

## **CLIMATE CHANGE AND ENERGY POLICY**

Climate change presents a significant threat to social stability, economic prosperity, and global security. We recognise that the world is getting warmer, with strong evidence to suggest that this has largely been caused by human activity, and that urgent collective action is needed to mitigate and adapt to a changing climate. While there are uncertainties regarding the nature, extent, and timing of the physical, policy and market impacts of climate change, this uncertainty is not a reason for inaction. We believe that a low carbon future is necessary, and that efforts to achieve this should be accelerated.

As a leading African retail group, Pick n Pay is committed to playing its role in creating sustainable and resilient food systems across our operating landscape. The growing transporting, manufacturing, and processing of our food and clothing contributes significantly to carbon emissions, well beyond our direct operational footprint. Accordingly, our climate commitments extend across the value chain of our operations, focusing on areas where we have significant impact and influence. Starting with a commitment to reduce greenhouse gas emissions, it seeks enhanced resilience in the face of climate disruption as well as opportunities for product and process innovation in support of a low carbon future.

### **PICK N PAY HAS THE FOLLOWING TARGETS**

- Energy Intensity: Reduce energy intensity by 45% by 2030 (FY2010 Baseline)
- Renewable Energy: Targets are in the process of being updated
- Refrigerant gases: All our new and refurbished stores will install trans-critical CO<sub>2</sub> refrigeration systems. Along with natural refrigerant conversions, the Groups aims to have 100% CO<sub>2</sub> refrigeration by 2040, which has a significantly lower carbon impact than conventional refrigeration systems.
- Carbon Emissions: Net zero carbon by 2050, with interim targets of 60% reduction by 2040 against an FY2022 baseline (Scope 1 and 2).

## OUR APPROACH

We have a four-tiered approach for improving our energy efficiency and reducing our carbon emissions:

### **1. ENERGY EFFICIENCY: BEHAVIOURAL CHANGE, LIGHTING RETROFITS, TECHNOLOGICAL IMPROVEMENTS**

Our stores account for more than 90% of the total electricity we use. Our strategy revolves around improving efficiency in the key areas of refrigeration, lighting, and air conditioning. We monitor energy usage at each store, whether it's switching off unnecessary lights, making sure fridges are closed correctly or adhering to the cold chain process. Electricity accounts for more than 80% of our total Scope 1 and 2 emissions and an important part of our strategy to tackle climate change is to minimise the electricity that we use and to work on improving efficiency in all our operations. Focusing on our energy consumption allows us to mitigate and manage some of the risks that climate change poses, but it is also an important way in which we can improve the efficiency and productivity of our business as well as to achieve cost reductions. Improving energy intensity has become especially important in the context of South Africa's recurring energy supply volatilities and steadily increasing electricity prices.

### **2. REFRIGERATION: IMPLEMENTATION OF CO<sub>2</sub>-BASED REFRIGERATION SYSTEMS**

Our stores are increasingly being fitted with climate-friendly refrigeration systems to further reduce CO<sub>2</sub>e emissions. We have committed to installing full CO<sub>2</sub> (trans-critical) refrigeration systems in most of our new and refurbished stores. These are more energy efficient than older systems and have a minimal impact on global warming and will lead to significant reductions in our Scope 1 emissions. All our distribution centres use ammonia as a natural alternative coolant.

### **3. RENEWABLE ENERGY**

Pick n Pay is actively exploring opportunities to increase the amount of renewable energy that we use in our operations. There are already several solar installations at our distribution centres and stores, and we are exploring ways to further increase the number of installations. Renewable energy sourcing will be an important way for Pick n Pay to reduce our carbon emissions and mitigate our impact on Climate Change.

#### **4. VALUE CHAIN: Scope 3 – working with suppliers to set their own carbon reduction and net-zero targets.**

It is estimated that products and services account for more than 50% of our total scope 3 emissions. Pick n Pay will partner with our suppliers to ensure that the emissions that result from our products is reduced and mitigated as far as possible. We have started work on defining a scope 3 target, to enable us to complete registration of our targets with the SBTi

##### **Additional commitments and priorities:**

- Pick n Pay will strive to eliminate food waste and to minimise non-food waste in our operations. We have already set targets to reduce operational food waste by 50% by 2025 and the waste generated by our top 20 suppliers by 50% by 2030.
- Integration of green building principles into the design of new buildings and in the refurbishment of existing buildings.
- Identify and publicly report on our emissions profile through participation in the CDP and through other platforms.
- Include climate change considerations into our minimum environmental requirements and standards for our suppliers, partners, and service providers.
- Work with our suppliers to understand and explore opportunities to increase their energy efficiency, reduce carbon emissions and strengthen their resilience and adaptive capacity.
- Pick n Pay will collaborate with our largest suppliers to ensure that they have set their own carbon reduction and net zero targets.
- Commit to sourcing deforestation-free commodities, including soy and palm oil.
- Encourage farmers to explore their climate risk, and to implement appropriate efficiency and climate adaptation responses, including reduced irrigation, waste, and chemical use, while building their commitment to food security.
- Raise awareness amongst our customers to reduce their carbon emissions at home.
- Contribute to informed debate and action on climate change by engaging in collective impact initiatives.
- Prepare to align our reporting with the Task Force on Climate-related Financial Disclosures recommendations.
- Share climate change information with employees, customers, suppliers, and investors to build knowledge and commitment, while respecting the need for commercial confidentiality.

- Provide input, where appropriate, to the development of effective long-term public policy on climate change that provides for regulatory certainty.

We will review and update this policy on a periodic basis.