotions, offering the best value in specific product categories.

'Famous For' product category performance in FY22:

<b>5 million</b> babygrows and bodyvests sold	<b>16 million</b> kids' T-shirts sold	<b>2 million</b> women's tops sold
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**MM** Customer focus

## Accelerating growth in adult wear

Providing on-trend and relevant fashion at affordable prices has underpinned growth in adult wear. Based on this, the stand-alone Ackermans Woman store concept was developed. Using the same product range available in conventional Ackermans stores, the Ackermans Woman concept includes a more tailored retail experience in terms of visual merchandising. The development of the stand-alone concept has resulted in many learnings which are incorporated back into conventional Ackermans stores.

**GD1** New store openings   **GD2** Development of new formats   **GD3** Adult wear

Get everything  
you need right here!

**SHOP. PAY & TRANSACT.**

**IT'S THAT EASY!**



**BuildingBetter  
Business**



### Building better communities

- Over the past five years, Ackermans has invested more than R15 million in their **Ububele schools programme**, which includes schools and ECD centres in three provinces.



### Building better environments

- First to install LEDs and smart meters and awarded recognition
- LED electricity savings through smart meters

Sustainability report

## Click-and-collect capability

Online click-and-collect capability allows customers in outlying areas access to the full Ackermans product range – not limiting them to the product range available in their closest Ackermans store.

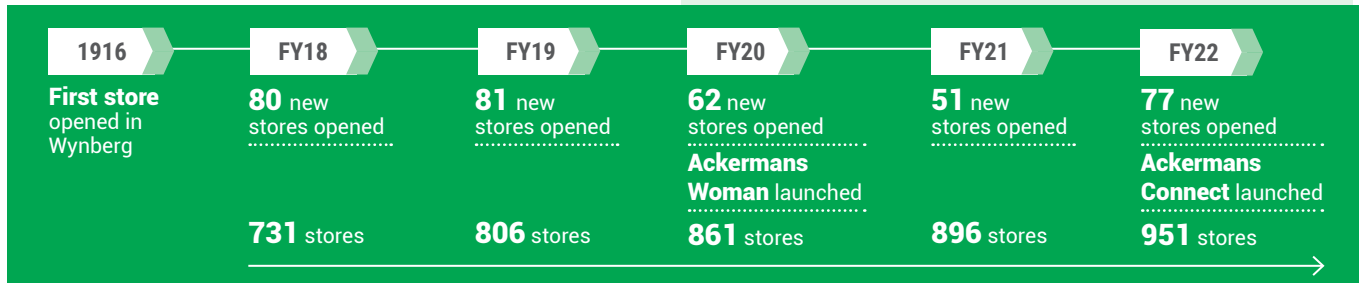
**GD4** Footprint leverage

**GD6** E-commerce



**12**

Ackermans Woman  
stand-alone stores  
opened





# Celebrating **best prices** every day

PEP Africa is the biggest formal clothing retailer in Africa.

**2 200**  
employees

**280**  
stores

**5**  
countries

**PEP | Africa**

PEP Africa has been providing families outside South Africa with affordable clothing, footwear, homeware, cellular products and value-added services since 1995.

PEP Africa is positioned in the discount segment, serving customers in the lower- to middle-income categories.



### Retail

- › Clothing
- › Footwear
- › Homeware
- › Cellular and airtime
- › Fast-moving consumer goods

### Value-added services

- › Airtime and data
- › Pay-TV decoders
- › Bill payments (such as DStv)
- › Cross-border and local money transfers
- › Cash-backs
- › Electricity and water payments





PEP AFRICA *continued*

## Most affordable formal retailer

Customers know they can find quality new products and consistency in size and ranges, as well as the added benefit of good customer service and a money-back guarantee.

While stronger informal markets with focus on second-hand clothing exist in many countries of operation, PEP Africa's positioning is the most affordable formal retail option.

**MM** Customer focus

## Operations across five countries

PEP Africa has the same purpose and culture as PEP in South Africa and operates in five African countries. Country-specific nuances make trading in each country unique and the business is therefore managed by a separate management team.

Capital allocation to growth has been limited over the past few years in response to the volatile operating conditions.



**STORES**

**75**  
Angola

**17**  
Malawi

**62**  
Mozambique

**82**  
Zambia

**44**  
Nigeria

**MM** Allocating capital effectively



## Ability to leverage footprint

While footprint expansion is not a current focus, the existing store base can be leveraged into the informal market by providing customer access to virtual products and services.

- GD4** Footprint leverage
- GD5** FinTech
- GD7** Informal market

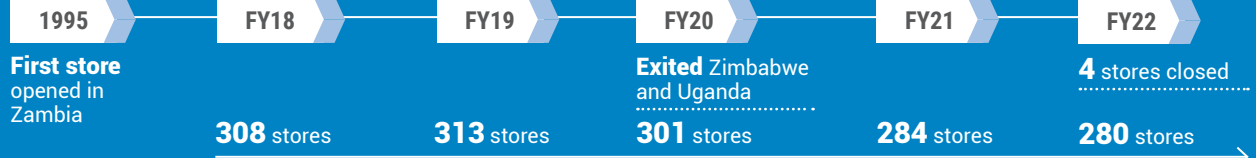
## Building Better Business

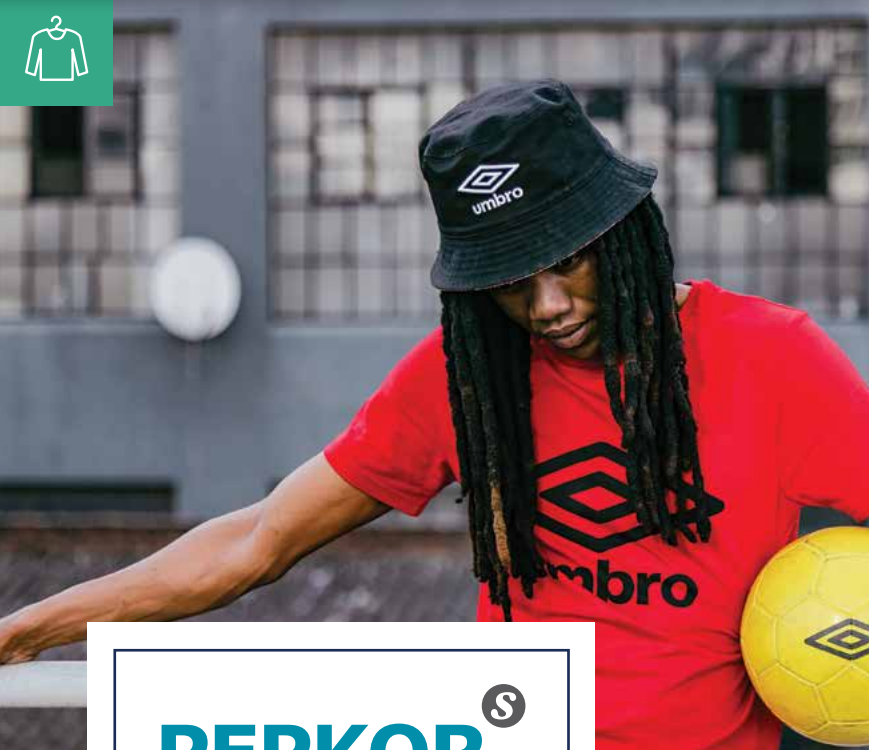


### Building better environments

Since the development of the Zambian off-the-grid store, solar has been rolled out to more stores and battery back-up power has been installed in others. It is estimated that R15.7 million per year will be saved across stores in Nigeria and Angola through savings on maintenance, fuel and generator costs.

**Case study: First off-the-grid store**





# Making **value on-trend** clothing affordable

Representing a 'world of value' through a group of adult wear businesses

<b>4 100</b> employees	<b>864</b> stores	<b>4</b> countries
---------------------------	----------------------	-----------------------

- Retail**
- › Clothing
  - › Footwear
  - › Cellular and airtime
  - › Branded and private label offering

- Value-added services**
- › Full omnichannel offering

**PEPKOR**<sup>S</sup>  
Speciality

Speciality adds value to the group as an incubator for smaller businesses, which may be sub-scale from an operational perspective within the adult wear market. By working together and sharing services and infrastructure, Speciality is able to launch, nurture and reposition brands for future growth. The division's overarching

management focus is to empower individual leadership teams by providing them with support in retail direction, capital allocation and shared services.

Speciality's offering includes branded and value product categories for customers across the lower-, mid- and upper-SEM clusters.



**Tekkie Town**  
**400**  
stores

**DUNNS**  
**200**  
stores

**REFINERY**  
**99**  
stores

**ShoeCity**  
**130**  
stores

**S.P.C.C**  
SERGEANT PEPPER CLOTHING CO  
**5**  
stores

**CODE**  
**30**  
stores



**PEPKOR SPECIALITY** *continued*

## Value adult wear

Speciality's brands focus on adult wear for both men and women, including footwear, accessories and cellular. It differentiates itself through affordable, on-trend private labels.

