

REDUCING ENVIRONMENTAL IMPACTS

As a retailer with thousands of suppliers and millions of customers, we are mindful of our wide reach and the environmental impact we have across our value chain. While the Group has limited opportunity to address national energy and climate challenge at scale, our commitment to reducing environmental impacts continues to open opportunities for electricity conservation at stores and distribution centres; explore options for renewable energy; and improve the efficiency of our distribution operations. We are also working on a broad set of solutions and targets to reduce our impact in other key areas, in particular refrigerants, water, waste and packaging, working with our suppliers and partners to innovate for a healthy planet and helping our customers play their part in protecting the environment.

Highlights

11 421 tonnes
waste recycled in
company-owned operations

Installed **22** natural
refrigerant systems
9.5% of the company-owned stores
now use a form of natural refrigerant

Reduced average packaging weight
for Pick n Pay own brand products by
27.5% against our 2019 baseline

Learnings/challenges

Persistent electricity outages necessitated incremental R430 million net of electricity saving spend on diesel generators for stores

Expanding renewable energy usage at stores in malls and distribution centers is dependent on landlords installing solar solutions

Establishing accurate packaging data across parts of the supply chain is complex and challenging



Climate and energy policy



Waste management policy



Water stewardship policy



Sustainable packaging policy



Reducing our carbon footprint

In 2022 we formally set a Group carbon commitment to be net zero carbon (Scope 1 and 2) by 2050, with key climate change-related targets across the Group. These targets focus on areas where our teams have the most control.

Accounting and minimising for our direct climate change impacts is the focus of our climate commitments. This year we published a climate change and energy policy which outlines our approach and commitments. Our climate-related key performance indicators include emission reduction targets, renewable energy targets and energy efficiency targets, and natural refrigeration targets.



- Group commitment to be net zero carbon by 2050 (FY22 baseline) and -60% by 2040 [***14%**]. 50,535 tCO₂e increase in FY23 Scope 1 emissions compared to FY22 (due to increase in generator diesel consumption as a result of load-shedding)
- 60% renewable energy use across the Group by 2040
- Conversion to 100% natural refrigeration in Pick n Pay company-owned and Boxer stores by 2040 [***9.5%**]
- 45% improvement in energy efficiency across Pick n Pay company-owned stores by 2030 (FY10 Baseline)

Key: *% progress

Energy resilience

Energy resilience has become a critical issue for our business. The severe escalation in electricity outages in South Africa throughout the last year, has had a significant impact on our operations. We have been running diesel generators to mitigate the impact of disruptions, resulting in a concerning 50,535 tCO₂e increase in FY23 Scope 1 emissions compared to FY22 (due to increase in generator diesel consumption).

To tackle this challenge, the Group is implementing an energy resilience plan, to reduce our reliance on the national grid as far as possible. This plan includes engaging with landlords with the aim of maximising the installation of solar solutions on store roofs to generate solar power or using a "fair share" of renewable energy that the landlords themselves generate. We are exploring more sustainable options than using diesel generators for backup power. We are currently trialling the installation of inverter and battery power solutions at selected company-owned stores. About 80% of our stand-alone corporate Pick n Pay Clothing stores have been fitted with inverter and battery power backup which ensure sustainable operation through load-shedding.

The energy crisis is accelerating our plans to expand energy solutions at our stores (owned and leased) and distribution centres. We have developed metrics and pathways for increasing our reliance on renewables. By 2040, we aim to meet 60% of all energy use requirements from renewable energy.

Reducing our impacts

Our low carbon transition plan includes a focus on reducing refrigeration emissions. Our conversion to a climate-friendly natural refrigerants programme is gaining momentum and we have committed R3 billion towards achieving a target of having natural refrigeration systems in 135 Pick n Pay company-owned stores and 166 Boxer stores by FY28. In FY23 we converted 22 company-owned stores, bringing the total to 56. All our distribution centres are running natural refrigeration systems.

Energy efficiency is tracked using extensive metering that enables us to measure real-time consumption. We are working towards a target of 45% improvement in energy efficiency for Pick n Pay company-owned by 2030 against a FY10 baseline. The roll-out of eco-friendly LED lighting to stores continues, including back of house and trading floors. Over 95% of Boxer stores use LED lighting systems, including store refrigeration.

The rapid escalation in our online shopping deliveries requires increasing levels of transportation, predominantly using motorcycles. To reduce transport emissions, we are partnering with on-demand logistics company Picup and our partner Takealot, in trialling the use of electronic motorcycles.

Innovating for more sustainable buildings

Our recently launched Eastport distribution centre in Gauteng, the Pick n Pay distribution centre in Cape Town, and 65 Pick n Pay Clothing stores all hold a 4 star Green Star rating, highlighting our dedication to sustainable practices.

All our new Pick n Pay Clothing stores are designed with a strong focus on sustainability features. In addition to using solar inverter-lithium battery power solutions and more sustainable technology such as eco-friendly lighting and energy-efficient printers and till points, the stores have a strong reduce and re-use ethos. Most of the fixtures are made from recycled materials, including hangers, mannequins, wooden tables and aluminium entrance doors, and we use second hand shelves and railings. The new stores also feature "plant walls" which act as natural air filters. For every new store opened, we plant 100 trees at Platbos Nature Reserve. To date, more than 5 000 trees have been planted.

