

SUSTAINABILITY REPORT

OUR COMMITMENT TO SUSTAINABILITY

Lewis Group recognises its responsibility as a business which not only has rights but responsibilities towards society and the environment in which it operates. Sustainability for the Group, which has been in business for almost 90 years, means creating value for stakeholders by:

- Offering affordable, exclusive and quality household goods for customers
- Supporting employees, customers and communities
- Creating long-term value for shareholders
- Ensuring that the business model remains sustainable
- Meeting its responsibilities in sustaining the environment

SUSTAINABILITY GOVERNANCE



ALIGNMENT TO THE SDGs

The Group supports the Sustainable Development Goals (SDGs), the global objectives developed by the United Nations to achieve a better and more sustainable future for all.

This report focuses on environmental and social aspects of sustainability, aligned with the SDGs where we believe the Group is making a meaningful contribution.

The Group’s sustainability programme has been aligned to the following SDGs:



SUSTAINABILITY REPORT CONTINUED

TRAINING, TALENT AND SKILLS DEVELOPMENT

The Group’s training and development programmes are geared towards creating opportunities for all employees from basic sales and product knowledge to training key talent for branch managers and management positions over time. The Group’s training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom-based and e-learning programmes in all aspects of retail, management and leadership training.

As part of the commitment to staff development, a central learning and development facility is used for the training of management for store operations in the five countries in which the Group operates.

REWARDING EMPLOYEES FOR SERVICE EXCELLENCE

Our goal is to create and enforce a strong sense of excellent customer service in all employees.

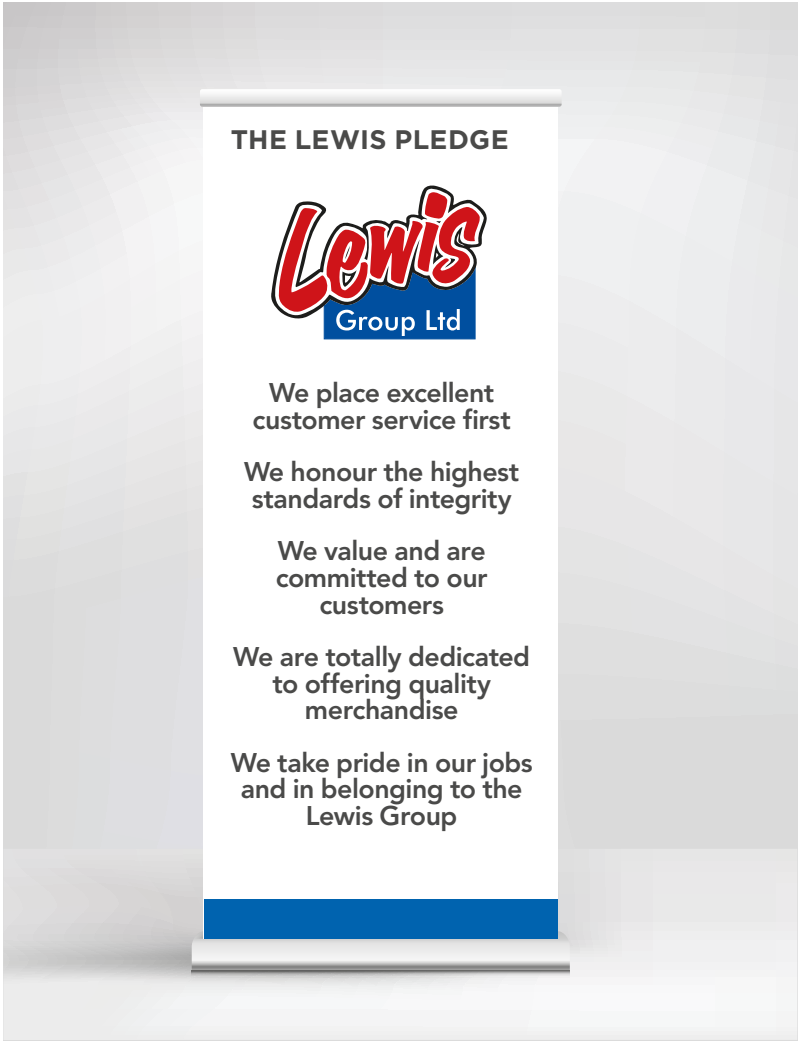
The Group’s management team are committed to customer care and satisfaction and expect the same commitment from every employee.