It is aimed at growing its presence in the middle adult market with a focus on women and street wear.

### Tekkie Town – Great brands, great prices

A branded footwear business, selling the most wanted and affordable branded footwear, apparel and accessories to aspirational and fashion-conscious, smart-choice customers.

### Dunns – Amazing fashion, product and quality

A South African fashion retailer that stands for true value and delivers a unique and bespoke designed fashion range to customers at a fair price.

### Refinery – Effortless ease for every season

A contemporary fashion retailer catering to today's inspired young adults.

### Shoe City – For the love of shoes

A leading speciality footwear retailer in southern Africa, offering stylish, comfortable and durable shoes to everyone, at affordable prices.

### S.P.C.C – Stronger as a collective

Born on the streets of South Africa in 2012, S.P.C.C combines gritty street influences with astute, sophisticated design to deliver an iconic men's denim brand.

### CODE – #GetCoded

A proudly local menswear brand that offers great value through its unique, high-energy shopping experience.

**GD3** Adult wear

**MM** Customer focus

## Integrated supply chain and local sourcing

Prices range from entry-level private labels in CODE and Refinery to higher-end branded sportswear in Tekkie Town. The division's relationships with its brand partners and integrated supply chain and speed to market through local sourcing capabilities sets it apart.

**MM** Maintaining an efficient and effective supply chain

## Omnichannel approach

All brands have an omnichannel presence with products available in-store and online.

S.P.C.C, originally a pure play online retailer, now operates five stores following the development of a brand new store format.

PEP's PAXI service is also available at Shoe City and Tekkie Town stores.

**GD2** Development of new formats

**GD4** Footprint leverage

**GD6** E-commerce



### Building Better Business



#### Building better talent

308 learners graduated from formal programmes over the past two years, receiving an NQF level qualification.

**1978**

**First Dunns store opened – oldest brand in Speciality**

**FY18**

**911** stores

**FY19**

Acquired **S.P.C.C**

**949** stores

**FY20**

Acquired **CODE**  
Disposed of **John Craig**  
Launched **e-commerce**

**940** stores

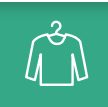
**FY21**

First **S.P.C.C** store opened

**837** stores

**FY22**

**864** stores



# Value for money for yourself, your family and your home

Serving the largest economy in Latin America

**2 000**  
employees

**135**  
stores

One of the  
**10 largest**  
retail chains in  
Brazil



## Retail

- › Clothing
- › Footwear
- › Homeware
- › Cellular

## Price leadership

Avenida offers good-quality, low-fashion products at affordable prices.

**MM** Customer focus

## Convenience

Avenida stores are modern, spacious and well positioned in key locations in the midwest and northern regions of the country. Avenida operates a variety of store sizes and locations with a presence in both large cities and small towns. It is estimated that 85% of the population falls into the lower- and middle-income bracket. This provides potential for Avenida to exponentially increase its store base and revenue into more traditional and rural geographies.

The Avenida store card provides further access to products.

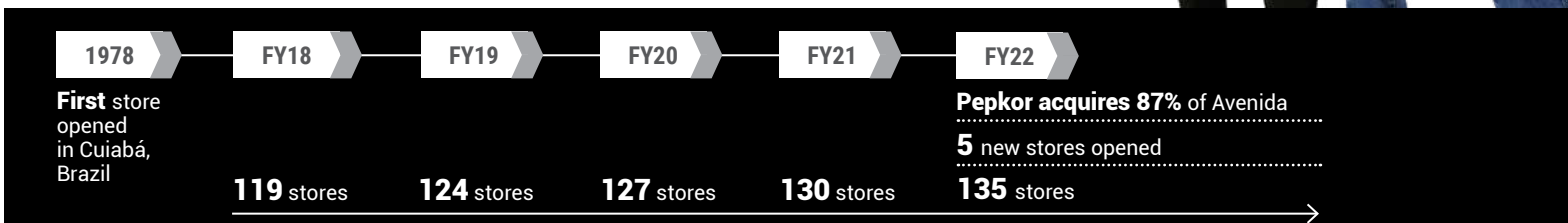
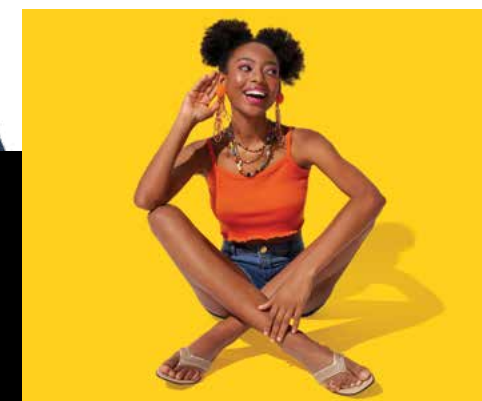
At Avenida, customers can find everything for themselves and their families within their range, and leading value-for-money price points appeal to the middle- to low-income consumers in Brazil – an addressable population of c. 180 million people.

Avenida believes in people, and through its people the brand achieves the best results. Their values of simplicity, respect and humility is evident in the business, and success is driven by their strong customer focus.

**MM** Achieving growth in a low-growth environment

**MM** Allocating capital effectively

**GDB** Expansion opportunities





# Creating a **comfortable lifestyle**

<b>5 700</b> employees	<b>888</b> stores	<b>4</b> countries
---------------------------	----------------------	-----------------------

**Retail**

- › **JD Home** for furniture, homeware and household appliances
- › **JD Tech** for consumer electronics and technology goods and services
- › **Everyshop** is the group's pure play online platform offering consumers a consolidated group offering, in addition to some of the world's leading brands in general merchandise in a perfectly curated assortment



JD Group is an integrated retail and consumer finance business that gives value-conscious mass-market customers in Southern Africa the opportunity and means to obtain and enjoy the latest technology, transforming homes to create a comfortable lifestyle.

The retail brands' product offerings are supported with various payment options, superior customer care and after-sales service. This is facilitated by consumer credit solutions and insurance products offered through group-owned finance and insurance companies.



**Value-added services**

This is facilitated by consumer credit solutions and insurance products offered through group-owned finance and insurance companies.

- › **Connect Financial Solutions** provides innovative financial services focusing on JD's retail customer base through credit and insurance



**JD HOME**



**254**  
stores



**238**  
stores



**223**  
stores



**38**  
stores

**JD TECH**



**78**  
stores



**57**  
stores



[www.everyshop.co.za](http://www.everyshop.co.za)



JD GROUP *continued*

## Value product offering

The JD Group brands provide quality, value-for-money furniture, appliances and household goods from well-known international brands to locally manufactured household names. Products cover all aspects of life, from leisure for families to small office requirements for entrepreneurs.

Its strategy focuses on customer-centricity, product leadership and operational efficiency.

**MM** Customer focus

## Omnichannel approach

The business has taken an omnichannel retail approach that leverages existing infrastructure and operational capability to deliver competitive in-store and online retail offerings. Offerings together with a range of fulfilment options including home delivery and in-store pick-up.

**GD6** E-commerce

**GD7** Informal market



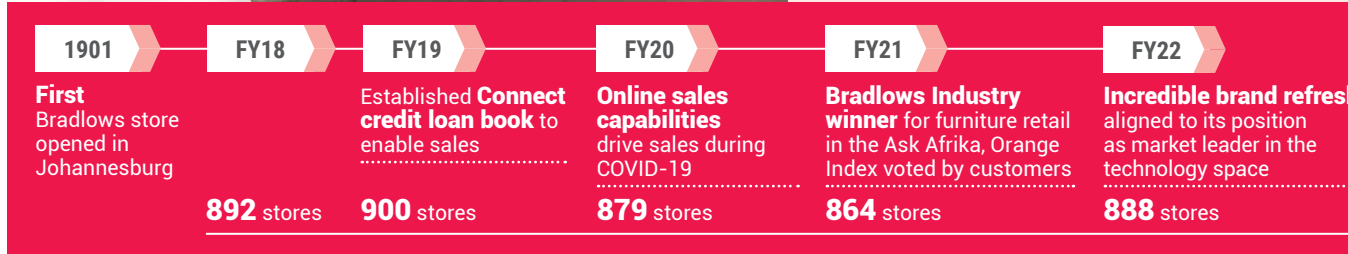
### Building Better Business



#### Building better supply chains

JD Group supports local manufacturing in line with the objectives as set out in the Furniture Industry Master Plan. In addition, they also support SME development through direct funding assistance of certain smaller manufacturers.

