

02

# Sustainable Value Creation

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# The Cashbuild Way

## HOW WE DO THINGS

As a retailer our business is simple: we buy and we sell but we do it The Cashbuild Way.

The Cashbuild Way is a set of policies and procedures that guide how we do things throughout the Group and conduct our relationships with external stakeholders. The Cashbuild Way refers not only to our documented policies but also to all our dealings with various stakeholders.

We buy quality building materials and associated products, supporting local suppliers as far as possible.

We aim to support local growth and development, positively influence the upstream value chain and build mutually beneficial long-term relationships.

We then sell quality building materials and associated products to our customers at the best value. We aim to ensure a pleasant shopping experience for all our customers in each of our stores located throughout southern Africa with conveniently located stores, quality products, reputable brands and value-added services. Our customers are provided with in-store expertise, advice, service and assistance as well as various loyalty programmes, credit services, online shopping and a free local delivery service.

The Cashbuild Way aims to benefit each and every one of our stakeholders so that our customers as well as our employees, shareholders, suppliers and communities gain value from our operations. Our business model on pages 18 and 19 illustrates our value creation, showing our inputs, outputs and outcomes clearly.

The Cashbuild and P&L Hardware values are aligned and are consistent with those of prior years.

## WHY INVEST IN CASHBUILD

The Cashbuild Way business outlook, together with our strategy and corporate sustainability approach focused on the Six Capitals for the year ended 25 June 2023 is presented below:

- ▶ We are one of the larger retailers of quality building materials and associated products in southern Africa.
- ▶ We have an experienced Board and Executive Management Team.
- ▶ We strive to grow our employee base on an annual basis and invest extensively in the communities in which we trade.
- ▶ Our financial position is healthy and robust, allowing us to take advantage of growth opportunities when they arise.
- ▶ We continue to successfully open new stores and refurbish or relocate existing stores.
- ▶ We are a responsible corporate, taking our ESG commitments seriously, ensuring we adhere not only to the necessary laws, regulations and principles in play but also embracing the spirit in which these were promulgated.
- ▶ We reward our shareholders by paying a consistent dividend.

## OUR DIFFERENTIATORS

### What makes us unique

**We focus on our customers, ensuring that our stores:**

- ▶ are always in stock and ready for business;
- ▶ carry quality branded products at best value;
- ▶ provide free local customer delivery services; and
- ▶ are ready to go the extra mile.

**We focus on our communities, ensuring that:**

- ▶ we approach each new region with cultural sensitivity and awareness;
- ▶ we develop and empower the community sustainably; and
- ▶ we create direct and indirect employment opportunities.

**We focus on our people, ensuring that:**

- ▶ our management approach is consistent;
- ▶ internal growth and development opportunities are supported by best in class;
- ▶ HR systems, policies, processes are fair and equitable;
- ▶ our store managers feel empowered and supported; and
- ▶ we take pride in the Cashbuild and P&L Hardware brands and act according to our core values.

**We focus on our suppliers, ensuring that:**

- ▶ we use local suppliers and support their growth and development;
- ▶ we build long-term relationships based on common value sets;
- ▶ we positively influence the upstream value chain; and
- ▶ we create opportunities to partner for mutual growth.

**We focus on sound governance and compliance, ensuring that:**

- ▶ The Cashbuild Way is aligned to ISO 9001;
- ▶ we apply the principles of King IV™;
- ▶ we live by our core values; and
- ▶ we apply the three lines of defence auditing system.

# Chief Executive Officer's Report



**Werner de Jager**  
Chief Executive Officer, Cashbuild

“The Group faced a number of macroeconomic and trading headwinds which negatively impacted the results for the year ended 25 June 2023. Although our Balance Sheet remains robust with good cash generation, subdued sales, inflationary cost increases together with increased loadshedding-related costs created margin pressure.”

The 2023 financial year has been one of our most challenging years on record as we grapple with unprecedented levels of loadshedding, consumers remaining under severe financial pressure and an unstable economy.

## THE YEAR AT A GLANCE

The results for the financial year ended 25 June 2023 reflect the challenging macroeconomic and trading conditions faced by the Group. We have seen an average price inflation on our major products of just over 5.0%, which impacted our average basket size, increasing it from R705 in the 2022 financial year to R724 in the 2023 financial year. Total customer transactions decreased by 7.3% as the consumer's financial health continues to deteriorate.

Sales of our major product ranges, such as cement and timber, were severely impacted by the adverse trading conditions experienced during the financial year, with cement pocket and timber sales decreasing by 11.2% and 10.2%, respectively.



We continued to make good progress in improving our e-Commerce offering with revenue from e-Commerce and digital channel sales increasing by 38.1% from R18.2 million (2022) to R25.1 million, which equates to 0.24% (2022: 0.16%) of total revenue generated. We do not expect this to become a large portion of sales due to the nature of our business, which is primarily cash sales.

The value-in-use of P&L Hardware was determined using assumptions regarding this business' profitability, growth rates, discount rates and target net working capital days. An impairment assessment was conducted and it was noted that the headroom on the P&L Hardware business has diminished. The decline in headroom is ascribed to the increase in the discount rate from increased interest rates and lower performance of the business due to challenging economic conditions, which further reduced the available headroom. The impact of the aforementioned resulted in an impairment of R155.9 million (“the impairment”), which has been included in other expenses. The recoverable amount of the P&L Hardware business was determined at R262 million.

A summary of the Group's results for the year ended 25 June 2023:

- ▶ Revenue decreased by 4% to R10.7 billion;
- ▶ Operating profit, excluding the impairment and looting effects of the prior year, decreased by 53%; and
- ▶ Headline earnings decreased by 38% to R271.0 million.

At the financial year end, Cashbuild had 318 stores, made up of 266 Cashbuild stores and 52 P&L Hardware stores. During the year, Cashbuild opened six (6) new stores and refurbished 20 stores. During the financial year, four (4) Cashbuild and two (2) P&L Hardware stores were closed. The store expansion, relocation and refurbishment strategy of the Group is done in a controlled manner and only implemented once a feasibility process has been undertaken.

## FINANCIAL REVIEW

Group revenue for the year decreased by 4.4% to R10.7 billion from R11.1 billion. Revenue for stores in existence prior to July 2021 (pre-existing stores – 308 stores) decreased by 6% and our 10 new stores grew by 2%. Transactions through the tills decreased by 7.3% to that of the previous year. Gross profit decreased by 7.6% with gross profit margin percentage decreasing from 26.3% to 25.4%. Selling price inflation was 5.4% at the end of June 2023 when compared to June 2022.

Comparable operating expenses (excluding the impairment and looting effects of the prior year), including new stores, were well controlled at an increase of 5% (existing stores by 4% and new stores contributed 1%), considering the inflationary pressures. Operating profit, excluding the impairment and looting effects of the prior year, decreased by 53%.

Basic earnings per share decreased by 78.2% with headline earnings per share by 36.6% from 1 929 cents (June 2022) to 1 222 cents.

Cash and cash equivalents decreased by 18% to R1 582 million mainly due to higher stock levels and the repurchase of shares. Stock levels, including new stores, have increased by 12% with stockholding at 90 days (June 2022: 81 days).

There was a decrease in NAV per share of 13.7% from R93.50 (June 2022) to R80.68, contributed to by the impairment.

## DIVIDENDS

The Board declared a final dividend of 332 cents. As a result, the total dividend amounts to 732 cents per share. The dividend cover policy of the Company has been maintained at 1.5 times cover based on the earnings of the Group, excluding the impairment of the P&L Hardware goodwill.

## STRATEGIC OVERVIEW AND INITIATIVES

Our strategy remains resolute, and we continue to strive to be one of the leading southern African-based retailers of building materials and products, providing these materials and products at the best value directly to the public. Our strategy is underpinned by our vision, mission and core values, which are on page 9 of this Integrated Report.

Our ethical standards of business practice, as endorsed by our Code of Ethics, remain high and align with local and



international corporate governance best practice, as set out in The Cashbuild Way. We also continue to improve our sustainability initiatives and principles to ensure that we positively contribute to the communities in which we operate and enhance the lives of people. Cashbuild's strategic ESG-related matters are set out in the ESG Report section of this Integrated Report, commencing on page 47.

## LOOKING AHEAD

All indications are that the South African economic growth will remain under pressure in 2024 due to global market conditions remaining unstable and inflationary pressures. The National Election will also add to the uncertainty.

Loadshedding is expected to continue which adds an additional cost burden to the business. The financial impact of this on the national economy is already astronomical. We have backup generators in all our stores and we are assessing renewable energy solutions to make us less dependent on the national grid. These initiatives come at a considerable cost to the Company, however, to ensure sustainable business operations, we have to make these investments.

Taking the macroeconomic challenges into consideration, for the first six weeks of the year ending 30 June 2024, total sales for the Group decreased by 1% compared to the prior year's six-week period. This reflects tightening consumer spending given interest rate increases and a general increase in the cost-of-living.

## APPRECIATION

I would like to express my sincere appreciation to my colleagues and our staff for their steadfast support and loyalty this year. Your commitment remains the core strength of Cashbuild.

To our loyal customers and shareholders, thank you for your continued support during another challenging year. To our industry partners, suppliers, contractors, formal and informal partners, thank you for collaborating to ensure we continue enhancing our product and service offerings.

My appreciation and thanks are extended to the Cashbuild Board for your firm commitment, advice and support during the financial year.

