

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:** WRI/WBCSD Greenhouse Gas Protocol: *A Corporate Accounting and Reporting Standard*, 2004, and subsequent Amendments.
- **GHG Consolidation Approach:** Operational Control
- **GHG Inventory Period:** 01 March 2022 to 28 February 2023 (FY2023)
- **GHG Inventory:** Refer to *PnP Stores Footprint FY23_VERIFIED 25May2023.xlsx*

Pick 'n Pay Stores Limited (hereafter "PnP Stores") is a JSE-listed holding company operating in the FMCG retail sector in Africa. The Group has three trading subsidiaries: Pick 'n Pay Retailers (Pty) Ltd. ("PnP"), Boxer Superstores (Pty) Ltd. ("Boxer") and Zimbabwe-based associate TM Supermarkets Pvt Ltd, in which it has a 49% non-controlling stake.

PnP engaged Verify CO₂ to conduct an independent greenhouse gas ('GHG') verification with the objective of confirming that the FY2023 GHG Statement is accurate and conforms with the stated criteria.

This *GHG Verification Opinion Declaration* is issued following review of the GHG Inventory calculations and supporting information for the stated inventory period, and is based on the scope of work detailed below.

Responsible Parties

PnP Stores is solely responsible for the preparation and fair presentation of the *GHG Statement* set out below in accordance with the stated criteria.

Verify CO₂'s responsibility is to express an independent assurance opinion on PnP Stores' FY2023 *GHG Statement* based on the evidence obtained with regard to:

1. Conformity with the verification criteria, namely the principles and requirements of the WRI/WBCSD *GHG Protocol Corporate Accounting and Reporting Standard*; and
2. Completeness and accuracy of the underlying activity data as well as the GHG emissions quantification.

The ISO 14064-3 Standard requires that ethical standards are upheld in planning and performing the verification to obtain the agreed level of assurance that the GHG Statement is free from material misstatement.

Level of Assurance

The verification activities provided a limited level of assurance on the final GHG statement below.

A materiality threshold of 5% per emission source was applied.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the ISO 14064-3 Standard will always detect a material misstatement when it exists. Misstatements are considered material if, individually or in the aggregate, 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.

Furthermore, GHG quantification is subject to inherent uncertainty as the methods used to estimate GHG emissions rest upon incomplete scientific knowledge.

GHG Verification Activities

Evidence-gathering procedures included but were not limited to:

- Risk assessment based on a high-level overview of the initial FY2023 GHG data and historical GHG reporting.
- Communication with PnP, Boxer and Energy Partners (EP) 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 checks, recalculation and tracing of primary data to GHG information.
- Evaluation of the appropriateness of emission factors, estimation methodologies and assumptions.
- Evaluation of the accuracy and consistency of the GHG emissions and GHG intensity calculations.
- Evaluation of conformity of the *GHG Statement* with the verification criteria referenced above.
- Liaison with PnP, Boxer and EP regarding the verification findings and recommended corrective action.
- Due to time and cost constraints, evaluation of uncertainty and an independent review were not performed.

Verification Scope and Exclusions

Organisational Boundary:

- There were no structural changes to the Group during FY2023.
- In accordance with the operational control approach for consolidating emissions, the GHG boundary included scope 1 and scope 2 GHG emissions for all operationally controlled facilities, as well as relevant and/or measured scope 3 emissions sources. As at 28 February 2023 the boundary included business activities carried out at:
 - **PnP SA:** 932 PnP Corporate stores; 667 PnP Franchise stores; 13 office/support facilities
 - **PnP Africa¹:** 23 PnP Corporate stores in Zambia and 2 in Nigeria; 80 PnP Franchise stores in Africa (BLNS)
 - **Boxer:** 428 Boxer Corporate stores occupying 320 sites in SA and eSwatini; 7 office/support facilities
- Since the above stores numbers excluded store closures during FY2023, consumption data for an additional 52 closed sites was also included for the period during which they were operational.

Reporting Exclusions:

- The following facilities and/or emissions were excluded from the reporting boundary due to data availability:
 - 4 Stores that opened in late February 2023
 - 2 stores in Nigeria
 - 2 standalone franchise pharmacies
 - 2 Pick 'n Pay Dotcoza Centres (online picking warehouses)
 - PnP Fresh Foods Training Academy
 - PnP Plumbago General Merchandise DC
 - PnP Africa DC
 - Boxer Airport DC
 - PnP Zambia: Refrigerant gas losses (21 supermarkets and 3 liquor stores)
- Scope 1 and scope 2 emissions for the above exclusions were evaluated and deemed not relevant relative to PnP Stores' overall scope 1 and scope 2 GHG emissions.

