PEPKOR
Holdings Limited



2021

INTEGRATED REPORT

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INTRODUCTION 1

CUSTOMERS *react*

EMPLOYEES *relate*

INVESTORS *reward*

COMMUNITIES *resilient*

SUPPLIERS *responsible*

PEPKOR Holdings Limited

PURPOSE

Our purpose is to make a positive difference in the lives of our customers.

About this report

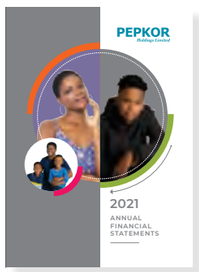
The Pepkor Holdings Limited[1] 2021 integrated report provides an overview of the group's performance during the 2021 financial year[2] ended 30 September 2021, and illustrates how value is created for stakeholders.

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 the structure below:



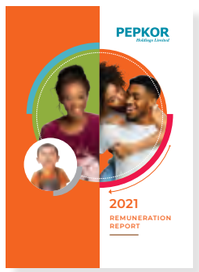
This integrated report is primarily aimed at the investor community, namely shareholders and providers of financial capital, and is supported by a suite of reports aimed at providing more detailed and specific information. These reports are published on the group's website and may be accessed and downloaded from www.pepkor.co.za/investor-relations/integrated-report/. Read together, these reports represent Pepkor's integrated reporting suite for FY21 and include:



Annual financial statements



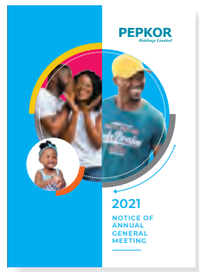
Corporate governance report



Remuneration report



Sustainability report



Notice of annual general meeting

[1] *Pepkor or the group*
[2] *FY21*

Reporting principles, disclosures and frameworks

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

1. International Integrated Reporting Council's <IR> Framework (<IR> Framework)
2. The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)[1]
3. 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
4. JSE Equity and Debt Listings Requirements
5. 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; and
6. Broad-based Black Economic Empowerment Act, No. 53 of 2003
7. FTSE/JSE Responsible Investment Index

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.

Materiality

Pepkor's management and the board consider materiality from both financial and non-financial perspectives, with the group's risk management approach determining the group's material matters. The group uses materiality to inform the content of reports, and the context in and extent to which it discloses any material matters relating to the group.

READ MORE
Our material matters p 54

[1] *Copyright and trade marks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Stakeholder relationships

Pepkor's scale of operations influences multiple stakeholders through various areas of the business. We engage with our stakeholders to foster mutually beneficial relationships.

READ MORE
Our stakeholders p 34

Value creation

Pepkor's ability to create sustainable value is reported in the context of how we manage our capitals, as explained in the business model section on pages 30 to 31.

We align our reporting of the capitals in terms of the <IR> Framework against the group's purpose and strategy.

READ MORE
How we create value p 30

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 other than those described in note 33 of the consolidated annual financial statements. Financial information contained in the integrated report is extracted from the audited annual financial statements that were approved by the Pepkor board on 18 November 2021.

Approval of the integrated report

The board acknowledges its responsibility to ensure the integrity of the integrated report. The directors confirm that they have reviewed the content and are satisfied with the reporting process. The integrated report represents a fair presentation of the performance of the group.

On behalf of the Pepkor board

WENDY LUHABE
Independent non-executive chairman

LEON LOURENS
Chief executive officer

15 December 2021





VARIETY

We provide products and services to a wide customer base.

UNDERSTANDING THE GROUP

Key performance indicators

Financial and non-financial highlights for the year.

Pages 6 – 7

Group overview

Pepkor has the largest retail store footprint in southern Africa.

Pages 8 – 9

Segmental overview

Four operational segments are supported by Group Strategic Services.

Pages 10 – 13

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Key performance indicators



Financial

9.2%
growth in revenue to
R77.3 billion

39.9%
growth in operating profit to
R9.3 billion

115.2%
increase in headline earnings to
R5.0 billion

R11.0 billion
cash generated from operations

44.2 cents
dividend declared

READ MORE
Annual financial statements

Social

Customer enablement

Achieved a BPL[1] score of
97%

201 basis points
market share gains[2]

Employee development

102.9%
growth in learnerships to
2 751

93.4%
black store managers

Community support

9 450 children
supported in schools and ECD[3] centres annually

R57.3 million
CSI[4] spend

Responsible sourcing

Signatory to
the South African government's R-CTFL[5] Master Plan

Shanghai sourcing office
with a dedicated team of 80 employees

Diversity and inclusion

B-BBEE compliant with 58.91 points



Environmental

Environmental protection

First time Scope 3
measurement of outsourced outbound logistics emissions

3.5 MWh
saved in electricity from LED lighting in all PEP stores

Governance

Enhanced board independence and diversity

80% of non-executive directors are independent

42% female

33% black

READ MORE
Corporate governance report

[1] *Best price leadership*
[2] *In clothing, footwear and homeware (CFH) since October 2019. Source: Retailers' Liaison Committee (RLC)*
[3] *Early childhood development*
[4] *Corporate social investment*
[5] *Retail – Clothing, Textile, Footwear and Leather*

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Group overview

OUR MISSION

is to make a positive difference in the lives of our customers and the communities in which we operate, by providing convenient access to everyday products and services at affordable prices.

OUR VISION

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

OUR VALUES

are expressed through our culture. We believe in supporting, respecting and trusting each other while we enable each other to grow together.

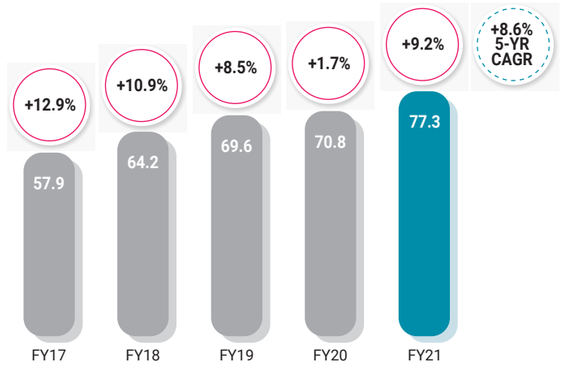
- 5 470 total stores
- 47 000 employees
- 27 million customers
- 350 million transactions
- 2.7 billion products[1] sold
- 2.4 million m² retail space

[1] *Includes physical and virtual products*



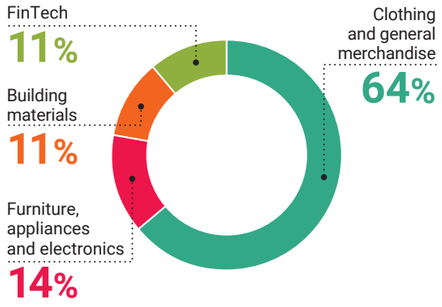
Pepkor is the **largest non-grocery listed retailer** on the JSE Limited based on market capitalisation and annual operating profit.

Revenue growth (Rbn)

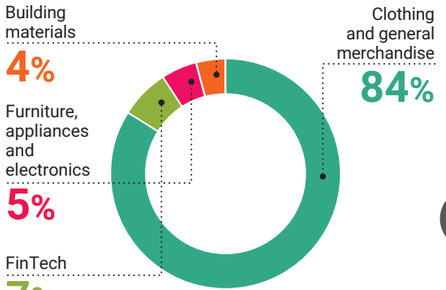


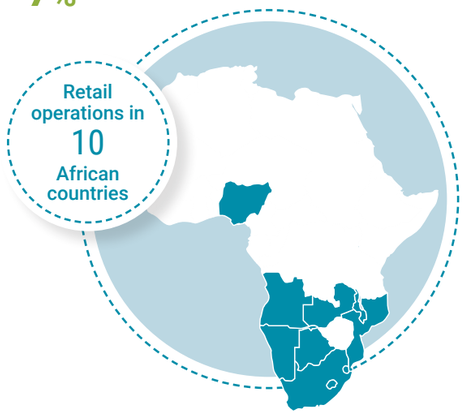
Over the past five years, the group has delivered a compound annual growth rate (CAGR) in revenue of 8.6%.

Contribution to group revenue



Contribution to group operating profit

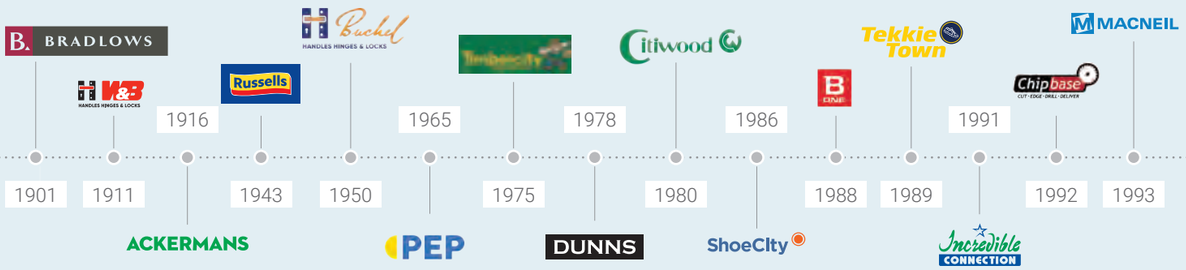


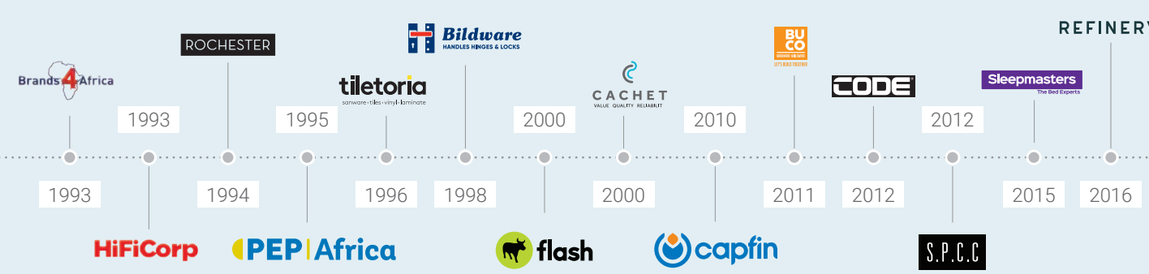


Pepkor has

- A **discount and value retail market positioning**, with the majority of the group's retail operations entrenched in these resilient and defensive sectors.
- The **largest retail store footprint** in southern Africa.
- The ability to leverage the **scale of our operations** to keep costs down.
- Years of **retail experience and discipline** in how to manage and benefit from our value positioning.
- **Core assets** in which we continuously invest to sustain and grow our business.
- **Trusted and iconic brands** with more than a 100-year history.

READ MORE
Segmental overview p 10
Our material matters p 54





Segmental overview

Our retail brands serve customers in the discount, value and specialist value retail market, which includes the vast majority of the southern African population.



CLOTHING AND GENERAL MERCHANDISE

31 400 employees

4 493 stores

10 countries

This segment provides clothing, footwear and homeware (CFH) products, fast-moving consumer speciality goods (FMCG), cellular and financial services. The retail brands have strong, long-established market positions within the defensive discount and value segments of the retail market.

Market share[1] gains of 201 bps[2]

Tenacity Financial Services supports clothing and general merchandise retail brands through its revolving credit offering to customers.

Pepkor Group Strategic Services, which includes the corporate office, forms part of this reporting segment.

PEP · ACKERMANS · PEP Africa

PEPKOR Speciality · Tekkie Town · ShoeCity · REFINERY · CODE · DUNNS · S.P.C.C · SERGEANT PEPPER CLOTHING CO

Contribution to group results

64% Revenue

84% Operating profit[3]

Segmental revenue contribution

87% · 10% · 3%

PEP · ACKERMANS · PEPKOR Speciality · PEP Africa

READ MORE
Our brands p 66
Our Group Strategic Services p 80

[1] *In clothing, footwear and homeware (CFH) since October 2019. Source: RLC*
[2] *Basis points*
[3] *Before capital items*

FURNITURE, APPLIANCES AND ELECTRONICS

5 800 employees

864 stores

4 countries

This segment comprises the JD Group and Abacus insurance businesses.

The JD Group comprises seven household furniture, appliances and consumer electronics retail brands under two divisions: JD Home and JD Tech.

JD Group's digital transformation and omnichannel capability has allowed its retail brands to appeal to customer journeys that start online or in-store.

JD Tech generates 7% of sales online

Connect Financial Solutions provides credit to customers through instalment sale receivables.

Abacus provides insurance products to customers of the JD Group and other group businesses.

JD GROUP · Russells · BRADLOWS · HiFiCorp · everyshop. · ROCHESTER · Sleepmasters · Incredible Connection

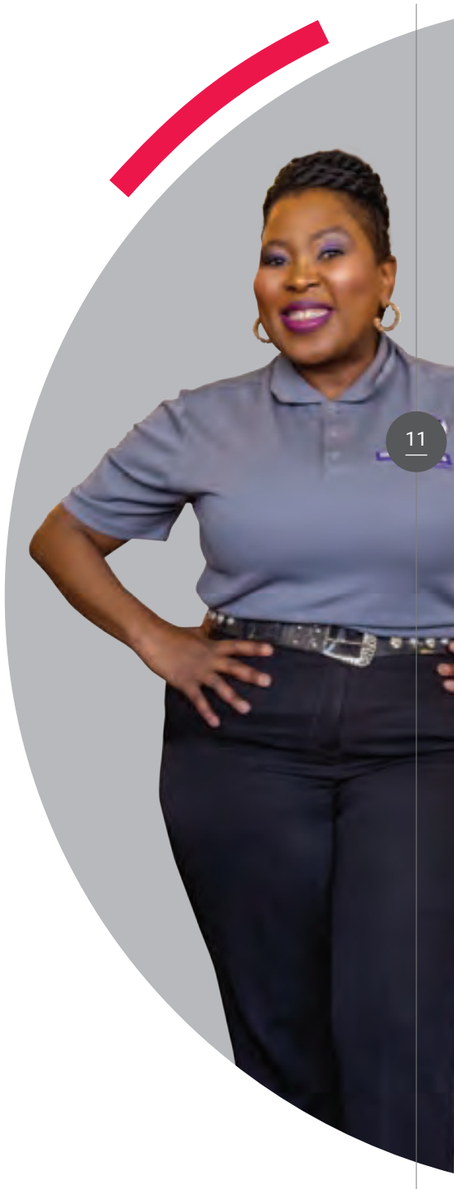
abacus

Contribution to group results

14% Revenue

5% Operating profit[1]

[1] *Before capital items*



READ MORE
Our brands p 74



BUILDING MATERIALS

This segment comprises The Building Company (TBCo).

The business operates across three divisions that encompass established and well-known brands that provide and distribute products for the building industry.

Profitability improved on the back of a more robust business model, improved margins and an optimised cost base.

5 500 employees

113 stores

4 countries

THE BUILDING COMPANY

General building material

BUCO · Timbercity · Chipbase

Wholesale

MACNEIL · CACHET · Citiwood · Brands 4 Africa

Specialised building material

B ONE · Buchel · W&B · Bildware · tiletoria

Contribution to group results

11% Revenue

4% Operating profit[1]

READ MORE
Our brands p 76

[1] *Before capital items*

FINTECH

This segment includes businesses that leverage Pepkor retail channels, including our store footprint. It provides transaction platforms and financial services, but does not enable sales in any of the Pepkor retail brands.

The Flash Group is a global fintech group dedicated to 'making people's lives easier' for the communities it serves. Through innovative technology, value-added services and payment access are provided to a wide range of industries and customers, including the informal sector.

1 300 employees

203 000 Flash traders

240 000 Capfin loans

Daily transactions increased by 32% to 6.5 million

Capfin provides customers with affordable loan products and services. It operates in South Africa's unsecured lending market and makes use of digital channels and the Pepkor retail store footprint to market its products.

Improved profitability following restructuring

Contribution to group results

11% Revenue

7% Operating profit[1]

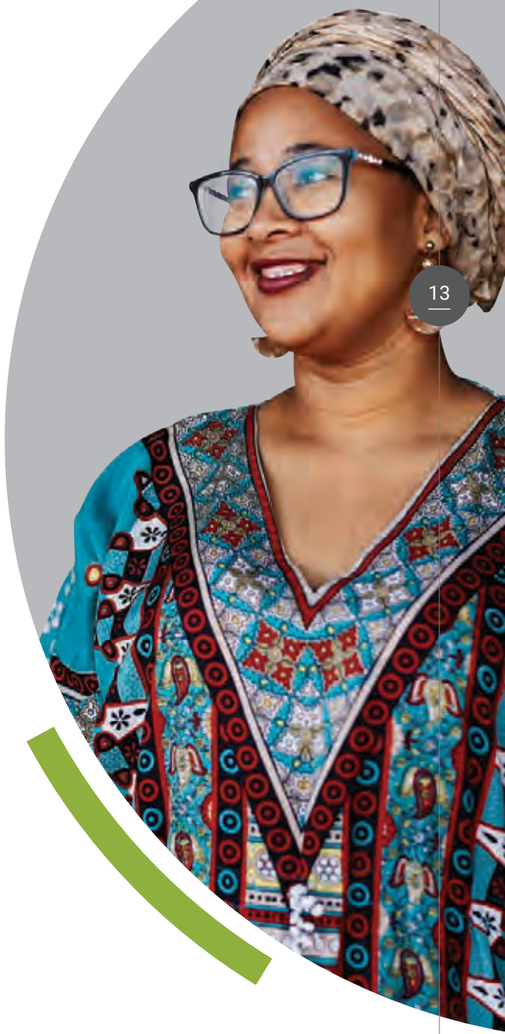
Segmental revenue contribution

89% flash

11% capfin

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Our brands p 78

[1] *Before capital items*







AFFORDABILITY

We make our products and services as affordable as possible.

LEADERSHIP MESSAGES

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Chairman's letter

Pepkor's strategy and our retail brands' equity and customer loyalty have consistently enabled us to gain market share.

Pages 16 – 17

Chief executive officer's report

The group surpassed our objective to restore profitability to FY19 levels despite a significant contraction of the market due to the novel coronavirus (COVID-19) pandemic.

Pages 18 – 21

Chief financial officer's report

The group's history of consistent, strong revenue growth continues to be driven by healthy like-for-like sales growth, complemented by store footprint expansion.

Pages 22 – 27

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Chairman's letter



It gives me great pleasure to present Pepkor's fifth integrated report since our listing on the JSE, and my first report since my appointment as independent non-executive chairman of the board in December 2020.

Performance in unusual times

This year, much like 2020, has not been an easy period for business or our country. As we were recovering from the impact of the COVID-19 pandemic, we were confronted with the unfortunate events that transpired during the week of 12 July 2021, when local civil unrest put lives, businesses, and our economy at risk.

It is always challenging for businesses to navigate their way through such unforeseen events. Although we secured as many of our operations as possible, 549 stores were damaged during the unrest. Our preventative measures ensured that none of our employees were seriously injured. We closed more than 1 000 stores on 13 July, to mitigate damage and losses, and we enhanced our security to protect our distribution centres (DCs), specifically in Hammarsdale. Although the event affected our performance negatively, we are comprehensively insured against material damage and business interruption. More importantly, our group's strong and resilient culture came to our rescue. We retained 2 000 employees while stores were closed, and provided more than 5 000 food parcels to those whose access to shops was cut off. Employees across all our brands and Group Support Services assisted each other, and immediately commenced with a recover and rebuild operation. Collectively, we managed to reopen 75% of our looted or damaged stores by the end of October 2021.

Pepkor's strategy, and our retail brands' equity and customer loyalty have consistently enabled us to gain market share. Collectively, as a discount and value retail business, we remain a strong brand of choice.

Our executive management and their operational teams successfully restored the group to a performance position similar and better to that of the 2019 financial year.

To support this goal and position the group for future growth, the board has approved a three-year plan set out against eight growth drivers. These are discussed in detail in the Our material matters section of this report. We acknowledge that it will require considerable effort to achieve our goals, especially in a market where unemployment, consumer health and pressure on customer spending add additional challenges.

READ MORE
Our operating environment p 32
CEO's report p 18
CFO's report p 22

Responsible retailer of choice

Pepkor's strategy is to provide variety, affordability and accessibility through our products, services and convenience. Our most significant differentiator is the group's ability to manage an extensive footprint and supply chain at a low cost. While we are geared for growth, we remain focused on our purpose – to put our customers' needs and affordability first.