**Werner de Jager**  
*Chief Executive Officer*

29 August 2023

# The Six Capitals

WHAT WE STRIVE FOR WITH THESE CAPITALS:

## Our Capitals



### FINANCIAL CAPITAL

To generate sustainable profits which will enable the Group to expand and grow our business.



### HUMAN CAPITAL

To ensure that our staff complement is diverse, motivated, skilled, ethical and safe. To invest in our people through creating opportunities for skills development and ensuring succession planning.



### SOCIAL CAPITAL

To invest in the communities in which we operate. To ensure upliftment through the support of local entrepreneurs, creating local employment opportunities. To ensure that our procurement and supply chain management is in line with our ethical values to meet our customers' needs and expectations. To develop and empower our communities through learnership programmes and bursaries.

The interaction between the Six Capitals and the compliance to the UN SDGs are explained or indicated by using icons where applicable throughout the Integrated Report.





### INTELLECTUAL CAPITAL

To ensure that the Cashbuild and P&L Hardware brands remain synonymous with quality service and product delivery.



### MANUFACTURED CAPITAL

To expand our footprint and build stores responsibly to best serve our customers.



### NATURAL CAPITAL

To minimise our impact on the environment and its resources and expect our stakeholders to do the same.



# Our Business Model

## Inputs



### FINANCIAL CAPITAL

- ▶ Risk management
- ▶ New opportunities
- ▶ Strategic planning
- ▶ Strong financial position
- ▶ Shareholder investments



### HUMAN CAPITAL

- ▶ Internal recruitment processes
- ▶ Training and development
- ▶ Discipline
- ▶ Employee forums
- ▶ Code of Ethics
- ▶ Health
- ▶ Transformation
- ▶ Industrial relations



### SOCIAL CAPITAL

- ▶ New store openings
- ▶ Free local customer deliveries
- ▶ Delivery driver programme
- ▶ Local brick and block makers
- ▶ Glass cutters
- ▶ Learnership and bursary programmes



### INTELLECTUAL CAPITAL

- ▶ Experienced Board and Executive Management
- ▶ Cashbuild and P&L Hardware brands
- ▶ Process aligned to IT systems
- ▶ Registered trademarks



### MANUFACTURED CAPITAL

- ▶ Procurement and supply chain
- ▶ Product responsibility
- ▶ Customer service
- ▶ Security and crime prevention
- ▶ Growing store footprint
- ▶ Local sourcing



### NATURAL CAPITAL

- ▶ Energy and carbon management
- ▶ Water conservation
- ▶ Waste generation and recycling

## Operations

### PURCHASE OF STOCK



#### Suppliers

1

Using local suppliers, as far as possible, we strategically source quality building materials and associated products.

#### Products

2

Our product range consists of building materials such as cement, timber, bricks and associated products such as tools, hardware and plumbing.

#### Primary products (%)

23%	Cement
14%	Decorative
9%	Roofing – Covering
7%	Timber
7%	Openings
7%	Bricks
33%	Other <sup>1</sup>



1. Other primary products represents sales from products that are similar in nature and individually, contributes less than 6% to revenue.

#### Stores

3

Our products are delivered directly to our stores to ensure that we minimise costs and that we are always in stock and ready for business.

#### UN SDGs



## NATIONAL DIY RETAIL NETWORK



### Customers

Our customers are building contractors, home improvers, farmers, traders and anybody looking for quality building material at the best value.

### Online customers

Cashbuild has an e-Commerce and digital sales channel called CB Shopper and the VIC loyalty programme.

These are used to drive product-focused campaigns as well as enhance customer service.

### Services

In addition to our in-store expertise, advice and assistance, we provide clients with a free local delivery service, an online store, credit services and various loyalty programmes.

### Contractors

Cashbuild's policy of free local deliveries provides a value-added service to customers and directly supports local entrepreneurship and employment creation.

P&L Hardware offers a free local delivery service to its customers. These deliveries are done via our own fleet and drivers employed by the business.

## Outputs

## Outcomes

### FINANCIAL CAPITAL

- ▶ Revenue growth
- ▶ Cost savings
- ▶ New, refurbished and relocated (where necessary) stores
- ▶ Informed shareholders
- ▶ Wealth created

- ▶ Increased profitability
- ▶ Market share growth
- ▶ Improved shareholder return
- ▶ Industry leadership

### HUMAN CAPITAL

- ▶ Skilled workforce
- ▶ Lower staff turnover
- ▶ Healthy staff morale
- ▶ Minimise injuries
- ▶ Increased employment of HDSAs
- ▶ Employee safety

- ▶ Considered employer of choice
- ▶ Attract and retain best people
- ▶ Staff experience and skilled workforce
- ▶ Profit sharing
- ▶ Improved HDSA management representation

### SOCIAL CAPITAL

- ▶ Create local employment opportunities
- ▶ Art@Heart (school donations)
- ▶ Support entrepreneurs

- ▶ Community upliftment
- ▶ Encourage entrepreneurship
- ▶ Improved brand loyalty
- ▶ Good corporate citizenship

### INTELLECTUAL CAPITAL

- ▶ Established management team
- ▶ Succession plan
- ▶ Trusted brands
- ▶ Efficient systems that enhance controls and reduce operational risks
- ▶ e-Commerce initiatives

- ▶ Increased market share
- ▶ Considered brand of choice
- ▶ Market knowledge and being ahead of the curve in terms of market trends and influences
- ▶ Increased sales and customer interaction through various initiatives

### MANUFACTURED CAPITAL

- ▶ Good quality products at best value
- ▶ No "grey" goods
- ▶ "Every day best value" – marketing
- ▶ Loyal customers
- ▶ Number of local jobs created/ supported through local sourcing

- ▶ Expanded stores and customer base
- ▶ Suppliers with same shared ethical values
- ▶ Continued safe environment
- ▶ Sustainable profits

### NATURAL CAPITAL

- ▶ Energy efficiency
- ▶ Low carbon footprint
- ▶ Reduced water consumption
- ▶ Ensure a clean environment

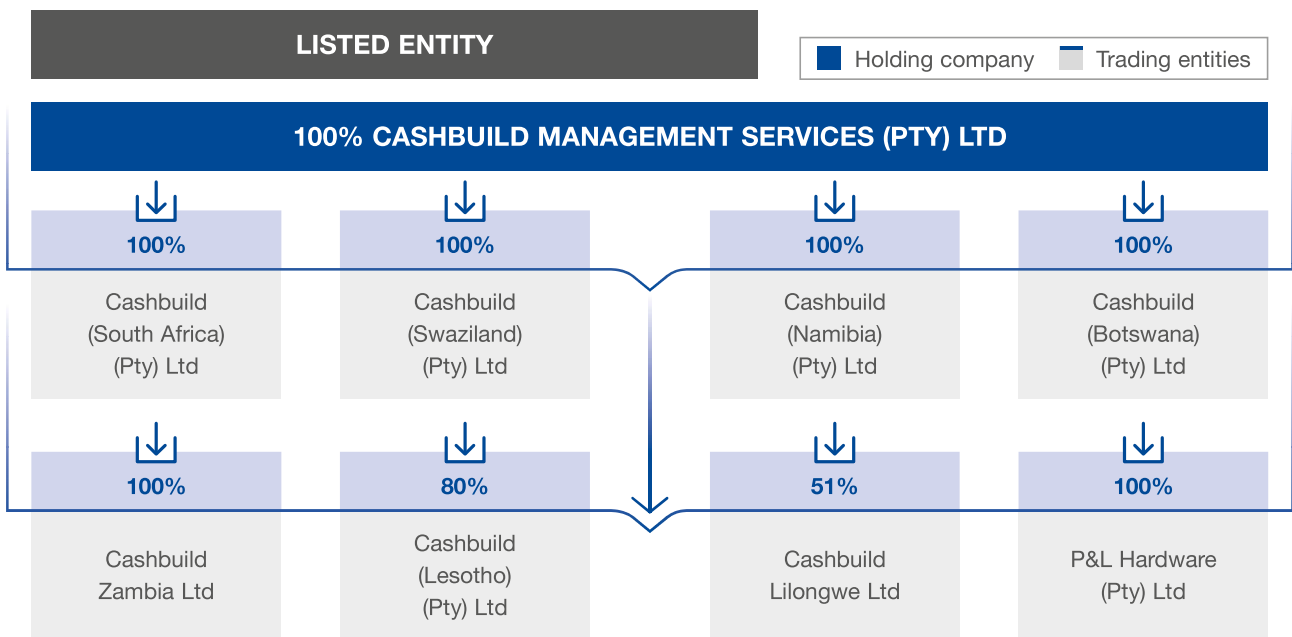
- ▶ Sustainable business practices



# Our Group Structure

## OUR ORGANISATIONAL STRUCTURE

The Group's organisational structure differs from its operational reporting structure. The Group is organised into different operational areas each headed by an Operations Executive, who in turn reports to the Operations Director. The Operations Director and Operations Executives are members of the Executive Management Team.



