SUSTAINABILITY REPORT continued

Managing climate risk

Climate change is one of the most critical challenges of our time, with far-reaching implications for businesses, governments and society. People enablement is the foundation for climate delivery through training and accountability.

As the impact of climate change becomes increasingly evident, there is a growing need for businesses to assess and address climate-related risks and opportunities. The impacts of climate change, including physical risks such as extreme weather events and transition risks arising from policy changes and market shifts, can have significant consequences for retail operations.

The Group operates an extensive network of retail outlets, manages a complex global supply chain and handles local distribution operations. Understanding these physical and transitional climate risks is crucial in ensuring the Group's long-term sustainability and resilience. This includes how the Group uses energy, engages with resource efficiency, and aligns operations with emerging regulatory and stakeholder expectations around environmental stewardship.

Lewis Group's climate change strategic pathway

STRATEGIC APPROACH TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Group continues to monitor developments in climate-related governance and sustainability disclosure, including the evolving South African regulatory landscape and global reporting standards.

In line with IFRS S2 expectations, the Group completed its annual review of the climate risk register and updated scenario analysis, confirming that effective controls remain in place to manage material physical and transition risks.

This strategic approach ensures that climate-related risks and opportunities are increasingly integrated into governance, risk management and operational decision-making as the Group prepares for the broader adoption of global sustainability reporting standards.

2021 – Developed a strategic TCFD-aligned implementation pathway

2022 – First TCFD-aligned report published

2023 – Commenced with climate-related risk and opportunity identification

2024 – Scenario-based climate risk identification and assessment

2025 – Board-approved risks, opportunities and targets, with advanced reporting on first full scenario analysis

2026 – **Commenced with integration of sustainability-aligned principles across customer engagement and store operations**

Climate governance

The Group is committed to reducing greenhouse gas emissions in alignment with international goals to limit global warming to 1.5°C above pre-industrial levels. This commitment is reflected not only in the business operations but also how climate considerations are embedded into governance, risk, and strategy.

Climate disclosures and risk assessments have historically followed the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which provided a global framework for identifying and managing climate-related risks and opportunities. Following the disbanding of the TCFD and its integration into the International Sustainability Standards Board (ISSB), the Group's focus is now on aligning with the ISSB's General Sustainability (IFRS S1) and Climate-related (IFRS S2) Disclosure Standards, which both incorporate the TCFD principles. The adoption of IFRS S1 and S2 is not yet mandatory in South Africa, and no timing has been prescribed for the adoption of the standards. The Group continues to draw on the JSE's Climate and Sustainability Disclosure Guidance which provides local context to the evolving global framework.

This multi-tiered approach reflects the belief that climate governance should be both strategic and operational, being embedded across leadership, responsive to regulatory change, and grounded in a culture of accountability.

CLIMATE GOVERNANCE FRAMEWORK

Climate leadership

BOARD

MANDATE

- Determines the direction and drives a climate-conscious culture
- Provides overall guidance to management on the climate-related strategy and implementation through an annual risk review

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Three independent non-executive directors and the chief executive officer

MANDATE

Delegated responsibility to oversee and monitor the impact of the Group's activities, products and services on the environment

RISK COMMITTEE

Seven independent non-executive directors, chief executive officer and the chief financial officer

MANDATE

Risk management oversight and monitoring of the impact of material climate-related risks and opportunities

Climate management

EXECUTIVE COMMITTEE

MANDATE

- Identification, assessment, mitigation and management of material climate-related risks and opportunities
- Responsible for the integration of sustainability-aligned principles across the business operations

Climate risks, opportunities and scenario analysis

The Group has reviewed its identification of climate risks and opportunities, working towards impact quantification using scenario analysis.

The Network for Greening Financial Systems (NGFS) was selected as the basis for the Group's scenario analysis. The NGFS consists of seven plausible future scenarios from which management selected the Hot House World and Disorderly Transition scenarios. These scenarios cover a wide range of physical and transition risks and are categorised according to the increasing level of these risks.

The Group believes these are the two most likely future scenarios, considering physical and transition risks.

- **Hot House World:** a scenario where current policies persist, resulting in high physical risks.
- **Disorderly Transition:** a late but forceful response to limit warming to below 2°C, with high transitional disruption.

The risks were assessed qualitatively using the Group's enterprise-wide risk assessment ratings of impact and likelihood, to determine the inherent risk level of each of the identified risks, against each scenario over the short, medium and long term.