The service excellence team at head office is dedicated to continuous improvement in the quality of customer satisfaction and drives service excellence throughout the organisation. The objective of this team is to assess service standards and to manage a reward programme which recognises and provides incentives to employees who deliver outstanding service to our customers.



Lewis executive directors with the winners of the CEO awards, who received cash and cars at the 2022 GEM awards ceremony.

The Great Employee Movement (GEM) campaign was initiated to encourage and reward employees who are committed to service excellence



The Lewis pledge ensures that every customer will be delighted with the excellent service provided.

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

Investing in our employees

Black staff account for 98% of total staff (2022: 96%)		Black female staff comprise 57% of total staff (2022: 58%)	56 EMPLOYEES AWARDED TERTIARY BURSARIES
96% (2022: 94%) of total training spend on previously disadvantaged employees			Intake of 350 learners as part of unemployed learnership initiative including 210 disabled learners and 100 unemployed matriculants
Training interventions 16 111 (2022: 14 034)			R47.8m invested in employee training (2022: R34.6m)
172 Interns/learnership students were offered full-time positions (2022: 5)			
Zero findings in terms of health and safety non-compliance			

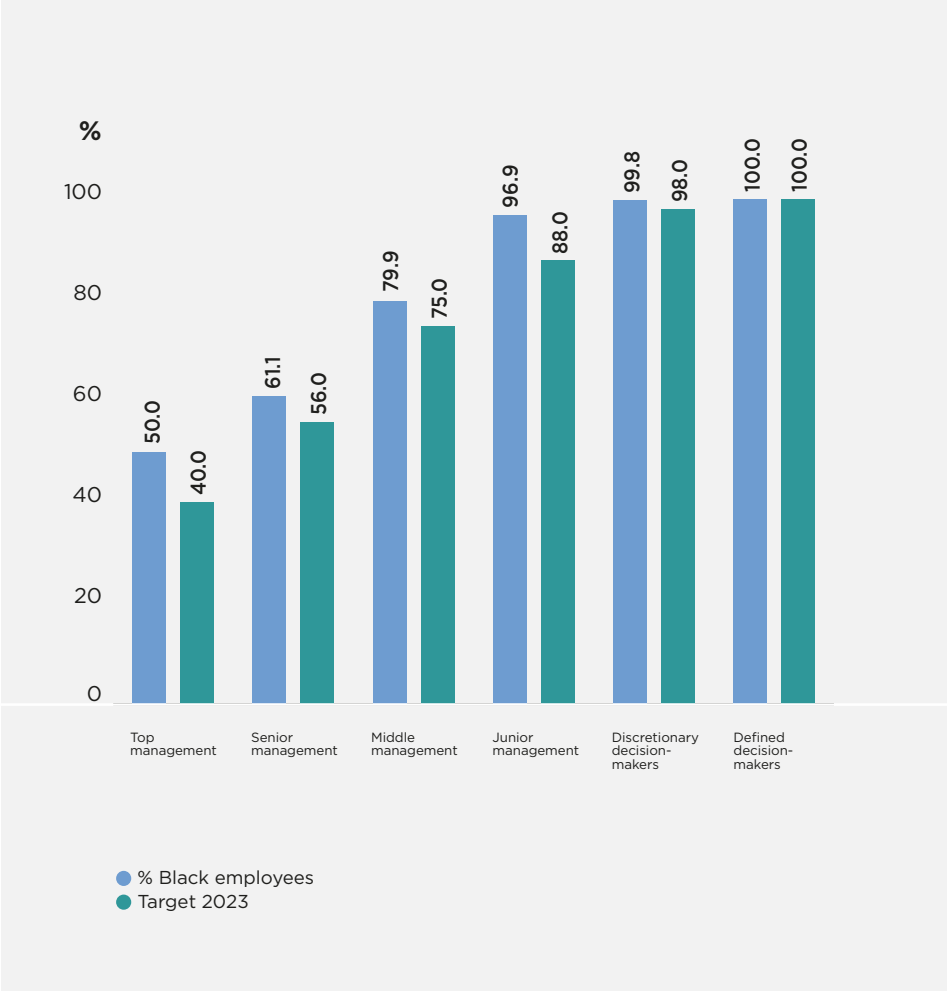
SUSTAINABILITY REPORT CONTINUED

TRANSFORMATION

Employment equity

The Group’s employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

EMPLOYMENT EQUITY 2023



Black economic empowerment

The Group supports the principles and objectives of Broad-Based Black Economic Empowerment (B-BBEE) contained in the 2015 Amended Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the B-BBEE scorecard.