**Case study: JD supports the SAFI Master Plan**





# Building lives, building homes, building communities

<b>5 700</b> employees	<b>133</b> stores	<b>2</b> countries
---------------------------	----------------------	-----------------------

## Retail

### General building material

- ▶ A large portion of this division consists of cross-border distribution, break-bulk and logistics. MacNeil and Cachet manufacture their own private label taps
- ▶ Brands4Africa exports to eight African countries

### Wholesale (B2B)

- ▶ Wholesale of mostly imported and value-add building materials and products

### Specialised building material (B2B)

- ▶ Specialist product suppliers offering differentiated, imported products and extensive choices per range



TBCo is a leading southern African building materials retail and wholesale business, providing a full-spectrum service to the construction industry, including residential, commercial and industrial markets, with a core competency of servicing building contractors.

TBCo operates across three divisions, incorporating numerous established and well-known trading and product brands.



## Value-added services

### General building material

- ▶ Value-adding services include the design, manufacturing, and installation of roof trusses, BUCO cut shops, project estimations, project management, and project financing

### Wholesale (B2B)

- ▶ A large portion of this division consists of cross-border distribution, break-bulk and logistics. MacNeil and Cachet manufacture their own private label taps
- ▶ Brands4Africa exports to eight African countries

### Specialised building material (B2B)

- ▶ This division offers project bespoke services, predominantly for large corporates and construction firms

## GENERAL BUILDING MATERIAL



**28**  
stores



**95**  
stores

## WHOLESALE



**5**  
stores



**5**  
stores



**3**  
stores



**4**  
stores

## SPECIALISED BUILDING MATERIAL



**3**  
stores



**1**  
stores



**2**  
stores



**1**  
stores



**3**  
stores



**1**  
stores



**THE BUILDING COMPANY** *continued*

## Diversified product and service offering

TBCo's vision is to be the building material provider of choice in the markets it serves. Through its various brands, it provides quality building materials and services with customer-centricity core to the business model. Its value add is to service building contractors.

## General building material

This division offers a full range of building materials and value-adding services throughout southern Africa to public customers and contractors who make a living using its products and services in the construction industry.

## Wholesale

A large portion of this division consists of cross-border distribution, break-bulk and logistics. This division specialises in the wholesale of mostly imported and value-add building materials and products. The customer portfolio includes stockists and building material retailers and the division has a 100% business-to-business (B2B) value proposition.

## Specialised building material

This division predominantly serves the B2B market of mostly specialist product suppliers and specifiers. The majority of its goods are differentiated, imported products offering extensive choice per range.

- MM Customer focus
- GD6 E-commerce



### BuildingBetter Business



#### Building better communities

TBCo donates products that are used to make much-needed enhancements to spaces to foster pride and dignity, and encourage hope within communities.

1911

The **oldest brand** in the TBCo stable, W&H opened as a small family-owned hardware store in Cape Town

FY18

**124**  
retail stores

FY19

**120**  
retail stores

FY20

**115**  
retail stores

FY21

The **sale of TBCo** was not approved by the Competition Commission and the group retained TBCo

**113**  
retail stores

FY22

**Consolidated all Timbercity franchises** into the group, converted Chipbase stores to Timbercity and launched more Timbercity store-in-store concepts across the BUCO footprint

**7** new stores opened  
**133** retail stores





We aim to create a more **connected and inclusive** economy for all South Africans

**800**  
employees

**7 million**  
transactions per day

**80+**  
transactions  
per second

**202 000**  
Flash traders in the  
informal market



Flash disrupts through innovative technology, bringing value-added services and payment access to a wide range of industries and their customers. It facilitates the exchange of digital products and services through a transactional ecosystem.

By doing this, Flash creates new transaction economies through an open ecosystem mostly in informal markets, where the lower SEM customers have limited access to formalised financial systems.



**Virtual product categories**

- › Airtime and data
- › Electricity
- › Money transfers
- › Utility payments
- › Payment vouchers
- › Entertainment vouchers
- › Gaming vouchers
- › Global products
- › Lotto
- › RICA
- › TVoucher

**Value-added services**

- › **The trader division:** focused on informal market: connects customers, informal traders, virtual content/product providers and payment options through POS devices
- › **The B2B division:** on-sells prepaid products and services alongside the Flash value-added service suite into formal retail and banking environments via an application programming interface
- › **The cellular division:** SIM distribution into the informal market, as well as airtime and data procurement and distribution
- › **The business-to-customer division:** an ecosystem and platform targeted at traditionally cash-based customers enabling them to convert cash into an online balance and transact



**FINTECH** *continued*

## Informal market penetration

Flash's vision has been for everyone to have access to relevant products and services in their communities. This has been achieved by partnering with community entrepreneurs in the informal trading environment to enable these micro and small businesses to better service their customers and gain additional footfall. Flash POS devices provide informal vendors and small business owners a basket of digital products/ services and payment solutions. With devices at more than 200 000 vendors, we have the largest trading network in the South African informal market.

- MM Achieving growth in a low-growth environment
- MM Customer focus
- GD7 Informal market

## Innovative technology development

The development of a prepaid pin-based payment product, 1Voucher, allowed predominantly cash-based customers to participate in the online economy.

This virtual currency allows customers to pay for products or services and/or to top up accounts in-store or online with a vast network of partners spanning multiple consumer categories.



### BuildingBetter Business



#### Building better communities

Flash keeps the flow of money within communities. It enables transactions to remain localised, with vendors earning a share of commission for any product they sell or service they deliver to their customers.



Flash provides funding to support the growth, development and maintenance of the homes and facilities for the Ingane Yami village.





# Capfin provides customers with **affordable loan products and services**

## Meeting consumer needs

Research indicates customers utilise Capfin loans for various planned events, such as family education, part-time studies, side hustles, home maintenance, makeovers, additions or renovations, celebratory events as well as unforeseen events.

### MM Customer focus

## Responsible lending

Capfin is more than a short-term loan services provider and they are motivated to deliver exceptional service that can help to change the lives of customers. They believe applying for a loan should be simple, affordable and easily accessible to all. Their mantra is to improve lives by empowering people.



Capfin was founded in 2010 with a vision to provide customers with affordable loan products and services. Since then, they have continued to exceed the expectations of customers with friendly service and responsible lending. From a start-up to over 400 people working together, they continue to strive to make a positive impact in the lives of customers.

**400**  
employees

**600 000**  
loans disbursed  
annually

**270 000**  
active loans

Capfin focuses on short-term loans, with **75% of new loans granted on six-month terms.**



### Products

- Unsecured six-month loan
- Unsecured 12-month loan
- Minimum loan R1 000
- Maximum loan R50 000

## BuildingBetter Business



### Building better communities

Capfin has a strong people culture and cares about improving the lives of their employees as well as the communities they live in. Their contribution to these communities is focused on the youth where opportunities for learning and growth are created to prepare them for a better future. Their CSI initiatives are purposefully focused on youth development programmes, ECD programmes and the improvement of childcare facilities.



### Building better environments

Capfin will be installing 485 kWp solar photovoltaic (PV) capacity at its Kuils River office and call centre premises during 2023.

FY20

Tightening of credit policies and business restructure

FY21

**484 000**  
loans disbursed

FY22

**600 000**  
loans disbursed



## Group Strategic Services

**Pepkor's Group Strategic Services manage the functions that support the brands and other operating businesses.**

Having an extensive central service allows for economies of scale across shared functions, creates centres of excellence, saves costs and improves efficiencies, while providing a holistic approach to group compliance.

A central office supports operating businesses through finance and treasury, human resources, internal audit, investor relations, legal, compliance and risk, marketing, and tax functions.

### Strategy and approach

The purpose of our group's strategic services is to create advantage for the group through collaboration and synergy between the various operating businesses using our scale to create efficiencies where services are needed across operating businesses. It looks critically at how the group operates and optimises the use of shared capabilities, platforms and systems. It leverages collective experience, expertise and talent in order for the group and our operating businesses to deliver more effectively to our customers.

Across these services, there are two areas of focus:

#### OPERATIONALLY

we **collaborate** and provide services that may otherwise be outsourced to third-party service providers.

#### STRATEGICALLY

we **leverage** our assets, processes and systems to benefit the group.

GROUP STRATEGIC SERVICES *continued*



Providing a complete property solution through expert knowledge and systems

As one of the largest occupants in many shopping destinations<sup>1</sup>, it can leverage its scale as an anchor tenant to negotiate favourable property leases on behalf of the group's operating businesses.

Flooding had a substantial effect on trading, but through excellent relationships and with the help of landlords, the group was able to ensure the reopening of most stores in record time.

As part of our building better business strategy, Pepkor is investing R55 million in solar initiatives to mitigate load shedding and power failures and to lower cost while reducing our carbon footprint. Solar PV<sup>2</sup> panels will be installed on four of the group's owned properties. Phase one has a 5.9 MWp solar energy-generation capacity. Once this phase has been completed, Pepkor will continue its pursuit to further reduce its carbon footprint by investing in solar plants on other owned buildings.