The five major climate risks that were previously identified and still remain relevant for the current year from the scenario analysis (not ranked in order of importance) as requiring the most attention over the long term in the strategic risk management process, have been grouped according to the Group's material issues and risks are as follows:

Material issues	Risk
Retail trading environment	• Compounded macroeconomic impacts, resulting in decreased disposable income and reduced revenue • Costs or inability to transition to lower emissions technology
Global and local supply chain challenges	• Disruption in global and local supply chains
Regulatory and legislative compliance	• Carbon pricing resulting in increased operational costs • Increased requirements for climate change disclosures

Refer to Material Issues and Risks Report on pages 14 to 16.

Following the inherent risk assessment, all associated control and mitigation measures were outlined. The impact of existing control measures was factored into a final residual risk assessment, concluding that management is satisfied that all identified risks have adequate control measures in place.

The climate risk matrices will be reviewed and evaluated according to the enterprise risk management system annually and additional controls will be implemented, where necessary.

Metrics, targets and performance

While the Group's approach to tracking, monitoring and reporting performance has evolved in recent years, management is still in the process of identifying meaningful targets.

The Group is piloting a smart metering and utility management system. This will enable management to accurately measure consumption data in real time, removing the current administrative challenges in obtaining this data. Accurate base data will allow for robust reduction targets to be determined for the long term.

Since 2018 the Group has measured and calculated its carbon footprint according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), which includes Scope 1 and 2 emissions and certain Scope 3 emissions.

OPERATIONAL EMISSIONS-REDUCTION INITIATIVES

The Group continued delivering tangible environmental improvements during the year. A key milestone was the installation of solar panels at head office, reducing electricity consumption by 19% in the 12 months post-installation.

The Group also piloted smart metering across 25 stores, enabling real-time visibility of energy consumption and informing behavioural changes to reduce waste. Pending evaluation of pilot outcomes, a wider rollout is under consideration.

In transport, the Group's logistics partner progressed towards its 2030 target of a 30% reduction in Scope 1 emissions, through initiatives such as fuel monitoring, route optimisation and fleet efficiency enhancements.

SCOPE 1 AND 2 EMISSIONS BREAKDOWN (tonnes CO_2e)

The Group's approach to emissions reduction is supported by measurable operational initiatives. During the year, 141 tonnes of paper-based products were recycled, and the solar installation at head office delivered a 19% reduction in electricity consumption. These operational measures complement the Group's emissions monitoring under the Greenhouse Gas (GHG) Protocol (Scope 1, 2, and selected Scope 3).

Scope		Source	2025	2026
SCOPE 1	**Scope 1 emissions result from fuel consumption by Company-owned vehicles as well as diesel generators**	South African fuel	19 200	**20 556**
		International fuel	2 901	**2 424**
		Total scope 1	22 101	**22 980**
SCOPE 2	**Scope 2 emissions result from the generation of purchased electricity by the Company**	South African electricity	18 013	**17 918**
		International electricity	3 460	**3 376**
		Total scope 2	21 473*	**21 294**
TOTAL SCOPE 1 & 2			43 574	**44 274**
Total South African			37 213	**38 474**
Total international			6 361	**5 800**

Increase in fuel consumption by Company vehicles measured under Scope 1 supporting the growth in sales and subsequent deliveries.

Despite an increase in the number of stores over the past year, average electricity consumption per store declined by 9.4%. This was largely offset by higher grid emission factors, driven by Eskom's coal-intensive generation mix, resulting in a marginal net reduction in emissions of 0.5%.

The overall increase in Scope 1 and 2 emissions was driven primarily by the store expansion within the Group, with a record 58 new stores opened during the year.

** Revised emissions due to correction of spend-to-kWh conversions.*

SUSTAINABILITY REPORT continued

SUMMARY OF ASSESSED SCOPE 3 EMISSIONS (tonnes CO_2e)