The Group remains focused on improving its rating to meet the objectives of the B-BBEE Act and in 2023 achieved an improved Level 6 rating. This rating was verified by AQRate, an accredited empowerment rating agency.

B-BBEE element	Weighting	2023	2022	2021
Equity ownership	25	5.95	5.96	5.78
Management control	19	11.39	11.77	11.76
Skills development	20	19.21	15.95	17.00
Enterprise and supplier development	40	36.01	25.44	29.07
Socio-economic development	5	5.00	5.00	5.00
Total score		77.56	64.12	68.61
B-BBEE rating		Level 6	Level 8	Level 8

Refer to www.lewisgroup.co.za/about-us/b-bbee/ for the AQRate verification certificate.

ACHIEVED AN IMPROVED
B-BBEE RATING

Level 6

(2022: Level 8)



Enterprise and supplier development (including preferential procurement)

During the past year, Lewis focused on increasing its local supplier base and continued to support the local furniture industry through a focused enterprise development strategy to stimulate job creation in the domestic economy. Large volumes of locally sourced merchandise, goods and services are purchased from small businesses which are mainly black-owned.

The support provided to enterprise development partners includes financial and administrative business support, raw material sourcing, product development and design and quality control.

Our supplier agreements are aligned with and support the 10 principles of the United Nations Global Compact which set out core values in the areas of human rights, labour standards, the environment and anti-corruption for companies.

MERCHANDISE SOURCED
IN SOUTH AFRICA

70%

(2022: 67%)

DELIVERIES COMPLETED
WITHIN 24 HOURS

90%

SUSTAINABILITY REPORT CONTINUED



Supporting communities that support us

Lewis strives to improve the quality of life of all our stakeholders by positively impacting on their lives. We seek to be an integral part of the community, recognised by the communities in which we operate as a dependable, caring and an ethical corporate citizen.

Our core socio-economic strategy is reflected in our motto: Supporting communities that support us. The cornerstone of this strategy is to identify opportunities that are in line with our goals and objectives; show measurable results in the short, medium and long term; create a win/win relationship between us and our beneficiaries, and provide the greatest social impact and value for the society we work and live in.

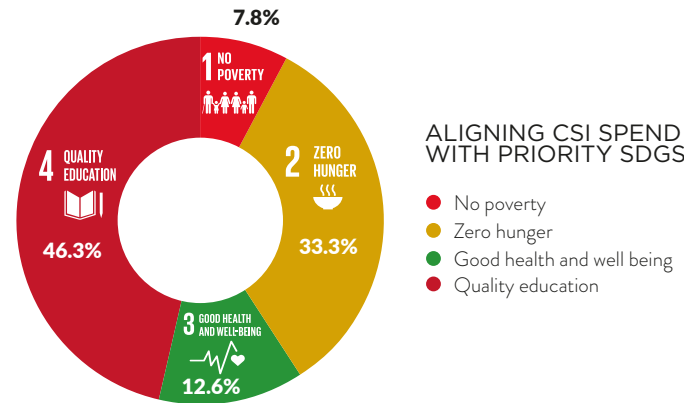
The majority of our support goes towards education and nutrition followed by health and social development, particularly towards the plight of children at risk in our society. We endeavour to make a difference in our communities and society.

We work with selected large-scale projects that are based in the communities where our employees and customers live. The ultimate outcome objective is to create working models that can be replicated which create sustainable, independent community projects in the long term.

We engage socio-economic development participation from every level of the organisation by actively seeking employee community involvement opportunities; communicating these projects through our internal communication channels; and encouraging our stakeholders to get involved.

It is important to our organisation, to our brands and to our relationships with key stakeholders, namely, our customers and our employee base, that we actively pursue our integrated socio-economic development strategy in a transparent manner.

Although primarily focused in South Africa, the programme includes communities in the neighbouring countries of Botswana, Lesotho, Namibia and Eswatini where the Group has a retail presence.



SOCIO-ECONOMIC INVESTMENT

The Group is committed to direct and indirect financial investment in socially responsible initiatives and activities and allocates funds throughout each financial year for this specific purpose. Direct financial investment involves finance-approved projects and indirect investment involves a contribution in kind (for example resources, merchandise, materials) for a project.