The group has always done 'the right thing' for the business and our stakeholders, and will continue to do so. We have consistently improved efficiencies and used our resources responsibly to benefit our customers. We have put increased energy and focus into our functional areas of sustainability during this past financial year, in order to have a more formalised approach.

By continuously building better business, we will further formalise and embed sustainability throughout Pepkor's operating businesses. Our aim is to improve environmental efficiencies, save costs, build on our reputation, and actively minimise our impact on climate change. Under the leadership of the social and ethics committee, the group has embarked on a journey to enhance our environmental initiatives in conjunction with our work on social and governance matters. Every corporate and individual citizen is responsible for securing a sustainable future for everyone, and we are committed to our role in this regard.

We have done much work to improve our B-BBEE standing. Diversity and inclusion remain areas that receive dedicated focus. We are improving on the scorecard elements within our control, and I am pleased to report that we have achieved a compliant score of 58.91 points.

READ MORE
Sustainability report

Strengthening of the board and leadership

As the new chairman, I am particularly proud of the advances we have made in our board composition during the year. Following the resignations of three directors during the first half of the financial year, the company underwent a process to strengthen the board's skill set, diversity and independence. Five independent non-executive directors were appointed with effect from 1 June 2021: Paula Disberry, Hester Hickey, Ian Kirk, Zola Malinga and Isaac Mophatlane. Eight of the 12 current board members are now independent. For further details on the changes to the board, refer to page 5 of the corporate governance report. We are confident that our new board members will enhance and expand the performance of the board. Pepkor looks forward to the value they will add from their considerable business experience and knowledge.

I wish to thank the former directors for their dedicated contribution to the success of the company during the period of their tenure.

READ MORE
Corporate governance report

Pepkor's ability to respond in challenging and unusual times is testament to the dynamic leadership of our CEO, and the executive management team's dedication to our group. We extend our appreciation to our leadership team for their effort and achievements over the period under review.

I am grateful to the board and executive management for their support. We have a formidable team in place, and have great plans for Pepkor and our future success.

WENDY LUHABE
Independent non-executive chairman

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Chief executive officer's report



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

Achieved substantial market share gains

Exceeded FY19 profitability levels

Strengthened the balance sheet

Performance in FY21

I am very proud of the market-leading results that Pepkor delivered for the year ended September 2021. These results were achieved in one of the most challenging retail and supply chain environments that the group has ever had to navigate.

The group surpassed our objective to restore profitability to FY19 levels despite a significant contraction of the market due to the novel coronavirus (COVID-19) pandemic. We have dealt successfully with the impact, uncertainty and challenges of COVID-19, and Pepkor is in better shape today than we were two years ago.

The civil unrest and looting that erupted in parts of South Africa during July 2021 was a very traumatic and emotional experience for the loyal Pepkor team. However, the response and resilience of the operational and support teams to recover and rebuild our business was one of the highlights of my career. It showed again how blessed we are with the calibre of our people, and the unique culture of our business.

We further entrenched our position as the leading discount and value retailer in South Africa. High unemployment and an underperforming economy have placed huge pressure on consumers, and many are shopping down for greater affordability. Our focus remains to provide even better prices and products to these consumers.

Pepkor's performance and exceptional cash generation allowed us to reduce debt levels substantially, and strengthen the balance sheet. The business is in a healthy position, and has the flexibility to capitalise on opportunities that may present themselves in the market.

Operating segments

Particularly pleasing during the past year was that performance across all the segments in the group was above expectations, which is again an illustration of the resilient nature of the value space.

The apparel retail brands performed very well, and expanded the group's market share in clothing, footwear and homeware by a substantial 201 bps since October 2019, according to independent data from the RLC. The stalwarts, PEP and Ackermans, led the way, while the Speciality business has established itself as a growth platform in the adult wear market.

In the furniture business, the JD Group reported exceptional results as they capitalised on consumer demand for household goods and consumer electronics driven by digitalisation, technology upgrades, work/school-from-home and home improvement trends. It successfully differentiated itself on product range and service, resulting in continued sales growth momentum and sustainable market share expansion.

The Building Company reported excellent results due to improved trading and implementation of strategic interventions. They continued to consolidate their corporate structure, reduce expenses, and simplify the business.

The Flash business increased its revenue based on strong growth in its trader base and virtual turnover per device. More than 200 000 traders are now using Flash devices, and are offering an ever-increasing suite of products to their customers. 1ForYou voucher sales reached 193 million transactions for the year – an enabler that effectively digitises cash and allows informal consumers to participate in the digital economy.

The consolidation of the Capfin operating management and cost structure resulted in a substantial improvement in profitability for the year. The total number of Capfin accounts increased to 240 000 from 219 000 a year ago with 75% of accounts representing six-month loans.

Supply chain disruption

We experienced numerous supply chain disruptions during the year. This included international production challenges as a result of extreme weather conditions and electricity outages in China, in addition to international shipping delays and increased shipping costs. This resulted in delays in product inflows and negatively affected in-store availability and sales. The backlog has improved recently, and stock levels are expected to normalise for the December trading period. The group's merchandise and logistics teams, in conjunction with our supplier base, have done well to maintain prices for customers, but higher levels of inflation are expected towards the end of 2022.

[1] *Cost of doing business*

Pepkor is in the process of expanding our existing local sourcing partnerships with strategic vendors to develop growth plans in support of our local sourcing and manufacturing strategy.

Civil unrest

The civil unrest resulted in the looting of 549 stores across the group. This represents approximately 10% of the group's total store base. Trading was severely disrupted, and sales to the value of approximately R816 million were lost. Thanks to quick response tactical measures employed, damage to the PEP and Ackermans DCs was prevented, and the supply chain and distribution operations were protected.

By the end of October 2021, the group had reopened 413 of the 549 looted stores. This was a remarkable achievement, considering that it was over and above the planned store opening programme. Credit goes to the support and operational teams for their commitment and resilience in Operation: Recover and Rebuild.

Strategy

The group's integrated value proposition and strategy are driven by our purpose: to make a positive difference in the lives of our customers by providing convenient access to everyday products and services at affordable prices. This holistic approach has underpinned our performance and enabled Pepkor to create sustainable value for all our stakeholders. This position and effective execution of the brands' value propositions have again strongly supported the group's stellar performance during the past year – as it has done over many years, and throughout economic cycles and crises.



The group business model is focused on sustainable long-term growth and has eight focused growth drivers in place against which strategic performance is measured. Further detail on this is included in the material matters section of this report, where we discuss progress and performance against these.

GROWTH DRIVER #1
New store openings
247 new stores

GROWTH DRIVER #2
Development of new formats
294 PEP HOME stores

GROWTH DRIVER #3
Increasing market share in adult wear
14.5% growth in women's category in Ackermans

GROWTH DRIVER #4
Leveraging the group's footprint
2.7 billion physical and virtual products sold

GROWTH DRIVER #5
Implementing a comprehensive FinTech strategy for the group
193 million 1ForYou vouchers sold

GROWTH DRIVER #6
Establishing e-commerce
More than 600 000 unique monthly Everyshop users

GROWTH DRIVER #7
Increasing penetration of the informal market
203 000 Flash traders

GROWTH DRIVER #8
Exploring expansion opportunities
S.P.C.C SERGEANT PEPPER CLOTHING CO
CODE

READ MORE
Our material matters
Achieving growth in a low-growth environment p 54

We also acknowledge the importance of our responsibility not only to our stakeholders, but also to our environment. We have formalised our sustainability reporting against seven areas of focus that cover environment, social and governance (ESG) aspects. These complement our eight growth drivers, ensuring we build a better, more resilient and sustainable business.

1. **CUSTOMER ENABLEMENT**
   6.5 million daily Flash transactions
2. **EMPLOYEE INVESTMENT**
   Learnerships doubled to 2 751
3. **COMMUNITY SUPPORT**
   26% of CSI spend supports education
4. **RESPONSIBLE SOURCING**
   International sourcing office established
5. **DIVERSITY AND INCLUSION**
   71% black female store managers
6. **ENVIRONMENTAL PROTECTION**
   R30 million investment in LED project in PEP
7. **GOVERNANCE**
   Five new board appointments

READ MORE
Sustainability report
Corporate governance report

Outlook

Pepkor's robust business model and market positioning in the South African retail landscape allowed us to respond to an extremely challenging operating environment. The full impact of COVID-19 and the high unemployment rate are currently playing out, and a difficult trading year is expected. We remain confident that our market positioning will again prove resilient, as long as we continue to satisfy the needs of our customers.

The discount and value segments of the market have become more attractive and, consequently, more competitive. Pepkor's long history and relationships with our customers will allow us to continue to dominate. We are still positive about the growth prospects in the market, and will open more than 300 new stores in the coming financial year. I am excited by the growth plans of the respective divisions in the group as they execute their strategies and value propositions.

Appreciation

A special thank you to the leadership in the brands who have led by example during challenging times. Thank you to the teams in all our operating businesses for their unbelievable commitment, resilience and tireless work in facing what we had to endure during the past two years. It is truly inspiring, and makes me proud to be part of Pepkor.

Thank you also to the Pepkor board for their continued support and guidance during a year when we really needed it.

LEON LOURENS
Chief executive officer

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Chief financial officer's report



The group's business model, supported by a strengthened and flexible balance sheet, continues to deliver market-leading growth in challenging circumstances.

Compound annual revenue growth of **8.6%** over the past five years

Group revenue increased by **11.1%** compared with FY19

Consistent revenue growth

The group achieved strong revenue growth during the year. The group's history of consistent, strong revenue growth continues to be driven by healthy like-for-like sales growth, complemented by store footprint expansion.

Group revenue for FY21 increased by 9.2% to R77.3 billion when compared with FY20. The FY20 base includes disruption due to national COVID-19-related lockdowns, during which trading was restricted, followed by strong trading attributed to pent-up demand from consumers. Revenue growth for FY21 would have comfortably exceeded 10% had it not been for the civil unrest in July 2021.

The impact of the civil unrest

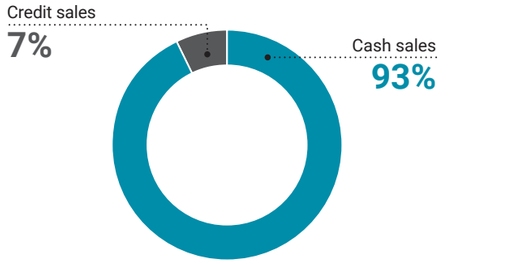
It is estimated that, up to 30 September 2021 (on a net basis), the civil unrest in July 2021 resulted in lost sales of R816 million. This resulted in a net loss of R96 million incurred in FY21, which comprises a loss of R767 million for inventory, cash and damage to property, plant and equipment, offset by insurance proceeds received of R671 million. The group carries comprehensive insurance cover for material damage and business interruption. An initial claim for material damage of R1.2 billion was submitted to the South African Special Risks Insurance Association (SASRIA), and an interim payment of R500 million (net of VAT) was received and accounted for in the FY21 results. Inventory, cash and property, plant and equipment are written off at net book value, while insurance claims are based on replacement value. It is expected that the remainder of the insurance proceeds will be received in the 2022 financial year.

An initial business interruption claim of R717 million was submitted and an interim payment of R171 million (net of VAT) was received and recognised in the FY21 results.

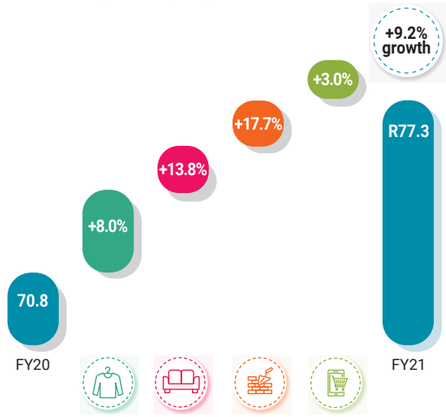
Lower interest rates and reduced credit granting negatively impacted growth in revenue earned from the Tenacity, Connect Financial Solutions (Connect) and Capfin credit books. When revenue earned from these credit books is excluded, revenue increased by 10.3%.

The group remains uniquely positioned as a principally cash retailer with cash sales contributing 93% of total group sales (FY20: 93%). Cash sales increased by 10.6%, while credit sales increased by 11.2%.

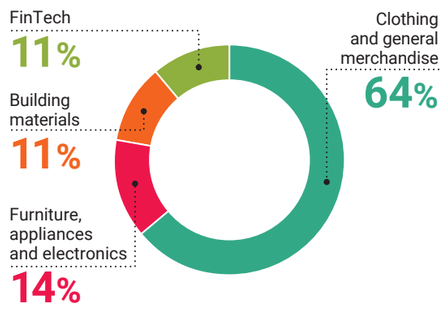
Merchandise sales split



Revenue growth (Rbn)



Contribution to group revenue



The clothing and general merchandise segment contributed 64% to group revenue and increased revenue by 8.0% to R49.3 billion. PEP and Ackermans increased sales by 9.5% in aggregate, while like-for-like sales increased by 7.5%. Retail space expansion in PEP and Ackermans amounted to 3.1% year on year and included 175 new store openings during the year.

The furniture, appliances and electronics segment reported revenue growth of 13.8% to R10.8 billion for the year. Retail sales for the year increased by 17.2% with an increase in like-for-like sales of 20.5% for the year. The JD Group reduced its store base by 15 stores (on a net basis) to 864 stores at year-end. The decrease mainly relates to the closure of unprofitable JD Home stores.

The building materials segment reported revenue growth of 17.7% to R8.4 billion for the year, based on positive activity in the construction, agriculture and mining sectors. This supported good growth in all three divisions of The Building Company business.

Our FinTech segment increased revenue by 3.0% to R8.9 billion for the year. The Flash business contributed 89.4% to the segment's revenue and continued to deliver strong growth. However, in Capfin, conservative credit granting and lower interest rates weighed on revenue growth.

Discontinued operations

The FY20 results were remeasured and restated to reclassify The Building Company as a continuing operation as announced on SENS on 12 August 2021, following the termination of the transaction to dispose of the business. Further details on the reclassification are included in the condensed annual financial statements. Discontinued operations include the Zimbabwean operations of PEP Africa, which were sold on 30 September 2020.

Consistent gross profit margin maintained over time

The total group gross profit margin increased by 10 bps to 34.3% during the year. The civil unrest impacted group gross profit margin by 20 bps. The gross profit margin on merchandise sales increased by 40 bps, as a result of more full-priced sales and lower markdowns. Reduced credit granting and lower interest rates negatively impacted the gross profit margin on financial services.

The group maintaining a consistent average gross profit margin of 34.6% over the past five years is testament to our disciplined approach to maintain margins and pass on any additional costs and cost benefits to our customers.

Gross profit margin (%)



Other income increased by 40.1% to R1.1 billion, including R171 million insurance income received for business interruption. Excluding this, other income increased by 17.3% with 60% representing commissions earned on items such as bill payments and money transfers. The group successfully leverages our retail footprint to offer customers more products and services. It is pleasing to see that this generates more than R500 million annually in income for the group.

Lowest cost of doing business

The group prides itself on maintaining the lowest cost of doing business, which reduced further to 24.4% during FY21 from 25.0% in FY20.

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Maintaining a low cost of doing business p 60

Operating expenses (excluding debtors' costs, depreciation and amortisation) increased by 8.1%, including foreign exchange losses and IFRS 16 lease modification gains. Favourable lease renewals, retail footprint consolidation and the derecognition of related right-of-use assets and lease liabilities pertaining to the acquisition of a portfolio of leased properties resulted in a total IFRS 16 gain of R903 million in FY21. It is expected that favourable IFRS 16 lease modification gains will continue to be realised in the medium term. The gain attributable to the acquisition of the portfolio of leased properties of R265 million is considered to be non-recurring in nature, and contributed 5.2 cents per share to earnings and headline earnings per share in FY21 (refer to pro forma financial information included in this report).

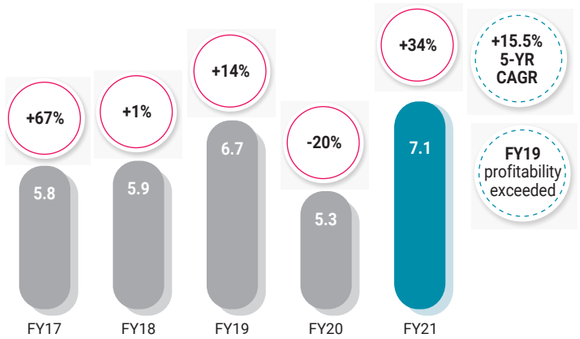
Excluding foreign exchange losses and the non-recurring IFRS 16 gain, operating expenses increased by 8.9% attributable to increased performance incentives and bonuses provided for in FY21 compared with a low FY20 base. The FY20 base included reduced employee costs, as a result of Temporary Employer/Employee Relief Scheme (TERS) support and substantially lower performance incentives and bonuses.

Debtors' costs decreased by 54.7% to R785 million as a result of lower provision levels in terms of the group's expected credit loss methodology. The group's credit methodology continues to be applied consistently.

Robust operating profit growth

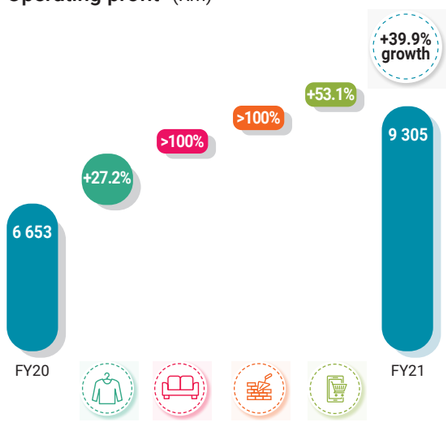
It is very pleasing that FY19 profitability levels (excluding IFRS 16) were not only restored, but also exceeded during FY21. Over the past five years, the group has achieved annual compound growth in operating profit of 15.5% (excluding IFRS 16).

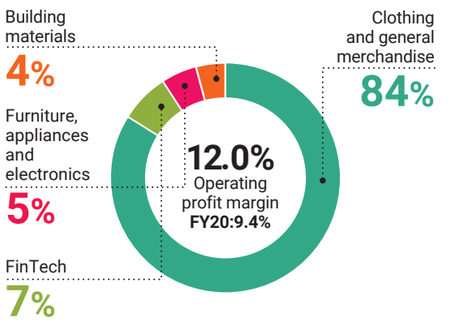
Operating profit[1] (Rbn)



[1] *Before capital items and excluding IFRS 16*

Operating profit[1] (Rm)





The clothing and general merchandise segment continued to be the largest contributor to the group's profitability.

The operating profit margin increased from 9.4% in the prior year to 12.0%, representing a more normalised level.

Net finance costs reduced by 31.7% to R2.1 billion. Excluding the IFRS 16 lease component, net finance costs reduced by 52.2% due to reduced debt levels and lower interest rates. The group repaid a significant portion of outstanding debt (R6 billion) during the latter part of FY20, with further repayments of preference debt (R2 billion) during the first half of 2021. The decrease in finance costs was further facilitated by a decrease in the South African prime lending rate of 270 bps since January 2020.

Pepkor's effective tax rate amounted to 31.2% in FY21 and benefited from a decrease in non-deductible finance costs and the utilisation of unrecognised tax losses. The group's targeted sustainable effective tax rate remains 30.5%.

Substantial growth in earnings

Headline earnings increased by 115.2% to R5.0 billion for the year, representing a healthy recovery from the prior year. Over the past five years, the group has achieved compound annual growth in headline earnings per share of 9.8% (excluding IFRS 16), demonstrating our ability to achieve growth through economic cycles.

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Achieving growth in a low-growth environment p 54

Headline earnings per share increased by 106.7% and the weighted average number of shares in issue increased by 4.4% compared with the prior year.