- Manufactured capital**
- Achieving growth in a low-growth environment**
- Maintaining a low cost of doing business**
- New store openings**
- Development of new formats**
- Sustainability report**

<sup>1</sup> In some instances, the group has up to 14 lease agreements in one shopping mall  
<sup>2</sup> PV materials and devices convert sunlight into electrical energy

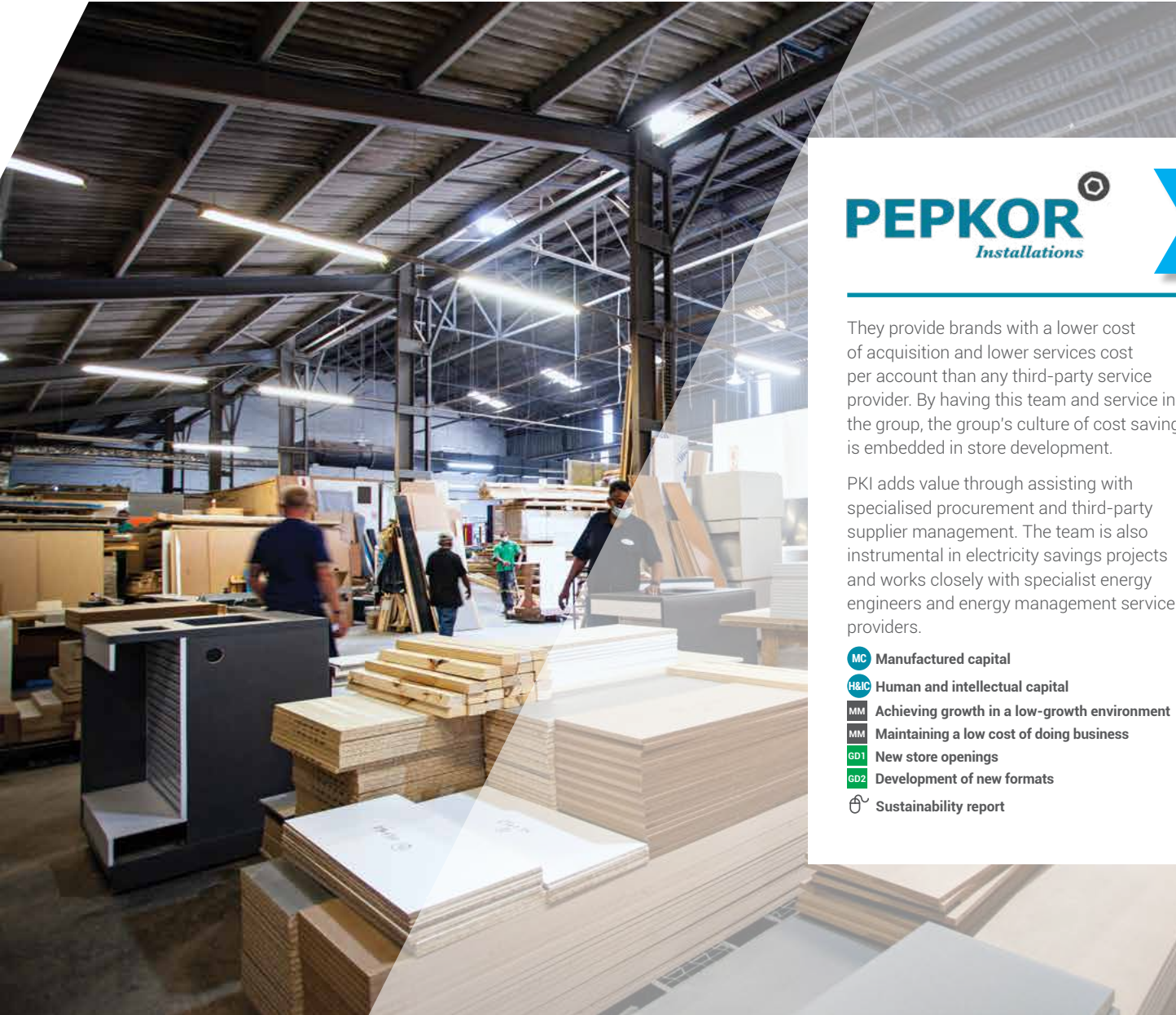
KEY STATISTICS AND HIGHLIGHTS

- 90 employees
- 5 895 property leases managed
- 3 155 441 m<sup>2</sup> under management
- During the year, 1 370 leases were renewed, 334 new stores were opened and 89 stores relocated/enlarged/reduced

Adding value to the group's brands

- ▶ Leveraging experience across the group's brands and geographies to identify new opportunities for stores, optimising Pepkor's footprint
- ▶ Multi-brand property analyses and feasibility studies assist to identify and pursue opportunities
- ▶ Core team of property managers with expert skills, to finalise transactions for optimising footprint and renewals
- ▶ Administration of lease payables with a proven track record
- ▶ Capitalising on group data and analytics to improve site selection
- ▶ Facilities and asset management
- ▶ Development management

GROUP STRATEGIC SERVICES *continued*



**PEPKOR**  
Installations

The Pepkor Installations (PKI) team does all maintenance and refurbishment work to stores and assists with the design and implementation of new-look stores

They provide brands with a lower cost of acquisition and lower services cost per account than any third-party service provider. By having this team and service in the group, the group's culture of cost saving is embedded in store development.

PKI adds value through assisting with specialised procurement and third-party supplier management. The team is also instrumental in electricity savings projects and works closely with specialist energy engineers and energy management service providers.

- MC** Manufactured capital
- H&IC** Human and intellectual capital
- MM** Achieving growth in a low-growth environment
- MM** Maintaining a low cost of doing business
- GD1** New store openings
- GD2** Development of new formats
- Sustainability report**

KEY STATISTICS AND HIGHLIGHTS

- 100** employees
- 12 000 m<sup>2</sup>** manufacturing and warehouse facility
- 66** PKI and outsourced teams across South Africa manage **2 200** maintenance service agreements
- 303** new stores rolled out
- 2 570** retail stores were retrofitted with new LED lights

Services

- Manufacturing
- Warehousing and logistics
- Shopfitting and installations
- Electrical works and maintenance
- Design, research and development

GROUP STRATEGIC SERVICES *continued*



**PEPKOR**  
Sourcing & Services

Providing support to Pepkor's CFH retailers in building strategic sourcing and technical capabilities for the procurement of retail products

Pepkor Sourcing and Services (PSS) has completed work on centralising more of the sourcing functions and has re-established a Pepkor-owned sourcing office in Shanghai (Pepkor Product Sourcing). A small central team works closely with brands' buying and logistics teams to manage the product journey from procurement, with international buying agents and directly with suppliers, to arrival at DCs in South Africa.

Parallel to updating the supplier code of conduct, more attention will be given to full supply chain visibility and supplier compliance.

The group continuously explores opportunities to increase local sourcing to diversify our supplier base and support local job creation in South Africa. Both our CFH brands and JD Group furniture brands support the government's Master Plan frameworks to increase procurement from local manufacturers.

**H&IC** Human and intellectual capital

**MM** Maintaining an efficient and effective supply chain

**BBB** Responsible sourcing

Sustainability report

KEY STATISTICS AND HIGHLIGHTS

**100** employees

Continued focus on local procurement

Supporting the **R-CTFL Master Plan** in job creation

Re-evaluation and alignment of all **CFH/CFE<sup>1</sup> suppliers** to an updated supplier code of conduct

**Services**

- ▶ Using 3D in product development and other areas
- ▶ Local sourcing opportunities
- ▶ Supplier and enterprise development
- ▶ Value-added sourcing
- ▶ Group contract negotiations and compliance
- ▶ Quality control, shipment tracking and buying support

<sup>1</sup> Clothing, footwear and essentials

GROUP STRATEGIC SERVICES *continued*



The group's logistics business delivers CFH, FMCG and general merchandise for Pepkor's clothing brands

PKL manages, through an outsourced model with specialist logistics partners, the delivery of products from DCs to hubs and on to stores.

PKL consolidates the distribution between brands, routes and destinations, thereby ensuring scale benefits are derived and delivering a distribution cost advantage for the Pepkor brands.

Although PKL draws on digitisation and data analysis to plan, track and map a parcel's journey, human interaction is the golden thread that keeps the wheels turning. The right skills are critical to make certain all aspects of the delivery process are executed correctly.

Through its diligent focus on efficiency (reducing kilometres travelled, taking the shortest route and filling trucks optimally), together with sourcing fuel-efficient vehicles, transport execution management and driver training, PKL has increased fuel efficiencies dramatically over the last two decades, and has retained CO<sub>2</sub>e/cube at 0.017 on average for the past five years.

