

# VERIFICATION OPINION DECLARATION: GREENHOUSE GAS EMISSIONS

## To: The Intended Users and Stakeholders of Pick ‘n Pay Stores Limited

- Organization:** Pick ‘n Pay Stores Limited
- Address:** Pick ‘n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, South Africa
- Verification Standard:** International Standard ISO 14064-3:2019 ‘*Specification with guidance for the verification and validation of greenhouse gas statements*’
- Verification Criteria:** The principles and reporting requirements set out in the WRI/WBCSD Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard*, 2004 and subsequent amendments, including the *Scope 2 Guidance* (hereafter, the ‘*GHG Protocol Standard*’)
- GHG Consolidation Approach:** Operational Control
- GHG Inventory Period:** 01 March 2023 to 28 February 2024 (FY2024)
- Level of Assurance:** Limited
- GHG Inventory Report:** Refer to *PnP Stores Footprint FY24\_VERIFIED 30May2024.xlsx*

Pick ‘n Pay Stores Limited ( ‘PnP Stores’ or ‘the Group’) is a JSE-listed holding company operating in the FMCG sector in Africa. The Group has three trading subsidiaries: Pick ‘n Pay Retailers (Pty) Ltd. (‘PnP’)<sup>1</sup>, Boxer Superstores (Pty) Ltd. (‘Boxer’) and Zimbabwe-based associate TM Supermarkets Pvt Ltd, in which it has a non-controlling stake.<sup>2</sup>

PnP engaged Verify CO<sub>2</sub> to conduct an independent greenhouse gas (GHG) verification of the Group’s FY2024 GHG Statement. The objective was to provide an opinion on the completeness and accuracy of the *GHG Statement*, and assess conformity to the stated criteria. The GHG Inventory Report submitted for review was compiled in accordance with the principles and reporting requirements of the *GHG Protocol Standard*, and included the Group’s FY2024 GHG emissions profile together with relevant historical information.

This *GHG Verification Opinion* is issued following an in-depth review of the GHG calculations and supporting information for the stated inventory period. This was the second audit Verify CO<sub>2</sub> has completed for the Group, although the lead verifier has over 10 years’ experience in verifying PnP Stores’ GHG emissions.

## Responsible Parties

PnP Stores is responsible for the preparation and fair presentation of the *GHG Statement* in accordance with the stated criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of a *GHG Statement* that is free from material misstatement.

Verify CO<sub>2</sub>’s responsibility is to express an independent assurance opinion on the *GHG Statement* and to evaluate whether, based on the evidence obtained, the following verification objectives have been met:

1. Conformity to the principles and reporting requirements of the *GHG Protocol Standard*; and
2. Completeness and accuracy of the activity data and GHG emissions quantification.

The *ISO 14064-3 GHG Verification Standard* that was applied requires that ethical standards are upheld in planning and performing a verification engagement to attain the agreed level of assurance that the *GHG Statement* is free from material misstatement. Verify CO<sub>2</sub> did not conduct any work outside of the agreed scope, and our opinion is therefore restricted to the agreed subject matter.

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<sup>1</sup> PnP South Africa and PnP Africa are both subsidiaries of the legal entity PnP Retailers (Pty) Ltd.

<sup>2</sup> PnP owns 49% of TM Supermarkets and does not have operational control over the 72 TM stores in Zimbabwe.

## Level of Assurance

The verification activities carried out provided a limited level of assurance on the *GHG Statement* below. A materiality threshold of 5% per emission source category was applied.

GHG quantification is subject to inherent uncertainty as the methods used to estimate GHG emissions rest upon incomplete scientific knowledge. Reasonable assurance provides a high level of assurance but is not a guarantee that an audit carried out according to the *ISO 14064-3 Standard* will always detect a material misstatement when it exists. Misstatements are considered material if, individually or aggregated, they could reasonably be expected to influence the intended user's decisions. Verification activities performed to achieve a limited level of assurance are less extensive in nature, timing and extent than those for reasonable assurance.