## OUR OPERATIONAL REPORTING STRUCTURE

Cashbuild and P&L Hardware	OPS 1	OPS 2	OPS 3	OPS 4	OPS 7	Business Development
Shane Thoresson	Tyron Myburgh	Hennie Roos	Willie Dreyer	Anton Hattingh	Ian Mc Kay	Mark Scholes
Operations Director	Operations Executive	Operations Executive	Operations Executive	Operations Executive	Operations Executive	Operations Executive
	Mpumalanga, Limpopo, Gauteng and North West	Gauteng, KwaZulu-Natal, Malawi and Mpumalanga	Gauteng, Limpopo, Mpumalanga and eSwatini	Botswana, Eastern Cape, Free State, Gauteng, Lesotho, Limpopo, Namibia and North West	Western Cape, Eastern Cape and Northern Cape	Customer Centricity
						Disemelo Masala
						Operations Executive

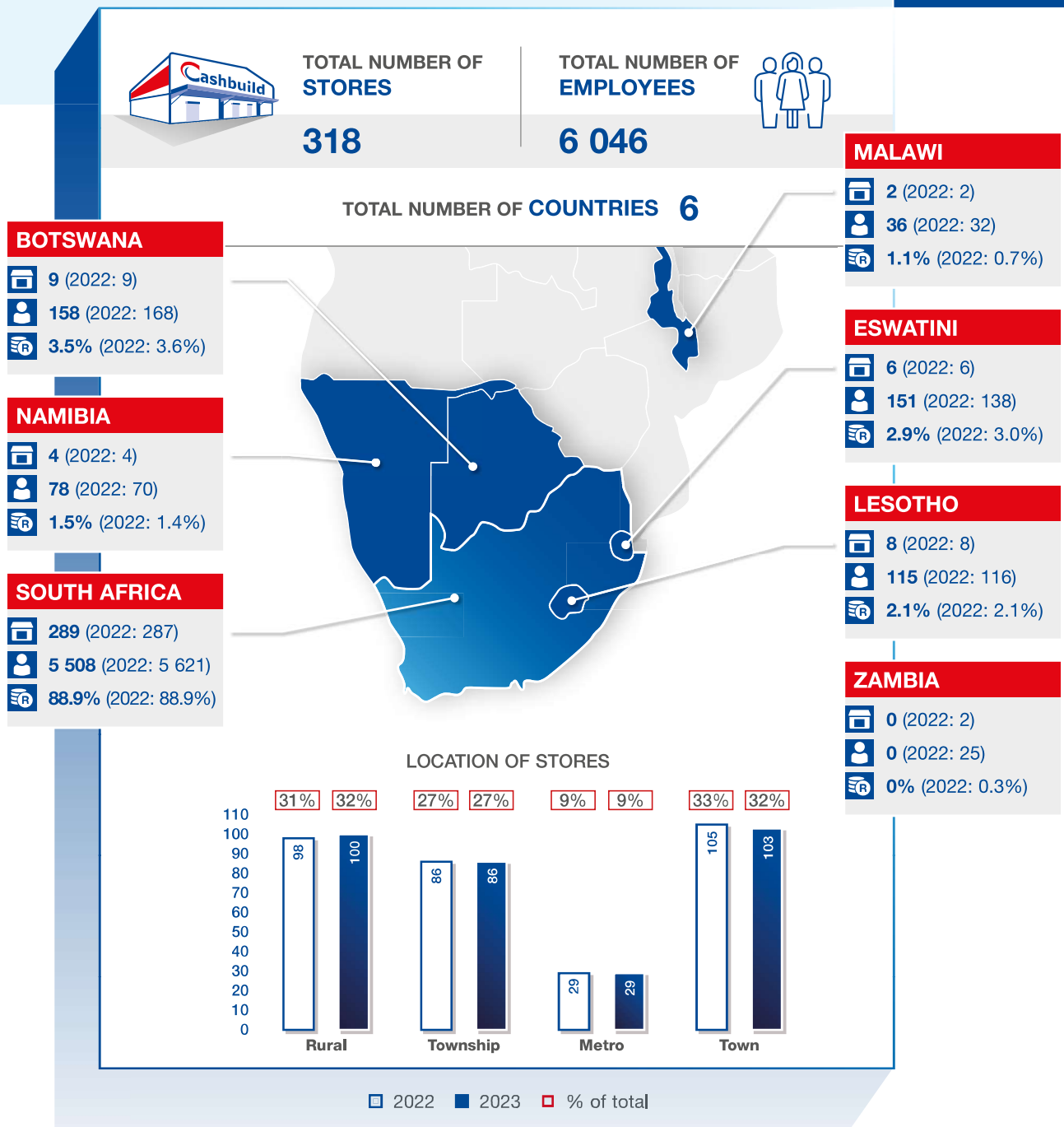
# Our Geographical Footprint

Cashbuild positions its stores to bring quality building materials at best value to communities and strives to enhance the community in which each store trades. Store locations are selected on the basis of in-depth feasibility studies and extensive stakeholder engagements.

We will, for the foreseeable future, continue our strategy of store expansion, relocation and refurbishment, in a controlled manner, after considering our continuously evolving feasibility process.



-  Number of stores
-  Number of employees
-  Revenue contribution

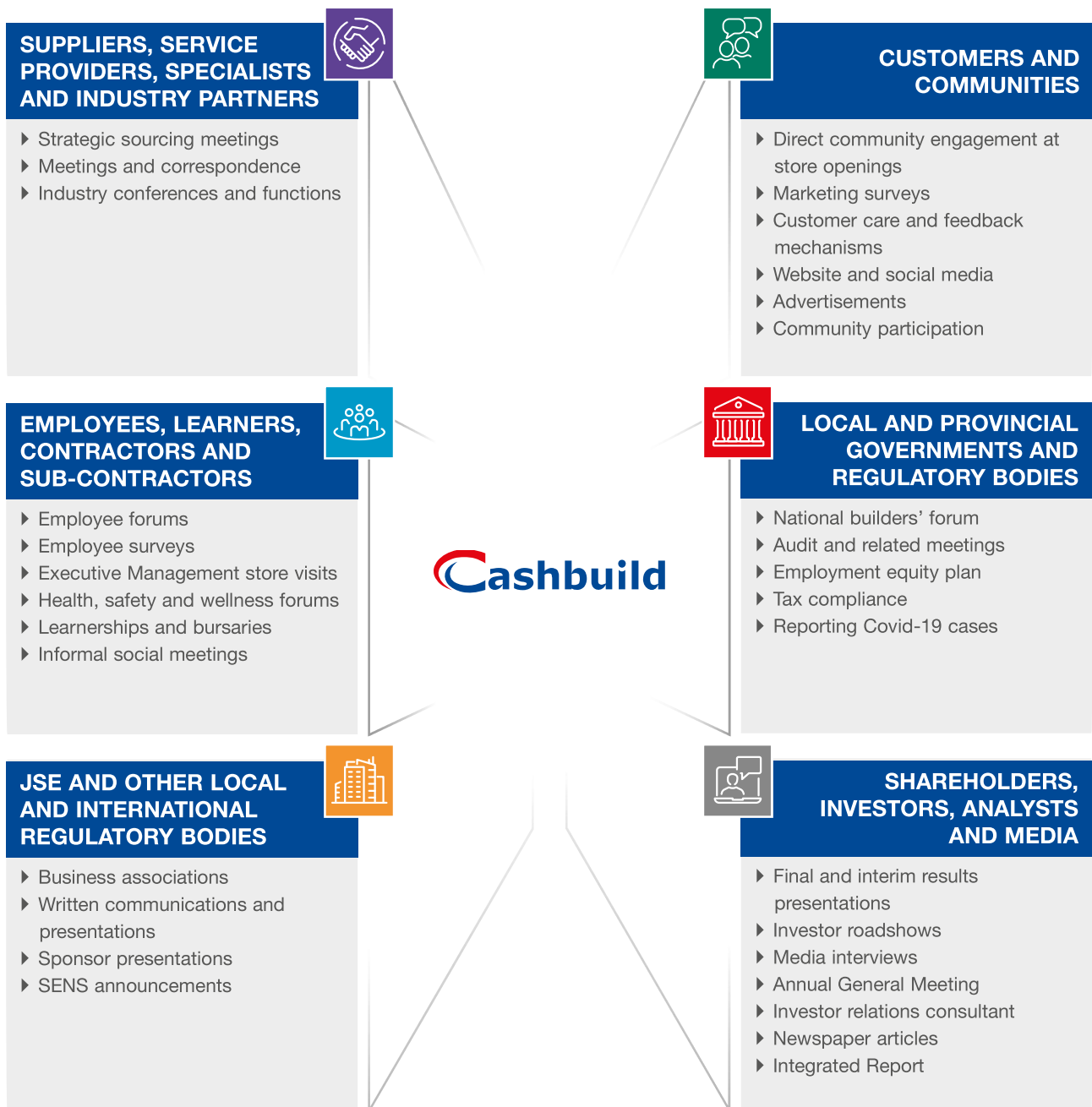


# Our Stakeholders and Related Material Matters

## OUR STAKEHOLDERS

Our key stakeholders are identified on the basis of Board deliberations, risk identification and other internal processes, as well as through feedback received at operational management level in the regions in which the Group's stores are located.

The diagram below illustrates the various key stakeholders and the type of interaction we have with them:



## MATERIAL MATTER DETERMINATION PROCESS

Cashbuild defines material matters as those of relevance to address and report on, considering their significance to both the business and its stakeholders and their potential to affect Cashbuild's ability to create value over the short-, medium- and long-term. This allows the Company to evolve its strategy and tailor its reporting to align with the interests and needs of Cashbuild's stakeholders, as well as those of the Group.

A material matters determination process is performed periodically to improve Cashbuild's disclosure/reporting. The review includes looking at sector trends, key stakeholder expectations and peer disclosures, in order to identify good practice and common material matters.

Below is a summarised description of the process undertaken.

### RESEARCH AND ANALYSIS

The research and analysis were undertaken by looking at the following:

Cashbuild's 2022 Integrated Report.

Cashbuild's risk registers.

Global and industry trends and risks.

Peer/related company material matters.

Media search.

Emerging sustainability reporting standards.