Our recently launched Eastport distribution centre incorporates various environmentally friendly initiatives, qualifying it for a green building certification. Solar panels generate solar power to meet operational requirements and rainwater harvesting is expected to save 90 million litres of municipal water consumption each year. The buildings are designed to maximise daylight harvesting and have LED lights that automatically adjust their brightness levels according to the level of natural daylight. Waste management onsite is outsourced to a company committed to sustainable practices.

Conserving freshwater



- Reduce water intensity by 20% by 2025 (FY18 baseline) for Pick n Pay company-owned stores

12% to date

The Group's water consumption is primarily at stores for sanitation, cleaning, cooking and baking. The Group relies predominantly on municipal supplies. We continually monitor and manage our water usage, with a focus on identifying and addressing leaks. We have water efficiency measures rolled out and online water metering with real-time alerts installed at most of our Pick n Pay company-owned stores, distribution centres and offices. Metering is being progressively rolled out at Boxer stores. This enables us to timeously pick up and address leaks and take corrective actions.

Our water stewardship policy guides our approach to reducing our water usage and working collectively with our stakeholders to safeguard this valuable resource and mitigate the risks associated with water scarcity.

Reducing and repurposing waste



- Divert 75% of general waste produced at our Pick n Pay company-owned operations from landfill by 2025 through recycling and recoveries

62% progress

In supporting the principles of a circular economy, our progress is underpinned by promoting the “avoid, reduce, re-use and recycle” waste management hierarchy. Our efforts are guided by our waste management policy. A waste management dashboard introduced in 2021 helps us track our progress towards targets, including improving levels of recycling, increasing waste resource donations and reducing waste to landfills.

We raise awareness with our employees on how to reduce waste in stores and have systems in place to collect recyclable material. We continue to expand recycling facilities at our stores where customers can deposit plastic bags and plastic containers, compact fluorescent lamps (CFLs), batteries and ink cartridges. Pick n Pay company-owned stores generated 26 025 tonnes of general waste in FY23 and recycled 43.9%.

Our commitment to recycling extends to increasing the use of recycled materials in clothing products and store refurbishments.

We also partner with suppliers and customers to innovate and create a healthier planet free from unnecessary waste. In repurposing waste, our award-winning trolleys in stores are made from high density polyethylene (PEHD) and consist of 50% post-consumer recycled material. To date we have introduced a recycling vending machine in 7 stores. These units reward customers for recycling any recyclable waste product with a relevant barcode.

Finding solutions to the packaging challenge



Our ambitious packaging commitments by 2025 against FY20 baseline:

- 100% of Pick n Pay packaging will be re-usable or recyclable [***92%**]
- 30% average recycled content across all Pick n Pay packaging [***31% – target met**]
- 30% reduction in average packaging weight of Pick n Pay branded products [***28%**]
- 100% of cardboard and paper used for Pick n Pay packaging is sourced from responsibly managed forests by 2025 [***88%**]

Key: *% progress

Packaging plays an important role in protecting products and reducing food waste. However, packaging waste, particularly plastic, can be a significant environmental problem when not re-used or recycled. That’s why we aim to treat packaging as a valuable resource that can be used, re-used, collected and recycled in a closed loop, supporting the principles of a circular economy.

Pick n Pay assumes a leadership role in local and international collaborative efforts to work towards common long-term targets for the plastics value chain. We have a robust packaging database and reporting process which has helped us significantly improve the accuracy of our packaging data. In turn, we can better track our performance against Pick n Pay’s packaging targets and identify areas where packaging can be improved. Where we can’t remove packaging, we aim to reduce it to an absolute minimum. When we reduce packaging, we reduce it with recyclability in mind, with a focus on increasing the content of specially treated, factory and post-consumer waste material.

We have made good progress towards our packaging targets and we’re on track to achieving the ambitious goals set out by the South African Plastics Pact, of which we are a founding member, by 2025. Our targets include ensuring that 100% of our private label packaging is re-usable or recyclable. This number has shifted from 67% to 92% in the past two years through various changes. Over the past five years, more than 10 000 tonnes of plastic have been removed from the environment to make Pick n Pay’s 100% recyclable blue plastic bags. Over 11 million plastic bottles have been recycled to manufacture our re-usable shopping bags since 2018.

In our journey to reduce problematic single-use plastic packaging, we’ve removed all plastic barrier bags from our till points. This will prevent over 20 million of these small bags, which are difficult to recycle, from ending up in the environment. We continue to provide barrier bags in our fruit and vegetable section for loose produce.

Sometimes we are faced with trade-offs. For example, our customers favoured the introduction of brown paper bags for on-demand (asap!) deliveries. However, these bags have no handles, break easily, and can get wet when carrying frozen goods, limiting their re-usability. We are trialling a more sustainable bag made from recycled plastic that is thicker and bigger, with a seal to promote re-use. At scale, this would have a similar environmental footprint to the high volumes of brown bags currently being recycled or going to landfill.

Many of our packaging improvement and reduction achievements are basic but make a massive difference. For instance, we have changed all our milk bottle caps and snack yoghurt caps to white, improving efficiencies and making recycling easier with one colour cap.

We support and adhere to the Extended Producer Responsibility (EPR) for packaging regulation as a key policy instrument to address the increasing volumes of plastic pollution. We belong to relevant Producer Responsibility Organisations (PROs) and submit our data quarterly.