[1] *Before capital items*

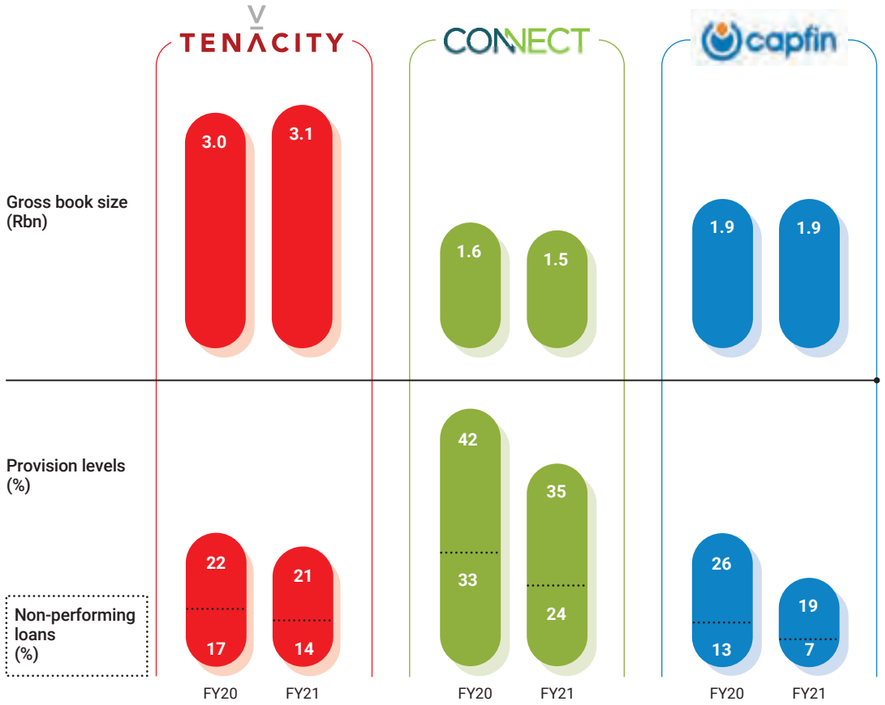
Working capital

Inventory levels increased by 11.3% to R13.3 billion from reduced levels of R12.0 billion in the prior year.

The Tenacity gross credit book, which facilitates credit sales in the clothing and general merchandise retail brands, increased marginally to R3.1 billion (FY20: R3.0 billion). Tenacity's credit book provision level decreased to 21% (FY20: 22%) due to normal collection levels.

The Connect gross credit book, which facilitates credit sales in the JD Group, reduced to R1.5 billion from R1.6 billion a year ago. The credit book provision level decreased by 7% from 42% in the prior year to 35%. This was due to improved quality of the book and sustained, positive collection performance. Credit granting will be expanded on a conservative basis.

Conservative credit granting and lower interest rates weighed on revenue growth. The Capfin gross credit book remained stable at R1.9 billion compared with the prior year. The total number of Capfin accounts increased to 240 000 from 219 000 a year ago, with 75% of accounts representing six-month loans. The credit book provision level was reduced to 19% (FY20: 26%) based on the enhanced quality of the credit book and good collections performance in line with pre-COVID levels.

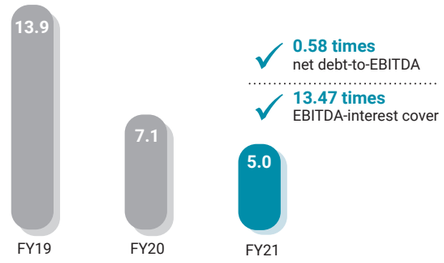


Strengthened balance sheet

Strong cash generation during the year facilitated a reduction of net debt to R5.0 billion from R7.1 billion in the prior year (excluding IFRS 16 lease liabilities). The net debt-to-EBITDA ratio of 0.6 times and interest cover ratio of 13.5 times (excluding IFRS 16 lease liabilities) remain within contractual funding covenants. The group's liquidity and debt repayment profile were strengthened substantially, while the diversification of funding sources to include the group's R10 billion domestic medium-term note (DMTN) programme continues to reduce funding costs.

The group has proactively commenced a process to refinance funding of R5.0 billion repayable in FY23 with the intention to extend this over a longer term and further reduce the group's cost of funding.

Net debt (Rbn)



Debt repayment profile 30 September 2021 (Rbn)



- R2.2bn bond issuance completed
- R5bn refinance in process

Capital allocation

The group diligently allocates capital in a prioritsed manner.

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Allocating capital effectively p 61

1 Growth and expansion

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

The group continued to invest in growth and expansion opportunities during the year. Our retail footprint was expanded with the opening of 247 new stores. The development of the new PEP DC continued and it is expected to be completed by 2022. A portfolio of 12 leased properties was acquired, with 11 of the 12 properties transferred by 30 September 2021, and 69 million of the total 70 million new Pepkor shares issued as consideration. This represents 1.9% of the total number of Pepkor shares in issue.

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2 Mergers and acquisitions

The group continues to consider opportunities for further growth and expansion through mergers and acquisitions from both a local and international perspective.

3 Share repurchases

The group repurchased 38.0 million ordinary shares from the JSE on the open market during September 2021, at a total cost of R760 million, excluding transaction costs (average price of R19.99).

4 Dividends

The group's dividend policy of three times earnings cover remains in place, and a dividend of 44.2 cents per share was declared based on FY21 earnings.

Outlook

With profitability restored and a strengthened and flexible balance sheet, the group is in a strong position to withstand volatility in our operating environment. It will further enable Pepkor to execute our strategy of ongoing growth, and to continue delivering sustainable returns to all stakeholders.

RIAAN HANEKOM
Chief financial officer

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HOW WE CREATE VALUE

Integrated value proposition

An overview of what constitutes the group's business model.

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Our operating environment

Our largest market is South Africa.

Pages 32 – 33

Our stakeholders

Our customers are at the heart of what we do.

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Our strategy

Our strategy provides variety, affordability and accessibility.

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Our capitals

Our business is built on a philosophy of doing the right thing, managed responsibly, and measured accordingly.

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Our governance and remuneration

Our governance structure and directors, remuneration philosophy, policy and implementation.

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Our risks and material matters

Our material matters are informed by our material risks and stakeholder concerns.

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Integrated value proposition

Our operating environment

Our largest market is South Africa.

Our business is influenced by our external operating environment, which includes global, local and industry-related market conditions. These conditions have a direct impact on the group's operations and performance.

The past two years have been challenging because of the unique events of the COVID-19 pandemic and the local civil unrest.

Our stakeholders

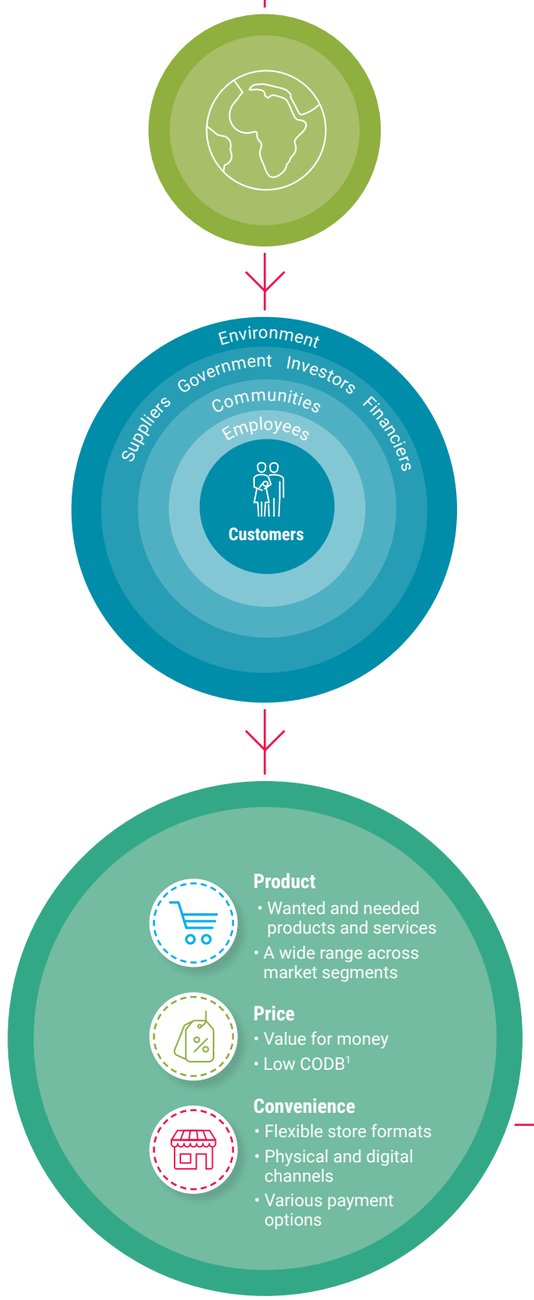
Our customers are at the heart of what we do.

The value we create as a group is linked to the value we create for all our stakeholders. This happens through our business activities and our interactions and relationships with stakeholders. It also depends on how well we look after the environment in which our stakeholders live, work and do business.

Our strategy

Our strategy provides variety, affordability and accessibility.

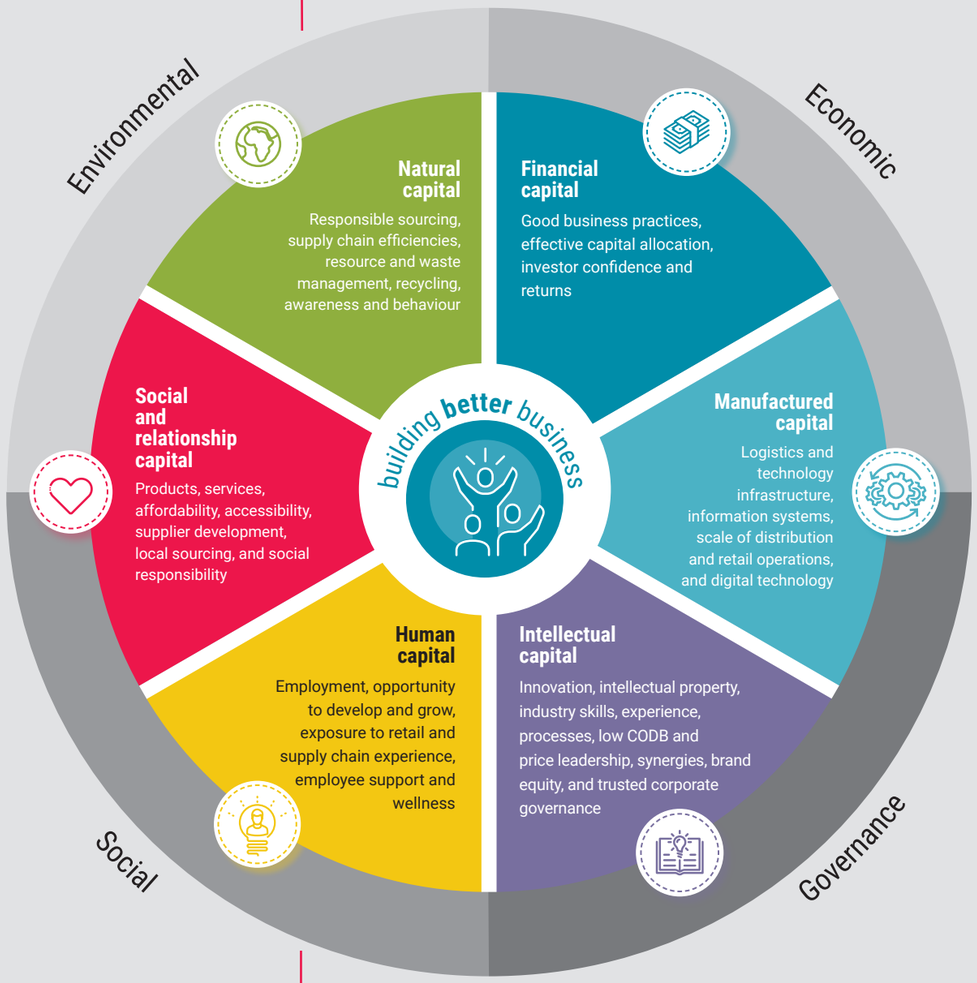
Although the environment in which we operate might influence the way we do business, we are able to create value through our products, services and convenience.



[1] *Cost of doing business*

Our capitals

Our business is built on a philosophy of doing the right thing, managed responsibly, and measured accordingly.



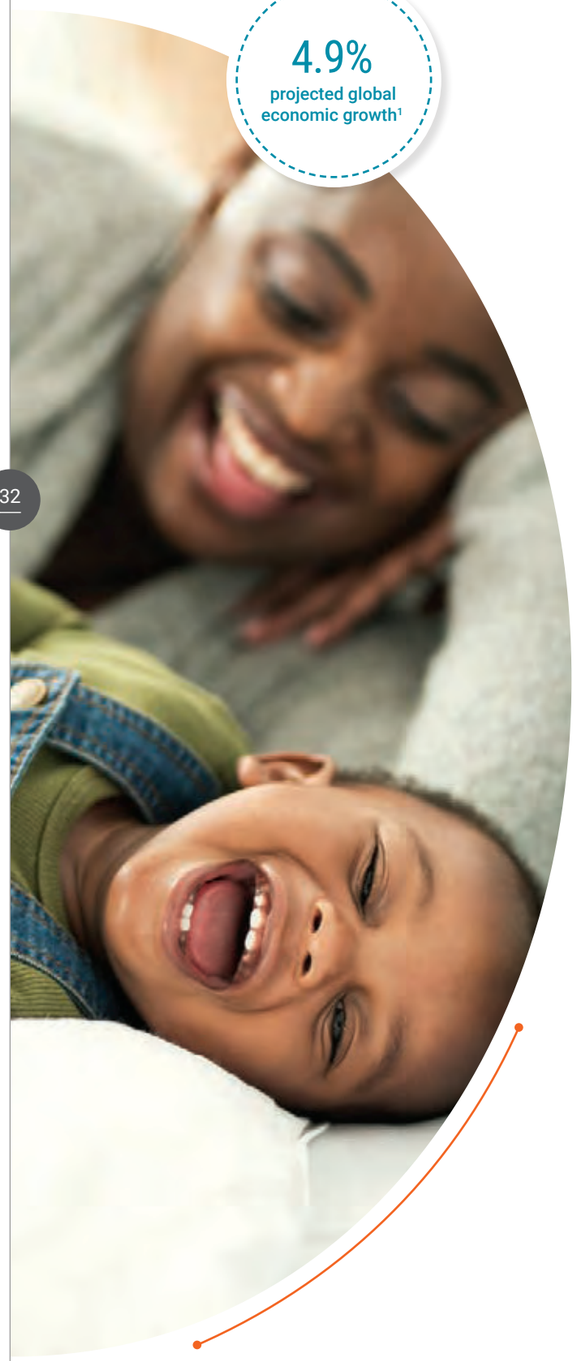
READ MORE
Our capitals p 40

We focus on continuously building a better business that is sustainable and supports our operations and customers. Our business practices and reporting are aligned with economic, environmental, social and governance (ESG) themes and link to the six capitals, as described in the <IR> Framework.

The group uses and applies our capital inputs to provide products and services to our customers through our brands and operational businesses. These are described and discussed in the report. In the process of doing business, we produce certain by-products that we measure and manage, such as carbon emissions and waste.

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Our operating environment



4.9%
projected global economic growth[1]

Global economy

The COVID-19 pandemic continues to affect the global economy. Supply chains remain under pressure, disrupted by factors such as imbalances in international distribution and logistics capacity, adverse weather conditions and power supply issues in China.

Stock markets, employment rates, consumer confidence and spending patterns have all been impacted. Prospects for emerging markets and developing economies have been revised downward, reflecting pandemic-related developments and changes in policy support.

Although the continuing drive to get more people vaccinated raises hopes of an economic turnaround, further waves and new variants of the virus pose concerns for the global outlook.

Amid uncertainty, the global economy is projected to grow 5.9% in 2021 and 4.9% in 2022.[1]

The impact on our business includes the following:

- Supply chain disruption and increased costs.
- Continuing travel restrictions have affected the tourism industry, which has had ramifications on the local economies of some of our African operations, with lower consumer spending.
- Global currency volatility and higher oil prices impact our cost of doing business.

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South African economy

Various levels of sustained lockdown measures implemented by the South African government to curb the spread of the COVID-19 pandemic had a negative effect on the South African economy, resulting in economic contraction and job losses.

Social indicators are likely to remain weak owing to the severity of the pandemic and legacy issues of slow community upliftment and general mismanagement and corruption on a sociopolitical level. The socio-economic impact of the civil unrest in July 2021 further exacerbated existing challenges to government and business to stabilise the economy, improve service delivery and grow employment.

[1] *Source: World Economic Outlook October 2021, International Monetary Fund*

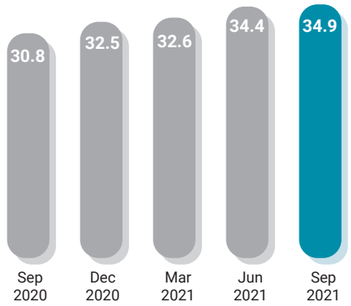
Government economic intervention through increased social grants from the South African Social Security Agency and TERS payments were extended to 2022, while the introduction of a basic income grant continues to be considered. Increased government debt levels over the longer term and its ability to support future economic growth remains a concern.

The impact on our business:

- Increased unemployment reduced consumer spending power
- Damage of infrastructure and disruption from the civil unrest
- Employee well-being declined

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Attracting and retaining talent p 60

Unemployment (%)[1]



[1] *Source: Stats SA*



549
stores looted and damaged during the civil unrest

Over and above the usual store openings across operations, 416 damaged stores were reopened within three months.

South African retail industry

South Africa is a large, complex and dynamic country with almost 60 million people of diverse races, cultures and incomes, spread across nine provinces and speaking 11 official languages. The blend of formal and informal retail businesses serves a cross-section of South African consumers, and both play a role in the retail and consumer goods economy.

Consumers in South Africa are feeling the impact of a prolonged period of low economic growth, high levels of unemployment and a stagnation in real wage growth. The result is low consumer confidence.

Online trends have resulted in drastic changes in consumer spending patterns as consumers reconsider the ways in which they shop and transact. As preoccupation with the pandemic tapers off and markets adjust, consumers will probably, once again, change their buying patterns and purchasing priorities to reflect their new reality.

This is evident in customers' lifestyle and buying behaviour:

- Being more frugal and discerning in spending, focusing on essential products and a move towards value
- Working from home, buying less formal clothing and more casual and active wear
- Prioritising health and safety, opting to spend time at home and shop close to home
- Previously digitally inactive customers are shopping online, across the formal and informal retail markets

The impact on our business:

- Higher demand for value and discount
- Higher demand and spend in product categories like babies' and kids' apparel
- Product categories linked to technology and household goods have been favoured

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Customer focus p 62
Building better business p 62

Our stakeholders



The value we create as a group is linked to the value we create for all our stakeholders. This happens 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.

Pepkor follows a holistic approach to stakeholder engagement and no stakeholder group is more or less important; they can all significantly affect or be affected by our business activities or affect our ability to create value over time. Documents such as contractual terms and conditions are translated into relevant languages and customer helplines (mostly associated with credit facilities and customer care) provide valuable feedback to refine our approach to stakeholder engagement.

Interaction with stakeholders is guided by the group philosophy of 'doing the right thing', which is supported by our code of ethics.

Our engagement

- Linked directly to delivering value to Pepkor and the groups or individuals with whom we engage
- Always professional and ethical
- Managed to include the specific requirements of each stakeholder group
- Pays specific attention to addressing our material matters and risks
- Stems from continuous interaction at different levels and intervals, mostly through the interactions with operating businesses

READ MORE
Code of ethics

Customers

Treating customers with dignity and respect, while giving them access to the products and services they need and want

By keeping costs as low as possible, we give our customers the opportunity to purchase products and services they might otherwise not be able to access or afford.

Our brands are in constant, direct communication with more than 20 million known customers through direct feedback channels, whether digitally, in store, or through our contact centres.

Stakeholder expectations

- Affordability
- Access
- Variety
- Customer service
- Trusted and responsible brands
- Investment in communities

Our strategic response

Customer interactions are centred on product and service-specific conversations.

Regular customer feedback allows brands to improve their product and service delivery. While we have retained a loyal customer base, we are gaining new customers, who are looking for affordable shopping alternatives.

- **68.7 million online engagements** annually with the group's digital communities across all brands
- More than **1 million daily transactions** with customers
- **2.8 million calls** through our customer care lines annually



Employees

Creating a safe and productive work environment where employees can develop as people and professionals

Pepkor's human resources (HR) function is decentralised, and the HR strategy is implemented within each operating division through appropriate HR structures. Each division engages directly with their employees and their representatives, e.g. trade unions.

The group strives for continuous improvement of HR practices in addressing employee development, engagement, culture, training, employability, remuneration, inclusivity and transformation. We do this through induction and training programmes, forums and conferences, employee meetings, printed and digital communication, performance discussions and our respective whistle-blowing hotlines.

Stakeholder expectations

- Competitive remuneration, training and development
- Engaging work
- Opportunities to ensure employability
- A safe work environment
- A culture that enables employees to grow and serve our customers

Our strategic response

Through market-related remuneration, leadership and skills development programmes and wellness and transformation initiatives, we are able to attract and retain employees who contribute positively to our long-term value creation. We are proud that many employees pursue their careers with the group over many years.