Stakeholder interaction.

### EVALUATION AND REVIEW

The Executive Management Team discussed and evaluated the research and agrees on the material matters that impact the Group. A cross-check was performed against Cashbuild's strategic objectives, stakeholder matters, risks and capitals used to create value over the short-, medium- and long-term.

### PRIORITISING MATERIAL RISKS

The risks identified are linked to Cashbuild's strategic objectives and then grouped into themes. An exercise is then undertaken to prioritise Cashbuild's material matters. The themes are categorised based on management's view of the potential impact that these matters have on Cashbuild and its key stakeholders.

Based on the information obtained during the process, Cashbuild prioritises its material matters and reviews the ESG landscape from:

- ▶ a strategic perspective;
- ▶ linking business operations with the broader operating context, and making key connections with relevant ESG matters; and
- ▶ suggested alignments with global and industry ESG trends and drivers.

Refer to pages 34 to 41 for the Group's material risks and opportunities.

# Our Stakeholders and Related Material Matters

(continued)

## MATERIAL MATTERS MANAGED BY CASHBUILD

The material matters identified are correlated with the Group’s materiality determination and stakeholder engagement processes. The material matters that are managed by Cashbuild and which form part of the Group’s strategy are:

1.

### FINANCIAL SUSTAINABILITY/STABILITY

Cashbuild’s capacity to generate revenue in response to demand and changing customer expectations is crucial for business success.

For Cashbuild this means the ability to:

- ▶ continue to grow revenue in real terms;
- ▶ continue to expand the Group’s footprint; and
- ▶ continue to grow productivity and profits.

#### KEY MATERIALITY CONSIDERATIONS

##### Global and industry trends

- ▶ The home improvement trend has been declining since the lockdown restrictions were lifted. With the deterioration of the South African infrastructure, the building retail sector remains constrained and challenges regarding infrastructure decline (roads, water and electricity).
- ▶ To attract and engage more customers, it is expected that retailers will aim to increase their footprint and attract new customers.

#### UN SDGs impacted



#### Stakeholder needs/requirements

- ▶ **Investors:** Optimisation of Cashbuild’s Balance Sheet, including the assessment of sources of funding and facilities, and planned use of excess capital, remains ongoing.

The continued repositioning of the P&L Hardware brand is crucial to ensure the brand is synonymous with competitive quality.

- ▶ **Suppliers:** Demand forecasting meetings with suppliers on product trends are valuable.

#### Impact on value

- ▶ An increased footprint will have a direct impact on profitability, cost pressures and uncertainty.
- ▶ It could also attract customers in higher bands, focused on buying responsible products.
- ▶ Sustainable sourcing trends will in turn shape supply chain management.
- ▶ The optimisation of the balance sheet will have a direct impact on financial sustainability.
- ▶ Competing for visibility in the market and also keeping customers loyal to products and services will have larger impacts on value.

#### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

The following actions are considered a priority:

- ▶ Revised dividend policy is in place and shareholders approved specific and other share repurchases, utilising some of Cashbuild’s surplus cash.
- ▶ Continue to grow store base for both brands. This includes reviewing and critically analysing the existing store base on an ongoing basis, and strives to open, on average, 10 new stores per year.
- ▶ Changes continue to be implemented at P&L Hardware to address performance. In the current year, the product range was updated as well as reiterating performance requirements from the operations teams. P&L Hardware’s operational management is now fully integrated into the Cashbuild’s Executive Management Team.
- ▶ Higher LSM customers are attracted via the e-Commerce drive and within the e-Commerce channel, other value-added options will be made available such as exclusive on-line and high-end products.
- ▶ Execute in-store roll-outs and refurbishments and/or upgrading of stores.
- ▶ Actively re-invigorating strong relationships with suppliers for support and product range development.

#### Key stakeholders impacted

Investors and analysts

Suppliers

Employees and contractors

Regulators

## HUMAN CAPITAL (TALENT)

People are a key resource that Cashbuild deploys. By optimising the return on human capital through talent management, i.e. developing a skilled workforce, Cashbuild supports good customer service.

By promoting a diverse and inclusive culture, Cashbuild is also positioned to attract and retain a bigger talent pool, increase employee engagement and trust.

Through diversity, the Group is able to gather new perspectives and innovation for better decision-making and improved performance, yielding stronger results and profits.

For Cashbuild this means the ability to:

- ▶ continue to develop a skilled workforce; and
- ▶ prepare staff for changing customer expectations.

### KEY MATERIALITY CONSIDERATIONS

#### Global and industry trends

- ▶ Increased digitisation is compelling retailers to relook their strategies, focusing on both customers and people/talent. Retailers are being confronted with not only attracting and retaining customers, but also providing consistent customer experience.
- ▶ Retailers are expected to plan and implement digitisation processes for their store level employees to support them in becoming more efficient.

#### UN SDGs impacted



Stakeholder needs/requirements	Impact on value
<ul style="list-style-type: none"> <li>▶ <b>Investors:</b> Ensuring fair wages and remuneration is top of mind and linked to ethical business practice; adopting a common approach to ESG is also seen as important to investors and other stakeholders.</li> <li>▶ <b>Suppliers:</b> Employment of local labour and upskilling of employees is necessary from a procurement perspective.</li> </ul> <p>Skilled staff and sustainable employment are expected to be in line with empowerment frameworks.</p>	<ul style="list-style-type: none"> <li>▶ Retailers are using HR IT systems to enable more effective employee management in terms of monitoring training, promotion opportunities, etc.</li> <li>▶ Catering to customer needs and expectations will impact the bottom line, especially in the digitisation era.</li> <li>▶ Skills needed at the employee and leader levels have evolved, which in turn shapes training and development of staff, which also has direct links to costs.</li> </ul>

### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ Cashbuild has already embarked on a company-wide customer service improvement drive focusing on increased awareness and upskilling employees through various training and development programmes.
- ▶ The Group's OHS initiatives are further supported by monitoring mechanisms.
- ▶ Continue with learnerships at various levels (NQF 2, 4 and 5) ensuring we not only meet the Group's skills requirements, but also ensure longer term employability of individuals.
- ▶ Cashbuild also trains disabled persons through its NQF 2 learnership programme.
- ▶ Continue with customer service, values and ethics training. Changing performance appraisal process to focus on required behaviours and competencies for now and future changing environment.
- ▶ Cashbuild's B-BBEE contribution level and plans to improve this, are actively monitored.
- ▶ Cashbuild already has a stated objective of employing local labour and, where skills exist, contract services are sourced within the communities we trade in.



# Our Stakeholders and Related Material Matters

(continued)

3.

## CUSTOMERS

To adapt to the “next normal” in customer experience, Cashbuild must diversify delivery mechanisms by injecting innovation into omnichannel and online solutions. This, together with the organisation’s footprint, will position Cashbuild to fast-track growth.

For Cashbuild this means the ability to:

- ▶ prepare for the next normal of the customer experience; and
- ▶ expand growth through new channels, for existing and new customers.

### KEY MATERIALITY CONSIDERATIONS

#### Global and industry trends

- ▶ To meet changing customer expectations, retailers are expected to forecast market trends, conduct strategic analysis and use location-based marketing.
- ▶ They are also expected to have an integrated view and understanding of consumer behaviours.

#### UN SDGs impacted



Stakeholder needs/requirements	Impact on value
<ul style="list-style-type: none"> <li>▶ <b>Investors:</b> Cashbuild knows its customers well and as such, offers a service relevant to its customers while pricing remains important.</li> <li>▶ <b>Suppliers:</b> Cashbuild needs to consider loyalty and who is giving them a better margin due to high competition in the rural areas – this requires fair and competitive pricing for customers.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Linked to supply and demand, improving supplier planning and forecasting could enable suppliers to be more efficient, agile and responsive to change.</li> <li>▶ Increased customer base, which will have a direct impact on profitability.</li> <li>▶ Increased digitisation involves usage of data intelligence, working towards customer centricity, being agile, adding new value propositions, and being innovative, which in turn shapes the dynamics of supply and demand.</li> <li>▶ Competing for visibility in the market and also keeping customers hooked on products and services will impact value.</li> </ul>

### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ By planning to upgrade the current VIC programme, we offer a VIC payment card which can either be used at a Cashbuild or P&L Hardware store. By partnering with respected institutions, their loyalty programmes will give Cashbuild access to a greater pool of loyal customers.
- ▶ Using data partners to analyse customer profiles, provides Cashbuild with better information on returning customers, which means that returning customers shop close to four (4) times a year at Cashbuild. The CB Shopper profile and average basket value are showing improvements over the current total Group profile. Prize winner shopping patterns also indicate a high frequency of returning to stores to purchase more.
- ▶ Cashbuild has also implemented a DIY YouTube channel and continues with its social media campaigns to enrich the knowledge of our customers. The focus is towards how to do something to ensure that it is done correctly to prolong use of the solution.
- ▶ Cashbuild will further investigate actions that will focus on more sustainable products.



# TECHNOLOGY AND DIGITISATION

Digital transformation, i.e. digitisation, is a priority for future-proofing Cashbuild’s business model and enhancing customers’ experience.

For Cashbuild this means the ability to:

- ▶ utilise digitisation to enhance customer purchasing experience;
- ▶ use technology and systems to continue process optimisation; and
- ▶ manage cyber risk threats.

## KEY MATERIALITY CONSIDERATIONS

### Global and industry trends

- ▶ The retail sector has seen significant transformation from the traditional concept of brick-and-mortar purchase amongst consumers to increased mobile shopping and e-Commerce.
- ▶ Globally, the introduction of smart technologies correlates to customer needs and expectations, which in turn shapes business models.