We aim to invest 1% of our Group after-tax profits on socio-economic development initiatives. This spend is reviewed and approved annually and the Group has a proven history of achieving 100% for this element on the B-BBEE scorecard.



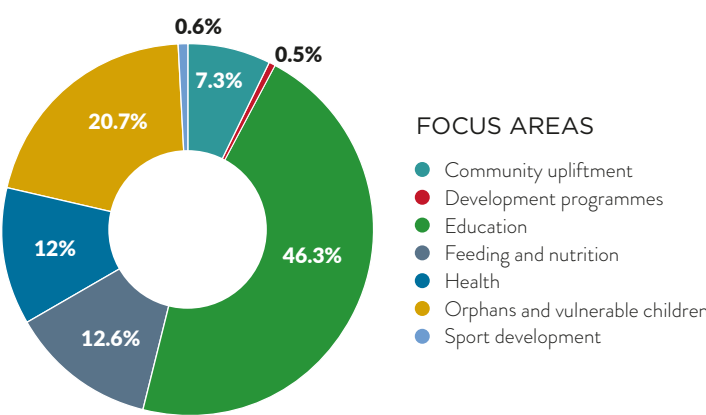
FOCUS AREAS

Our socio-economic strategy focuses on the following categories:

- Education
- Skills development
- Early childhood development
- Upliftment of disadvantaged communities
- Long-term sustainable ventures in the impoverished rural communities in which we operate

This is achieved through long established projects through which the Group has provided years of continuous support.

Further assistance is provided via school assistance, discretionary donations, employee community engagement and bursaries.



Ashley van Reenen
(GM: Merchandise)

OUR TSiBA SUCCESS STORY:

My journey with Lewis Group started in 2013 during my tertiary studies at TSiBA, where I was awarded the Lewis Group scholarship. I was fortunate enough to retain the scholarship throughout my studies, which resulted in a six-month internship at Lewis Group head office in 2015.

In 2016, I was given the opportunity to join the Merchandise Department as a junior buyer. During this time, I was exposed to all buying portfolios, planning and logistics processes. In 2019, I was promoted to Senior Buyer, sourcing lounge suites and bed set products. In 2022 at the age of 28, I was promoted to General Manager of Merchandise for the Lewis brand.

I am sincerely grateful to the Lewis Group for the support and guidance provided to start and build my career. The mentorship I received from the Lewis team has ensured a smooth transition from student life to a corporate environment.

It has been encouraging seeing the growing number of TSiBA students join the Lewis Group over the years, whether through internships or being full time employed in various departments. I look forward to seeing the relationship between TSiBA and Lewis Group continue to grow in the future.

SUSTAINABILITY REPORT CONTINUED



Highlights

Support in South Africa

Support in neighbouring countries

ITHEMBA - WATERFALL SCHOOL sponsored a scholars full tuition since Grade R in 2017 and will continue this funding throughout her school education

FEED APPROXIMATELY
1 200
school children every day through our association with the Peninsula School Feeding Association

Proudly employ **14** of the **TSiBA** sponsored students



Support **138** children meeting all their basic needs through sponsorship of **Children of the Dawn**

In our partnership with TSiBA since 2010, we funded 143 full tuition and subsistence scholarships, investing **R11.5 million**

44 TERTIARY EDUCATION BURSARIES and

242 education assistance allowances provided to children of Lewis employees

ASSISTING DURBANVILLE CHILDREN'S HOME (which houses 144 children) with funding towards operating costs



South African Education Project (SAEP) Infrastructure: entered into collaboration with the SAEP to effect structural upgrades, improving environmental health and fire safety conditions at Masibambane Educare Centre for **150 children** to save the centre from being deregistered



NUTRITION AND TRAINING: provided funding for daily nutrition for **10 Educare Centres** caring for **531 children** and training for **six educational practitioners**

17 TERTIARY EDUCATION BURSARIES and **27** education assistance allowances provided to children of Lewis employees in the neighbouring countries

Contributions towards **GOODHOPE PRIMARY SCHOOL** and **CAMPHILL COMMUNITY TRUST** which oversees a primary school. Both house children with learning disabilities in Botswana

Funding provided to the **Eswatini Breast and Cervical Cancer Network** as well as to **Philani Maswati** charity organisation that supports those in need