- **47 000 employees**
- **R7.9 billion paid** in salaries, contributing to local economies

Communities

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

Each business chooses the best method of social interaction, based on the nature of their connection with their customers and local communities.

Community and project investment initiatives are reviewed and then aligned to achieve the greatest benefit for each community.

Stakeholder expectations

- Essential products and services
- Appropriate social investment

Our strategic response

Pepkor businesses are close to their communities and invest in projects and initiatives that they believe will be most beneficial. By keeping costs as low as possible, we enable the communities in which we operate to purchase products and use services they might otherwise not be able to access or afford.

- **R57.3 million invested** in community support and upliftment
- **R14 million invested** to support education

Suppliers and business partners

Respecting our suppliers and providing them with the opportunity to deliver on agreed quality and cost standards, building and improving efficiencies along the way

Supplier relationships are linked to our social and relationship capital. They are most appropriately aligned with and managed by our buying and merchandising teams to deliver on the group's ability to provide customers with products and services. Suppliers cover the full spectrum of product and service providers.

Stakeholder expectations

- Consistency and reliability in the way business is conducted

Our strategic response

The group has built long-standing relationships with our suppliers and is able to negotiate the best quality products and services at the most affordable prices to satisfy customers' needs. We manage our supplier relationships beyond short-term contractual obligations and rather focus on long-term partnerships and collaboration.

- **Re-established international sourcing** office in China
- **Signatory** of the South African R-CTFL Master Plan to 2030 of the Department of Trade, Industry and Competition

Investors and financiers

Delivering on shareholder and investor expectations

The group engages with the investor community through corporate reporting and JSE-required communication, as well as through direct engagement at the group's annual general meetings and periodic events, including results and investor presentations. Management continuously engages with investors via meetings and investor conferences.

Stakeholder expectations

- Return on investment
- Appropriate and accurate disclosure and communication on performance and strategy
- Ethical and responsible business practices for long-term sustainability

Our strategic response

Pepkor maintains transparency and consistency in all communication and engagement with the investor community.

- **9.8% five-year CAGR** in headline earnings per share[1]
- **R5.0 billion** net debt
- **3.7 billion shares** in issue

Regulators, legislators and governing bodies

Being ethical in our business practices and ensuring compliance with applicable industry, regulatory and legislative requirements

Regulators include, inter alia, the JSE Limited and the Prudential Authority. Appropriate engagement with government, policymakers, legislators and industry regulators takes place where and when necessary.

Stakeholder expectations

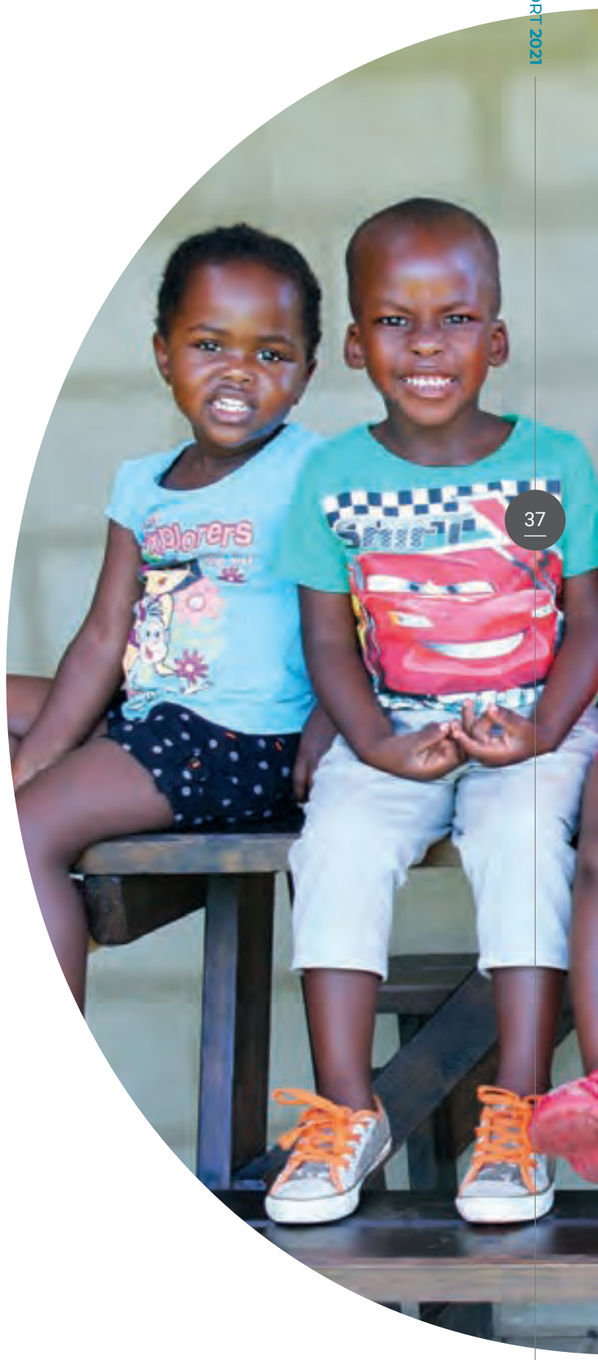
- Regulatory compliance
- Ethical business practices
- Responding to national priorities
- Continued investment in community upliftment

Our strategic response

By ensuring compliance, all stakeholders have confidence in the way the group's operations are conducted.

- **Protection of Personal Information Act (POPIA) implementation** across the group

[1] *Excluding IFRS 16*



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Our strategy

Our overarching strategy of providing customers with value for money guides the strategy of each of our operating businesses.

The same key measure that applies to the group in terms of maintaining a low cost of doing business is what drives our operating businesses. 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.

The group has a decentralised structure, where each retail brand has its unique customer value proposition and approach. Operational senior leadership teams are responsible for aligning their brand's customer and business-specific strategies with that of the group. These teams are supported and enabled by Group Strategic Services, including specialist skills and capabilities, leveraging the scale of the group, and applying best practice.

Collectively, all operating businesses focus on delivering the right products at the best price at our customers' convenience.

Product

The right products to serve our customers' needs

We provide products and services for families and their homes, considering customer needs and trends, resulting in a wide VARIETY of product and service categories.



The clothing and general merchandise segment includes the PEP and Ackermans discount and value retail brands, which focus on baby and kids' apparel. These brands have a clear bias towards basic and replenishment products that customers need to purchase regularly. These retail brands comprise the largest portion of group revenue and earnings.

Price

The best possible price in each product category

Our efficient supply chain, global sourcing capability and low cost of doing business enable us to provide products and services at the best possible price, resulting in AFFORDABILITY for our customers. Cost savings gained through efficiencies from leveraging the group's scale are shared with customers by keeping prices as low as possible, thereby protecting the group's market positioning.



The group's supply chain is instrumental in minimising and controlling costs. Our scale of operations, infrastructure and collaborative approach across retail brands and with suppliers continue to prove their worth.

Convenience

Accessible locations and channels

We are able to serve customers at their convenience through our extensive store footprint and variety of retail channels. Our numerous payment methods and innovative technology provide ACCESSIBILITY for customers, regardless of where they live. We believe in saving our customers money, not only through our low prices, but also in transport costs and time.



The world is moving towards the convenience of online trade, and we continue to strengthen our capabilities to remain relevant. The group's extensive store footprint and supply chain provide further opportunities to leverage this in an omnichannel approach.

We also give our customers payment options to suit their needs and affordability, from cash and credit to lay-by options.



Pepkor brands again received top honours in the Ask Afrika Orange Index in 2021. This award tracks customer experience, changing trends and customer expectations.

The survey was conducted across 31 industries, 200 brands and across all channels of interaction, from digital to in-store. The outcome of the survey indicates that trust is the top customer loyalty driver, followed by reputation and relationship. Detractors include, among others, lack of value for money. The key measures that were applied to the survey form the foundation of our strategy.

Our winners are

PEP

Overall winner: three times (2006, 2007, 2021)
Industry winner: Clothing Retail

BRADLOWS

Industry winner: Furniture Retail

HiFiCorp

Industry winner: Electronics and White Goods

Our capitals



Financial capital

Our funding

The group's financial capital directly influences our ability to create value in the other capitals. Without the funds we derive from income and the ability to invest in other projects, the group will not be able to extract value from our financial capital.

Financial capital is derived largely from sales to customers, but is influenced by the effects of the external operating environment, business activities, outputs related to customer satisfaction, suppliers' willingness to trade, reputation, supply chain conditions, and more.

We raise capital through financing and debt, issuing equity shares or through investments and/or reinvestments.

By being a responsible corporate citizen and looking after our business holistically, we are able to create and allocate capital in efficient ways. This is applied to investment in growth, maintaining optimal gearing levels, share repurchases, and dividend payments to shareholders.

READ MORE
CFO's report p 22
Annual financial statements

What we manage

- Cash generation
- Return on investment
- Appropriate and accurate disclosure and communication of performance and strategy
- Ethical and responsible business practices for long-term sustainability

Inputs	Outputs
▶ Operating costs R18.3 billion	▶ Revenue R77.3 billion
▶ Capital expenditure R2.9 billion	▶ Operating profit R9.3 billion
▶ Net finance costs R2.1 billion	▶ Continued growth in earnings: five-year CAGR in HEPS[1] of 9.8%[2]
▶ DMTN bonds raised R2.2 billion	▶ Cash generated by operations R11.0 billion
▶ Share repurchases amounting to R760 million	▶ Strengthened financial position with gearing levels within optimal range of between 0.5 times and 1 times net debt-to-EBITDA[3]
	▶ Dividend declared of 44.2 cents per share

[1] Headline earnings per share
[2] Excluding IFRS 16
[3] Earnings before interest, taxes, depreciation and amortisation

Manufactured capital

Our infrastructure

Our manufactured capital is our physical infrastructure. It comprises the group's extensive footprint of stores, DCs and logistics hubs.

This is where a significant amount of capital investment is deployed through continuous store roll-outs, maintenance and upgrades or new development projects that form part of long-term growth assets. Our operating businesses do everything in their power to improve overall efficiencies in order to deliver products and services at the lowest cost possible.

Capital expenditure on infrastructure during the year increased to R2.6 billion and includes the development of the 142 000 m^2 PEP DC in Hammarsdale to support future growth. The project is progressing well and is expected to be completed in 2023 at a total cost of R1.2 billion. In addition, 11 leased properties were acquired at a total cost of R1.1 billion.



Inputs	Outputs
▶ DC development R1.2 billion	▶ Total DC and hub space of 441 000 m^2
▶ Capital expenditure on infrastructure R2.6 billion	▶ 5 470 stores
▶ 247 new stores opened	▶ 42 DCs
▶ Acquisition of leased properties R1.1 billion	▶ Parcels distributed through the PKL[1] distribution network 25 million
	▶ 26 owned properties in portfolio

What we manage

- Access to product supply
- Continuous, uninterrupted services
- Extensive distribution capability and retail footprint
- Efficient logistics infrastructure

[1] Pepkor Logistics



Intellectual capital

Our systems and processes

Our intelligence and experience support the systems and processes that enable us to run and manage our physical infrastructure to enhance our customers' experience.

Pepkor's intellectual capital includes our retail experience, brand equity, digital ecosystems and our Group Support Services. Our supply chain capability, with a strong focus on process management and efficient systems, is a significant contributor to our ability to source and distribute goods on a large scale and at low cost. Digital transformation is a key focus area as our intellectual capital continues to evolve and expand.

What we manage

- Digital transformation
- Investment in and launch of e-commerce and omnichannel
- Best price leadership score
- Trusted and responsible brands
- Cost of doing business

Inputs	Outputs
▶ PAXI points in 2 800 locations ▶ IT investment R0.3 billion ▶ Supply chain expertise ▶ Brand management ▶ Digital engagement ▶ Market research	▶ Cost of doing business 24.4% ▶ 3.5 million PAXI parcels delivered ▶ New formats: PEP CELL 550 PEP HOME 294 Dealz! 16 ACKERMANS WOMAN 35 ACKERMANS CONNECT 4



Human capital

Our people

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 create a safe and engaging working environment, where they can develop as people and professionals. As a precautionary measure, due to the civil unrest, we closed more than 1 000 stores on 13 July 2021, to ensure the safety of our retail employees. Affected employees were supported with food parcels and vouchers.

We encourage our operating businesses to enable our employees to be the best they can be.

The group supports diversity and inclusion and the goals and objectives of the B-BBEE and the Employment Equity Acts.

Inputs	Outputs
▶ R7.9 billion salaries paid ▶ R56.2 million training investment ▶ 1 million training hours ▶ 277 bursaries	▶ 47 000[1] employees ▶ 93.7% permanent PDIs[2] employed in South African operations ▶ 50 734[3] employees trained ▶ 2 751 learnerships, internships and apprenticeships ▶ 15.3% employee turnover

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

[1] Full-time equivalent
[2] Previously disadvantaged individuals
[3] Total number reflects all employees trained during the reporting period and not only the permanent FTE headcount.



Social and relationship capital

Our customers, communities and suppliers

It is important for us to positively influence and impact the lives of the communities in which we operate and build trusted, long-term relationships with our suppliers.

We see our corporate social investment (CSI) and supplier relationships as important mechanisms to build and protect the group's reputation as a responsible corporate citizen which invests in our customers' and employees' communities.

Pepkor supports social investment programmes and initiatives by contributing financial investment, time, expertise and products.

The group has a wide network of suppliers across various markets and in many jurisdictions. Years of support and delivering on the group's purpose have built immeasurable trust. In South Africa, the group is a signatory to the government's R-CTFL Master Plan to support local sourcing. The group's international sourcing office manages sourcing of merchandise from 160 suppliers based in China, ensuring that products are delivered on time, meet the group's minimum requirements for quality, and that manufacturing complies with social standards in terms of the group's sourcing policies.

READ MORE
Sustainability report

What we manage

- Continued investment in community upliftment
- Quality basic products and services at affordable prices
- Consistency and reliability in the way business is conducted
- Trusted and reliable brands
- Reaction to national priorities
- Education and early childhood development
- Disaster relief
- Ethical business practices
- Supplier relationships

Inputs	Outputs
▶ R30 million investment in new flip-flop factory in previous financial year	▶ 40 new jobs created in flip-flop factory
▶ R22 million product donations	▶ 27 million customers
▶ R2.7 million contributed to the Do More Foundation[1]	▶ Ongoing customer awards
▶ Committed to the 2030 implementation of the R-CTFL Master Plan	▶ More than 145 schools supported
▶ R57.3 million CSI spend	▶ International sourcing office re-established
	▶ B-BBEE score of 58.91 points

[1] *Includes group and point of sale donations*



Natural capital

Our environment

We rely on natural resources to conduct our business: indirectly through the products we source, and directly through the electricity we use in our operations, and the fuel we use to deliver our products to stores and customers.

As a retailer, we are classified as a low-impact carbon contributor by the FTSE/JSE Responsible Investment Index. We do, however, acknowledge that the production of the products we source has a negative impact on the environment, and that our customer demographic could be the most affected by climate change. Accordingly, we have highlighted our responsibility to measure and manage our environmental impact.

By managing efficiencies and costs, we inevitably manage the use and impact of resources like electricity and fuel.

READ MORE
Sustainability report

Inputs	Outputs
▶ 224 211 MWh group electricity usage	▶ Scope 1: 29 314 (CO_2e tonnes)
▶ R30 million PEP investment in LED roll-out programme	▶ Scope 2: 233 404 (CO_2e tonnes)
▶ 340 000 LED lights installed in PEP's roll-out programme	▶ Scope 3: 19 740 (CO_2e tonnes)
	▶ 3.5 MWh electricity saved through LED implementation

What we manage

- Reduced impact on the environment
- Collaborative approach to responsibility
- Improving on and implementing an enhanced environmental policy
- Regulatory compliance and participation in national priorities
- Reporting against environmental frameworks and best practice

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Our governance

Our board



LEON LOURENS (55)

HND (Human Resources), BCom (Marketing)

Chief executive officer

■
✝



RIAAN HANEKOM (52)

BAcc, BCom Hons (Acc), CA(SA)

Chief financial officer

✝



WENDY LUHABE (64)

BCom

Independent non-executive chairman

✳ *(Chairman)*



PAULA DISBERRY (54)

BA (Hons), MA (Cambridge)

Independent non-executive director

■



HESTER HICKEY (67)

BCompt (Hons), CA(SA)

Independent non-executive director

●
✝



IAN KIRK (63)

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

Independent non-executive director

✝ *(Chairman)*

▲



ZOLA MALINGA (43)

BAcc (Hons), CA(SA)

Independent non-executive director

●
■



THEODORE DE KLERK (52)

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

Non-executive director

✝



ISAAC MOPHATLANE (48)

IT entrepreneur

Independent non-executive director

▲
✳



STEVE MÜLLER (60)

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

Independent non-executive director

▲ *(Chairman)*

●
✝



FAGMEEDAH PETERSEN-COOK (46)

BBusSc (Act.Sc.), FIFoA, FASSA, PGDip (MgtPrac), CD(SA), IoDSA (Cert.Dir.)

Independent non-executive director

■ *(Chairman)*

● *(Interim chairman)*

✝



LOUIS DU PREEZ (52)

BCom, LLB

Non-executive director

▲
✳

READ MORE
Director CVs are available in the corporate governance report

● *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*

Ethics

Good governance is a vital enabler for value creation. Sound, ethical 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, thereby providing and enhancing long-term confidence in the company.

The board ensures that Pepkor's strategic direction and purpose are well defined, and delegates to management the responsibility of formulating strategy implementation in the short, medium and long term. Successful implementation of strategy, as a key responsibility of the board and management, is in the best interest of all stakeholders as it ensures superior operational performance.

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

The board, supported by the executive leadership team, is responsible for upholding good corporate governance and safeguarding the ethics of Pepkor's culture. The commitment of the board and executive management to good governance, ethics, integrity and compliance is formalised in the various policies, charters and operating procedures that have been adopted and implemented to meet all applicable JSE Equity and Debt Listings Requirements.

Our focus

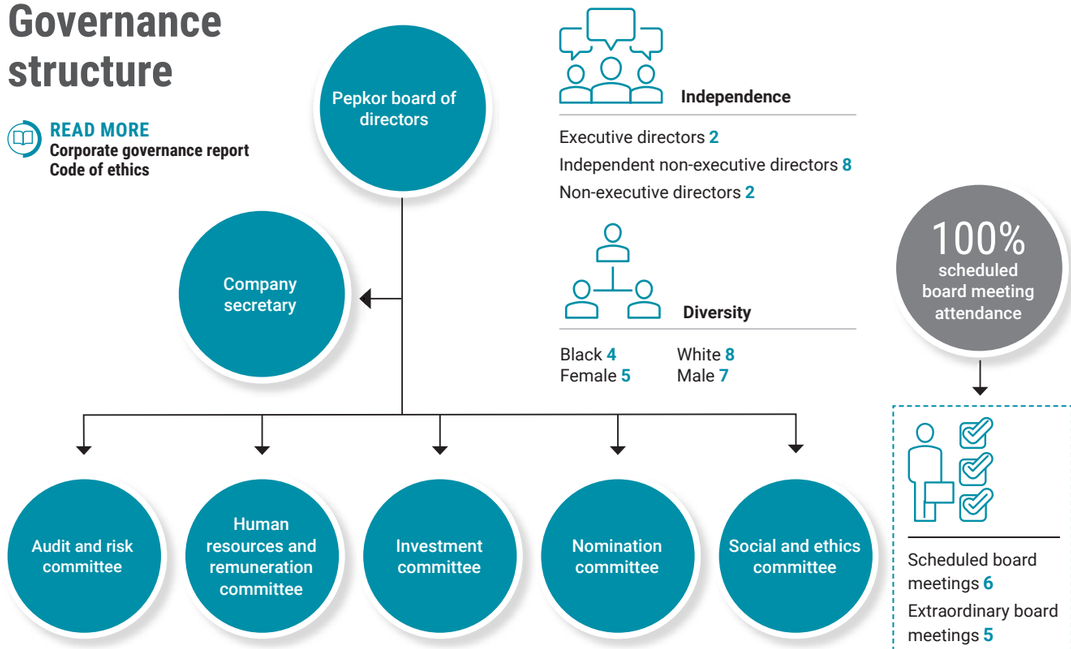
- Governance beyond compliance
- Enhanced board independence and diversity
- Ethical business practices
- Our responsible use of information and technology
- Human resource management and remuneration

80% of non-executive directors are independent

42% female
33% black

Governance structure

READ MORE
Corporate governance report
Code of ethics



Our 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.