### UN SDGs impacted



Stakeholder needs/requirements	Impact on value
<ul style="list-style-type: none"> <li>▶ <b>Suppliers:</b> Forecasting and product demand can be optimised using technology or digital tools.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Increased digitisation is expected to attract and engage more customers which will impact profitability.</li> <li>▶ Increased digitisation will also impact sales personnel to assist customers in store. It is expected that the necessary IT infrastructure will require continuous software maintenance and upgrades, which can increase cost pressures and uncertainty. It will also likely increase exposure to cyber security threats.</li> <li>▶ Competing for visibility in the market and also keeping customers hooked on products and services will be inevitable.</li> </ul>

## HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ The Group’s digital channel focuses on 24/7 availability to customers. Cashbuild’s range of products are now available to people in all areas we trade in. Customers can have the “in-store” experience on their phones, thereby being able to purchase without travelling to a store. Our customers will also have access to products from our current suppliers, even if we do not physically stock the product.
- ▶ The Group uses data analysis to enhance its advertising processes and also to measure advertising activities.
- ▶ By developing and offering our customers a digital channel, such as Online and Chat commerce, we enhance our customers’ own experience via these alternative shopping methods.
- ▶ Cashbuild continuously investigates system enhancements, such as “mobile checkouts”, to better facilitate the customer’s “in-store” shopping experience. Additionally, we are upgrading the current customer delivery system to enhance delivery quality to and communication with the customer.
- ▶ Cashbuild is in the process to digitise current internal business processes to improve efficiencies and reaction time.
- ▶ Organic growth in “internet” visibility leads to new, non-traditional Cashbuild customers. We are also working on digital means to enhance methods of directing customers to our stores and digital channel. Our focus on on-line exclusive products remains a priority.





# Our Stakeholders and Related Material Matters

(continued)

5.

## SUPPLY CHAIN MANAGEMENT

To prepare Cashbuild's supply chain for the future, the Group aims to understand existing and potential vulnerabilities of the supply chain, including upstream suppliers, and reassess supply networks if and when the need arises.

For Cashbuild this means the ability to:

- ▶ understand potential vulnerabilities in the supply chain;
- ▶ diversify Cashbuild's supply base;
- ▶ manage supply chain transparency and traceability of product(s); and
- ▶ implement process automation to streamline procurement.

### KEY MATERIALITY CONSIDERATIONS

#### Global and industry trends

- ▶ Global supply chain networks are transitioning through a period of intense change. Covid-19 acted as a catalyst for businesses to review and prioritise strategies around building more resilient supply chains that are fit-for-purpose in the context of increasing geopolitical volatility and pressures around ESG.
- ▶ It is expected that retailers will face increasing pressure for transparency regarding their ESG standards and targets, including supply chain management.

#### UN SDGs impacted



#### Stakeholder needs/requirements

- ▶ **Investors:** Sustainability within Cashbuild's supply chain is top of mind.  
The assessment of ESG and OHS risks within supply chain management, together with progress made towards localisation of supply chain should be prioritised.
- ▶ **Suppliers:** Supply chain and procurement is top of mind, along with the streamlining of waste management.  
Here the aim is ultimately to reduce waste by implementing multi-use packaging.  
This requires strategic partnerships and is linked to responsible sourcing and supplier engagement.

#### Impact on value

- ▶ Developing credible, realistic and measurable ESG commitments that address sustainability, including supply chain and wider societal issues is essential and will have a longer term impact on value.
- ▶ Rethinking Cashbuild's supply chain/delivery model to meet the demand and expectation of stakeholders will have a direct impact on profitability and long-term viability.

### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ Cashbuild provides supplier forecasting for longer periods when there are product supply shortages and delays. Specific forecasts are also considered from specific suppliers.
- ▶ Cashbuild supports suppliers where they manufacture more eco-friendly products, and where feasible, we adopt these products into our product ranges. Recent examples are an eco-friendly tile and multi-use packaging.
- ▶ We continuously review both products and packaging with suppliers to reduce waste. An example is nails, which are now supplied in re-usable containers.
- ▶ Another focus area being considered is improving transparency of our supply chain where we are requiring suppliers to disclose the conditions under which the products are produced in. Regular supplier visits are conducted to evaluate working conditions.

#### Key stakeholders impacted

Investors and analysts

Suppliers

Customers

Employees and contractors

Wider community

## SOCIO-ECONOMIC IMPACT

Cashbuild creates a wide range of local socio-economic impacts through its operations, its relationships with suppliers, local businesses, customers, and in the wider economy. Direct, indirect and wider impacts like supporting and enabling communities to renovate/build and improve resilience through jobs created or local taxes paid, local businesses supported, and social impact from community partnerships, respectively, are just a few examples of how Cashbuild achieves this.

Importantly, Cashbuild operates within a context, and issues around the impacts of a high unemployment rate, for example, continue to be considered, in order to manage the associated risks like crime or social unrest that could affect Cashbuild’s assets and infrastructure.

For Cashbuild this means the ability to:

- ▶ create brand loyalty;
- ▶ better communities through renovations/new store openings; and
- ▶ create jobs, thereby increasing local taxes paid.

### KEY MATERIALITY CONSIDERATIONS

#### Global and industry trends

- ▶ Like other key sectors, building retailers continue to face challenging stakeholder expectations together with Government regulations seeking to enhance transformation, job creation and taxes paid/received.
- ▶ Communities, frustrated with rising unemployment, inequality and poor service delivery, turn increasingly to private sector employers to meet their expectations or resort to crime.
- ▶ Organised labour is also seeking to meet its mandate of securing better conditions and higher wages for members from a sector facing other significant challenges.

#### UN SDGs impacted



#### Stakeholder needs/requirements

- ▶ **Investors:** Remuneration; progress made towards transformation and empowerment within the business; and monitoring and reporting of OHS within Cashbuild’s operations are a key focus area.
  - ▶ **Suppliers:** Awareness of the social compact in areas of operation is important – understand your communities, price accordingly given the context, and ensure sustainable employment in line with empowerment frameworks.
- Transformation is a key issue – engage with suppliers to agree on areas of interaction; and focus on employment of local labour and upskilling of employees (transferable skills) from a procurement perspective.

#### Impact on value

- ▶ Stakeholder expectations and Cashbuild’s response to them will have a significant impact on legal considerations, and the organisation’s social licence to operate, which in turn could impact investment decisions and profitability.
- ▶ Supporting communities to renovate/build will have impacts on the Group’s bottom line.
- ▶ Crime and social unrest exposes the business assets and infrastructure to damage.

### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ Cashbuild has a documented three-year Employment Equity plan with focused developmental plans for identified individuals via our Management and Executive Development Programmes.
- ▶ Cashbuild will continue to offer bursaries to previously disadvantaged individuals. These individuals are also placed on the Management Development Programme once they have completed their studies.
- ▶ Cashbuild continues to enforce existing policies relating to local employment. This entails constantly focusing on employing local contractors, wherever possible, during store development projects as well as placing emphasis on existing contractors on store development projects. To enforce both upskilling and development of local labour, evidence has to be provided if sub-contracts are used.
- ▶ Cashbuild will continue with ongoing training of unemployed people within the areas we trade through its NQF 2 learnership programme.
- ▶ Cashbuild also trains disabled persons through its NQF 2 learnership programme.
- ▶ Cashbuild maintains both preventative, reactive and detective measures to minimise the impact of crime and social unrest on business, staff and customers.

#### Key stakeholders impacted

Investors and analysts

Customers

Suppliers

Employees and contractors

Wider community

Regulators

Media

# Our Stakeholders and Related Material Matters

(continued)

7.

## PRODUCT SUSTAINABILITY AND RESPONSIBILITY

Distinguishing a “sustainable” product from one that is not, is a challenge that extends far beyond the traditional scope of product development.

Considerations include the breadth of scope of sustainability issues, many of which are beyond Cashbuild, or even a supplier’s control. A large amount of information is required to evaluate product sustainability; and difficulty in quantifying the societal and ethical aspects of sustainability.

As such, Cashbuild procures regulator quality products (e.g. SABS approved products), products which adhere to predetermined safety and quality standards, and those that were produced by and/or support efficient and renewable energy consumption.

Obtaining risk, quality, health and safety, and sustainability-related information about products is a priority for Cashbuild.

For the Group this means the ability to:

- ▶ distinguish a “sustainable” product from one that is not;
- ▶ only procure and sell quality products approved, where applicable, by regulators; and
- ▶ obtain risk and quality, health and safety, and sustainability-related information about products.

### KEY MATERIALITY CONSIDERATIONS

#### Global and industry trends

- ▶ Increased consumer awareness for sustainable products, is expected to add pressure for retailers to improve their sustainability performance.
- ▶ Investors are increasingly demanding more action and visibility in terms of ESG performance, and the terms of corporate finance increasingly hinge on the outcome of ESG analysis.
- ▶ Retailers will be pressured to pursue actionable outcomes to reduce carbon emissions amongst other goals.

### UN SDGs impacted



#### Stakeholder needs/requirements

- ▶ **Investors:** Cashbuild’s response to ESG risks and impacts that climate change may have on its operations; reporting of targets and metrics associated with waste, water, energy and GHG emissions are top of mind.
- ▶ **Suppliers:** Continually ensure that product quality and range are relevant across all Cashbuild and P&L Hardware stores.  
  
Looking for cheaper and sustainable alternatives to packaged products is also a focus area for suppliers.