- Manufactured capital**
- Human and intellectual capital**
- Maintaining an efficient and effective supply chain**
- Maintaining a low cost of doing business**
- Footprint leverage**
- Sustainability report**

KEY STATISTICS AND HIGHLIGHTS

- 200** employees
- 21** DCs
- 22** hubs
- More than **506 000** drops delivered based on a **2.5 average** per store per week
- 28 million** parcels delivered

Services

- ▶ Primary distribution (DCs to hubs)
- ▶ Secondary distribution from hubs to stores
- ▶ Receiving stock directly on behalf of brands into the distribution network for secondary distribution

GROUP STRATEGIC SERVICES *continued*



**PEPKOR**  
Data & Analytics

Analytics enable leaders to understand the dynamics of their business, anticipate market shifts and manage risks

D&A is a data science centre of excellence established as a strategic service for all the group companies. The D&A team provides analytics, both predictive and prescriptive, in all areas of the business including risk and collections scorecards in financial services, supply chain optimisation, retail merchandise planning, store allocations, customer churn and response models, to name a few.

The D&A team consists of data engineers, data scientists and machine-learning engineers, with a fully functional cloud infrastructure to analyse vast amounts of data using machine learning and artificial intelligence platforms to build automated systems that have the intelligence, context and empowerment to assist management to make impactful business decisions.

As part of the focus on democratising the data, the D&A metaverse was launched. It is a self-service, intuitive platform in an easy to use, flexible user interface that abstracts the complexity of advanced algorithms away from the users, making analytics easy, fun and focused.

Understanding the value of data, the team also has a strong focus on data protection and, as part of the machine learning process, implemented tests for the promotion of fairness and prevention of biases as a pre-production requirement.

- Human and intellectual capital
- Customer focus
- Footprint leverage

KEY STATISTICS AND HIGHLIGHTS

- 20** data scientists, data engineers and machine-learning engineers
- 21** machine-learning models in production
- More than **29 million** known customers
- > 100 million** customer communications
- Advanced analytics contributed directly to retailers' profitability

Services

- ▶ Predictive and prescriptive analytics for financial services, retail and customer
- ▶ Decision support system enabling self-service advanced analytics:
  - Basket analysis tool
  - Retail experiments
  - Store cannibalisation
- ▶ Group data and feature stores
- ▶ Customer engagement platform
- ▶ Data governance and protection framework in line with POPIA

GROUP STRATEGIC SERVICES *continued*

**PEPKOR**<sup>it</sup>

Pepkor IT (PIT) reduces operational costs and strengthens productivity of Pepkor's retail businesses

IT strategy, engineering and software development play an important role in enabling the group's various operating businesses to operate in a competitive environment.

Technology-based protection, dedication of experts and awareness of end-users are the foundations of the Pepkor IT approach to protect the group against cyberthreats. International and industry-approved frameworks are used as best practice for IT governance and security with various layers of protection being implemented.

The PIT team played a significant role in the group's digital transformation by ensuring office employee mobility through the Google workspace, efficiency and insight, moving vast amounts of data to the fast-processing Google Cloud Platform (GCP), and supporting the group's e-commerce strategies through integration of core retail solutions.

Recruitment and talent retention is a focus area, especially in a highly technical and advanced operating environment where IT skills are very sought after. There is a particular focus on human centricity and modernising of our EVP.

In order for the CFH brands to better serve our customers, PIT ensures core foundational capabilities – in particular group POS, SAP integration, fintech and customer engagement solutions – and also implemented a new core retail merchandise system. Customer transactions, whether at close-to-home retail stores or via online channels, are preceded by the design, planning and ordering of thousands of products controlled with the core retail merchandise system. This is followed by moving billions of stock-keeping units through the value chain to the point of purchase, with PIT adding value through innovation and enhanced technology implementation.

- MC **Manufactured capital**
- H&IC **Human and intellectual capital**
- MM **Maintaining an efficient and effective supply chain**
- GD4 **Footprint leverage**

KEY STATISTICS AND HIGHLIGHTS

300 employees

**FOOTPRINT**

Technical support to:

- › 4 238 stores
- › 15 DCs
- › 23 hubs across
- › 8 countries in Africa
- › 4 720 office-based users with more than
- › 20 000 devices in hybrid working environments

**VOLUME**

- › 340 million in-store sales transactions
- › 125 291 purchase orders managed
- › 28 million cartons managed through supply chain software
- › More than 1.3 petabyte of cloud data managed in GCP data lake

**SECURITY**

Zero breaches in IT security, while fending off more than 52 605 cyber penetration attempts

**Services**

- › Digital transformation
- › Infrastructure development
- › Data movement and management
- › Design, development, implementation and maintenance of systems
- › Integration and support of channels and solutions

GROUP STRATEGIC SERVICES *continued*



Experts in managing private label credit cards. Through specialised credit programmes, PPL assists retailers with direct growth in turnover, and substantially enhance their customers' retail experience

During the year, Pepkor Payments and Lending (PPL) was established as a group services support for the credit and lending businesses, Tenacity Financial Services and Capfin. Consumer insight, trends and payment testing are continuously explored to provide new and improved credit products and payment options.

Tenacity Financial Services has been part of Pepkor since 2007, and is a specialist in the management of in-store credit card programmes. It provides customer payment solutions for the group's CFH retail brands.

Tenacity fulfils the role of a sales enabler for Pepkor's clothing and general merchandise retail brands, enabling customers to shop now and pay later. This is done through a simple and affordable private label, revolving credit product. Other payment solutions offered include lay-by, virtual vouchers and gift cards. Development of new credit products include 'buy now pay later', which is currently being tested. Key differentiators of our business model include access to a large store footprint with strong brand affinity, complemented by a large known and loyal customer base.

Critical factors to our success are credit risk management, a low cost of doing business and new business growth. To this end, we are focused on digital account origination, data-driven underwriting and our in-house collection processes.

- Human and intellectual capital
- Customer focus
- Footprint leverage
- Capfin

TENACITY'S KEY STATISTICS AND HIGHLIGHTS



- 500** employees
- 2.2 million** customer interactions
- Supports **6** clothing and general merchandise brands
- 1.5 million** new credit applications processed

Services

- Client relationships and customer feedback
- Complaints handling
- Digital transformation initiatives

GROUP STRATEGIC SERVICES *continued*



People with heart making garments with heart

Pep Clothing (PepClo) is a fully compliant, large-volume manufacturer of basic apparel. It provides PEP, Ackermans, Dunns and CODE with affordable products. Its low-cost manufacturing model gives PEP and Ackermans the ability to restore dignity by enabling families in Africa to look and feel good, specifically by providing school clothes.

PepClo is well placed to deliver on its brand promise to create shareholder value by putting the 'Customer First' and aiming to be the 'Best in Class'; the largest production facility under one roof in South Africa.

Employees have on-premise access to a variety of paid-for services including occupational and primary healthcare, delivery of chronic medicines, hearing and eye tests, family planning, social workers, financial planning and many topical workshops, as well as an established cancer support group. During the year, PepClo received the Shared Learning award from the Cape Clothing and Textile Cluster.

The continued load shedding and rising shipping costs have a negative impact on the value chain as it results in interrupted production capacity and the challenge of keeping costs down to deliver on our lowest cost promise to our customers.

- MC Manufactured capital
- H&IC Human and intellectual capital
- GD4 Footprint leverage
- MM Maintaining a low cost of doing business
- MM Attracting and retaining talent

1968

Opened the factory in Parow Industria, where it still operates

KEY STATISTICS AND HIGHLIGHTS

**1 781** total employees including **170** contractors, employing **281** people more than in FY21

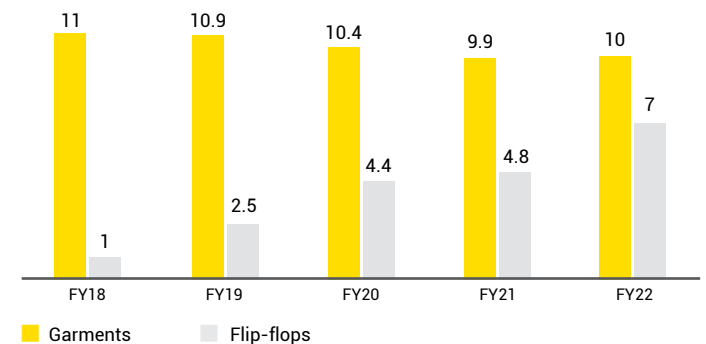
**10 million** garments produced

**7 million** pairs of flip-flops manufactured

Services

- Manufacture of school clothes and basic underwear
- Flip-flop assembly plant
- Textile laboratory testing facility
- Fully staffed on-site occupational and primary healthcare clinic

Units manufactured (millions)



GROUP STRATEGIC SERVICES *continued*



Abacus is a niche insurer focused on addressing the insurance needs of Pepkor's retail customers

**100**  
employees

**294 000**  
insurance policies

Products are carefully selected and designed specifically for Pepkor's main customer demographic to meet their needs and be affordable. Serving customers in the lower- to mid-SEM clusters, it is driven to provide them with pioneering insurance solutions that are simple, relevant and easy to understand.

Life and non-life cover options assist to avoid the downward spiralling debt and poverty cycle, which funeral costs or the loss or breakage of assets can cause.

Abacus helps to manage risk by offering low-cost insurance products to assist customers to maintain a sense of financial confidence, even in the face of significant vulnerability.