Funding provided to **The Cancer Association of Namibia** towards their family support centre and interim home for childhood cancer patients

Various donations to **Malibuseng Children's Home** in Lesotho consisting of lounge suites, bedroom furniture and electrical appliances



Further detail on all initiatives supported by the Group can be found on our corporate social investment website www.lewiscsi.co.za/

SUSTAINABILITY REPORT CONTINUED



MANAGING THE IMPACT OF CLIMATE CHANGE

The Group considers climate change a material global systemic risk, with far-reaching impacts across not only the natural environment, but also society and the economy. The impact of climate-related natural disasters was starkly experienced across the globe during the year, including the April 2022 KwaZulu-Natal floods, classified as one of the most severe natural disasters in South Africa. The Group monitors not only the physical risks of climate change, but also the rapidly evolving transitional risks, including the sustainability and climate-related reporting landscape. In response to the global transition to a low-carbon future the Group has adopted best practice to guide its climate strategy and transparent disclosure of climate-related financial disclosure.

The Group has adopted the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and will be incorporating the disclosure recommendations into its climate strategy and reporting. The TCFD was established in 2015 to develop consistent climate-related financial risk disclosures and provide transparent communication to stakeholders on climate impacts. The imminent release of the General Sustainability and Climate-related Disclosure Standards of the IFRS Foundation's International Sustainability Standards Board will provide a global baseline for sustainability and climate-related disclosures. The structure and content of these standards is closely aligned with the TCFD recommendations. The voluntary JSE Sustainability and Climate Disclosure Guidance documents are also aligned with both the Exposure Drafts of the IFRS Standards and the TCFD Recommendations.

The board provides direction and leadership through the identification and annual review of material climate-related issues and risks which may impact the Group's strategy and business model, and its stakeholders within the wider supply chain. The UN SDGs, and specifically SDG 13 *Take urgent action to combat climate change and its impacts* are acknowledged as the universally accepted best practice for sustainable development. In this regard, Lewis Group will take guidance of the targets underpinning SDG 13 as part of the continual development of its climate change strategy.

The social, ethics and transformation (SET) committee is responsible to provide oversight and guidance on climate-related risks and opportunities. The committee meets twice a year and has climate change as a standing agenda item. During the year under review the SET committee focused on the continual improvement of ESG reporting, including the implementation of the TCFD recommendations. The risk committee supports the board in its enterprise risk management, which includes the identification, assessment and management of climate-related risks and opportunities. The executive committee is responsible for the management and implementation of the TCFD recommendations. It is assisted in its responsibility by the TCFD Working Group, comprising the chief financial officer, the chief risk officer and the general manager of finance. The working group has engaged an external service provider, GCX, to assist with the implementation.