#### Impact on value

- ▶ Changing consumer behaviour has an impact on demand for products and in turn profitability. Increased demand for sustainable products is expected to have an impact on long-term value.
- ▶ Developing credible, realistic and measurable ESG commitments that address sustainability and wider societal responsibilities is essential for value creation.

### HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ More affordable products are only considered when their purpose and required quality meets the requirements for the intended use. Cashbuild complies with legislation and we were one of the few retailers that removed incandescent globes from our range and shelves by the required date.
- ▶ Cashbuild constantly searches for approved alternative products that are both cost effective and more sustainable, provided that it adheres to both the building regulations, where applicable, and the strategic product range of the Group. Although we are not market leaders with alternative building methods, we ensure that we stay abreast of the latest developments and alternatives for implementation when appropriate.
- ▶ Where specific standards are required for a product range, i.e. SABS for electrical items, we ensure that we comply. We will not sell non-SABS electrical products. Where possible Cashbuild is moving away from single-use packing, i.e. nails are now in re-usable containers. Where suppliers are able to move away from solvent-based products such as paint, to water-based, we will actively range such products in our stores and educate customers on the benefits.
- ▶ All products that require warning labels are monitored to ensure that we comply with all legal requirements.
- ▶ Cashbuild’s management is actively investigating current water, waste and energy emissions and other environmental impacts to establish targets for the future. To ensure a common view and approach to ESG within the Group, this will extend to targets and goals impacting executive remuneration and incentives in the near future.

#### Key stakeholders impacted

Investors and analysts

Customers

Suppliers

Regulators

# GOVERNANCE

A hybrid of consumer and regulatory pressure will require ESG to be integrated into all business processes. Good governance should form the cornerstone of all business decisions and conduct.

Considerations like accountability, transparency, reward (i.e. remuneration), responsible citizen participation and policies that promote a strong code of ethics are important.

Within the South African context, good and inclusive governance to combat corruption within Cashbuild’s value chain and operating context is also an imperative for the future – Cashbuild’s response to breaking the rule of law should remain unwavering and its response to public affairs strategic in order to maintain the credibility and integrity of the business.

For Cashbuild this means the ability to:

- ▶ investigate practical ways to integrate ESG into all business processes; and
- ▶ promote a strong code of ethics through accountability, transparency and appropriate policies.

## KEY MATERIALITY CONSIDERATIONS

### Global and industry trends

- ▶ Globally, retailers are faced with issues relating to ethical supply chains and logistics impact as well as ethical business and labour practices.
- ▶ With increasing digitisation, concerns regarding customer privacy and data security are increasingly dominating the sector.
- ▶ Regulatory bodies and associations on both the legislative and industry level are pushing companies to source, develop, package, and distribute products, with sustainability at top of mind driving potential taxes and fines.
- ▶ Most retailers don’t have visibility at board level of what consumer expectations are around ESG, particularly the governance issues.

### UN SDGs impacted



Stakeholder needs/requirements	Impact on value
<ul style="list-style-type: none"> <li>▶ <b>Investors:</b> Continued commitment to King IV™ and corporate governance best practices; governance in terms of policies and measuring; and monitoring KPIs are important.</li> <li>▶ <b>Suppliers:</b> Cashbuild always fulfils its commitment, thus building trust; once a commitment is made, it is important to demonstrate and disclose on performance to ensure transparency.</li> </ul> <p>Ethics (rules, regulations and “employment issues”) is also top of mind for suppliers.</p>	<ul style="list-style-type: none"> <li>▶ Environmental and social practices of a firm increasingly affecting consumers’ choice to buy from retailers, has a direct impact on value.</li> <li>▶ Retailers need an intelligent costing solution to support material transparency in a sustainable world.</li> </ul>

## HOW CASHBUILD IS REACTING TO/MANAGING THIS MATERIAL MATTER

- ▶ Continued commitment to King IV™ and corporate governance best practices.
- ▶ Cashbuild has selectively incorporated ESG elements into its Short Term Incentive Scheme for executive management and considering expanding to other levels of senior management.
- ▶ Cashbuild ensures remuneration remains market-related through ongoing surveys and benchmarking exercises.
- ▶ Addressing the wage gap by implementing a different cost-of-living increase model for executive management and directors, who receive a lesser percentage increase than other staff.



# Our Stakeholders and Related Material Matters

(continued)

## VALUE-ADDED STATEMENT

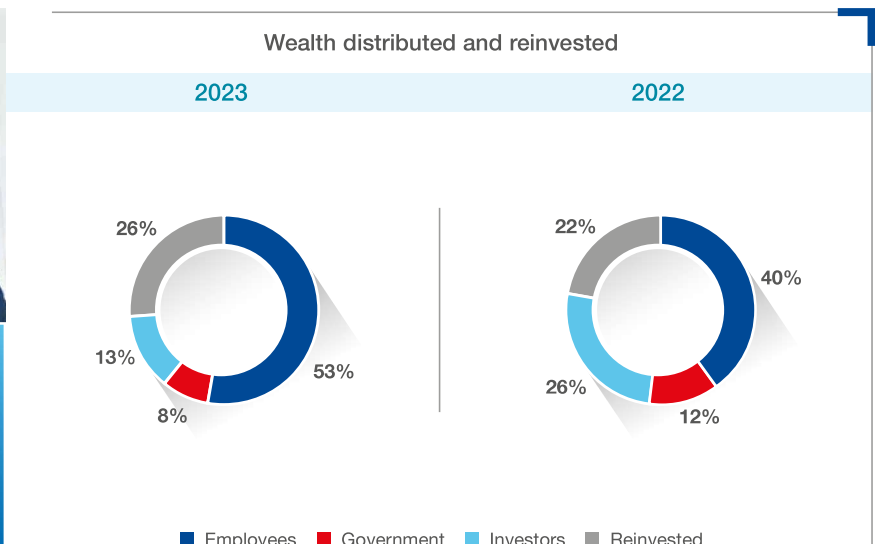
A measure of the wealth created by Cashbuild, for various stakeholders, is the amount spent on the cost of goods and services provided, the remuneration paid to its employees, money paid to providers of equity and debt, taxes paid to Government and capital reinvested in the Group.

R'000	25 June 2023	% of total	26 June 2022	% of total
Revenue	10 653 193		11 145 107	
Less: Cost of merchandise	(8 805 138)		(8 731 649)	
<b>Value-added from trading operations</b>	<b>1 848 055</b>		<b>2 413 458</b>	
Interest received from investments	100 777		72 672	
<b>Total wealth created</b>	<b>1 948 832</b>	<b>100.0</b>	<b>2 486 130</b>	<b>100.0</b>
<b>Allocated as follows:</b>				
To employees – salaries and benefits	1 038 976	53.3	995 975	40.1
To Government – company taxation	153 284	7.9	296 726	11.9
To providers of capital:	257 781	13.2	657 131	26.4
▶ Dividend to shareholders	249 167	12.8	651 956	26.2
▶ Interest on borrowings	58	–	68	0.0
▶ Minorities' interest	8 556	0.4	5 107	0.2
<b>Wealth distributed</b>	<b>1 450 041</b>	<b>74.4</b>	<b>1 949 832</b>	<b>78.4</b>
Retained for re-investment in the Group	498 791	25.6	536 298	21.6
▶ Depreciation, amortisation and impairment of property	567 410	29.1	378 349	15.2
▶ (Loss incurred)/Income retained in the business	(68 619)	(3.5)	157 949	6.4
<b>Total wealth distributed and reinvested</b>	<b>1 948 832</b>	<b>100.0</b>	<b>2 486 130</b>	<b>100.0</b>

	25 June 2023	Change %	26 June 2022
<b>Statistics</b>			
Number of employees	6 046	(2.0)	6 170
Wealth created per employee (R'000)	322	(20.1)	403
Wealth distributed per employee (R'000)	240	(24.1)	316
Revenue per employee (R'000)	1 762	(2.5)	1 806



**53%**  
invested in  
employees



# Our Strategy

Cashbuild has identified a number of strategic business imperatives based on identified risks and opportunities, aimed at maximising the profitability and sustainability of the Group in the medium- to long-term. Cashbuild continuously re-assesses its short- and medium-term strategy to ensure that the majority of business risks and material matters are addressed.

## OUR STRATEGIC BUSINESS IMPERATIVES

The key strategic initiatives, derived from business strategy, risks and opportunities, approved by the Board are:

- Sustainable customer base and customer loyalty**
- Increased market share and continued customer growth**
- Stable operating environments**
- Internal excellence (people, processes, systems)**
- Strategic relationships and partnerships**
- Good governance and controls**
- Staying ahead of the competition**
- Store growth**
- Supplier loyalty**

## WHAT IS MOST IMPORTANT TO OUR STAKEHOLDERS

- Availability of goods**
- Excellent service**
- Sustainability of community initiatives**
- Good governance and compliance**
- Clear and transparent reporting**
- Growth of total shareholder returns**
- Local employment opportunities**
- Development and growth opportunities**
- Economic empowerment and transformation**
- Free local delivery**

Naturally, no organisation operates in isolation and these strategic imperatives are therefore influenced directly and indirectly by the broader macroeconomic environments in which the Group operates. The Group invests significant time and effort to understand the complexities and potential impacts of these environments in order to place itself in the best possible position to deal with future events and the uncertainties that these might create.

## STRATEGY FOR CORPORATE SUSTAINABILITY

In the broadest possible sense, sustainability is defined by Cashbuild as “maximising the Group’s chances of continued profitable existence into the future”. More specifically, and borrowing from the established definition of sustainable development, it can be defined as the utilisation of current resources without being detrimental to future generations.