- Human and intellectual capital
- Customer focus
- Footprint leverage

PRODUCTS

**LIFE INSURANCE**

**Credit and funeral**

Abacus will ensure that, when policyholders pass on, their loved ones are not burdened with debt as a result of the costs of a funeral and unpaid accounts.

**GOODS INSURANCE**

**Single asset and credit**

Losing an asset of high value could result in a perpetual debt and poverty cycle. By giving customers access to insurance, and replacing assets that are lost, damaged or stolen owing to unforeseen circumstances, policyholders can maintain a sense of financial confidence.

**PAXI PARCEL COVER**

Many policyholders work and live far from their families and often need to send them a valuable item via a parcel service. PAXI parcel cover, underwritten by Abacus, refunds policyholders' losses in the event of their parcel being lost, destroyed or stolen.

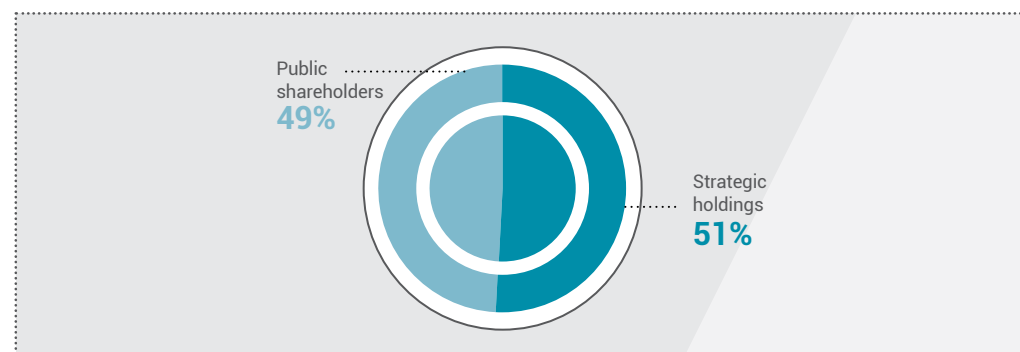
# ADDITIONAL INFORMATION



# Shareholder analysis

Shareholder spread	Number of shareholders	Ordinary shares		%
		%	Number of shares	
1 – 1 000 shares	20 628	76.87	2 081 173	0.06
1 001 – 10 000 shares	4 572	16.81	14 866 659	0.40
10 001 – 100 000 shares	1 112	4.09	38 442 744	1.05
100 001 – 1 000 000 shares	674	2.48	218 433 893	5.94
1 000 001 shares and over	205	0.75	3 404 317 077	92.55
<b>Total</b>	<b>27 191</b>	<b>100.00</b>	<b>3 678 141 546</b>	<b>100.00</b>
<b>Distribution of shareholders</b>				
Strategic investments	3	0.01	1 876 708 550	51.02
Unit trusts	331	1.22	511 822 724	13.92
Pension funds	237	0.87	449 695 553	12.23
Private investors	173	0.64	258 146 149	7.02
Sovereign wealth	13	0.05	145 444 903	3.95
Mutual funds	126	0.46	117 105 914	3.18
Insurance companies	26	0.10	80 110 351	2.18
Hedge funds	15	0.06	34 147 860	0.93
Trading position	25	0.09	31 125 731	0.85
Corporate holdings	2	0.01	30 556 725	0.83
Exchange-traded funds	29	0.11	26 945 306	0.73
Charities	17	0.06	10 790 326	0.29
Custodians	15	0.06	8 519 587	0.23
Medical aid schemes	18	0.07	5 848 171	0.16
Universities	11	0.04	4 986 873	0.14
Investment trusts	4	0.01	3 692 737	0.10
Local authorities	3	0.01	2 256 397	0.06
Foreign governments	3	0.01	1 857 411	0.05
Other managed funds	3	0.01	282 233	0.01
ESG	2	0.01	276 287	0.01
Black economic empowerment	3	0.01	190 000	0.01
Remainder	26 132	96.09	77 631 758	2.10
<b>Total</b>	<b>27 191</b>	<b>100.00</b>	<b>3 678 141 546</b>	<b>100.00</b>
<b>Public/non-public shareholders</b>				
Public shareholders	27 184	99.97	1 798 646 076	48.90
Non-public shareholders				
Directors and associates	4	0.02	2 786 920	0.08
Strategic holdings (more than 10%)	3	0.01	1 876 708 550	51.02
<b>Total</b>	<b>27 191</b>	<b>100.00</b>	<b>3 678 141 546</b>	<b>100.00</b>

	Number of shares	%
<b>Beneficial shareholders holding 1% or more</b>		
Ainsley Holdings Proprietary Limited	1 806 708 550	49.12
Government Employees Pension Fund (PIC)	227 970 176	6.20
Titan Premier Investments Proprietary Limited	199 394 550	5.42
GIC Asset Management Private Limited	81 190 593	2.21
Steinhoff International Holdings N.V.	68 720 747	1.87
Alexander Forbes Investments	65 175 774	1.77
Old Mutual Life Assurance Company Limited	61 311 936	1.66
<b>Total</b>	<b>2 510 472 326</b>	<b>68.25</b>
<b>Fund managers holding 1% or more</b>		
Coronation Asset Management Proprietary Limited	205 799 637	5.60
Titan Premier Investments Proprietary Limited	199 394 550	5.42
PIC	168 376 593	4.58
Ninety One SA Proprietary Limited	98 979 022	2.69
Old Mutual Limited	96 324 117	2.62
GIC Asset Management Private Limited	81 190 593	2.21
The Vanguard Group Inc.	69 460 268	1.89
Value Capital Partners	68 844 345	1.87
M&G Investment Managers Proprietary Limited	68 595 318	1.86
BlackRock Incorporated	57 820 602	1.57
Allan Gray Proprietary Limited	52 557 793	1.43
Truffle Asset Management Proprietary Limited	49 042 796	1.33
Sanlam Investment Management	41 545 318	1.13
<b>Total</b>	<b>1 257 930 952</b>	<b>34.20</b>



# Share performance

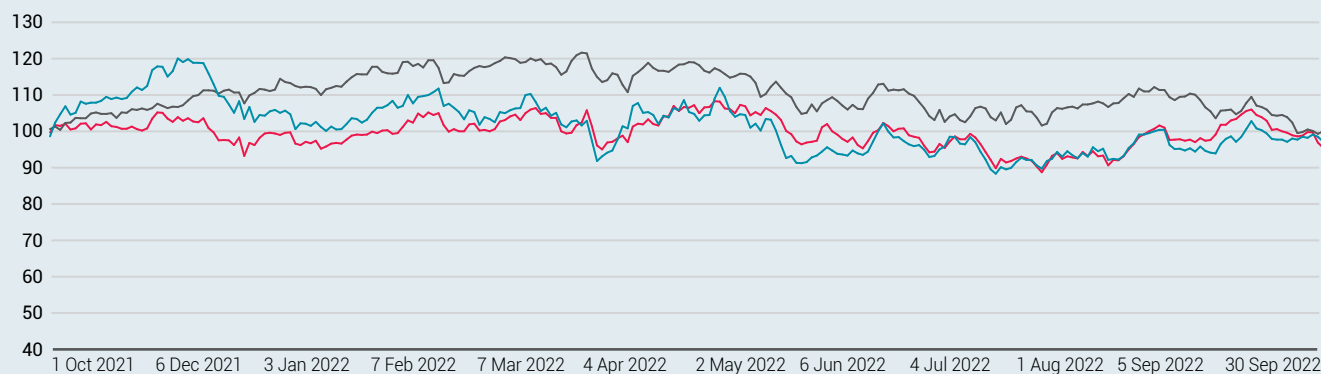
## Analysis of trading

Month	High close (cents)	Low close (cents)	Volume (million shares)	Value (Rm)
October 2021	2 424	2 101	233	5 356
November 2021	2 759	2 193	345	8 041
December 2021	2 295	2 118	94	2 086
January 2022	2 389	2 181	92	2 099
February 2022	2 379	2 143	86	1 931
March 2022	2 375	1 885	149	3 228
April 2022	2 408	2 105	86	1 922
May 2022	2 195	1 921	672	13 144
June 2022	2 214	1 910	137	2 814
July 2022	2 079	1 878	125	2 478
August 2022	2 189	1 954	90	1 831
September 2022	2 209	1 975	133	2 804

## Key statistics (12 months to September 2022)

Traded price (cents per share)	Close	2 077
	High	2 160
	Low	2 066
Market capitalisation as of 30 September 2022 (R billion)		76.4
Value of shares traded (R billion)		47.7
Value traded as % of market capitalisation		62.5%
Volume of shares traded (million)		2 242
Volume traded as % of number of shares in issue		61.0%
PE ratio (statutory headline earnings)		12.8
PE ratio (normalised headline earnings, excluding one-off cost)		13.8
Dividend yield (based on FY21 dividend declared)		2.1%
Earnings yield (statutory headline earnings)		7.8%
Earnings yield (normalised headline earnings, excluding one-off cost)		7.3%
Period-end market price/NAV		1.2
Shares in issue (million)		3 678
Average number of shares in issue (million)		3 696
Net shares issued during the year – net of share repurchases (million)		1