Background statement

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 chief executive officer (CEO), chief financial officer (CFO) and human resources executive attend the meetings of these committees and report on relevant matters to the Remcom.

FY21 market conditions impacting remuneration

The social and economic impact of the COVID-19 pandemic continued to shape Pepkor's operating environment. Economic contraction and further job losses continue to dampen the market. Lagging social indicators reflect the severity of the pandemic in the prevailing constrained sociopolitical environment. The civil unrest in July 2021 was a further setback for government and business efforts to stabilise the economy and address unemployment and service delivery deficits.

READ MORE
See the operating environment section for more details on market conditions.

Current and future focus areas

The committee focused on areas it had previously identified to enhance alignment and ongoing compliance. These included:

- identifying mutually beneficial opportunities with regard to remuneration and benefits across the group and leveraging the scale of the group;
- driving greater standardisation, for example, with regard to short-term incentive (STI) structures, which support policy and targets across the group, such as B-BBEE; and
- monitoring the application of equal pay for work of equal value to ensure equity is maintained within Pepkor, and how this speaks to fair and responsible remuneration for executive directors and the executive team compared to employee remuneration.

The committee is satisfied the areas identified have been adequately addressed in the previous financial year, and a continued focus will be maintained on these areas to ensure continuous improvement is achieved across the group in FY22.

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 2021.

Of the votes cast, 90.32% were in favour of the remuneration policy and 86.62% were in favour of the implementation report.

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

Shareholder feedback	Remcom's response
Enhanced disclosure regarding long-term incentive (LTI) and STI targets	Over the past three years, Pepkor has progressively improved transparency and disclosure regarding targets, demonstrating alignment of targets with value creation, and the Remcom's role in overseeing the achievement of targets.
Repositioning of LTI targets as a result of the impact of COVID-19	While most shareholders were supportive regarding the repositioning of the LTI performance targets, which ensured the group's remuneration policy remains relevant in its objective to drive performance, Pepkor remains considerate of the views and rationale of the stakeholders who did not favour this approach.
Independence of the committee composition	Following new board appointments made during the year, the committee now consists of 75% independent representation.

Both Pepkor's remuneration policy and the implementation report thereon will be presented to shareholders for separate non-binding advisory votes at the upcoming AGM.

In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report, we will engage with such shareholders through dialogue and request written submissions or otherwise in order to address their concerns.

Overview of remuneration policy and philosophy

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 though guaranteed pay, STIs and LTIs.

Fair and responsible remuneration

The Remcom views fair and responsible remuneration as being internally equitable and externally competitive. To achieve this, key features and functions of the remuneration policy include:

- consulting with independent remuneration advisors affiliated with the South African Reward Association;
- applying the principle of equal pay for work of equal value;
- benchmarking the levels of all roles, using a job grading system (REMeasure, Old Mutual);
- using reputable salary survey providers REMchannel (Old Mutual) and Willis Towers Watson (PE Corporate Services); and
- providing the Remcom with suitable and market-related recommendations.

FY21 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.

Executive director remuneration

The total single figure remuneration earned by the executive directors during FY21 is based on the cost to the group in terms of our accounting policies, which observe IFRS rules.

Total basic remuneration in FY20 was reduced by R594 000 for the CEO and R356 000 for the CFO and relates to salary sacrifices for the period April to June 2020. In FY21, bonuses were awarded based on agreed criteria. Bonuses awarded in FY21 were higher, because group performance on earnings improved significantly. FY21 further included the first-time vesting of the long-term Pepkor executive share rights scheme in terms of the FY18 grant.

Non-executive director fees

Non-executive director fees paid in FY21 increased predominantly due to the appointment of five new independent non-executive directors during the year. This resulted in the further enhancement of the independence of the board as a collective, while improving its diversity in terms of skills and experience, gender and race. In FY20, non-executive directors also donated a portion of their fees to various organisations to assist with the COVID-19 relief efforts. A total of R640 363 was donated by non-executive directors between April and June 2020.

READ MORE
Remuneration report

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Our risks

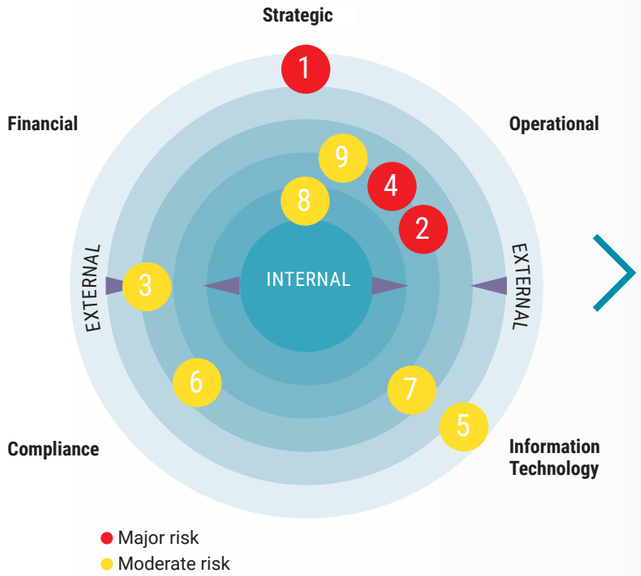
The interaction between the group's material matters, business model and strategy determines our success in the short, medium and long term, and is informed by our material risks and stakeholder concerns.

The group's approach to risk management is pragmatic and retail-relevant. It mirrors the operating model, with each operating business and functional area being responsible for the ongoing communication and feedback of their existing and emerging risks. The audit and risk committee, under the delegated authority of the board, is accountable for overseeing the effectiveness of our risk management process.

Pepkor's risk management framework enables the group to identify effectively potential events that may affect our strategy, risk and opportunity, performance and sustainable development, and manage risks within acceptable levels, in line with our risk appetite.

The group risk appetite and tolerance set the context for risk-adjusted decision-making to achieve strategy-driven results. It establishes a common risk approach for financial, compliance, sustainability, health and safety, business continuity and disaster recovery risks. Executive management is accountable to the audit and risk committee for designing, implementing and monitoring the systems and processes that underpin risk management. This process comprises the identification, assessment and effective mitigation of their risks, as well as continuous monitoring for changes to their risk profiles.





Our material matters are identified from the risk process and informed by our stakeholders. Material matters are aligned with our strategy.

Risks and material matters apply to the group, but may vary in level of importance for or impact on each operating business.

Risks

1. Sociopolitical and economic instability ↑
2. Supply chain disruption ↑
3. Digital disruption –
4. Cyber and information security ↑
5. Currency volatility –
6. Regulatory change and complexity –
7. Sustainability –
8. Attracting and retaining employees –
9. Brand reputation –

↑ Increased risk exposure – Stable risk exposure

Material matters

1. Achieving growth in a low-growth environment
2. Maintaining an efficient and effective supply chain
3. Maintaining a low cost of doing business
4. Attracting and retaining talent
5. Allocating capital effectively
6. Customer focus
7. Building better business

1 Sociopolitical and economic instability

The group is exposed to uncertain and unstable socio-economic conditions in the countries in which we operate. Conditions in South Africa present significant uncertainty, given the recent civil unrest, supply chain disruptions, ongoing societal inequality, high unemployment and unstable energy provision.

Mitigation

- Discount and value positioning. The 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.
- Comprehensive insurance cover for civil unrest and business interruption.

READ MORE
Our material matters
Achieving growth in a low-growth environment p 54
Maintaining an efficient and effective supply chain p 58
Maintaining a low cost of doing business p 60
Allocating capital effectively p 61

2 Supply chain disruption

COVID-19 has exposed the challenges of global supply chains and highlighted the retail implications of supply chain vulnerability.

Specific risks include key supply failure, shipping delays and shortages of containers. The loss of a key strategic facility or multiple stores in a single event could result in business interruption and loss of income for the group. In South Africa, the recent social unrest has further highlighted the likelihood and potential impact of a concentration risk related to distribution facilities.

Mitigation

- The group has a diversified supplier base to minimise the effect of disruptions and endeavours to ensure our suppliers operate in an ethical manner.
- Stable supplier base with long-standing relationships and collaboration to resolve any disruption.
- Long product lead times allow for flexibility in addressing disruptions.

READ MORE
Our material matters
Maintaining an efficient and effective supply chain p 58

3 Digital disruption

The increasing use of mobile technology is creating a gateway into online retail and increased competition owing to lower barriers to entry and the development of the online market for certain classes of products and services. COVID-19 has also increased the pace of digitisation across the retail industry. Many customers are converting to online shopping as consumer buying habits were forced to change.

Mitigation

- E-commerce development specific to each brand and relevant to its customer base.
- Active investment in information technology (IT) to remain aligned with consumer requirements.
- Distribution channels and volume sales are required to make the online business model profitable.
- Omnichannel marketing secures new and existing customers.

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Achieving growth in a low-growth environment p 54
Customer focus p 62

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4

Cyber and information security

Use of technology, integration of operating platforms and working from home have increased and evolved the risk of cyberattacks. These attacks have become increasingly frequent and sophisticated globally.

Cybersecurity breaches can lead to a loss of commercial information and intellectual property, disruption of operating businesses, financial loss and a negative impact on reputation.

Third-party risk also exists in the form of supply chain infrastructure vulnerability.

Mitigation

- IT resilience is being addressed at all levels of the group and is considered part of strategy and culture.
- The dedicated information security function has multi-disciplinary specialists.
- The group acknowledges the importance of proactive risk management and focuses on the ability to absorb and recover from a cyberattack (proactive penetration tests and crisis response simulations).
- The group has prioritised resources and investments to the most essential areas to maintain operational continuity, protect the critical digital assets, and ensure compliance.
- Ongoing security training and awareness campaigns raise appreciation of information security threats.

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Maintaining an efficient and effective supply chain p 58
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Building better business p 62

[1] *National Credit Act*
[2] *Consumer Protection Act*
[3] *Occupational Health and Safety Act*

5

Currency volatility

Exchange rate volatility has a significant impact on imported merchandise, which in turn impacts margins, forecasts and achieving budgets. Further, the constrained customer is sensitive to any price movements.

The rand/US dollar exchange rate is anticipated to remain volatile owing to its sensitivity to global markets and continuing political and macroeconomic challenges in South Africa.

Mitigation

- Effective hedging and currency management policy is in place.

READ MORE
Our material matters
Achieving growth in a low-growth environment p 54

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Regulatory change and complexity

Failure to comply with legal and regulatory obligations would negatively impact our reputation and may result in legal exposure or regulatory fines and sanctions. The regulatory environment is constantly evolving and increasing in complexity, especially in operating businesses impacted by amendments to credit legislation, financial services and data privacy regulations.

The introduction of new laws and regulations affects the way we engage with clients and train staff and impacts projected revenue targets as the cost of compliance increases.

Mitigation

- Ensure that key regulatory changes and significant compliance matters are monitored, analysed and actioned.
- Provide mandatory training programmes for regulatory risk areas across businesses including NCA[1], CPA[2], POPIA, OHASA[3], and anti-bribery and corruption.

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Building better business p 62

2023
Planned completion of the new PEP DC



The infrastructure of PEP's new DC includes extensive environmentally responsible installations and processes, managing the use of scarce resources and our own waste production.

7

Sustainability

Organisations operate as part of a holistic system in which economic, environment, social and governance related matters are integrated into the value chain of the business.

In addition to economic matters, the group considers the impact of ESG-related matters on our operations and our ability to continue providing quality, affordable products to our customers.

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 on sustainability from all operating businesses across the group.

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Our material matters
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8

Attracting and retaining employees

Our inability to evolve the culture of our business as well as attract, develop and retain the right talent will influence our ability to build and expand an agile business.

Mitigation

- We have developed a unique internal culture grounded on strong values over many years. The management structures, focus on people and customer service orientation have been crucial in continuing our operations throughout the COVID-19 pandemic.
- The group is committed to providing our people with a safe working environment and an organisational culture that promotes diversity and inclusivity.

READ MORE
Our material matters
Attracting and retaining talent p 60

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Brand reputation

The strength of Pepkor's reputation and that of the retail brands is well established. The impact of an event that significantly damages the reputation of the group could result in loss of brand equity and financial loss.

Mitigation

- A coordinated 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 plan are in place to guide our response.

READ MORE
Our material matters
Customer focus p 62
Building better business p 62

Our material matters

Material matters are informed by our evolving operating environment and flow from our risk identification process. The level of importance of material matters, and key risks, is based on potential influence on the group's ability to create value, regardless of whether it is positive or negative. This process is managed by senior management with input and approval from the executive directors, and presented to the audit and risk committee and the board. By addressing our material matters, we position the business to focus on creating sustainable value in the long term.

1. Achieving growth in a low-growth environment
2. Maintaining an efficient and effective supply chain
3. Maintaining a low cost of doing business
4. Attracting and retaining talent
5. Allocating capital effectively
6. Customer focus
7. Building better business

1 Achieving growth in a low-growth environment

For the group to grow, we need to identify and invest in growth initiatives. An unstable and stagnant economic climate presents significant headwinds for business growth and consumer confidence.

Growth remains challenging in the current constrained operating environment. This environment places pressure on our customers' disposable income, which inhibits growth in the retail market, especially in highly discretionary product categories, such as furniture, appliances, electronics and building materials.

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

The executive management has formalised eight growth drivers. The board has approved a three-year implementation plan against these drivers. Although we find ourselves in a growth inhibited economic environment, we are well positioned to capitalise on opportunities, and believe we can achieve what we have set out to do.



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new stores

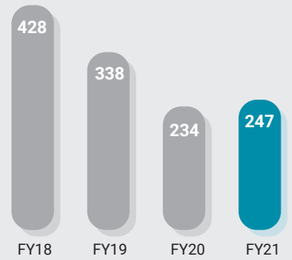
GROWTH DRIVER #1
New store openings

The group has a long history of successfully growing and expanding our retail store footprint across our 16 main retail brands. Over the last five years, the group has opened more than 300 new stores annually, on average.

Flexible store format sizes allow retail brands to operate successfully and profitably in both large and small shopping complexes. This creates many opportunities for expansion as new shopping nodes develop and allows retail brands to be positioned as close as possible to their discount and value customers.

During FY21, the group opened 247 new stores, expanding the retail footprint to 5 470 stores. Most new stores opened were PEP and Ackermans, our two most robust retail brands. Store openings in Speciality were focused on the Refinery and CODE brands. Total retail space is currently 2.4 million m^2.

New store openings



In the JD Group, the furniture brands have completed a store and marketing revamp, increasing their focus on how they bring products to market through marketing and merchandising. Specific expansion plans are also in place for Rochester and Sleepmasters. Both these brands are positioned in a slightly higher market segment, providing a quality, value-priced product option.

The Building Company has seen a successful turnaround of the business during the past year with improved profitability. It has consolidated its operating businesses into three distinct divisions. On the back of good growth, heightened activity in the residential sector and continued optimism in the construction, agriculture and mining sectors, it will expand its stores, albeit on a smaller scale than the rest of the group.

The group's planning has confirmed that sufficient runway exists in terms of the number of new stores that can be added to the group's retail footprint over the next three years.

294
PEP HOME stores

GROWTH DRIVER #2
Development of new formats

The development of new store formats presents an additional driver of growth. Over the years, the group has developed several new store formats. These typically take time to develop and test thoroughly to ensure the customer value proposition and formula are appropriate to appeal to targeted consumers in the correct locations.

The development of PEP HOME started nearly 10 years ago. The format focuses only on homeware and offers a substantially extended range of products compared to the product offering in a conventional PEP store. The PEP HOME brand is supported by a large online community sharing home decorating tips using PEP HOME products. During the year, 46 new PEP HOME stores were opened, expanding the store base to 294 stores. Substantial opportunities remain for the expansion of this format, especially since this is a growing sector of the market.

The need of consumers to be connected resulted in the development of the PEP CELL store format, offering cellular products and financial services. In the past year, 36 new PEP CELL stores were opened, expanding the store base to 550 stores. Ackermans launched the Ackermans Connect format during the year and opened four stores. The format focuses on higher price point cellular and cellular-related products, such as tablets.

The Dealz discount variety format has taken longer to optimise than anticipated. While this concept has proved to be successful in other countries, the customer value proposition and formula need to be modified for the South African context. Three new Dealz stores were opened in the financial year, expanding the store base to 16 stores. The team has tested various anchor and routine product categories in addition to numerous store sizes and locations. Growth in the number of customers and transaction volumes shows potential that the format can be successful.

Ackermans Woman as a stand-alone store format has proved successful and leverages the Ackermans brand in targeting young women. The format has matured and is ready for expansion from its current base of 35 stores as of 30 September 2021.

Within the Speciality business, the online only men's brand S.P.C.C opened its first three retail stores during the year. This is a first for the group to take online into a brick-and-mortar environment, giving the brand's online following a physical store experience. It forms part of S.P.C.C 's omnichannel strategy.

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14.5%
growth in women's category in Ackermans

GROWTH DRIVER #3
Adult wear

PEP and Ackermans provide basic products and are biased towards products for children and babies, which are must-have items for all parents. 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. Our approach inherently promotes a higher sell-off rate, mitigates markdown risk and protects gross margins. The group has consequently gained significant market share across these brands.

With the group's substantial market share in products for kids, babies and essentials, emphasis is now placed on the expansion of clothing and footwear for the adult market. This market leans towards higher-priced items and, with our experience in value and discount products, we can offer the same quality and trends at better value.

Ackermans reported sales growth of 14.5% for the year in its women's category, substantially outperforming the market and growing its market share. Performance was supported by its winning formula, executed in both conventional Ackermans formats in addition to the stand-alone Ackermans Woman format.

The Speciality brands have also shown significant growth and 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.

PEP has also implemented a plan to expand its own adult ranges to offer more variety.

2.7 billion
physical and virtual products sold

GROWTH DRIVER #4
Footprint leverage

The group's extensive geographic footprint adds to our resilience, and most brands are well known and represented even in rural areas and small towns. The group's scale of operations enables us to service these areas through a highly efficient supply and distribution network, keeping costs low and prices affordable.

We have developed many successful initiatives to leverage this extensive footprint by offering customers more variety and serving more of their needs. This includes the introduction of cellular during the late 1990s, with the group now selling more than 12 million handsets annually. The ever-increasing number of bill payments and financial services available to customers has enabled the group to process more than 50 million of these transactions annually.

The PAXI parcel delivery service, which launched in 2018, leverages the group's reverse logistics capability at no additional cost to the network to transfer customer parcels to other stores in our retail footprint. PAXI averages 10 000 parcels daily.

Our large network of 203 000 Flash traders in the informal market is another opportunity to grow the group's reach, providing additional offset points for added services to the traders and their community customers. Flash traders sell more than 1 billion virtual products annually.



193 million
1ForYou vouchers sold

GROWTH DRIVER #5
FinTech

Pepkor's retail brands have been offering virtual products (airtime, data, financial services, bill payments, and other value-added services) to customers through our store network for many years.

The number of options available to consumers to access these products and services has increased dramatically on the back of rapidly growing smartphone numbers and corresponding internet penetration. Consumers are more connected and digitally engaged than ever before, and expect convenient access to virtual products and services, anywhere and at any time.

In response to the changing consumer expectations, the group identified FinTech (collectively referring to all the above-mentioned virtual products and services) as a strategic growth area.

Over the past year, we have established a central governance structure for FinTech, and defined a strategy. The objective is to unlock growth by creating a digital ecosystem for the consumer, providing digital access to virtual products and services, but also to serve as a platform for engagement around traditional retail. The focus of the group's strategy is on integration, accessibility, and ease of use. The digitisation of cash is an important element, as it allows access to the digital economy for millions of cash-based consumers. Flash launched its 1ForYou voucher in 2020, and sold 193 million 1ForYou vouchers during the year. Data and advanced analytics will be leveraged to enhance the value proposition for the individual consumer.



Various initiatives in the group are now being aligned, and resources are allocated to support the strategy. Ongoing investment will be made in the coming years to develop or acquire the needed capabilities and technologies.



More than 600 000
unique monthly Everyshop users

GROWTH DRIVER #6
E-commerce

The customer shopping journey has evolved and, in many instances, now starts online as opposed to in store. While this was historically most prevalent in the consumer electronics space, it has expanded into other product categories, such as clothing, general merchandise and even furniture. This presents an opportunity for the group to leverage our retail store base and to drive omnichannel transformation.