For Cashbuild, the concept of sustainability is not limited to the Group’s impact on investors, society and the environment, but also extends to the impact of social and environmental considerations on the Group’s ability to continue sustaining itself and supporting those individuals and organisations that depend on its success.

The value created by the Group is certainly not limited to financial returns, but also includes the somewhat less tangible value that the Group adds through its operations to the communities in which its stores are located, as well as the value that can be created through mitigation of the

Group’s environmental impacts (for example through emissions reduction initiatives). These various measures of value, and the interdependencies that they represent, all play a significant role in the Group’s efforts to grow and develop into the future.

The broader external environment in which the Group operates, including the various macroeconomic and geo-political factors identified elsewhere in this Report, will of course influence the Group’s attempts to create value for its stakeholders.

In response, Cashbuild will continue to proactively monitor these factors and take the required action, where necessary.

In developing any sustainability-related initiatives, the Board and Executive Management Team adopt a prudent approach. We ensure that the interests of Cashbuild and any of its key stakeholder groups are carefully considered in the decisions taken or strategies implemented by the Group.

# Our Material Risks and Opportunities

## RISK GOVERNANCE

The Board takes full responsibility for the governance of risk within the Group. This duty, confirmed in the Board Charter, is discharged by respective oversight committees such as the Audit and Risk Committee, IT Governance Committee and Social and Ethics Committee.

Risk Management, which is an integral component of Risk Governance, is an inherent function performed by all members of the Group's Management in compliance with directives contained in the Risk Management Framework approved by the Board via the Audit and Risk Committee. This function is managed and administered by the Group Risk and Audit Executive who has a dual reporting line to both the Group Chief Executive Officer and the Group Audit and Risk Committee.



The encompassing governance of risk is aligned with the Group's business strategy, core values, Code of Ethics, policies and procedures. This is ensured through the overview function performed by the Audit and Risk Committee which includes an annual review and approval of updates of the Risk Management Framework and Policy, and quarterly assessment of compliance thereto. The Audit and Risk Committee performs oversight on the execution of risk management service delivery as directed by the Risk Management Framework and Policy by:

<p><b>Assessing the outcome of risk identification, assessment and reporting.</b></p>	<p><b>Ensuring that an inclusive view of business risks is maintained which includes opportunities in addition to potential hazards and uncertainty impacting on business objectives.</b></p>	<p><b>Ensuring that the approved Group Risk Appetite and Tolerance Framework remains relevant, updated and consistently applied.</b></p>
<p><b>Questioning management's response to identified risks and monitoring progress against applicable action plans.</b></p>	<p><b>Considering the relevance and adequacy of external factors identified as having an influence on business objectives and risks.</b></p>	<p><b>Providing guidance and direction on the execution of risk management principles as contained in the Risk Management Framework and Policy.</b></p>

Key to the success of Risk Governance is the performance of an independent assessment of the Risk Management Policy and Framework, and execution thereof. Such independent assessment is conducted once every five (5) years with recommendations for improvement stemming from such assessment receiving the appropriate consideration.

The success of the Group's Risk Governance is evident in the ability to communicate and disclose to stakeholders the extent of identified risks having a potential impact on the business and actions taken to mitigate the likelihood and impact of these risks occurring with due reference given to the approved risk appetite and tolerance framework.

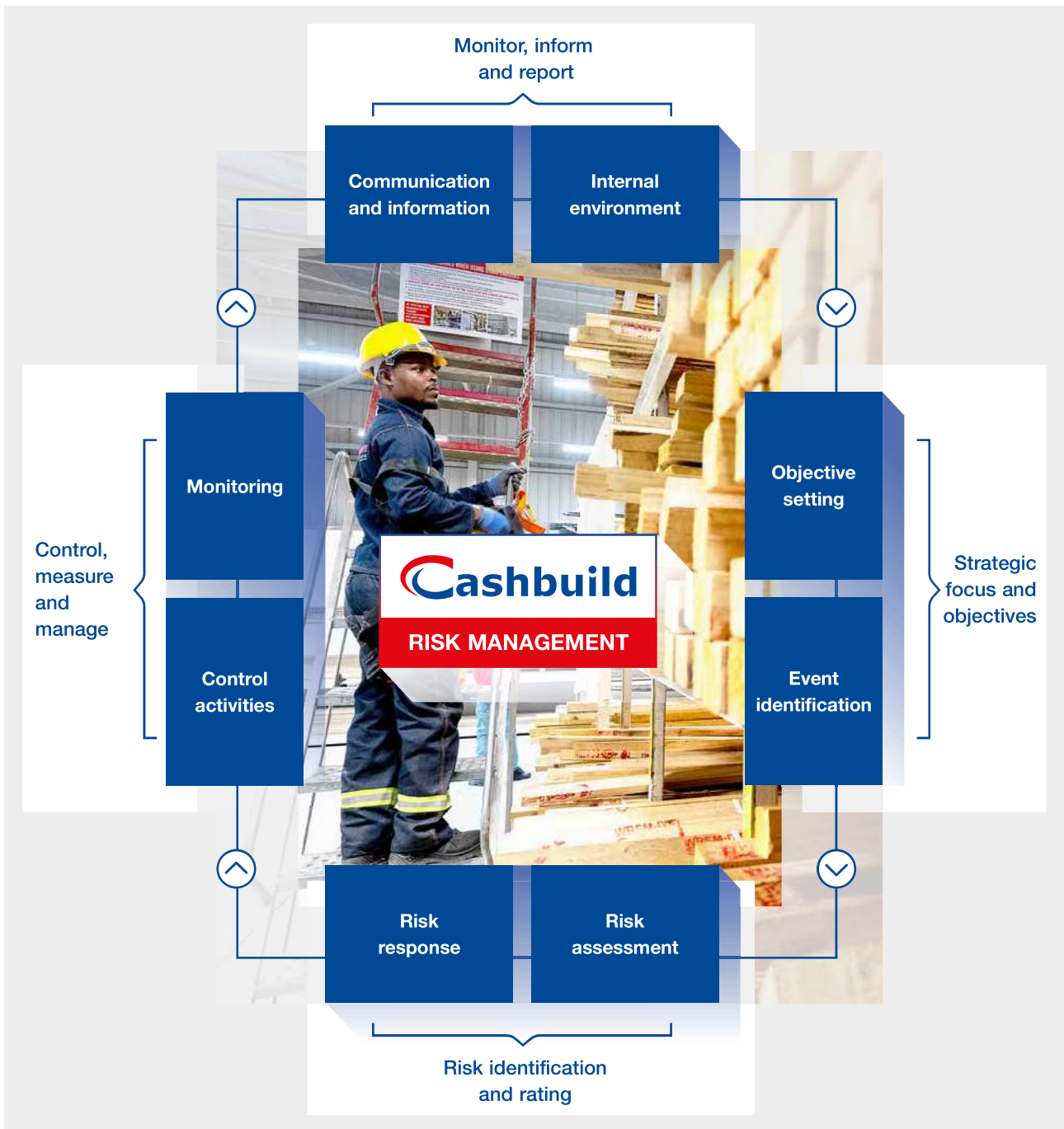
## RISK MANAGEMENT PROCESS AND FRAMEWORK

Enterprise Risk Management and Compliance is a formal response to address corporate and external risks that may hamper the achievement of Cashbuild’s strategic objectives. The Executive Management Team takes responsibility for managing Cashbuild’s key material risks and its members follow a structured approach on an annual basis to revisit and determine the relevant material matters that could affect Cashbuild’s ability to create value.

The Audit and Risk Committee assumes the oversight responsibility in this regard, and as such considers and approves the material risks prior to presenting it to the Board for its endorsement.

The risk management process also prioritised ESG matters, identified by Cashbuild, according to the impact on stakeholders and the impact on Cashbuild.

The ongoing risk management process illustrated on this page is discussed in the Audit and Risk Committee Report on pages 93 to 97 of this Integrated Report.










# Our Material Risks and Opportunities (continued)




## MATERIAL RISKS

Group material business risks identified are correlated with the Group's strategic imperatives and risk appetite and tolerance framework. During this financial year, Cashbuild has improved the business risk identification process. The business risk identification process takes due cognisance of materiality determination and the stakeholder engagement processes. The Top 10 material risks identified, are reviewed on a continuous basis and managed by the Executive Management Team.