## PPH vs General retail index vs All share index (Rebased to 100%)



JSE All share index 0.1%

PPH (2.7%)

JSE General retail index (4.4%)

# Retail footprint

	30 September 2021		Openings		Closures		Net movement		30 September 2022	
	Retail stores	Retail area '000 m <sup>2</sup>	Retail stores	Retail stores	Retail stores	Retail area '000 m <sup>2</sup>	Retail stores	Retail area '000 m <sup>2</sup>		
<b>Clothing and general merchandise</b>	<b>4 493</b>	<b>1 708</b>	<b>394</b>	<b>(78)</b>	<b>316</b>	<b>140</b>	<b>4 809</b>	<b>1 848</b>		
PEP	2 476	869	134	(31)	103	28	2 579	897		
Ackermans	896	515	77	(22)	55	8	951	523		
PEP Africa	284	108	–	(4)	(4)	(1)	280	107		
Speciality <sup>1</sup>	837	216	48	(21)	27	4	864	220		
Avenida <sup>2</sup>	–	–	135	–	135	101	135	101		
<b>Furniture, appliances and electronics</b>	<b>864</b>	<b>380</b>	<b>48</b>	<b>(24)</b>	<b>24</b>	<b>18</b>	<b>888</b>	<b>398</b>		
JD Home <sup>3</sup>	736	303	41	(24)	17	15	753	318		
JD Tech <sup>4</sup>	128	77	7	–	7	3	135	81		
<b>Building materials<sup>5</sup></b>	<b>113</b>	<b>330</b>	<b>22</b>	<b>(2)</b>	<b>20</b>	<b>16</b>	<b>133</b>	<b>346</b>		
<b>Pepkor</b>	<b>5 470</b>	<b>2 418</b>	<b>464</b>	<b>(104)</b>	<b>360</b>	<b>174</b>	<b>5 830</b>	<b>2 592</b>		

<sup>1</sup> Includes Tekkie Town, Dunns, Refinery, Shoe City, CODE and S.P.C.C brands

<sup>2</sup> Includes 130 stores acquired and five new store openings

<sup>3</sup> Includes Russells, Bradlows, Rochester and Sleepmasters brands

<sup>4</sup> Includes Incredible and HiFi Corp brands

<sup>5</sup> TBCo reassessed its definition of stores, which resulted in the identification of 15 additional stores included as store openings. In addition, TBCo opened seven new stores during the year. Stores include general building material and specialised building material stores (BUCO, Timbercity, Tiletoria and HHL brands) and excludes wholesale and B-One.

**319**  
new stores opened

**130**  
Avenida stores  
acquired

**15**  
reclassifications  
in TBCo

**215**  
net new stores

**130**  
Avenida stores  
acquired

**15**  
reclassifications  
in TBCo



# Pro forma financial information

## Pro forma financial information assurance report

Report on the assurance engagement on the compilation of pro forma financial information included in the reviewed annual results of Pepkor Holdings Limited for the year ended 30 September 2022

## To the directors of Pepkor Holdings Limited

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Pepkor Holdings Limited (Pepkor or the company) and its subsidiaries (the group) by the directors. The pro forma financial information, as set out in the pro forma financial information on pages 25 to 27 in the reviewed annual results for the year ended 30 September 2022, consist of the impact of the constant currency disclosure, the impact of the insurance income recognised from social unrest claims and the impact of the Steinhoff global settlement net recovery on the group's condensed consolidated income statement for the year ended 30 September 2022 and the impact on basic and diluted earnings per share and basic and diluted headline earnings per share (pro forma financial information). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the pro forma financial information set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

The pro forma financial information has been compiled by the directors of Pepkor to illustrate the impact of the constant currency disclosure, the impact of the insurance income recognised from social unrest claims and the impact of the Steinhoff global

settlement net recovery on the group's condensed consolidated income statement and the effect on basic and diluted earnings per share and basic and diluted headline earnings per share. As part of this process, information about the company's financial position and financial performance has been extracted by the directors from the company's condensed consolidated financial statements for the year ended 30 September 2022, on which a review report has been published.

## Directors' responsibility

The directors of the company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the pro forma financial information set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

## Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



**PRO FORMA FINANCIAL INFORMATION** *continued*

## Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the pro forma financial set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022 based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the

directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the pro forma financial information set out on pages 25 to 27 of the reviewed annual results for the year ended 30 September 2022.

**PricewaterhouseCoopers Inc.**  
*Director: D de Jager*  
*Registered auditor*

Stellenbosch, South Africa

21 November 2022



**PRO FORMA FINANCIAL INFORMATION** *continued*

The pro forma financial information, which is the responsibility of the group's directors, is presented in accordance with the JSE Listings Requirements and the SAICA Guide on Pro Forma Financial Information. The pro forma financial information includes the impact of the Steinhoff global settlement net recovery, the insurance claim and constant currency disclosure and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the group's financial position, change in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a prospectus issued by the International Auditing and Assurance Standards Board) has been issued by the group's auditor, PricewaterhouseCoopers Inc., in respect of the pro forma financial information included in this announcement. The pro forma financial information should be read in conjunction with this assurance report.

**Pro forma earnings and headline earnings per share**

The pro forma financial information has been prepared in order to illustrate the impact of the Steinhoff global settlement net recovery and the insurance claim received relating to the replacement of property, plant and equipment damaged during the social unrest on earnings and headline earnings per share.

	As reported Year ended 30 September 2022 Reviewed <sup>1</sup> Rm	Steinhoff global settlement net recovery and property insurance claim adjustments Year ended 30 September 2022 Reviewed <sup>2</sup> Rm	Pro forma after adjustments Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed <sup>1</sup> Rm	% change on prior year
Revenue	81 396	–	81 396	77 329	5.3
Cost of sales	(52 583)	–	(52 583)	(50 795)	(3.5)
<b>Gross profit</b>	<b>28 813</b>	<b>–</b>	<b>28 813</b>	26 534	8.6
Operating income	1 448	–	1 448	1 052	37.6
Steinhoff global settlement net recovery	439	(439)	–	–	100.0
Operating expenses	(14 989)	–	(14 989)	(13 697)	(9.4)
Debtors' costs	(1 085)	–	(1 085)	(785)	(38.2)
<b>Operating profit before depreciation, amortisation and capital items</b>	<b>14 626</b>	<b>(439)</b>	<b>14 187</b>	13 104	8.3
Depreciation and amortisation	(4 293)	–	(4 293)	(3 799)	(13.0)
<b>Operating profit before capital items</b>	<b>10 333</b>	<b>(439)</b>	<b>9 894</b>	9 305	6.3
Capital items	146	(297)	(151)	(164)	7.9
<b>Operating profit</b>	<b>10 479</b>	<b>(736)</b>	<b>9 743</b>	9 141	6.6
Finance costs	(2 468)	–	(2 468)	(2 334)	(5.7)
Finance income	262	–	262	275	(4.7)
<b>Profit before associated income</b>	<b>8 273</b>	<b>(736)</b>	<b>7 537</b>	7 082	6.4
Share of net profit of associate	4	–	4	2	> 100
<b>Profit before taxation</b>	<b>8 277</b>	<b>(736)</b>	<b>7 541</b>	7 084	6.5
Taxation	(2 168)	80	(2 088)	(2 208)	5.4
<b>Profit for the year</b>	<b>6 109</b>	<b>(656)</b>	<b>5 453</b>	4 876	11.8

**PRO FORMA FINANCIAL INFORMATION** *continued*

Notes	As reported Year ended 30 September 2022 Reviewed <sup>1</sup> Rm	Steinhoff global settlement net recovery and property insurance claim adjustments Year ended 30 September 2022 Reviewed <sup>2</sup> Rm	Pro forma after adjustments Year ended 30 September 2022 Reviewed Rm	Year ended 30 September 2021 Reviewed <sup>1</sup> Rm	% change on prior year
<b>Profit attributable to:</b>					
Owners of the parent	6 114	(656)	5 458	4 875	12.0
Non-controlling interests	(5)	–	(5)	1	(> 100)
<b>Profit for the year</b>	<b>6 109</b>	<b>(656)</b>	<b>5 453</b>	4 876	11.8
Pro forma headline earnings are adjusted for the Steinhoff global settlement net recovery and insurance claim as follows:					
Earnings attributable to ordinary shareholders	6 114	(656)	5 458	4 875	12.0
Capital items (note 3 in the condensed consolidated financial statements)	(146)	–	(146)	164	(> 100)
Taxation effect on capital items (note 6 in the condensed consolidated financial statements)	41	–	41	(67)	> 100
Insurance claim received of property, plant and equipment – social unrest (note 3 in the condensed consolidated financial statements)	–	297	297	–	100
Taxation effect on insurance claim received of property, plant and equipment – social unrest	–	(80)	(80)	–	(100)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>6 009</b>	<b>(439)</b>	<b>5 570</b>	4 972	12.0
Total basic earnings per share	3 165.5	(17.7)	147.8	132.7	11.3
Total diluted earnings per share	3 163.0	(17.5)	145.5	130.8	11.2
Total headline earnings per share	3 162.6	(11.9)	150.7	135.4	11.3
<b>Total diluted headline earnings per share</b>	<b>3 160.2</b>	<b>(11.7)</b>	<b>148.5</b>	133.4	11.3