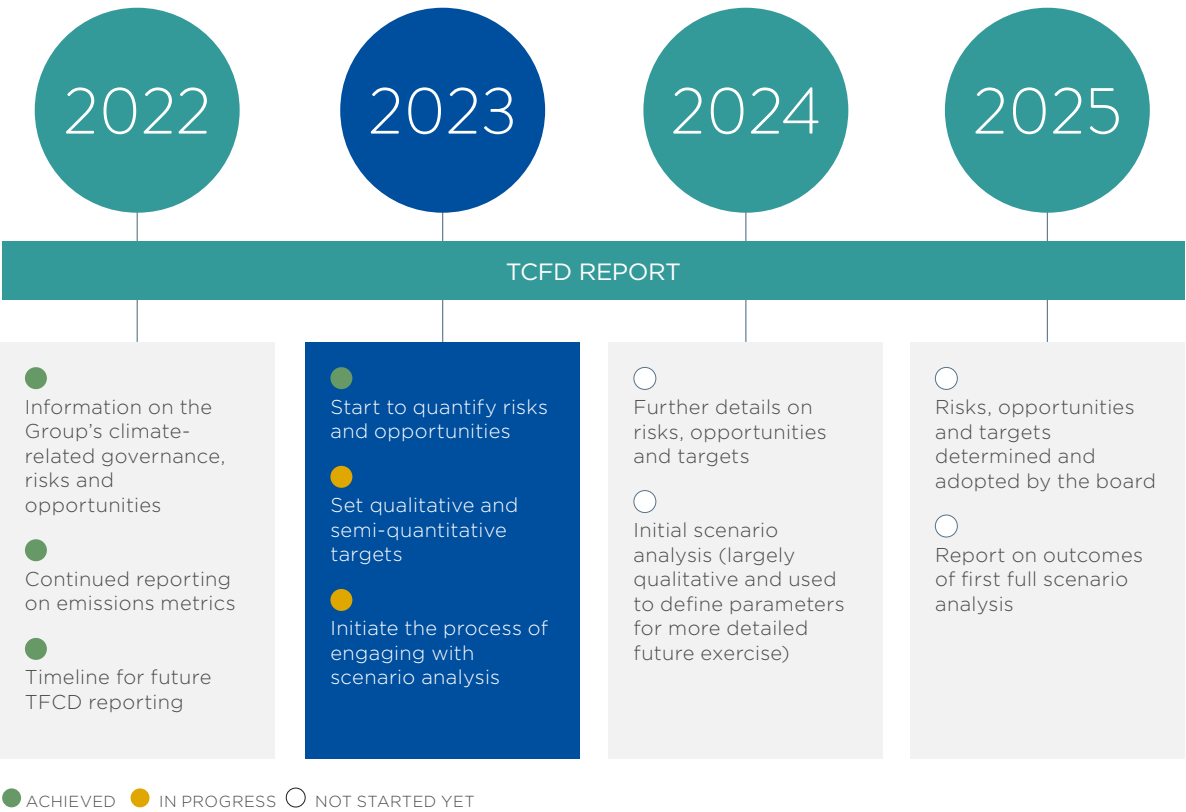


SUSTAINABILITY REPORT CONTINUED

Climate change commitments and strategic plans

In 2021 the Group undertook to improve its climate-related reporting, utilising the guidance of the TCFD framework, by 2025.

This is the Group's second TCFD report which builds on the initial report published in 2022.



CLIMATE CHANGE RISKS AND OPPORTUNITIES

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The risk committee oversees the enterprise risk management of the Group and provides guidance to management on its implementation. The board, supported by the Executive committee, reviews annually the material matters of the Group, together with the related risks and opportunities. The consideration of climate-related risks and opportunities is included in these processes since climate change is understood as an overarching systemic risk. The Lewis Group follows the risk classification as set out in the TCFD recommendations and focuses predominantly on the physical risks of climate change. However, mindful of the accelerated speed of the climate-related policy and regulatory landscape, including corporate reporting and disclosure, the risk committee closely monitors these transitional risks.

LEWIS GROUP COMMITMENT	PROGRESS IN 2023	PLANS
Quantify risks and opportunities	The Group contracted an external service provider to assist in the enhancement of its climate-related risks and opportunities disclosures in accordance with the TCFD recommendations. The process of identifying risks and opportunities commenced in 2022 through engagement with various stakeholders. These risks and opportunities were refined and mitigating measures identified (refer to accompanying table). Scenario analysis will be utilised to quantify the risks and opportunities.	The Group plans to commence with the scenario analysis in the 2024 financial year. The scenario analysis process will be used to quantify the future risk potential on the business. The risks will be quantified according to the Group's risk rating methodology.
Set qualitative and semi-quantitative targets	<p>A baseline will be determined against which emission reduction targets will be set. During the reporting period, an assessment was conducted on the quality of data used for the carbon footprint calculation. These data gathering, management and consolidation processes form the basis of setting emissions reduction targets.</p> <p>It is important to include value chain emissions in future targets and a detailed Scope 3 relevance assessment has been undertaken to enhance our carbon footprint boundary and to identify the most material sources and quantify the magnitude of the sources of value chain emissions. The relevance assessment findings indicated the potential material impact of including emissions from products sold to customers as well as the emissions from products used by our customers.</p>	<p>Reduction targets will be set for both direct (Scope 1 and 2 emissions) and relevant value chain emissions.</p> <p>Following the Scope 3 relevance assessment, the Group aims to direct its stakeholder engagement according to the following qualitative targets:</p> <div><div>i.</div><div>Increase supplier engagement on sustainability and sustainable practices, including the emissions impact on products sold, their use and disposal</div></div> <div><div>ii.</div><div>Improve sustainability engagement and awareness of sustainability across the Group business units</div></div> <div><div>iii.</div><div>Commence engagement with landlords on sustainability opportunities in stores</div></div> <div><div>iv.</div><div>Initiate the process of improving carbon footprint data quality across all scopes.</div></div>
Initiate the process of engaging with scenario analysis	An external service provider has been engaged to assist in the scenario-based climate risk assessment process as part of the greater mandate to improve TCFD-aligned climate-related financial disclosure.	<p>The executive team will participate in a workshop on undertaking climate scenario analysis to quantify the future impacts of climate risks and opportunities on the Group.</p> <p>The scenario assessment will most likely include two (or more) potential future states:</p> <div><div>i.</div><div>Orderly transition: the risk scenario envisages the timely introduction of effective policy changes, which limits physical and transition risks</div></div> <div><div>ii.</div><div>Disorderly transition: the risk scenario envisages delayed or divergent introduction of policy changes, resulting in increased transition risks and limited physical risks.</div></div>