## GHG Verification Activities

The evidence-gathering procedures carried out included but were not limited to the following:

- Risk assessment per emissions source based on a high-level overview of FY2024 GHG data and historical GHG reporting. Refrigerant gas reporting was flagged as high-risk due to the significant increase in FY2023 consumption.
- The risk assessments guided the development of the verification and evidence-gathering plans.
- Communication with PnP and Boxer data custodians, as well as with 3<sup>rd</sup> party contractors Energy Partners (EP)<sup>3</sup> (for electricity) and GCX (for waste), to clarify anomalies and deviations, and provide supporting evidence as required.
- Analytical procedures to assess completeness and accuracy of the GHG data, including year-on-year variance and reasonableness checks, recalculation, tracing and re-tracing of primary data with the GHG information provided.
- Evaluation of the appropriateness of emission factors, estimation methodologies and assumptions.
- Evaluation of the accuracy and consistency of the GHG emissions and area-based GHG intensity calculations.
- Evaluation of conformity of the *GHG Statement* to the verification criteria referenced above.
- Liaison with PnP, EP and GCX regarding the verification findings and recommended corrective action.
- No site visits were not done as no complex GHG emitting activities take place in retail operations.
- PnP operations do not involve any complex GHG emitting activities, hence site visits were deemed unnecessary.
- An Independent Review was completed by Ibis Consulting before the *Verification Opinion* was finalized.

## Verification Scope and Exclusions

### Organisational Boundary:

- Structural Changes:** Tomis Abbatoir was acquired in October 2023.
- Organic/Other Relevant Changes:**
  - **PnP:** Eastport, a new mega Distribution Centre (DC) opened in Gauteng, incorporating the activities of 2 older DCs, which were subsequently closed. 1 PnP Hyper closed and 1 PnP Supermarket was converted to a Hyper. Several Corporate and Franchise stores were closed, the impact of which will only fully reflect in FY2025. Scope 3 was extended to include Mr D on-demand deliveries using bikes, motorbikes/scooters and small cars.
  - **Boxer:** Several new stores as well as 1 DC opened. Scope 1 was extended to include Boxer-owned vehicle fuel.
- In accordance with the operational control approach for consolidating emissions, the GHG boundary included scope 1 and scope 2 emissions for all operationally controlled facilities, and scope 3 emissions sources, to the extent they are currently measured.
- To avoid under-reporting, consumption for store closures during FY2024 (53) was included for the months during which they were operational, and their GLA was scaled accordingly. This aligns with how new stores are reported.

<sup>3</sup> Energy Partners (EP) monitors PnP's online metering (MOL) data and manages the reporting of Group electricity consumption using a combination of MOL data, billing data and estimation based on this data.

## Reporting Exclusions:

- The following facilities and/or emissions were excluded from the reporting boundary due to data availability:
  - PnP Africa: 2 corporate stores in Nigeria and refrigerant gas losses for Zambia corporate stores
  - PnP Dotcoza Centre (standalone online picking warehouse)
  - PnP Training Academies (2)
  - PnP DCs: Africa DC and Plumbago General Merchandise DC (closed May 2023)
  - Regent Square (sold early FY2025)
- Scope 1 and scope 2 emissions for the above exclusions were evaluated and deemed not relevant relative to the Group's overall scope 1 and scope 2 GHG emissions.

## GHG Statement

After correction of misstatements, PnP Stores' FY2024 GHG Statement was finalized as follows:

FY2024 GHG Emissions	Pick 'n Pay South Africa <sup>4</sup>	Pick 'n Pay Africa <sup>5</sup>	Pick 'n Pay Retailers	Boxer Superstores <sup>6</sup>	Pick 'n Pay Stores Ltd.
	Tonnes CO <sub>2</sub> e			Tonnes CO <sub>2</sub> e	Tonnes CO <sub>2</sub> e
Scope 1	264 010	820	264 830	182 527	<b>447 357</b>
Scope 2 Location-based <sup>7</sup>	454 103	3 587	<b>457 690</b>	232 704	<b>690 395</b>
Scope 2 Market-based <sup>8</sup>	496 294	3 587 <sup>9</sup>	<b>499 882</b>	255 112	<b>754 993</b>
Scope 3	397 730 <sup>10</sup>	20 887	<b>418 617</b>	25 820 <sup>11</sup>	<b>444 436</b>
<b>Total Scopes 1, 2 &amp; 3 (Market-based)</b>	<b>1 158 034</b>	<b>25 294</b>	<b>1 183 328</b>	<b>463 458</b>	<b>1 646 786</b>
Outside of Scopes <sup>12</sup>	74 187	Not measured	<b>74 187</b>	16 627	<b>90 814</b>
<b>Total Measured Emissions (Market-based)</b>	<b>1 232 220</b>	<b>25 294</b>	<b>1 257 515</b>	<b>480 085</b>	<b>1 737 600</b>