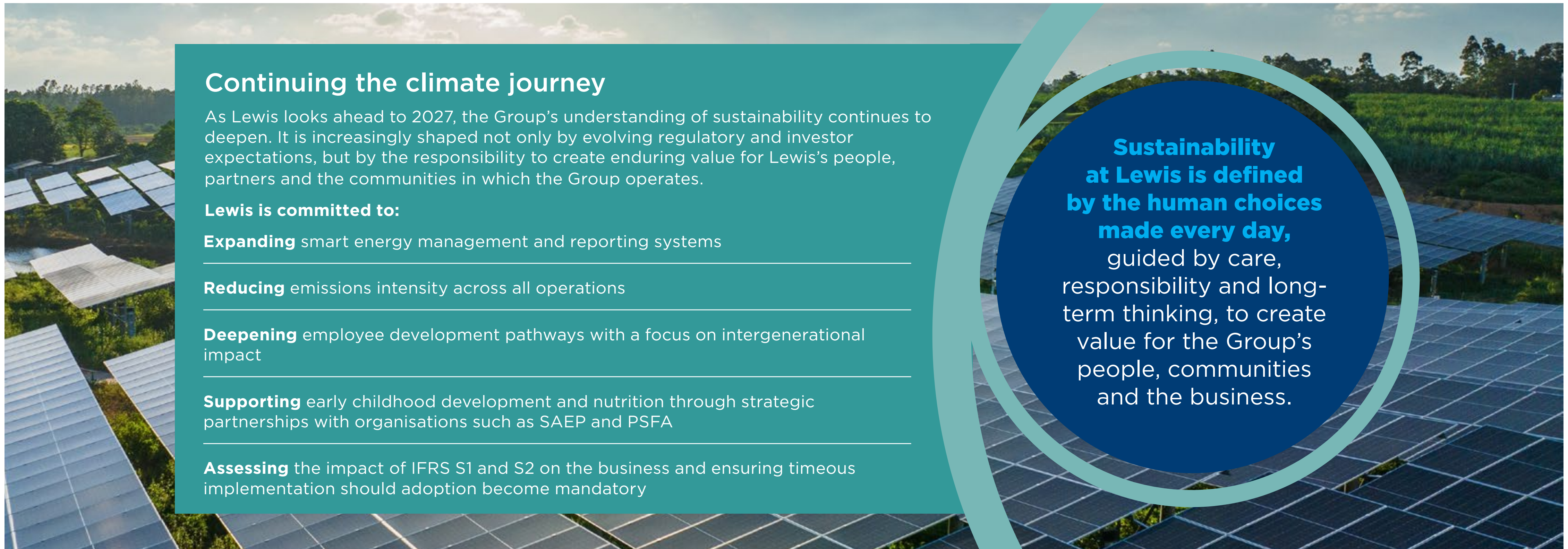
SCOPE 3

	Emission source	Comment	2025	2026	
Fuel and energy-related activities	Oil, gas and coal extraction, transport and conversion to liquid fuels; transmission and distribution losses of the electricity grid	Complete assessment	16 959*	**18 211**	Fuel and energy-related activities emissions increased by 7% due to increased petrol consumption by Company vehicles and increased electricity emission factors (Refer to Scope 1 and 2 emissions breakdown on page 34).
Upstream transportation and distribution	Outsourced road distribution in South Africa	Partial assessment: Outsourced transport within South Africa; Outsourced transport from the movement of stock from South Africa to Botswana, Lesotho, Eswatini and Namibia; does not include international shipping or other transport	7 691	**8 824**	Emissions associated with upstream transportation and distribution for the Group could only be calculated for road distribution. Road distribution is outsourced mainly to one large service provider. Although international shipping from suppliers to South African ports as well as local furniture manufacturing would also contribute to this category, quantifying the emissions from our supply chain remains a challenge. The increase in emissions is a result of higher fuel consumption driven by business operational requirements as well as the increased store footprint.
Business travel	Domestic and international flights	Complete assessment	444	**280**	Business travel emissions include domestic, regional and international travel. A significant decrease in the air travel emission factor has contributed to lower emissions from this category.
	Car hire	Complete assessment	232	**331**	
	Accommodation	Complete assessment	1 756	**1 106**	
Employee commuting	Staff transport emissions travelling to and from work	Complete, but indicative value due to method used	7 264	**8 532**	Employee commuting emissions are associated with staff travel to work. This increased by 17% driven by an increase in the average number of employees.

** Revised emissions due to correction of spend-to-kWh conversions.*

The Greenhouse Gas Protocol is currently revising its Corporate Standard, with one of the proposed amendments being that full Scope 3 emissions reporting would be required (Greenhouse Gas Protocol, 2025). The complete draft revised Corporate Standard is due to be released in mid-2026 for public consultation.

Should the proposed requirements be adopted, the Group will need to expand its reported carbon footprint to include all relevant Scope 3 emission categories across its value chain. The potential impact of this will be assessed once the final requirements and effective implementation dates have been confirmed.



Continuing the climate journey

As Lewis looks ahead to 2027, the Group's understanding of sustainability continues to deepen. It is increasingly shaped not only by evolving regulatory and investor expectations, but by the responsibility to create enduring value for Lewis's people, partners and the communities in which the Group operates.

Lewis is committed to:

- **Expanding** smart energy management and reporting systems
- **Reducing** emissions intensity across all operations
- **Deepening** employee development pathways with a focus on intergenerational impact
- **Supporting** early childhood development and nutrition through strategic partnerships with organisations such as SAEP and PSFA
- **Assessing** the impact of IFRS S1 and S2 on the business and ensuring timeous implementation should adoption become mandatory

Sustainability at Lewis is defined by the human choices made every day, guided by care, responsibility and long-term thinking, to create value for the Group's people, communities and the business.