SUSTAINABILITY REPORT CONTINUED

Two of the Group's top material issues may be, or have been, impacted by climate-related risks, being Retail trading conditions and Regulation. Further detail is provided below:

PHYSICAL RISKS			
Material matter	Risk description	Risk Implication	Mitigating measures
Retail trading conditions	Extreme weather Increase in occurrence and intensity of extreme weather events, such as heatwaves, droughts, floods and precipitation	<ul style="list-style-type: none">• Loss and damage to stock and assets• Damage to infrastructure• Increase in the cost of raw materials	<ul style="list-style-type: none">• No concentration risk as we have a widespread geographic footprint of store operations and supplier base. This mitigation strategy was very effective in limiting the property and infrastructure damage of Lewis Group during the 2022 KZN floods• Products are sourced from a wide range of local and international suppliers• As the Group does not operate DCs and centralised warehouses, each store has a storage facility located close to the store• Business continuity plans as well as a Group-wide insurance programme in place
	Social and ecological systems Damage, disruption and displacement of social infrastructure and support systems, and loss of or damage to ecosystem services	<ul style="list-style-type: none">• Disruptions in the global and local supply chains• Loss in revenue• Deteriorated quality of debtors' book• Increase in insurance claims	
	Communicable and non-communicable diseases Increase in the occurrence of communicable and non-communicable diseases	<ul style="list-style-type: none">• Reduced employee productivity and increased absenteeism• Deteriorated quality of debtors' book• Increased insurance claims due to change in employment patterns	
TRANSITIONARY RISKS			
Regulation	Policy and legal <ul style="list-style-type: none">• Enhanced sustainability and climate-related reporting requirements• Increased carbon pricing	<ul style="list-style-type: none">• Increased reporting requirements from stakeholders in the supply chain, requiring more climate data from Lewis Group• Increased carbon tax costs, specifically relating to Scope 3 emissions• Increased cost of doing business	<ul style="list-style-type: none">• Monitoring and engagement with regulators regarding proposed legislation changes
	Market <ul style="list-style-type: none">• Increased cost of raw materials	<ul style="list-style-type: none">• Increase in the cost of imported products due to international policies	<ul style="list-style-type: none">• Products are sourced from a wide range of local and international suppliers which allows the opportunity to increase localisation, if required
	Reputation <ul style="list-style-type: none">• Increased stakeholder concern or negative stakeholder response• Increased carbon pricing	<ul style="list-style-type: none">• Decreased investor sentiment and support due to a perceived lack of urgency to participate in the transition to a low carbon economy	<ul style="list-style-type: none">• Maintaining regular communication with shareholders to manage expectation and provide transparency
	Technology <ul style="list-style-type: none">• Costs to transition to lower emissions technology	<ul style="list-style-type: none">• Increased momentum of the transition to a low carbon economy may necessitate investment into new low carbon technology	<ul style="list-style-type: none">• Exploring investment in alternative/more efficient energy solutions
OPPORTUNITIES			
	Opportunity description	Opportunity implication	Benefits
	Resource efficiency <ul style="list-style-type: none">• Use of more efficient modes of transport• Buildings housing the Group's operations become more efficient	Improved logistics, reduced emissions and lower cost	The resource efficiency improvements strengthens the overall long-term sustainability of the Group.