**100% of PnP Stores' FY2024 scope 1, scope 2 and measured scope 3 GHG emissions were verified.**

<sup>4</sup> Scope 2: Includes 1002 PnP Corporate Stores in SA (311 Supermarkets, 22 Hypers, 301 liquor stores and 368 clothing stores) as well as 6 Distribution centres, 2 Head Offices, 1 regional office, the Central Bakery and Tomis abattoir.

Scope 3: Includes electricity consumption for 689 PnP Franchise stores in SA (Category 14: 281,372 tCO<sub>2</sub>e).

<sup>5</sup> Scopes 1 and 2: Includes 23 PnP Corporate Stores in Zambia (3 of which are co-located liquor stores).

Scope 3: Includes electricity consumption for 82 BLNS Franchise stores.

<sup>6</sup> Includes 478 Boxer corporate stores located on 373 sites (only 15 separately metered/billed liquor stores), including 9 stores (on 6 sites) in eSwatini. In addition, consumption for 6 Distribution Centres, the Meat Factory and Head Office is included.

<sup>7</sup> Excludes 2,127 MWh from owned rooftop solar PV installations at 3 PnP and 9 Boxer sites.

<sup>8</sup> Excludes the above 2,127 MWh. For PnP, 1,677 MWh acquired through bundled solar PV PPAs was accounted at zero tCO<sub>2</sub>e. For the remaining 5,860 MWh from solar PV consumed via unbundled PPAs, the SA residual mix emissions factor was applied.

<sup>9</sup> Residual mix emission factors are not currently available for non-SA countries.

<sup>10</sup> Includes: Category 4/9: 97,579 CO<sub>2</sub>e Category 5: 15,303 CO<sub>2</sub>e Category 6: 3,475 CO<sub>2</sub>e and Category 14: 281,372 tCO<sub>2</sub>e.

<sup>11</sup> Boxer 3<sup>rd</sup> party distribution was first reported in FY2023 and Scope 1 fuel for company-owned cars in FY2024.

<sup>12</sup> In accordance with the GHG Protocol Corporate Standard non-Kyoto refrigerants are reported separately from the scopes.

Additional Data Points Verified	Pick 'n Pay Retailers (SA & Africa)	Boxer Superstores	Pick 'n Pay Stores Ltd.
<b>Total Fuel Consumption (MWh)</b>	<b>181 742</b>	<b>132 573</b>	<b>314 316</b>
Grid electricity purchased – Scope 2 only (MWh)	507 394	256 897	<b>764 291</b>
Acquired electricity generated on-site - solarPV PPAs (MWh)	7 536	-	<b>7 536</b>
On-site self-generation generated – Owned solarPV (MWh)	475	1 652	<b>2 127</b>
<b>Total Electricity Consumed (MWh)</b>	<b>515 406</b>	<b>258 549</b>	<b>773 955</b>
<b>TOTAL ENERGY CONSUMED (MWh)</b>	<b>697 148</b>	<b>391 122</b>	<b>1 088 270</b>
<b>TOTAL ENERGY CONSUMED (GJ)</b>	<b>2 509 731</b>	<b>1 408 039</b>	<b>3 917 771</b>
Renewable Electricity Consumed (includes PPAs)	1.6%	0.6%	<b>1.25%</b>
Year-on-year change in GHG emissions	Scope 1; Scope 2; Scope 1&2; Scope 3; Scope 1,2&3		

## GHG Verification Findings and Qualifications

### Findings:

#### □ GHG Reporting:

Due to time constraints, conventional verification procedures could not be followed. Rather than commencing once the Group's FY2024 GHG inventory was complete, checks were done in stages, per emissions source/per entity. The risk assessment and verification plan were therefore largely based on historical GHG verification findings.