Verification Exclusions:

- Denominators used to calculate FY2023 GHG and energy intensity ratios were not verified to source.

¹ PnP does not have operational control over the 72 TM stores in Zimbabwe.

GHG Statement

After correction of misstatements, PnP Stores' FY2023 GHG Statement below was finalized on 25 May 2023:

FY2023 GHG Emissions	Pick 'n Pay South Africa ²	Pick 'n Pay Africa ³	Pick n Pay Retailers ⁴	Boxer Superstores ⁵	Pick 'n Pay Stores Ltd.
	Tonnes CO ₂ e	Tonnes CO ₂ e	Tonnes CO ₂ e	Tonnes CO ₂ e	Tonnes CO ₂ e
Scope 1	235 487	812	236 299	145 135	381 435
Scope 2 Location-based ⁶	484 607	3 810	488 417	230 798	719 215
Scope 2 Market-based ⁷	508 795	3 810 ⁸	512 604	249 306	761 910
Scope 3	390 816	44 813	435 629	16 651 ⁹	452 280
Total Scopes 1, 2 & 3 (Market-based)	1 135 098	49 434	1 184 532	411 093	1 595 625
Outside of Scopes ¹⁰	66 966	Not measured	66 966	18 759	85 725
Total Measured Emissions (Market-based)	1 202 064	49 434	1 251 498	429 852	1 681 350

100% of PnP Stores' FY2023 scope 1, scope 2 and measured scope 3 GHG emissions were verified.

Additional Data Points Verified for CDP 2023	Pick 'n Pay Retailers (SA & Africa)	Boxer Superstores	Pick 'n Pay Stores Ltd.
Total Fuel Consumption (MWh)	179 212	107 816	287 028
Grid electricity purchased – Scope 2 only (MWh)	519 167	239 740	758 907
Acquired electricity generated on-site - solar PV PPAs (MWh)	7 055.5	-	7 055.5
On-site self-generation generated – Owned solar PV (MWh)	524	999	1 523
Total Electricity Consumed (MWh)	526 747	240 739	767 486
TOTAL ENERGY CONSUMED (MWh)	705 959	348 555	1 054 514
Year-on-year change in GHG emissions	Scope 1; Scope 2; Scope 1 & 2; Scope 3		

² Includes 939 PnP Corporate Stores in SA as follows: 308 Supermarkets, 21 Hypers, 297 liquor stores, 313 clothing stores 6 Distribution centres, 2 Head Offices and 3 other facilities. Electricity consumption for 719 PnP Franchise stores in SA was reported under scope 3.

³ Scopes 1 and 2 include 24 PnP Corporate Stores in Zambia (21 Supermarkets and 3 liquor stores) and scope 3 electricity consumption for 85 BLNS Franchise stores.

⁴ PnP South Africa and PnP Africa are both subsidiaries of the legal entity PnP Retailers (Pty) Ltd.

⁵ Includes 428 Boxer corporate stores located on 320 sites (only 10 separately metered/billed liquor stores), including 9 stores (on 6 sites) in eSwatini and 5 support facilities.

⁶ Excludes 1,523,145 kWh from owned rooftop solar PV installations at 3 PnP and 7 Boxer sites.

⁷ Excludes the above 1,523,145 kWh and a further 7,055,427 kWh acquired through PPAs from 3rd-party owned rooftop solar PV installations at 7 PnP sites.

⁸ No residual mix emission factor is currently available for Zambia.

⁹ Boxer distribution was reported for the first time in FY2023 and assumed to be outsourced, as per PnP.

¹⁰ If non-Kyoto refrigerants are reported (optional), the *GHG Protocol Corporate Standard* states that these emissions must be reported separately from the scopes.

GHG Verification Findings and Qualifications

Findings:

- **GHG Boundary:** A reconciliation of total stores as at 01 March 2022, store openings and closures during FY2023, and total stores as at 28 February 2023, indicated that EP included consumption data for 13 additional PnP stores to those summarized above. This represented 0.8 % of PnP SA stores (0.6% of total stores), and as such the possible over-reporting was deemed immaterial.
- **Scope 1:** Fuel consumption for PnP mobile and stationary equipment (generators, forklifts/hysters and ovens/cookers) was mostly estimated using spend data from the General Ledger.