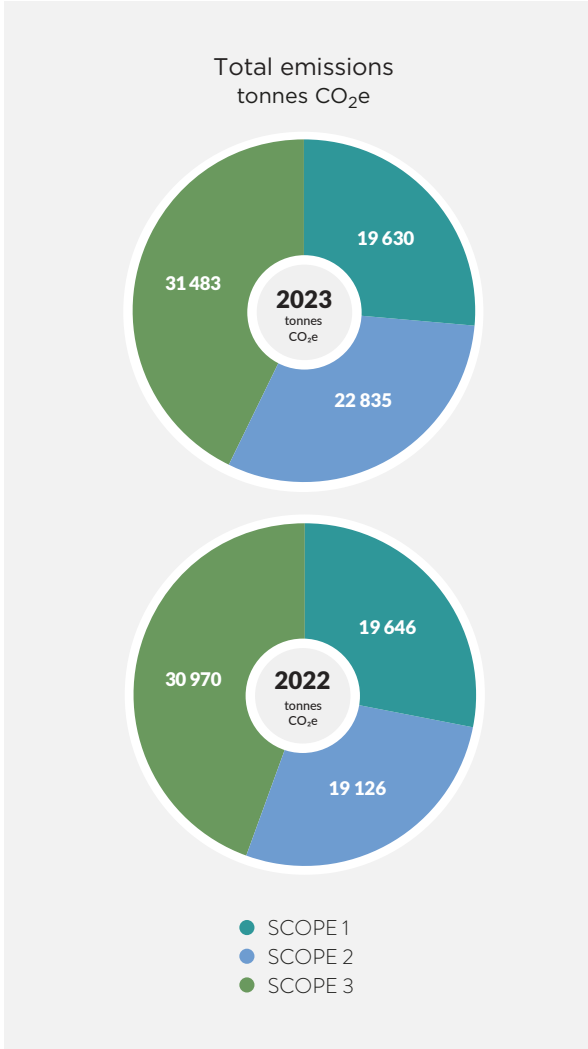
SUSTAINABILITY REPORT CONTINUED

Performance and progress

The Group continues to measure and calculate its carbon footprint as per the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), which includes Scope 1 and 2 emissions and certain Scope 3 emissions, since 2018. We acknowledge that the underlying data of our carbon footprint has been based on material extrapolations or estimates, and as part of our five-year plan to improve climate-related reporting, we continue to engage with a service provider to ensure we have a more accurate baseline against which we can set targets, and track performance against such targets.



SOURCE	2023 tCO ₂ e	2022* tCO ₂ e	COMMENTARY
SCOPE 1			
South African fuel	17 506	17 793	Fuel consumption by company-owned vehicles remained almost flat compared to the prior year.
International fuel	2 124	1 853	
Total Scope 1	19 630	19 646	
SCOPE 2			
South African electricity	19 644	17 667	As part of our commitment to start setting qualitative and semi-quantitative targets, steps have been taken to ensure that we have a more accurate baseline against which these targets can be set. During the 2023 financial year, we embarked on a data gathering exercise to ensure that accurate electricity consumption was captured for a larger population of stores, instead of relying on estimation techniques utilised in the past.
International electricity	3 191	1 459	
Total Scope 2	22 835	19 126	The 19% reported increase in Scope 2 emissions can be attributed to our improved data collection approach to electricity usage.
Total Scope 1 and 2	42 465	38 772	
SCOPE 3			
Fuel- and energy-related activities	16 045	15 143	Year-on-year, fuel-related Scope 3 emissions dropped primarily due to Sasol reducing their emissions, resulting in a reduced emissions factor for Sasol coal-derived fuel. Electricity-related Scope 3 emissions increased in line with the increase in reported electricity discussed under Scope 2.
Upstream transportation and distribution	6 479	9 784	In the current reporting period, as the supply chain disruptions experienced over the past two financial years stabilised, lower stock orders were placed, resulting in a 34% reduction in emissions related to stock transportation and distribution.
Business travel	2 455	122	Increase due to business travel resuming, following the lifting of Covid-19 travel-related restrictions.
Employee commuting	6 504	5 921	Up by 10% due to an increase in employee numbers as well as an increase in the use of private vehicles as a more reliable means of transport.
Total Scope 3	31 483	30 970	
Total Scope 1, 2 and 3	73 948	69 742	



* Emissions from 2022 were restated based on updated AR6 global warming potentials and updated calculation methodology.

The sources of emissions are as follows:

- Scope 1:** Fuel combustion in the Group's extensive fleet of delivery vehicles which undertake all deliveries from stores to customers
- Scope 2:** Use of electricity consumed at the Group's stores and head office
- Scope 3:** External suppliers or customer operations and other activities including business travel and employee commuting. Only selected Scope 3 emissions were quantified in this assessment. Embedded emissions in the products sold are not included in the assessment