To this end, JD Group has omnichannel capability across all six of its retail brands, and launched Everyshop in 2021. Everyshop is an online only marketplace that offers South African consumers an additional one-stop shopping channel with a curated offering of 40 000 products from the group's existing product ranges, as well as many new product categories and leading brands. It offers a unique, tailored departmental shopping experience that can leverage the existing e-commerce, logistics and fulfilment capabilities.

Within Speciality, five of the retail brands have launched e-commerce functionality and have shown good results. During the year, more than 27 000 orders were received and fulfilled.

Ackermans expanded its click-and-collect capability to all South African stores. This leverages the brand's brick-and-mortar infrastructure to provide customers in outlying areas access to the full Ackermans product range.

PEP launched online webroom capability during the year that allows customers to browse products online and check availability at a store nearest to them.

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203 000
Flash traders

GROWTH DRIVER #7
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 203 000 traders in the informal market, has further expanded our reach into the informal sector.

These traders are entrepreneurs in their local communities. They provide transactional services to customers using the Flash point-of-sale technology. Customers can safely, easily 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 6.5 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's capability to digitise cash through their 1ForYou voucher further enables customers to participate in the digital economy.

GROWTH DRIVER #8
Expansion opportunities

The group continuously considers expansion opportunities from both a local and international perspective. The group made two relatively small acquisitions in the Speciality business during the past two years:

- S.P.C.C, an online menswear brand that also sells to independent menswear stores and small retailers, brings expertise in online capabilities that leveraged for roll-out of the Refinery, Dunns, Shoe City and Tekkie Town online stores.
- CODE, an own-brand menswear brand selling casual men's clothing, was acquired out of business rescue and is focused on value-oriented customers. Stores are small with high trading densities and are mostly located at major transportation hubs, making it easy for commuter customers to shop. The brand brings to the group expertise in replenishing and introducing ranges in short turnaround times through local sourcing from suppliers in South Africa and the Southern African Development Community countries.

2

Maintaining an efficient and effective supply chain



25 million
parcels delivered

Pepkor relies on an extensive supply chain that has been built over many years and is based on good supplier relationships, as well as effective systems and infrastructure.

Our customers need the right product at the right time in the right store, all of which depends on maintaining an efficient and effective supply chain. Business continuity was tested during the COVID-19 pandemic and again during this financial year when localised civil unrest occurred in July 2021. In these two unforeseen events, we have proved our ability to deliver through a crisis.

The group sources merchandise from various suppliers with whom relationships have been built over many years. The scale of the group's operations requires that most of the merchandise sourced in the CFH product categories is imported and the focus on basic and replenishment apparel allows for long lead times. This, in addition to robust planning and buying systems, allows for flexibility to respond to and engage with suppliers in the event of disruptions.

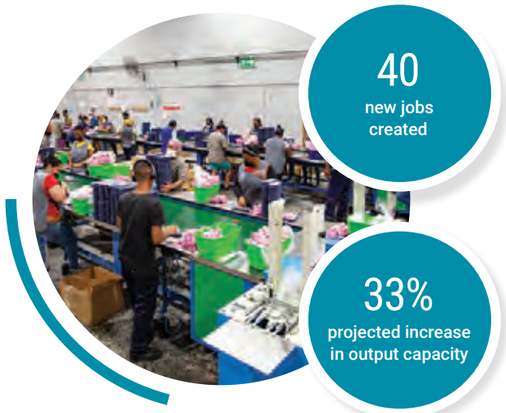
The group established our own international sourcing office in China during September 2021. The sourcing office comprises 80 employees responsible for managing relationships with suppliers, quality control and on-time delivery. They ensure responsible sourcing practices in terms of the group's responsible sourcing practice policies.

Social policies form part of our supplier agreements and, with our increased emphasis on resource management and their environmental impact, this will be a focus area for us going forward. We will continue to work closely with our suppliers across our product categories to improve transparency and encourage responsibility while still providing customers with a value price offering.

The group supports local sourcing and is the largest contributing signatory to the government's 2030 R-CTFL Master Plan for the clothing manufacturing sector. The plan is aimed at building a competitive, sustainable and dynamic R-CTFL value chain through increased local procurement and supplier development. Skills upliftment and job creation will not only benefit general society, but the South African economy and the retail sector as a whole.

The majority of the group's schoolwear sold in PEP and Ackermans is produced at the PepClo factory in Cape Town. This facility employs 1 500 people and has expanded its production range over the past two years to include schoolwear, underwear and flip-flops.

READ MORE
Case study
PepClo: Flip-flops expand into new factory



40
new jobs created

33%
projected increase in output capacity

Retail footprint and distribution network

Pepkor has the largest retail lease portfolio in South Africa, serving customers from more than 5 000 stores. We are therefore reliant on adequate port and road infrastructure to receive and deliver our products.

Infrastructure

Each operating segment manages its own warehousing and logistics functions owing to the specific nature of products, delivery functions and market segments. Across the group, we have 42 strategically placed DCs and 21 distribution hubs.

During the civil unrest in KwaZulu-Natal and Gauteng in July 2021, the group successfully protected our distribution capacity in Hammarsdale through tactical response teams. One of the JD Group's DCs in Cato Ridge was affected, but its diversified distribution network, which comprises 21 DCs across the country, could be leveraged to continue supporting customers. Heightened security protocols were implemented throughout the group to ensure business continuity.

Despite unexpected disruption, financial losses, the social impact that further hurt general consumer confidence, and the emotional impact on our employees, these events have highlighted our resilience. Sadly, 549 of the group's retail stores were looted, representing 10% of the total retail store base, with 80 stores completely burnt down and destroyed. The operational teams showed incredible grit and resilience and reopened 413 of these stores within three months.

The group holds basic and comprehensive insurance cover with SASRIA against events of civil unrest. In addition, adequate business interruption insurance is in place for all group operations.

Technology

The use of technology has been a focus for a number of years, with Pepkor Speciality, PEP and PEP Africa executing digital 3D product design in certain categories. This technology has proved itself by allowing us to provide better and more consistent fit of garments for our customers. It has also helped during the COVID-19 lockdown, when digital product design and 3D sampling of garments launched the buying teams onto a new and more efficient path of doing business with suppliers.



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3 Maintaining a low cost of doing business



Pepkor's 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.

Maintaining a low cost of doing business is part of our DNA, through our disciplined approach to manage costs and to leverage our scale and investments in efficient systems and processes. This extends to areas such as foreign currency hedging, where a conservative policy is in place to mitigate the impact of fluctuations in currencies. Compliance with regulatory change and complexity are carefully considered to ensure the group complies with regulations.

The group effectively utilises 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 also 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.

Pepkor Logistics' (PKL's) service is dedicated to reducing as much cost as possible from the supply chain to maintain a low cost of doing business.

4 Attracting and retaining talent



Each operating business or retail brand has its own culture, but they are all centred on the purpose of providing value to customers. This culture is maintained and nurtured by our talented employees and is an extremely important part of our success.

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.

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 that we might require to support and deliver on our growth ambitions.

During the year, our biggest focus areas were on increasing learnerships throughout the group and protecting jobs as far as possible. We have added 1 395 learners to our programmes, with a special focus on developing disabled learners.

The agility of our people and the depth of knowledge they have of our business, and retail in general, has again supported our resilience during the year in managing the ongoing impact of COVID-19 and civil unrest. We protected the employment of more than 2 000 group employees and distributed more than 5 000 food parcels to employees in need during the unrest in July 2021.

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 75% of our store managers being female.

READ MORE
Sustainability report for a full report on employees
Remuneration report

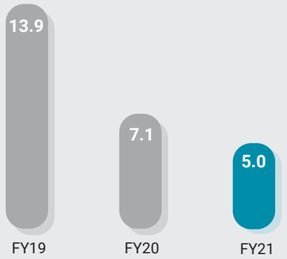
5 Allocating capital effectively

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.

A relatively low gearing level provides flexibility to deal with crisis situations such as the COVID-19 lockdown. It also underpins cash flow and liquidity.

Over the past two years, the group strengthened our financial position and improved the flexibility of our capital structure by reducing debt through various interventions. The group continues to target a reduced gearing level of between 0.5 and one times net debt-to-EBITDA in the short to medium term.

Net debt levels (Rbn)



Resilient trading, strong cash generation and positive collections on the credit books have supported our goal to reduce debt.

Good progress was made in diversifying our sources of funding and reducing funding cost through the successful launch of a DMTN programme in 2020 that comprises listed debt. A total of R3.2 billion was successfully raised under the programme. This includes R2.2 billion in three- and five-year bonds issued on 5 May 2021. The bonds were raised at very competitive interest rates significantly below price guidance provided to the market illustrating strong support from investors.

The proceeds from the bond issuance were used to replace existing term debt funding due for repayment in 2022. The group's liquidity and debt repayment profile have been strengthened substantially, while the diversification of funding sources to include the group's DMTN programme will support lower funding costs.

The COVID-19 pandemic resulted in unprecedented levels of consideration to ensure capital is allocated to areas of the group where returns are maximised. Retail store footprint expansion was confined to robust and proven retail brands, such as PEP and Ackermans, and credit granting was significantly curtailed to mitigate credit risk in anticipation of deterioration in the credit health of customers.

Pepkor repurchased 38 million shares during the year at a total cost of R760 million.

The disposal of The Building Company was not completed. The approval of the transaction by the Competition Authorities was not fulfilled by the transaction long stop date and the transaction was terminated. The Building Company has performed well and has made substantial progress to restructure and consolidate the business, while improving its strategic alignment, performance and profitability. While the disposal of The Building Company would have enabled the group to streamline our portfolio of businesses in order to focus on our core business of discount and value retail, the group believes this outcome to be in the best interest of value creation for the group.





6 Customer focus

Pepkor's retail brands pride themselves on immersive customer engagement to continuously communicate their value proposition to customers and ensure it remains relevant.

Customers are our largest stakeholder group, and the business revolves around them. It is important for us to provide them with the products and services they want and need, but more importantly, at the prices they can afford.

In the fast-changing world of retail, it is imperative that 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 & Analytics.

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 payment methods that are convenient, allowing them to afford what they need.

The group, in aggregate, remains 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. This reduces the dependency of some brands on credit to enable sales.

Cash sales increased by 10.6% while credit sales increased by 11.2%. Cash sales contributed 93% to total group sales and remained stable compared to the prior year.

The impact of the economic climate on our customers' ability to manage their credit creates uncertainty. Credit is managed conservatively and granted responsibly through centralised contact and customer care centres. This includes Tenacity, which manages credit on behalf of the clothing and general merchandise segment retail brands, and Connect, which supports the JD Group retail brands. The credit books are performing well with adequate provisions in terms of the group's credit methodology.

7 Building better business

The group's vision is to be a globally respected discount and value retailer by being the best place to shop, work and invest.

Any event that significantly damages the reputation of the group and/or our brands can negatively impact performance and long-term investor and consumer confidence. Being a responsible retailer of choice is therefore critical for the group to ensure long-term value. Our relationships with our stakeholders, our long history, and the reputation of our retail brands are testament to the group's reputation.

We have identified the following areas to help us build better business:

Customer enablement

We have a 'people first' approach and our promise is to provide our customers with the best quality products they can afford. Our extensive footprint allows us to leverage our scale, while our retail experience supports our ability to manage effectively each step in the supply chain, containing our costs to save our customers money. PEP has kept their offering affordable and performed above its targeted best price leadership (BPL) score, having maintained 97%.

Employee development

Attracting and retaining talent is a material matter for the group, but is also an integral part of us being a responsible retailer of choice. We develop and encourage our employees to participate in our ethos of always doing the right thing – whether it is in our customer service or how we look after our resources.

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.

Community support

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.

The year under review was significant with the impact of COVID-19 and the civil unrest on our communities. The group continues to support the Do More Foundation, while our operating businesses remain dedicated to their programmes – from early childhood development to ad hoc product donation and disaster relief.



Responsible sourcing

Pepkor suppliers are required to comply with our ethical trading code of conduct, which forms part of our supplier contracts. Suppliers also need to comply fully with all national and other applicable laws relevant to their jurisdiction and industry. Accredited certifications are reviewed, and if any supplier does not have applicable accreditation in place, they will be assessed and audited by a specialised internal audit team. Contract elements include international human rights and labour standards, and South African supplier contracts also include B-BBEE requirements.

Diversity and inclusion

Pepkor recognises the national and business imperatives of employment equity, which is an integral element of the overall transformation journey in South Africa. We support the goals and objectives of employment equity.

Although Pepkor's workforce is representative of the countries in which we operate and 94% of our employees and our store managers are black, we recognise that more previously disadvantaged employees need to fill positions at executive and management level.

Environmental protection

The group's environmental initiatives have largely been managed by optimising operational efficiencies in the areas over which we have direct control or management influence. Our success in this regard stems from a culture of cost saving and doing the right thing.

The environmental policy was reviewed in 2021. It forms the backbone for the environmental strategy, and serves as, the foundation of an environmental framework that provides a blueprint for the operating businesses and the group to improve on our initiatives. To manage our use of natural resources, our policy covers energy, fuel, water, waste and responsible sourcing.



READ MORE
Case study
First off-the-grid store

Electricity and fuel savings receive the most attention across all operating businesses. PEP has completed a three-year LED roll-out programme, installing LED lights in all its stores, saving 3.5 MWh annually on electricity.

Governance

Effective governance is a vital component and contributor to the group's sustainability. The board and the CEO, supported by the executive leadership team, are responsible for upholding good corporate governance. Decisions and actions of the board embody fairness, responsibility, accountability and transparency. By setting the tone, the board ensures that a culture of robust governance filters through the organisation. New members have been appointed to the board and the social and ethics committee, bringing additional expertise and experience.



READ MORE
Sustainability report





100 YEARS

Our brands have a long and proud history.

OUR OPERATIONS

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Our brands

Our brands continue to deliver value to our customers.

Pages 66 – 79

Our Group Strategic Services

Our Group Strategic Services support the brands and other operational businesses.

Pages 80 – 88

Abacus

Abacus addresses the insurance needs of the group's retail customers.

Page 89





16 600 employees

2 476 stores

5 countries





From the start of the civil unrest to the rebuilding and reopening of stores, 2 405 PEP employees were redeployed to assist in other stores.

Largest single brand retailer in South Africa

PEP's purpose is to make it possible for its 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.

Introduction

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 provides its customers with non-discretionary, everyday products and services to make their lives easier.

Marketing position

Discount market – serving customers in the lower- to mid-socio-economic measure (SEM) clusters.

Strategy and approach

Being a bold discounter and the price leader in its category: 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 to ensure BPL is maintained.

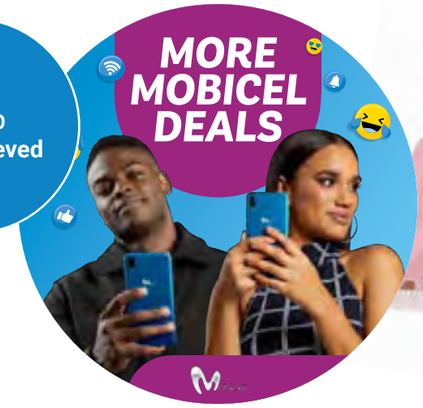
Providing the right assortment: PEP provides everyday products and services that people need. Scale, years of retail experience and a deep understanding of its customers give PEP the advantage to effectively source and sell the right product at the right price.

Being close to its 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 our customers, which gives PEP the advantage to effectively source and sell the right product at the right price.

Products and services

- Clothing
- Footwear
- Homeware
- Cellular and airtime
- Fast-moving consumer goods
- Pay-TV decoders
- Bill payments (such as DStv)
- Flash tokens
- 1ForYou vouchers
- Cross-border and local money transfers
- PAXI parcel delivery service
- Cash-backs
- Capfin loan applications
- Funeral insurance

97%
BPL achieved







Best customer experience award
Ask Afrika Orange Index



Rated in the top 1%
– Sikhula KunYe culture
Brand cultures: Barrett Values Centre

6.6 million PAXI parcels distributed
since inception



Stores

PEP	1 616
PEP HOME	294
PEP CELL	550
Dealz!	16
PAXI	2 800[1]

[1] *Includes all PAXI points across the group*

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ACKERMANS

Value disruptor

Ackermans brings 'value to life', offering its customers value with a wide range of clothing, footwear and value-added services.

Introduction

Ackermans strives to be the number one retailer for women with children in their lives and has aggressively focused on growing its market share in babies' and children's products. Its strategy focuses on its employees, customers and communities, with its culture exemplified through its CRISP values: Courage, Respect, Integrity, Simplicity and Performance.

Marketing position

Value market – serving customers in the lower- to mid-SEM clusters.

Strategy and approach

Externally, Ackermans focuses on its customers and their communities. The brand provides customers with a value proposition of price, assortment, quality, service and fashion that is affordable, on-trend and relevant. Ackermans has given back to its customers and the communities in which it operates for many years through the Ububele programme. Ackermans strongly believes that bringing employees, customers, suppliers and the community together – as part of its business strategy – adds value to their lives and garners their support and loyalty to the brand.

Products and services

- Clothing
- Footwear
- Cellular
- Value-added services
- Financial services
  - Insurance
  - Personal loans
  - Bill payments
  - Money transfers

8 400 employees

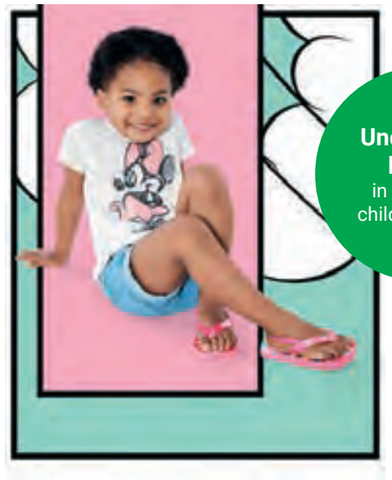
896 stores

6 countries



ACKERMANS ububele
KINDNESS AND GENEROSITY

Since its inception, Ackermans has invested more than R12 million in their Ububele schools programme, which includes schools and ECD centres in three provinces.



Undisputed leader in baby and children's wear







14.5% growth in women's wear

Stores

ACKERMANS 857

ACKERMANS WOMAN 35

ACKERMANS CONNECT 4





< contents page





2 300 employees

284 stores

5 countries

PEP | Africa

Celebrating best prices every day

PEP Africa has the same culture and follows the same way of doing business as PEP in South Africa, with the same strategic approach, offering the same customer value proposition.

Introduction

PEP Africa aims to be the friendliest and most trusted retailer offering wanted products and services at the lowest prices. With stores in five African countries, they are the biggest formal clothing retailer in Africa, and have been providing families outside South Africa with affordable CFH and cellular products since 1995.

Marketing position

Discount market – serving customers in the lower- to middle-income categories.

Strategy and approach

Country-specific nuances make trading in each African country unique and it is therefore managed by a separate management team. 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.

PEP Africa, like PEP, is also positioned in the discount segment of the CFH market. While stronger informal markets with focus on second-hand clothing exist in many of its operating countries, PEP Africa's positioning is the cheapest formal retail option. Apparel and footwear are the largest product categories followed by cellular. Babies' and kids' products dominate sales, as the informal market does not cater for these items.



TLC

Malawi's Touching Lives Campaign aims to make a difference in the lives of communities. "Our attitude towards others determine their attitude towards us."

Products and services

- Clothing
- Footwear
- Homeware
- Cellular and airtime
- Fast-moving consumer goods
- Pay-TV decoders
- Bill payments (such as DStv)
- Cross-border and local money transfers
- Cash-backs







58% sales from babies and kids clothing and footwear



64% of customers are women

Stores

- Angola 79
- Malawi 17
- Mozambique 62
- Nigeria 44
- Zambia 82



PEPKOR Speciality

Value adult wear

Pepkor Speciality (Speciality) represents a 'world of value' through a group of adult wear and branded businesses that are uniquely positioned to open up a high-value, on-trend market to the group.

Introduction

Speciality is the group's incubator for smaller businesses and innovation, with each brand having its own customer value proposition. By working together and sharing services and infrastructure, they are able to accelerate growth and gain efficiencies. Through Speciality, the group can launch, nurture and reposition brands for future growth.

Marketing position

Value market – serving customers across the lower-, mid- and upper-SEM clusters.

Strategy and approach

The Speciality brands are at different stages of maturity and performance, facing different challenges and opportunities. Speciality's strength lies in its diversity, as it continues to build a culture of collaboration between its brands and the group, enabling learning and success.