#### □ GHG Boundaries:

- For operationally controlled facilities where data was not available, wherever possible, consumption was estimated based on a comparable facility.
- Several material scope 3 emissions sources are not yet included in PnP's reporting.

#### □ GHG Data Management:

The late submission of data for several emissions sources indicates that GHG data management across the Group requires prioritization.

#### □ GHG Quantification:

- **GWPs:** IPCC AR5 100-year GWPs were applied for all GHG conversions.
- **On-site Solar-PV:** On-site electricity generation of 2.13 GWh from owned solar PV was consumed via direct supply during FY2024. A further 1.68 GWh was acquired through bundled solar-PV PPAs and 5.86 GWh from unbundled solar-PV PPAs. Since unbundled PPAs do not meet the GHG Protocol *Scope 2 Quality Criteria*, this consumption cannot be accounted at zero tCO<sub>2</sub>e. FY2023 market-based emissions were restated accordingly.
- **Scope 1 - Fuels:** Consistent with previous reporting, fuel consumption for mobile and stationary equipment (generators, forklifts/hysters and ovens/cookers) was estimated using spend data from the General Ledger (GL) and applying the SAPIA average fuel price for the period.<sup>13</sup>

Analysis of a sample of line items from the GL indicated a notably higher unit price than that regulated by SAPIA, attributed to additional delivery/non-fuel charges (and VAT thereon) per fuel order. To avoid over-estimating fuel consumption, an uplift (7.5%) was subsequently added to the SAPIA FY2024 average price per fuel.

<sup>13</sup> Owing to the number of generators operated by the Group (+/-750), it is not feasible to collect actual fuel consumption data.

Following the significant impact of load shedding on diesel usage in FY2023, FY2024 stores' generator diesel consumption increased by a further 4%. A 33% increase for support facilities was attributed to the additional DCs/sites in FY2024, and Longmeadow continuing to operate in tandem with Eastport for most of the year.

- **Scope 1 – Fugitive Emissions:** Separate data is reported by each of PnP's +/- 30 service providers. The delay in submitting FY2024 data allowed no time for queries and the data reported was assumed to be correct. However, the year-on-year increase in gas usage has flagged this as an area requiring further attention.
  - o **Aircon gas:** Reported refills are incomplete as some service providers did not submit data. However, aircon gas usage is insignificant compared to refrigeration gas usage.
  - o **Refrigeration gas:** Consumption doubled in FY2023 and increased by a further 20% in FY2024. Emissions increased by 15% due to the application of AR5 GWPs from FY2024.
  
- **Scope 2 Purchased Electricity:** For sites without online electricity metering, either billed consumption was used, or consumption was estimated. Store electricity consumption was static compared to FY2023 (additional Boxer store consumption was offset by PnP store closures), and the 1% increase in Group consumption is attributed to new DCs. It should be noted that the 4% decrease in location-based emissions is from the lower FY2024 emissions factors, rather than improved efficiency.
 

Only 15 (10%) of Boxer liquor stores were metered/billed separately from a co-located supermarket in FY2024. The number of PnP liquor stores billed together with a co-located supermarket remained uncertain, so it was again assumed that all PnP liquor stores are separately metered. However, several liquor stores now have confirmed billing and/or online metered data, leaving only 118 liquor stores (39%) that may be over-estimated.

**Market-based reporting:** As stated above, for those PPAs that are not bundled with environmental attributes, and as such do not meet the GHG Protocol's *Scope 2 Quality Criteria*, both FY2023 and FY2024 market-based emissions were recalculated to reflect this.
  