**Notes to the pro forma financial information**

- <sup>1</sup> The current and prior year numbers were extracted without adjustments from the condensed consolidated financial statements of the group for the year ended 30 September 2022.
- <sup>2</sup> The adjustment represents excluding impact of the Steinhoff global settlement net recovery and the insurance claim received relating to the replacement of property, plant and equipment damaged during the social unrest.
- <sup>3</sup> Pro forma earnings and diluted earnings per share, headline earnings and diluted headline earnings per share are calculated on the same basis and using the same weighted average number of ordinary shares and weighted average number of dilutive ordinary shares as per note 6 of the notes to the condensed consolidated financial statements of the group for the year ended 30 September 2022.

PRO FORMA FINANCIAL INFORMATION *continued*

**Pro forma constant currency disclosure**

The Pepkor group discloses unaudited constant currency information to indicate PEP Africa's performance in terms of sales growth, excluding the effect of foreign currency fluctuations. To present this information, current year turnover for PEP Africa reported in currencies other than rand is converted from local currency actuals into rand at the prior year's actual average exchange rates per country. The table below sets out the approximate average rand cost for one unit as well as percentage change in sales, based on the actual continuing results for the year, in reported currency and constant currency, for the basket of currencies in which PEP Africa operates.

Change in sales on prior year (%)	Average exchange rate		Reported currency	Constant currency
	2022	2021		
Angolan kwanza	<b>0.0321</b>	0.0236	17.49	(13.67)
Malawian kwacha	<b>0.0181</b>	0.0191	26.89	33.96
Mozambiquan metical	<b>0.2451</b>	0.2199	19.26	6.99
Nigerian naira	<b>0.0379</b>	0.0379	9.21	9.27
Zambian kwacha	<b>0.9107</b>	0.7163	31.83	3.69
<b>Total</b>			<b>21.88</b>	<b>4.29</b>



# Glossary

<b>AGM</b>	Annual general meeting
<b>B-BBEE</b>	Broad-based black economic empowerment
<b>BBB</b>	Building better business
<b>B2B</b>	Business-to-business
<b>BPL</b>	Best price leadership
<b>bps</b>	Basis points
<b>BVI</b>	Business Venture Investments 1499 (RF) Proprietary Limited
<b>CAGR</b>	Compound annual growth rate
<b>CEO</b>	Chief executive officer
<b>CFE</b>	Clothing, footwear and essentials
<b>CFH</b>	Clothing, footwear and homeware
<b>CFO</b>	Chief financial officer
<b>CO<sub>2</sub>e</b>	Carbon dioxide equivalent
<b>COVID-19</b>	Novel coronavirus (SARS-CoV-2)
<b>CPA</b>	Consumer Protection Act
<b>cps</b>	cents per share
<b>CRMs</b>	
<b>CSI</b>	Corporate social investment
<b>D&amp;A</b>	Pepkor Data and Analytics
<b>DC</b>	Distribution centre
<b>DMTN</b>	Domestic medium-term note
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation
<b>ECD</b>	Early childhood development
<b>EE</b>	Employment equity
<b>EPS</b>	Earnings per share
<b>ESG</b>	Environmental, social and governance
<b>EVP</b>	Employee value proposition
<b>FC</b>	Financial capital
<b>FIMP</b>	Furniture Industry Master Plan
<b>FMCG</b>	Fast-moving consumer goods
<b>FTE</b>	Full-time equivalent
<b>FTSE</b>	Financial Times Stock Exchange

<b>FY</b>	Financial year
<b>GCP</b>	Google Cloud Platform
<b>GD</b>	Growth drivers
<b>GfK</b>	Growth from Knowledge data and consumer goods intelligence market research company
<b>H&amp;IC</b>	Human and intellectual capital
<b>HEPS</b>	Headline earnings per share
<b>HR</b>	Human resources
<b>IFRS</b>	International Financial Reporting Standards
<b>ILO</b>	International Labour Organisation
<b>IR</b>	Integrated report
<b>IRBA Code</b>	Independent Regulatory Board of Auditors
<b>ISAE</b>	International Standard on Assurance Engagements
<b>IT</b>	Information technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>King IV™</b>	King IV Code on Corporate Governance™ for South Africa, 2016, published as part of the King IV™ Report
<b>KPI</b>	Key performance indicator
<b>kWh</b>	kilowatt-hour
<b>Lay-by</b>	A system of paying for goods in small amounts and receiving the goods after the full amount has been paid
<b>LED</b>	Light-emitting diode
<b>MC</b>	Manufactured capital
<b>MM</b>	Material matter
<b>MOI</b>	Memorandum of Incorporation
<b>MWp</b>	Megawatt peak
<b>NCA</b>	National Credit Act
<b>NC</b>	Natural capital
<b>NPL</b>	Non-performing loans
<b>NQF</b>	National Qualifications Framework
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OHASA</b>	Occupational Health and Safety Act
<b>PAXI</b>	Parcel delivery service brand of PEP
<b>PDI</b>	Previously disadvantaged individual

<b>PepClo</b>	Pep Clothing
<b>PIT</b>	Pepkor IT
<b>PKI</b>	Pepkor Installations
<b>PKL</b>	Pepkor Logistics
<b>POPIA</b>	Protection of Personal Information Act
<b>POS</b>	Point of sale
<b>PPH</b>	Pepkor Holdings Limited share code
<b>PPL</b>	Pepkor Payments and Lending
<b>PSS</b>	Pepkor Sourcing and Services
<b>PV</b>	Photovoltaic
<b>Rbn</b>	Rand billion
<b>Remcom</b>	Human resources and remuneration committee
<b>R-CTFL</b>	Retail – Clothing, Textile, Footwear and Leather
<b>RLC</b>	Retailers' Liaison Committee
<b>RONA</b>	Return on net assets
<b>SAICA</b>	South African Institute of Chartered Accountants
<b>SAP</b>	SAP financial management software
<b>SDG 1</b>	United Nations Sustainable Development Goal 1 – No poverty
<b>SDR</b>	Social Relief of Distress
<b>SEC</b>	Social and ethics committee
<b>SEM</b>	Socio-economic measure (previously LSM)
<b>SIM</b>	Subscriber identification module
<b>SME</b>	Small and medium-sized enterprises
<b>SONA</b>	State of the Nation Address
<b>SRC</b>	Social and relationship capital
<b>Speciality</b>	Pepkor Speciality
<b>TBCo</b>	The Building Company
<b>TCFD</b>	Task Force on Climate-Related Financial Disclosures
<b>UNGC</b>	United Nations Global Compact
<b>UN SDGs</b>	United Nations Sustainable Development Goals
<b>wk</b>	week

# Corporate information

**Registration number** 2017/221869/06

**Share code** PPH

**Debt code** PPHI

**ISIN** ZAE000259479

**Registered address**

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**Auditor**

PricewaterhouseCoopers Inc.  
5 Silo Square, V&A Waterfront  
Cape Town 8012  
PO Box 2799, Cape Town 8000

**Equity sponsor**

PSG Capital Proprietary Limited  
(Registration number 2006/015817/07)

**Stellenbosch office**

1st Floor, Ou Kollege Building, 35 Kerk Street  
Stellenbosch 7600  
PO Box 7403, Stellenbosch 7599

**Sandton office**

11th Floor, Suite 1105, Sandton Eye Building  
126 West Street, Sandton 2196  
PO Box 650957, Benmore 2010

**Debt sponsor**

Rand Merchant Bank (A division of FirstRand Bank Limited)  
(Registration number 1929/001225/06)  
1 Merchant Place, Corner Fredman Drive and Rivonia Road  
Sandton 2196  
PO Box 786273, Sandton 2146

**Corporate broker**

Rand Merchant Bank (A division of FirstRand Bank Limited)

**Transfer secretary**

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196



# Shareholder diary

**Annual general meeting**

2 March 2023

**Announcement of interim results**

May 2023

**Financial year-end**

30 September 2023

**Announcement of annual results**

November 2023



**"WHATEVER THE SIZE OF YOUR BUSINESS, THERE'S ALWAYS ROOM TO GROW."**

**PEPKOR**  
*Holdings Limited*

[www.pepkor.co.za](http://www.pepkor.co.za)