Speciality's diverse market positioning provides Pepkor access to the adult wear market, in which it currently has a low market share. This division focuses on adult wear for both men and women, within the value retail market segment, offering branded and value product categories.

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.

Products and services

- Clothing
- Footwear
- Cellular
- Airtime

4 100 employees

837 stores

5 countries



Tekkie Town

Tekkie Town sponsored shoes for Shoes4Souls. Their aim is to restore dignity and to meet one of our most basic needs – to own a pair of shoes.



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Market share expansion in adult wear

Tekkie Town #WalkYourWay

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

The Tekkie Town shopper is quality-orientated, trend-aware and looking to wear brands that represent their social standing – but always with a value mindset that prioritises affordable prices.

Dunns Amazing fashion, product and quality

Dunns is 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

Refinery is a contemporary fashion retailer catering to today's inspired young adults.

The Refinery brand is determined to break the perception that quality and affordability are mutually exclusive. In fact, authenticity, detail and quality are fundamental to every part of the Refinery business.

Shoe City For the love of shoes

Shoe City is 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. Renowned for our premium quality, unique fit, signature prints and iconic detailing, S.P.C.C has transformed itself into a powerhouse, stamping its name as an authority in denim design and innovation.

CODE #GetCoded

CODE is a proudly local menswear brand that offers great value through its unique, high-energy shopping experience. Its aspirational customers are young, mobile and fashion-conscious. They offer great style and do not compromise on quality, but the value the customer receives is what sets them apart.

Stores

Tekkie Town 399

DUNNS 202

REFINERY 81

ShoeCity 132

S.P.C.C SERGEANT PEPPER CLOTHING CO 3

CODE 20

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- 5 800 employees
- 864 stores
- 4 countries



JD and their customers continued with their donations in support of the Do More Foundation. To date, the foundation has provided more than 11 million meals to people in need.

JD GROUP

Creating a comfortable lifestyle

JD Group's (JD's) purpose is to assist people from all walks of life to obtain and enjoy the latest technology, transforming homes and enriching lives with quality, value-for-money furniture, appliances and household goods, both in-store and online.

Introduction

JD is an integrated retail and consumer finance business that gives value-conscious mass-market customers in southern Africa the opportunity and means to create a comfortable lifestyle. This is facilitated by consumer credit solutions and insurance products offered through group-owned finance and insurance companies.

Marketing position

Value – conscious mass market consumer.

Strategy and approach

JD strives to be the leading lifestyle retailer in southern Africa, offering brands that customers prefer, suppliers seek, employees are proud of, and that satisfy investor requirements. JD supports its product offerings with various payment options, superior customer care and after-sales service.

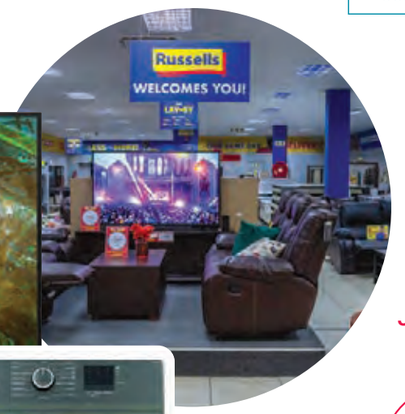
Its strategy focuses on customer-centricity, product leadership and operational efficiency.

The business has taken an omnichannel retail approach that leverages existing infrastructure and operational capability to deliver a competitive online retail offering.

JD's long-term goals are to grow market share through its customer value proposition, to provide a world-class omniretail experience, and to continue enhancing its quality of earnings by being less reliant on credit. Significant progress has been made on these fronts over the past five years, largely as a result of JD's complete restructuring of the business and investment in systems and technology.

Market share gains in consumer electronics and appliances













500 brands and 40 000 SKUs on Everyshop

Products and services

- JD Home for furniture, homeware, household appliances, beds
- JD Tech for consumer electronic and technology goods, technology assistance
- Everyshop is the group's online platform offering consumers the world's leading brands in a perfectly curated assortment of general merchandise, fashion and beauty
- Connect Financial Solutions provides innovative financial services focusing on JD's retail customer base through credit and insurance

Stores

JD Home

- Russells: 256
- BRADLOWS: 243
- Sleepmasters: 202
- ROCHESTER: 35

JD Tech

- Incredible Connection: 77
- HiFiCorp: 51

Online

- everyshop.co.za





THE BUILDING COMPANY

Building lives, building homes, building communities

Introduction

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

Strategy and approach

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 being core to the business model.

Each business division continues to develop its own value proposition that is complementary to the group's vision.

Products and services

General building material division

- 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 division

- 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 division

- 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.

5 500 employees

113[1] stores

4 countries



Ranyaka
Activating Communities

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

[1] *Includes general building material and specialised building material stores; excludes wholesale and B-One*



MacNeil manufactures its **own private label taps**







Brands4Africa **exports to eight** African countries



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General building material

- BUCO HARDWARE · BUILDWARE LET'S BUILD TOGETHER — 91
- Chipbase CUT · EDGE · DRILL · DELIVER — 5
- Timbercity — 8[2]

Wholesale

- MACNEIL — 5
- CACHET VALUE QUALITY RELIABILITY — 4
- Citiwood — 3
- Brands4Africa — 1

Specialised building material

- tiletoria — 3
- B ONE — 1
- Buchel HANDLES HINGES & LOCKS — 2
- V&B HANDLES HINGES & LOCKS — 3
- Bildware HANDLES HINGES & LOCKS — 1

[2] *Excludes franchise stores*





700 employees

203 000
Flash traders



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

Making people's lives easier

Flash is a global fintech group dedicated to making people's lives easier in the communities it serves. It disrupts through innovative technology, bringing value-added services and payment access to a wide range of industries and their customers.

Strategy and approach

Flash's vision is for everyone to have access to essential services in their communities, and to formalise the informal trading environment in a way that will benefit community entrepreneurs and their customers. Flash devices enable traders to offer greater convenience to their customers. The commission earned from transactions is shared between Flash and the traders. This keeps money in the communities and provides opportunities for small businesses to prosper.

By doing this, Flash creates new transaction economies through an open ecosystem that provides partners with seamless multiple platform integration, allowing products to be delivered to market efficiently.

Products and services

Flash consists of four main divisions.

The **trader division** focuses on the informal market and extends across 203 000 traders. With a high-volume transaction processing capability, its proprietary integration switch safely processes millions of virtual transactions daily, providing a robust and reliable system that connects customers, informal traders, virtual content and service partners.

The **cellular division** handles SIM distribution, as well as airtime and data procurement and distribution. SIM distribution operates across multiple channels within Flash and across all four major South African networks. Airtime and data procurement and distribution operate across traders, B2B, business partners and wholesale markets.

The **aggregation division** on-sells airtime and data alongside aggregating the Flash value-added service suite into formal retail environments via our application programming interface.

The **consumer payments division** develops technology to convert cash into an online balance, allowing customers greater payment access and participation in the online economy, with access to a large and growing range of virtual products payable with one single form of virtual currency (1ForYou).





600 employees

240 000
loans

Capfin provides customers with affordable loan products and services

Introduction

The Capfin business has transformed from being a third-party provider of credit services to a self-funded loan operator. Since March 2019, Capfin has continued to meet and exceed customer expectations of responsible lending through its friendly service.

The business operates in South Africa's short term unsecured lending market. It makes use of digital channels as well as the retail store footprint of PEP and Ackermans to market its products. Capfin assesses customer affordability and extends credit based on its proprietary credit granting methodology and scorecards. Capfin establishes contact with qualifying customers and deposits funds into their bank accounts via electronic fund transfer.

Research indicates that customers utilise Capfin loans for various planned events, such as weddings, family education and vacations, as well as unforeseen events, such as funerals, car repairs and, occasionally, times of crisis.

Strategy and approach

Capfin serves customers typical of PEP and Ackermans, ensuring alignment with the customer and Pepkor values. The business endorses a low cost of doing business while lending responsibly.

Products and services

- Unsecured loans to customers with repayment periods varying between six and 12 months.
- Reloans to paid-up customers are encouraged.

Our Group Strategic Services



3 000
employees

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

Centralising many of these services and regulatory functions allows us to benefit from economies of scale, create centres of excellence, save costs and improve 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 Group Strategic Services is to create strategic advantage for the group through collaboration and synergy between the various operating businesses.

Its role is to use the group's 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 taps into 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.*



PEP has been in the same head office in Parow since the 1960s. This campus is shared with PEP Africa, the PepClo factory and Pepkor.

Providing a complete property solution through expert knowledge and systems, Pepkor Properties manages the largest retail lease portfolio in South Africa.

As one of the largest occupants in many shopping destinations, it can leverage its scale as an anchor tenant to negotiate favourable property leases on behalf of the group's operating businesses. In some instances, the group has up to 14 lease agreements in one shopping mall.

During the year, 1 254 leases were renewed with an average reduction in rental cost of 11.5%.

Due to the impact of the COVID-19 pandemic on business and the economy, the properties division played a significant role in engaging with landlords to protect and preserve group liquidity.

The recent public unrest and looting that plagued Gauteng and KwaZulu-Natal was effectively managed through communication with landlords and established processes. Pepkor Properties has been in constant communication with landlords of buildings/shopping centres that were completely destroyed to facilitate the expedient reopening of the affected stores.

Key statistics and highlights

90
employees

5 627
property leases managed
(2.8 million m² under management)

Services

- Identifying new locations
- Preparing feasibility studies
- Managing the existing property portfolio
- Payment of rent to landlords
- Negotiation of leases and contracts
- Facilities management
- Asset management
- Development management
- Multi-brand property analyses



PEPKOR Installations

PKI's vision is to design, evolve, source, open and maintain the most cost-effective stores in Africa – on time, to specification, and within budget.

Pepkor Installations (PKI) services and assists Pepkor's CFH brands in installing shop fittings, particularly for new store openings, refurbishments and maintenance.

The PKI team does all maintenance and refurbishment work to stores and assists with the design and implementation of new-look stores. They strive to 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 was particularly challenged after the civil unrest when damaged stores had to be repaired and opened as a matter of urgency, while the new store roll-out and maintenance in unaffected areas had to remain on schedule. During a three-month period from July to September, 73 new stores were opened, while 365 damaged stores were fixed, refitted and reopened.

PKI was also instrumental in the design, space planning and manufacture of the first S.P.C.C stores and the new-look DUNNS store, which only opened after year-end.

It further adds value through assisting with specialised procurement and third-party supplier management. Great progress has been made in electricity savings, specifically over the past eight years.

During the year, a three-year LED roll-out project was completed in all PEP stores. PKI, together with a third-party engineering partner, designed and manufactured an LED light that saves up to 65% on electricity use for lighting in stores. This project reduced 3.5 MWh of electricity use from the national power grid.

It is planned to roll out the same retrofit project and LED installation across Ackermans over the next two years. All new stores are automatically fitted with electricity-saving lighting.

READ MORE
Case study
LED roll-out project

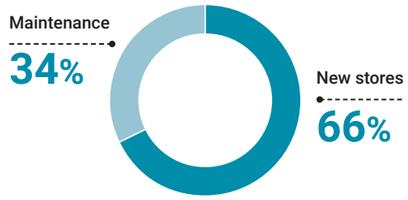
Key statistics and highlights

100
employees

12 000 m²
manufacturing and warehouse facility

69 PKI
and outsourced teams across South Africa manage 2 200 maintenance service agreements

201
new stores rolled out



1 911
PEP stores were retrofitted with new LED lights in their three-year LED roll-out project

Services

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



PEPKOR Sourcing & Services

The Pepkor Product Solutions team is based in Shanghai and is a critical link between our buyers in South Africa and our international CFH suppliers in China.

Pepkor Sourcing & Services (PSS) supports Pepkor's CFH retailers in building strategic sourcing and technical capabilities for the procurement of retail products.

PSS has completed work on centralising more of the sourcing functions and has re-established a Pepkor-owned sourcing office in Shanghai. 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.

A renewed area of focus is supplier compliance and the review of all supplier contracts to make sure all suppliers adhere to the group's ethical trading supplier code of conduct. This code is also being expanded to include more comprehensive environmentally responsible aspects. Although the group has had a relationship-based view of this as many suppliers already adhere to international and European standards, it has not been formalised as part of all supplier contracts.

Suppliers will have a certain period in which to accept full compliance and be able to report on it. In the longer term, environmental measurements will become part of existing supplier audits, which currently focus on commercial and social aspects like human rights.

The group continuously explores opportunities to increase local sourcing to diversify our supplier base and support local job creation in South Africa.

The use of 3D technology has been included in many workstreams and we are seeing the benefits of this investment, specifically in Refinery, PEP, PEP Africa and Ackermans. As expected, the use of 3D has provided better consistency in fit. The 3D initiative continues to form part of the group's digital transformation journey as we digitise more touchpoints throughout the supply chain.

Key statistics and highlights

100
employees

Continued focus on local procurement

Supporting the South African Retailer – Clothing, Textiles, Footwear and Leather Master Plan in job creation

Re-evaluation and alignment of all CFH 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

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In total, PKL made approximately 511 000 product store drops to the group's CFH brands.

Pepkor Logistics (PKL) delivers CFH and general merchandise for Pepkor's clothing brands.

They manage the process whereby 27 million boxes were delivered to 4 500 Pepkor stores across southern Africa during 2021. In their model, trucks with drivers are sourced from specialist transporters.

PKL runs the facilities and handles all routing of parcels to and from DCs, suppliers and stores to ensure that a box is handled the minimum number of times, trucks are filled to the maximum, the box travels the shortest possible distance, and boxes spend the minimum amount of time in transit.

PKL consolidates the distribution between brands, routes and destinations, thereby ensuring that scale benefits are derived and ensuring 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 ensure that 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 trucks and focus on transport execution management and driver training, PKL has reduced fuel usage dramatically over the last two decades.

Key statistics and highlights

200
employees

42
DCs

21
hubs

47 741
loads delivered to an average of 10 stores per trip

25 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



Logistics IT infrastructure solutions direct and track the delivery of 25 million cartons annually to stores and 3.5 million PAXI parcel deliveries.

Pepkor IT 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 brands 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 protection against cyberthreats. Various layers of protection are implemented on the network perimeter and at the end-user, application and data security layer. International and industry-approved frameworks are used as best practice for IT governance and security.

IT played a role in the group's digital transformation by enabling office employee mobility through Google workspace roll-outs, efficiency and insight gains, moving vast amounts of data to the fast-processing Google Cloud Platform, and supporting the retailers' e-commerce strategies through integration of core retail solutions.

An important matter for the division is recruiting and retaining the right talent, because of the highly technical and advanced operating environment. There is a particular focus to develop employment equity candidates in IT. In the last four years, 33 interns were certified in IT, all of whom have been permanently employed, either at Pepkor IT, or in one of the group's other operating divisions.

Pepkor IT continuously works on non-commissioned innovation projects that build internal capacity and enable technological advancement to enhance the capabilities of the brands to achieve their strategies.

The division plans to work closely with Pepkor clothing brands in the next year to roll out a new group point-of-sale system, while innovating various e-commerce, DC and core enterprise resource planning solutions.

Key statistics and highlights

300
employees

Technical support to

4 277
stores in nine countries across Africa

Supports 5 500 office-based users with more than 13 000 devices who now mostly work from home

Successfully rolled out new group point of sale to four clothing retailers

Zero breaches in IT security, while fending off more than 25 000 cyber penetration attempts per quarter

Manages more than

2.6
petabyte of on-premises and cloud data

Services

- Digital transformation
- Infrastructure development
- Design, development and implementation of systems
- Maintenance



Data and Analytics (D&A) was established as a central strategic service in 2012. D&A delivers bespoke analytical solutions to the group that ultimately increase value by either reducing costs or increasing revenue.

As we move into an increasingly complicated world, the vast proliferation of data continues to prompt organisations to focus on using analytics for driving strategic business decisions. Analytics enable leaders to understand the dynamics of their business, anticipate market shifts and manage risks. Rather than simply 'going with one's gut', embracing analytics and systematic statistical reasoning when making decisions can improve efficiency, risk and cost management, revenue, customer relations and profits.

D&A provides its strategic service to all the group's retail brands across its total store footprint and countries of operation. Their work spans financial services, logistics, retail merchandise planning, store allocations, and customer engagement and insights.

The data science team uses a fully functional cloud infrastructure to analyse vast amounts of data using machine learning and their artificial intelligence platform to build automated systems that have the intelligence, context, and empowerment to assist management to make impactful business decisions.

Recent projects include demand forecasting, price elasticity modelling, markdown optimisation, store placement, risk scorecards, response and churn models to name a few.

A future focus area is to create self-service analytical tools to both democratise data and enable fast time to insight. Products available to the group include a basket analyser tool, and the team is working on an experimental design tool that will enable the group to run experiments in a controlled and efficient manner, optimising roll-out of both store and customers' initiatives.

A campaign management platform drives upsell and cross-sell opportunities within brands and across the group. Using the output of the machine learning models, coupled with a test-and-learn mindset, drives continuous improvements in customer engagement.

Due to D&A being the custodians of customer data, the division has been tasked with the implementation of the group's compliance with POPIA.

Key statistics and highlights

23
data scientists and engineers

More than
27 million
known customers interact with the group

8 million
monthly communications with customers

50%
of customers shop at more than one Pepkor brand

Advanced analytics contributed directly to retailers' profitability

Services

- Trusted and reliable customer and basket data considered as the single version of the truth throughout the group, continually enriched by external sources
- Single view of customer across the group and products
- Fast delivery of insights by providing an easily accessible information platform that promotes self-service analytics, increasing the ability to use data as an asset
- Fully integrated platform that enables brands to engage with our customers through various channels in a personalised manner
- Bespoke predictive and prescriptive models addressing specific business questions that deliver value to the group using machine learning
- Prescriptive models delivering decision support through optimisation
- Automated systems using advanced analytical models that have the intelligence, context and empowerment to make decisions with a business impact
- Data governance and protection framework in line with POPIA

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Tenacity's credit programmes aim to assist our retail brands with growth and substantially enhancing their customers' retail experience and their retailer/ customer relationships.

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 Refinery, Ackermans, Shoe City, Dunns, Tekkie Town and, more recently, PEP.

Tenacity Financial Services fulfils the role of a sales enabler for various Pepkor clothing and footwear brands, enabling customers to shop now and pay later. This is done through simple and affordable private label revolving credit products. Other payment solutions offered include lay-by, virtual vouchers and gift cards. Key differentiators of our business model include access to a large store footprint with strong brand affinity, plus 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.

Of paramount concern is the impact of COVID-19 and civil unrest on the economy. During the previous financial year, we have seen a marked increase in credit defaults directly after the hard lockdown of April 2020. Tightening of credit criteria was therefore required, among other interventions. We are pleased that our 1.44 million active account holders have proved to be resilient, and that the health of our book has improved.

Key statistics and highlights

600
employees

2 million
customer interactions

Supports six clothing and general merchandise brands

1.2 million
new credit applications processed

5
countries

Services

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



PepClo is the largest clothing manufacturer on one site in South Africa. The factory is best known for producing the well-known Student Prince school clothes range for PEP.

People with heart making garments with heart

PepClo is a low-cost, high-volume mass manufacturer of school clothes, basic underwear and footwear that supplies the Pepkor group through six factory divisions. It is also the largest clothing manufacturing facility under one roof in South Africa.

Local procurement and employment are key priorities and PepClo, as part of Pepkor, is committed to the South African government's R-CTFL Master Plan to 2030. Pepkor is also well placed through its PepClo structures to participate in the other Master Plan forums and activities, such as initiatives around measures to combat illegal imports of raw materials and apparel items, as well as import duty rebates for textile materials.

In January 2021, PepClo expanded into a brand-new second facility for the production of flip-flops. This facility was born from the success of bringing flip-flop production on-shore and fulfilling orders for our CFH brands. The new facility was built to allow for future growth in production demand. This large investment is in line with efforts to help the South African economy, expand its production sectors and promote local procurement and employment.

The new flip-flop factory employs 90 permanent employees.

The COVID-19 lockdown period has impacted negatively on the demand for consumer goods and clothing items. The drop in sales of school clothing was exacerbated by the prolonged closure of schools. This resulted in a shortfall in PepClo's turnover, which in turn caused production gaps. The impact on the business and employee earnings was minimised by the rapid response of the factory to convert to making much needed three-ply cloth masks and disposable gowns in the early stages of the pandemic. Further efforts were made to diversify product offerings into areas such as boxer shorts and other items of underwear, as well as expanding the schoolwear range.