- **Scope 3.4/9 - Up/Downstream Transport/Distribution:** Upstream transportation is incomplete (inbound transport excluded). Online deliveries are subsidized, so assigning emissions to 3.4 or 3.9 is uncertain.
- **Scope 3.5 - Waste<sup>14</sup>:** Reporting is incomplete as only +/- 300 sites are included in the Group's waste management programme. Compared to FY2023, 23% less waste was reported in FY2024 due to missing data resulting from several changes in the waste service providers contracted by PnP during FY2024.
- **Scope 3.6 - Business Travel:** Distances used to calculate emissions included credited flights, resulting in distances being 5% over-reported. However, for 3.6 overall, the over-reporting is not material.

### Qualifications:

The following qualifications were raised in relation to the unmodified verification opinion:

- Scope 1 - Refrigerants:** Insufficient time was available to interrogate the data submitted. Data aggregation and GHG conversions were checked, but it is not possible to verify the accuracy of the reported gas losses.
- Scope 2/3:** For sites without online electricity metering, either billed consumption was used, or consumption was estimated using a regression equation which, although reviewed annually, is subject to inherent inaccuracy.

### Future Recommendations

- Scope 1 – Stationary/Mobile Equipment:** PnP's reporting would be more accurate if purchased fuel volumes were used, instead of estimating consumption from spend. To this end, the GL should include a dedicated column to record the quantity purchased together with the unit of measurement.

<sup>14</sup> PnP continued to roll-out the waste management programme using several independent waste contractors across South Africa. Monthly waste data from the contractors is managed by GCX via their online dashboard.

- Delivery charges have a significant impact on overall stationary fuel costs, especially for small consignments. Negotiation with fuel suppliers for a delivered fuel price is recommended, as well as bulk fuel storage options to reduce the number of deliveries required.
- **Scope 1 – Refrigerants:** Further investigation is required into the significant increase in both FY2023 and FY2024 refrigeration gas usage, particularly for stores serviced by Proactive, Matador and Praisecold.
- **Scope 2 – Purchased Electricity:** To avoid over-reporting PnP liquor store consumption, and given the various possible reticulation options, to ensure more accurate reporting, PnP regional managers should query and collate this information directly for each store in their region.
- **Scope 3 – Relevance Assessment:** PnP is aware that several relevant scope 3 categories are not yet included in the Group’s GHG reporting. To this end, a study has been commissioned to evaluate the significance of each of the 15 scope 3 categories so that the reporting boundary can be extended to include those that are most relevant.
  - **Scope 3.3 Fuel & Energy-related activities:** Despite the above-mentioned study that’s currently underway, with little effort the FY2025 scope 3 boundaries can be extended to include the well-to-tank (WTT) emissions associated with scope 1 fuels and purchased electricity, as well as transmission and distribution (T&D) losses from purchased electricity. This data is already available and constitutes a significant GHG emissions category.
  - **Scope 3.5 - Waste:**
    - To ensure that the GCX dashboard includes all sites in the waste programme, PnP Procurement to provide more transparency regarding the various service providers appointed to manage waste.
    - It is recommended that waste management is introduced at all DCs, especially those handling perishables.

## Conclusion and Final Verifier Opinion - Unmodified

Based on the evidence obtained in conducting the assurance procedures in accordance with ISO 14064-3, and applying the stated criteria, misstatements were identified and duly rectified. Notwithstanding the above qualifications, it is our opinion that PnP Stores has established appropriate systems for the collection, aggregation and analysis of the data used to quantify the company’s GHG emissions for the stated period and boundaries. There is no evidence that the *GHG Statement* set out above:

1. has not been prepared in accordance with the principles and requirements of the *GHG Protocol Standard*; and
2. does not provide a true and fair representation of PnP Stores’ GHG emissions data and information for the stated inventory period and boundaries.

## Statement of Competence, Independence, and Impartiality

Verify CO<sub>2</sub> has 14 years’ experience in corporate GHG verification across various sectors. We conducted this verification independently and, to our knowledge, there has been no conflict of interest. No member of the verification team has a relationship with PnP Stores beyond that required of this assignment.

### Attestation:



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 Kerry Evans  
**Lead GHG Verifier, Verify CO<sub>2</sub>**  
 Cape Town, South Africa  
**Date:** 19.06.2024



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 Johan Oosthuizen  
**Independent Reviewer, Ibis Consulting**  
 Johannesburg, South Africa  
**Date:** 19.06.2024