There was a significant increase in the following emissions compared to FY2022 for PnP Stores:

- Stationary fuels due to the marked increase in load shedding incidents, resulting in increased use of backup diesel generators.
- Fugitive emissions from refrigeration equipment, despite 22 more PnP stores converting to CO₂. Excluding CO₂, 19 PnP stores (mostly Hypers and Qualisave conversions) reported usage of over 500 kg HFC gas during FY2023 which accounted for 30% of overall PnP refrigeration gas losses.
- **Scope 2:**
 - It was unknown if PnP liquor store consumption was included with that of the co-located supermarket. For conservativeness, it was assumed they are separately metered, and consumption may therefore be over-reported. However, since many more liquor stores now have online metering, the regression equation used to estimate unmetered stores was notably lower than for FY2022.
 - Boxer confirmed that only 10 out of 118 liquor stores are metered/billed separately from a co-located supermarket.
 - Market-based reporting: All PPAs in place with PnP Stores' third party solar PV partners met the GHG Protocol's scope 2 quality criteria.
- **Scope 3:**
 - Cat.4 – Upstream Transport/Distribution: Distribution data for Boxer was included for the first time. It was assumed that the fleet is 3rd party operated.
 - Cat.5 - Waste: FY2022 waste emissions were restated after the outstanding queries from the FY2022 audit were resolved.
 - Cat.6 - Business Travel: Air travel emissions increased 3-fold compared to FY2022 but remained well below pre-Covid levels. However, there was an almost 10-fold increase in hotel bed nights.

Qualifications:

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

- **Scope 1 - Refrigerants:** It is uncertain whether FY2023 reported gas losses for refrigeration are accurate. (Refrigeration gas job cards/invoices were not checked against the reported gas losses as this is beyond the scope of a limited assurance engagement).
- **Scope 2/3:** For sites without online electricity metering, either billed consumption was used, or consumption was estimated using a regression equation which, although updated annually, is subject to inherent inaccuracy.
- **Scope 3 – Cat.4 Transport & Distribution:**
 - Longmeadow DC trunking emissions were estimated for the last 7 months of FY2023 due to a change in service provider.
 - Emissions from 'on demand' ASAP deliveries are under-reported as data was not available from one of the 3 service providers previously used.
 - Scope 3 - Business Travel: There was a disproportionate increase in FY2023 hotel bed nights.

Future Recommendations

- **Scope 1 – Stationary Fuels:** In addition to the cost, the General Ledger should include a separate column with the *quantity* of fuel purchased. This will improve the accuracy of PnP’s GHG reporting.
- **Scope 1 – Mobile Fuels:** It should be confirmed that Boxer does not have any company-owned vehicles.
- **Scope 1 – Refrigerants:** Further investigation is required into the significant increase in FY2023 refrigeration gas usage, particularly at Hypers and Qualisave conversion stores. It should also be clarified why Boxer stores do not report on CO₂ refrigerant usage.
- **Scope 2 – Purchased Electricity:** Boxer has only a few liquor stores that are metered/billed separately from the co-located supermarket. However, since this could not be determined for PnP liquor stores, it was assumed that *all* liquor store consumption is separate i.e., additional to that of PnP supermarkets.
Consequently, PnP liquor store consumption is over-reported, but it’s not possible to determine by how much. Since various reticulation possibilities exist, it’s recommended that PnP regional managers query this directly with each store manager and record this information for each store in their region.
- **Scope 3 - Business Travel:** The significant increase in hotel bed nights requires further investigation. It was assumed that international air travel remained restricted in FY2022 as only hotel stays in SA and BLNS were reported, but this assumption should be checked.

Conclusion and Final Verifier Opinion - Unmodified

Based on the evidence obtained in conducting the limited 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 data for quantifying the 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 *WRI/WBCSD GHG Protocol Corporate Accounting and Reporting 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.

Verify CO₂ did not conduct any work outside of the agreed scope, and our opinion is therefore restricted to the agreed subject matter.

Statement of Competence, Independence, and Impartiality

Verify CO₂ has completed over 100 corporate GHG audits across a variety of sectors and has sound experience in GHG verification.

We conducted this verification independently and, to our knowledge, there has been no conflict of interest. No member of the verification team has a business relationship with PnP Stores beyond that required of this assignment.

Attestation:



Kerry Evans
Lead GHG Verifier, Verify CO₂
Cape Town, South Africa
Date: 29.05.2023