For the new financial year, the focus will be to further lower PepClo's cost of doing business, to implement a new enterprise resource planning system, to lift production efficiency and process improvements in order to lower the cost per unit produced, and to secure ongoing disposable surgical gown production. This is particularly challenging as COVID-19 absenteeism, social distancing and social unrest have had a negative impact on productivity. Ongoing load-shedding remains an area of concern, as it results in loss of production, lower efficiencies, and an inability to deliver critical orders on time and in full. With advance notice and scheduling, PepClo is able to manage production to some extent. Rising shipping costs and container availability pose medium-term challenges.

[1] *South African Health Products Regulatory Authority*

Key statistics and highlights

1 500
employees

10 million
garments produced

4.8 million
pairs of flip-flops manufactured

R30 million
invested in a new flip-flop manufacturing facility to create 90 new jobs

2 million
face masks and 500 000 disposable surgical gowns produced

Participant in Productivity SA improvement projects

Developed in-house Team Leader Training programme called Firefly Training

Services

- Manufacture of school clothes, basic underwear and disposable gowns
- Flip-flop assembly plant
- Textile laboratory testing facility
- SAHPRA[1]-registered to manufacture surgical gowns
- Fully staffed on-site occupational and primary health clinic
- COVID-19 vaccination site

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abacus

Abacus is driven to provide customers with pioneering insurance solutions that are simple, relevant and easy to understand.

Introduction

Abacus is a niche insurer that focuses on addressing the insurance needs of Pepkor's retail customers and has an in-depth knowledge of what they want, need, and can afford in terms of insurance products. Abacus helps to manage risk by offering low-cost insurance products that can assist customers to maintain a sense of financial confidence, even in the face of significant vulnerability.

Purpose and value

Providing easy and affordable insurance products by delivering efficient and personalised service, and being readily accessible at all times. Abacus believes that all marketing efforts must be educational.

Products

Products are carefully selected and designed specifically for Pepkor's main customer demographic to meet their needs and be affordable. 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 an asset can cause.

Products include:

- **Life insurance: Credit and funeral**
  Abacus will ensure that, when policyholders pass on, their loved ones are not burdened with debt due to 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 due 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 by a parcel service. PAXI parcel cover, underwritten by Abacus, refunds policyholders' losses in the event of their parcel being lost, destroyed or stolen.

100 employees







THANK YOU

for your attention and interest in our group.

ADDITIONAL INFORMATION

6

Acronyms and terminology

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Acronyms and terminology

AGM	Annual general meeting
B-BBEE	Broad-based black economic empowerment
B2B	Business to business
BPL	Best price leadership
bps	Basis points
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
CFH	Clothing, footwear and homeware
CODB	Cost of doing business
COVID-19	Novel coronavirus (SARS-CoV-2)
CPA	Consumer Protection Act
CRISP	Courage, Respect, Integrity, Simplicity and Performance
CSI	Corporate social investment
D&A	Pepkor Data & Analytics
DC	Distribution centre
DMTN	Domestic medium-term note
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ECD	Early childhood development
ESG	Environmental, social and governance
FMCG	Fast-moving consumer goods
FTSE	Financial Times Stock Exchange
FY	Financial year
HEPS	Headline earnings per share
HR	Human resources
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IR	Integrated report
IRBA Code	Independent Regulatory Board of Auditors
ISAE	International Standard on Assurance Engagements
IT	Information and technology
JSE	Johannesburg Stock Exchange
King IV™	King IV Code on Corporate Governance™ for South Africa, 2016, published as part of the King IV™ Report
KPI	Key performance indicator
Lay-by	A system of paying for goods in small amounts and receiving the goods after the full amount has been paid
LTI	Long-term incentive
NCA	National Credit Act
OECD	Organisation for Economic Co-operation and Development
OHASA	Occupational Health and Safety Act
PAXI	Parcel delivery service brand of PEP
PDI	Previously disadvantaged individual
PKI	Pepkor Installations
PKL	Pepkor Logistics
POPIA	Protection of Personal Information Act
PSS	Pepkor Sourcing & Services
Rbn	Rand billion
REMchannel	Salary survey providers (Old Mutual)
Remcom	Remuneration committee
REMeasure	Job Grading system (Old Mutual)
R-CTFL	Retail – Clothing, Textile, Footwear and Leather
RLC	Retailers' Liaison Committee
SAHPRA	South African Health Products Regulatory Authority
SAICA	South African Institute of Chartered Accountants
SASRIA	South African Special Risk Insurance Association
SEC	Social and ethics committee
SEM	Socio-economic measure (previously LSM)
SENS	Stock Exchange News Services
SKU	Stock-keeping unit
SIM	Subscriber identification module
Speciality	Pepkor Speciality
STI	Short-term incentive
tCO_2e	Tonnes of carbon dioxide equivalent
TBCo	The Building Company
TERS	Temporary Employer/Employee Relief Scheme
UNGC	United Nations Global Compact
VAT	Value-added tax

Pro forma financial information assurance report

Report on the assurance engagement on the compilation of pro forma financial information included in the reviewed Pepkor Holdings Limited results for the year ended 30 September 2021

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 (the company) and its subsidiaries (the group) by the directors. The pro forma financial information, as set out in the reviewed group results for the year ended 30 September 2021 (reviewed group results), consist of the impact of constant currency disclosure and the impact of IFRS 16 as a result of Steinhoff property acquisitions on the group's condensed consolidated statement of comprehensive income, related notes, and the impact on basic and diluted earnings and headline earnings per share for the year ended 30 September 2021 (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 section of the reviewed group results.

The pro forma financial information has been compiled by the directors to illustrate the impact of the constant currency disclosure and the impact of IFRS 16 as a result of Steinhoff property acquisitions. As part of this process, information about the company's financial performance has been extracted by the directors from the company's condensed consolidated financial statements for the year ended 30 September 2021, 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 section included in the reviewed group results.

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 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.

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 information section of the reviewed group results 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 group 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 section of the reviewed group results.

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: D de Jager
Registered auditor

Stellenbosch, South Africa
18 November 2021

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Pro forma financial information

The pro forma financial information, which is the responsibility of the group's directors, has been prepared in order to illustrate the impact of the profit on modification recognised in terms of IFRS 16 for the acquisition of certain Steinhoff properties had it not been recognised, as well as the impact of constant currency disclosure, and is presented for illustrative purposes only. The pro forma financial information is presented in accordance with the JSE Listings Requirements and SAICA *Guide on Pro Forma Financial Information*. Therefore, 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 auditors, 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 headline earnings per share

	Note	As reported Year ended 30 September 2021 Reviewed[1] Rm	IFRS 16 adjustment Year ended 30 September 2021 Reviewed[2] Rm	Pro forma after adjustment Year ended 30 September 2021 Reviewed Rm	Year ended 30 September 2020 Restated[1] Reviewed Rm	% change on prior year
Revenue		77 329	–	77 329	70 827	9.2
Cost of sales		(50 795)	–	(50 795)	(46 628)	(8.9)
Gross profit		26 534	–	26 534	24 199	9.6
Other income		1 052	–	1 052	751	40.1
Operating expenses		(13 697)	(265)	(13 962)	(12 670)	(10.2)
Debtors' costs		(785)	–	(785)	(1 733)	54.7
Operating profit before depreciation, amortisation and capital items		13 104	(265)	12 839	10 547	21.7
Depreciation and amortisation		(3 799)	–	(3 799)	(3 894)	2.4
Operating profit before capital items		9 305	(265)	9 040	6 653	35.9
Capital items		(164)	–	(164)	(5 107)	96.8
Operating profit		9 141	(265)	8 876	1 546	> 100
Finance costs		(2 334)	–	(2 334)	(3 281)	28.9
Finance income		275	–	275	265	3.8
Profit/(loss) before associated income		7 082	(265)	6 817	(1 470)	> 100
Share of net profit of associate		2	–	2	2	0.0
Profit/(loss) before taxation		7 084	(265)	6 819	(1 468)	> 100
Taxation		(2 208)	74	(2 134)	(1 266)	(68.6)
Profit/(loss) from continuing operations		4 876	(191)	4 685	(2 734)	> 100
Loss from discontinued operations		–	–	–	(128)	> 100
Profit/(loss) for the year		4 876	(191)	4 685	(2 862)	> 100
Profit/(loss) attributable to:						
Owners of the parent		4 875	(191)	4 684	(2 858)	> 100
Non-controlling interests		1	–	1	(4)	> 100
Profit/(loss) for the year		4 876	(191)	4 685	(2 862)	> 100
Total basic earnings per share from continuing operations	3	132.7	(5.2)	127.5	(77.6)	> 100
Total diluted earnings per share from continuing operations	3	130.8	(5.1)	125.7	(76.8)	> 100
Total headline earnings per share from continuing operations	3	135.4	(5.2)	130.2	64.7	> 100
Total diluted headline earnings per share from continuing operations	3	133.4	(5.1)	128.3	64.0	> 100

Notes to the pro forma financial information

1. The current and prior year numbers were extracted without adjustments from the condensed consolidated financial statements for the year ended 30 September 2021.
2. The pro forma financial information excludes the impact of the profit on modification recognised, when the lease liability and relating right-of-use asset are derecognised, in terms of IFRS 16: *Leases* for the acquisition of certain Steinhoff properties as noted under significant events in the condensed consolidated financial statements.
3. Pro forma earnings per share, 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 7 of the notes to the condensed consolidated financial statements.

Pro forma headline earnings are adjusted for the post-taxation profit on modification recognised in terms of IFRS 16 arising from the acquisition of certain Steinhoff properties as below:

	Rm
Pro forma earnings attributable to ordinary shareholders	**4 684**
Capital items (note 3 in the condensed consolidated financial statements)	**164**
Taxation effect on capital items (note 7 in the condensed consolidated financial statements)	**(67)**
Pro forma headline earnings attributable to ordinary shareholders	**4 781**

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 ZAR is converted from local currency actuals into ZAR at the prior year's actual average exchange rates per country. The table below sets out the 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, of which the Angola kwanza, Mozambique metical and Zambian kwacha are the most material.

Change in sales on prior year (%)	Reported currency	Constant currency
PEP Africa	**(12.56)**	**9.16**

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Retail footprint

	30 September 2020		Openings	Closures	Net movement		30 September 2021	
	Retail stores	Retail area '000 m²	Retail stores	Retail stores	Retail stores	Retail area '000 m²	Retail stores	Retail area '000 m²
Clothing and general merchandise	**4 486**	**1 692**	**226**	**(219)**	**7**	**16**	**4 493**	**1 708**
PEP	**2 384**	**845**	**124**	**(32)**	**92**	**24**	**2 476**	**869**
Ackermans	**861**	**497**	**51**	**(16)**	**35**	**18**	**896**	**515**
PEP Africa	**301**	**113**	**2**	**(19)**	**(17)**	**(5)**	**284**	**109**
Speciality[1]	**940**	**237**	**49**	**(152)**	**(103)**	**(21)**	**837**	**216**
Furniture, appliances and electronics	**879**	**390**	**19**	**(34)**	**(15)**	**(10)**	**864**	**380**
JD Home[2]	**751**	**313**	**16**	**(31)**	**(15)**	**(10)**	**736**	**303**
JD Tech[3]	**128**	**77**	**3**	**(3)**	**–**	**–**	**128**	**77**
Building materials[4]	**115**	**328**	**2**	**(4)**	**(2)**	**2**	**113**	**330**
Pepkor	**5 480**	**2 410**	**247**	**(257)**	**(10)**	**8**	**5 470**	**2 418**

[1] *Includes Dunns, Refinery, Shoe City, CODE, S.P.C.C and Tekkie Town brands*

[2] *Includes Russells, Bradlows, Rochester and Sleepmasters brands*

[3] *Includes Incredible Connection and HiFi Corp brands*

[4] *Includes general building material and specialised building material stores; excludes wholesale and B-One*

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Shareholder analysis

	Ordinary shares			
Shareholder spread	**No. of shareholders**	**%**	**No. of shares**	**%**
1 – 1 000 shares	13 478	69.47	1 749 786	0.05
1 001 – 10 000 shares	4 242	21.86	13 493 918	0.36
10 001 – 100 000 shares	937	4.83	31 497 202	0.85
100 001 – 1 000 000 shares	564	2.91	185 219 624	5.01
1 000 001 shares and over	180	0.93	3 465 310 150	93.73
	19 401	100.00	3 697 270 680	100.00
Distribution of shareholders	**No. of shareholders**	**%**	**No. of shares**	**%**
Public companies	2	0.01	2 484 856 780	67.21
Unit trusts	319	1.64	396 807 388	10.73
Pension funds	234	1.21	256 706 550	6.94
Trading position	27	0.14	179 069 209	4.84
Sovereign wealth	12	0.06	121 137 749	3.28
Mutual funds	94	0.48	67 451 377	1.82
Insurance companies	23	0.12	66 669 955	1.80
Hedge funds	26	0.13	41 824 828	1.13
Private investors	160	0.82	31 694 153	0.86
Charities	15	0.08	10 097 524	0.27
Universities	12	0.06	6 354 233	0.17
Medical aid schemes	13	0.07	5 278 948	0.14
Exchange-traded funds	19	0.10	4 945 113	0.13
Investment trusts	2	0.01	4 448 543	0.12
Foreign governments	3	0.02	1 984 797	0.05
Local authorities	1	0.01	1 569 150	0.04
Custodians	16	0.08	1 105 498	0.03
Corporate holdings	1	0.01	985 214	0.03
Black economic empowerment	2	0.01	180 000	0.00
Other managed funds	3	0.02	100 762	0.00
Remainder	18 417	94.94	14 002 909	0.38
Total	19 401	100.00	3 697 270 680	100.00
Public/non-public shareholders	**No. of shareholders**	**%**	**No. of shares**	**%**
Non-public shareholders				
Directors and associates	4	0.02	448 060	0.01
Strategic holdings (more than 10%)	1	0.01	2 178 715 117	58.93
Public shareholders	19 396	99.97	1 518 107 503	41.06
Total	19 401	100.00	3 697 270 680	100.00

Beneficial shareholders holding 1% or more	**No. of shares**	**%**
Steinhoff International Holdings N.V.	2 178 715 117	58.93
Lancaster 101 Proprietary Limited	306 141 663	8.28
Government Employees Pension Fund (PIC)	68 199 168	1.84
Alexander Forbes Investments	52 391 455	1.42
JP Morgan Equities Limited	49 059 235	1.33
Absa Capital Securities Proprietary Limited	45 807 954	1.24
Old Mutual Life Assurance Company Limited	41 365 144	1.12
GIC Asset Management Private Limited	40 979 023	1.11
Government of Norway	40 070 008	1.08
Value Active PFP H4 QI Hedge Fund	39 413 608	1.07
Total	2 862 142 375	77.41

Fund managers holding 1% or more	**No. of shares**	**%**
Coronation Asset Management Proprietary Limited	140 645 446	3.80
Ninety One SA Proprietary Limited	111 948 595	3.03
Old Mutual Limited	76 810 934	2.08
Allan Gray Proprietary Limited	74 940 302	2.03
Value Capital Partners	56 145 158	1.52
The Vanguard Group Inc.	51 330 678	1.39
JP Morgan Equities Limited	49 059 235	1.33
Abax Investments	48 932 671	1.32
Absa Capital Securities Proprietary Limited	45 807 954	1.24
GIC Asset Management Private Limited	39 703 023	1.07
Visio Capital Management	37 305 918	1.01
Total	732 629 914	19.82

Share performance

Analysis of trading

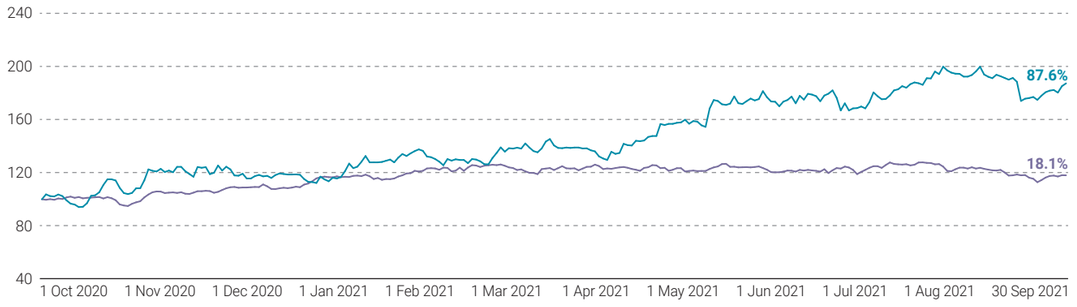
Month	High close (rands)	Low close (rands)	Volume (million)	Value (R billion)
31/10/2020	13.24	10.82	135.2	1.61
30/11/2020	14.32	12.05	272.4	3.76
31/12/2020	14.43	13.30	94.0	1.29
31/01/2021	15.26	12.92	74.8	1.06
28/02/2021	15.83	14.46	85.7	1.31
31/03/2021	16.73	14.54	89.4	1.42
30/04/2021	16.32	14.91	45.5	0.72
31/05/2021	20.13	16.55	123.5	2.20
30/06/2021	20.90	19.58	72.6	1.47
31/07/2021	20.97	19.22	82.1	1.65
31/08/2021	23.02	21.06	56.4	1.24
30/09/2021	22.35	20.05	766.6	15.38

Source: I-Net Bridge

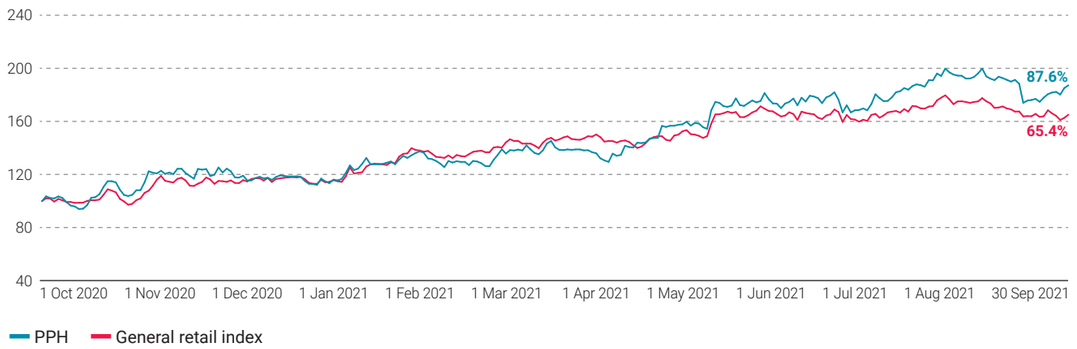
Key statistics – 12 months to September 2021

Traded price (cents per share)		
	Close	**21.57**
	High	**23.33**
	Low	**10.39**
Market capitalisation as of 30 September 2021 (R billion)		**79.8**
Value of shares traded (R billion)		**33.1**
Value traded as % of market capitalisation		**41.5%**
Volume of shares traded (million)		**1 898.2**
Volume traded as % of number of shares in issue		**51.3%**
PE ratio (statutory headline earnings)		**15.9x**
Dividend yield (based on FY21 dividend declared)		**2.0%**
Earnings yield (statutory headline earnings)		**6.3%**
Period-end market price/NAV		**1.4x**
Shares in issue (million)		**3 697**
Average number of shares in issue (million)		**3 675**
Shares issued during the year – net of shares repurchased (million)		**36.9**

PPH vs All Share Index (Rebased to 100%)



PPH vs General Retail Index (Rebased to 100%)



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Shareholders' diary

Annual general meeting	**10 March 2022**
Announcement of interim results	**May 2022**
Financial year-end	**30 September 2022**
Announcement of annual results	**November 2022**

Corporate information

Registration number 2017/221869/06
Share code PPH
Debt code PPHI
ISIN ZAE000259479

Registered address
36 Stellenberg Road
Parow Industria 7493
PO Box 6100
Parow East 7500
Telephone: 021 929 4800
E-mail: investors@pepkor.co.za

Contact
E-mail: info@pepkor.co.za

Investor relations and debt officer
Ian Nel
E-mail: investors@pepkor.co.za

Press enquiries
E-mail: press@pepkor.co.za

Company secretary
Masood Allie
E-mail: masooda@pepkor.co.za

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
2nd Floor, Building 3, 11 Alice Lane
Sandhurst, 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

Transfer secretary
Computershare Investor Services Proprietary Limited

PEPKOR

Holdings Limited