The table below sets out the Group's top risks as at 25 June 2023 and are ranked in order of risk level:

No	Status	Risk	Strategic imperative
1. Lack of store growth.	↑	Growth/investment	<ul style="list-style-type: none"> <li>▶ A standard process of store identification by Operations Executives is done, culminating in the Group aiming to open about 10 stores per annum.</li> <li>▶ A store expansion objective is a KPA assigned to Operations Executives.</li> <li>▶ Identification, development and opening of new Small Model Stores (SMS), smaller store space and lower capex costs are receiving priority.</li> </ul>
2. Macroeconomic challenges placing strain on achievement of business objectives.	↑	Financial sustainability	<ul style="list-style-type: none"> <li>▶ Continued monitoring of the macroeconomic indicators and trends.</li> <li>▶ Adapting business plans to take cognisance of the changing trading environment.</li> <li>▶ Focus on core strengths and execution of business models.</li> </ul>
3. Loss of market share.	↑	Growth/investment	<ul style="list-style-type: none"> <li>▶ Improvement of the Group's operating model.</li> <li>▶ Improved product range (e.g. loadshedding range).</li> <li>▶ Ensuring every day lowest prices (EDLP) on top 40 product category.</li> <li>▶ Negotiating better prices with relevant suppliers to ensure better costing and maintaining margins.</li> </ul>
4. Cyber security threat.	↑	IT	<ul style="list-style-type: none"> <li>▶ Regular review of Information System Management systems, processes and controls based on the International Standard ISO/IEC 27001, including an incident response plan.</li> <li>▶ Maintaining a comprehensive security posture that includes a combination of technologies such as firewalls, endpoint protection, intrusion prevention, access controls as well as cyber threat and vulnerability monitoring.</li> <li>▶ Maintain and update processes and controls on a continuous basis.</li> <li>▶ Continuous programme of increased cyber security awareness training.</li> </ul>
5. Cost of the current store model is under pressure.	↑	Financial sustainability	<ul style="list-style-type: none"> <li>▶ The current store model is being revisited to address, amongst others, the number of people per store, capital expenditure required for a standard new store fitting, store refurbishment investments, reducing rental expectations from landlords and elimination of unused or idle store assets.</li> <li>▶ Stringent review of the FY2024 budgets with heightened attention given to support functions.</li> <li>▶ Realise a saving on current building specifications and new store capital expenditure.</li> </ul>

No	Status	Risk	Strategic imperative
6.		Growth/investment	<ul style="list-style-type: none"> <li>▶ P&amp;L Hardware's Senior Operational Management structure has been collapsed and restructured into the Cashbuild management structure.</li> <li>▶ Range of products updated to be closer aligned to target market. A "Sales and Gross Profit" model.</li> <li>▶ Store operational standards improved with increased and continued attention being given to enhance existing "Ready-for-Business" standards.</li> <li>▶ Prioritise the clearing of deranged stock.</li> <li>▶ Rebranding of P&amp;L Hardware.</li> <li>▶ Full integration of back-office support services into shared services.</li> </ul>
7.		IT	<ul style="list-style-type: none"> <li>▶ Current PoS application reaching "end-of-life" and being supported by service provider at current service levels for as long as the product is deployed in Cashbuild.</li> <li>▶ A three-year strategic services plan that deals with the: <ul style="list-style-type: none"> <li>– stabilisation of current deployed software; and</li> <li>– evaluation of alternative replacement of PoS solution.</li> </ul> </li> <li>▶ Searching is in progress for a sustainable replacement PoS solution in the long-term.</li> </ul>
8.		Operational sustainability	<ul style="list-style-type: none"> <li>▶ Optimising measures within the control of the business (e.g. procurement, forecasting, data back-up and security, supplier relationships, business contingency planning and executing business continuity controls as and when required).</li> </ul>
9.		Operational sustainability	<ul style="list-style-type: none"> <li>▶ Perform a corporate climate survey to identify and confirm the lifecycle of the business, make the Executive Management Team aware of the current status (strengths and weaknesses) and thereby identify action to be taken (if any).</li> </ul>
10.		Growth/investment	<ul style="list-style-type: none"> <li>▶ Exploring alternative opportunities which will be incorporated in the business strategy and action plans.</li> <li>▶ Improving business e-band leadership mindset and approach to business.</li> <li>▶ Execution of market share growth initiatives and action plans.</li> <li>▶ SMS model and other initiatives are being developed to find alternative sources of revenue.</li> <li>▶ Prioritise and drive sense of urgency/deadlines.</li> </ul>

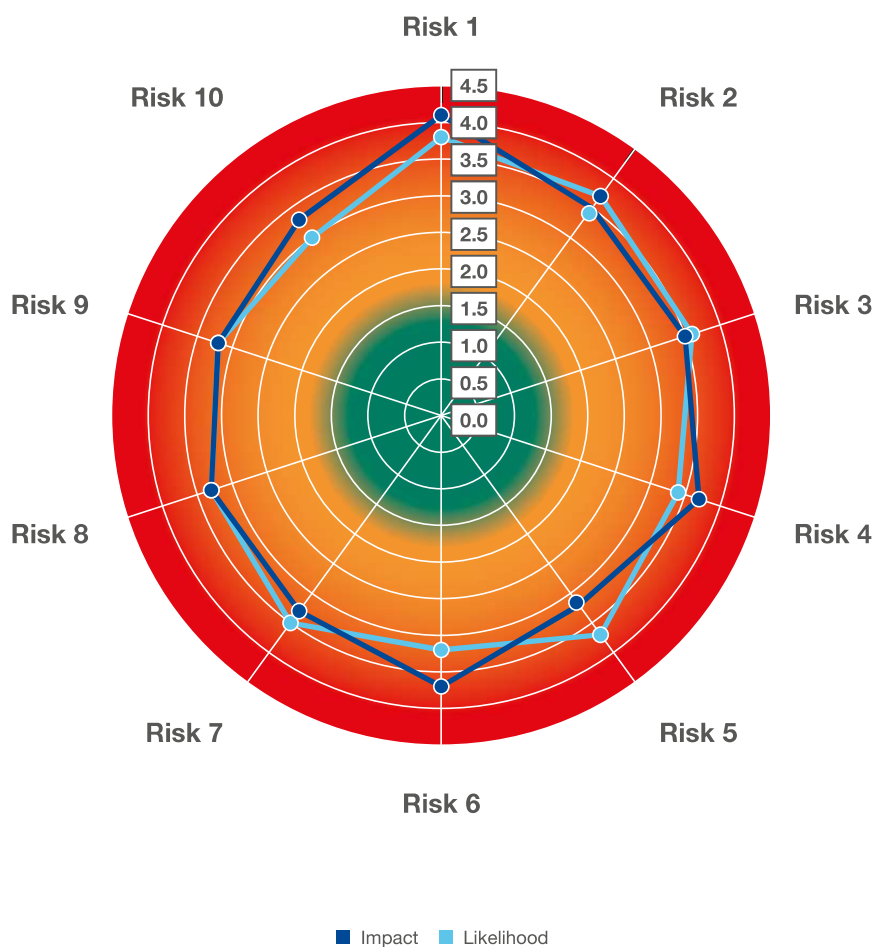
Status	Description
	High (determined by probability and likelihood)
	Medium (determined by probability and likelihood)
	Low (determined by probability and likelihood)

# Our Material Risks and Opportunities (continued)

The risks reported in this 2023 Integrated Report are aligned to the Group's strategic imperatives and are managed at a Group corporate level. The 2022 material risks reported during the previous year have been reconfigured and are being managed in terms of the Group Risk Management Policy and Framework.



The Top 10 material risk diagram



Ranking	Material risk	Category	Risk impact	Risk likelihood	Residual risk
1.	Lack of store growth.	Growth/investment	3.6	4.0	14.3
2.	Macroeconomic challenges placing strain on achievement of business objectives.	Financial sustainability	3.7	3.7	13.6
3.	Loss of market share.	Growth/investment	3.8	3.6	13.6
4.	Cyber security threat.	IT	4.3	3.1	13.3
5.	Cost of the current store model is under pressure.	Financial sustainability	3.5	3.5	12.3
6.	P&L Hardware investment not meeting expected returns.	Growth/investment	3.1	3.8	11.8
7.	Lack of future sustainable road-map of Cashbuild in-store PoS application.	IT	4.0	2.9	11.5
8.	Unreliability of power supply with potential of total electricity grid collapse.	Operational sustainability	4.0	2.9	11.4
9.	Restrictive and cumbersome consequence of inherent processes, methodology, and management style.	Operational sustainability	3.4	3.3	11.0
10.	Inadequate/sub-optimal opportunity management.	Growth/investment	3.5	3.1	10.9

Key	High risk	Medium risk	Low risk
	<span style="color: red;">■</span>	<span style="color: orange;">■</span>	<span style="color: green;">■</span>

# Our Material Risks and Opportunities (continued)

## MACROECONOMIC CHALLENGES AND CONCERNS

The following table details the macroeconomic challenges and concerns relevant to Cashbuild's operations and activities, taking into account social and environmental risks as well as key concerns of various stakeholder groups.

Challenges/concerns	Potential impact	Probability	Response	Outcome
<b>Current constrained economic conditions in the areas we trade.</b>	Medium	High	Protect market share with competitive pricing and stringent cost control.	Six (6) new stores opened.  Four (4) Cashbuild and two (2) P&L Hardware stores closed.  Group gross profit margin decreased to 25.4%.
<b>High unemployment in the areas we trade.</b>	Medium	High	By opening new stores, Cashbuild employs between 14 and 20 employees per new store.	832 new employees were employed in the current year. However, with retrenchments, abscondments, retirements and resignations, the permanent workforce reduced by 206 people.
<b>Macroeconomic developments such as exchange rate volatility, credit rating fluctuations and global economic slowdown.</b>	Medium	High	Monitoring purchase price inflation and imported cement prices.	Purchase price inflation remains high.  We only procure imported cement from reputable suppliers where local suppliers are not competitive (Western Cape).
<b>Skills shortage (including attraction, retention, and inadequate or sub-standard education and skills development).</b>	Medium	High	Through Cashbuild's training courses as well as Learnership and Bursary Programmes, we uplift and empower our employees who are keen to further their skills and qualifications.	During the current financial year 5 685 (2022: 5 539) employees attended training courses.  Learners employed: ▶ 120 NQF Level 2 learners ▶ 59 NQF Level 4 learners ▶ 125 Yes-4-Youth learners ▶ 4 Students awarded bursaries
<b>Water and electricity supply interruptions, as well as political instability.</b>	High	High	Water and electricity supply interruptions continue to hamper trading conditions.	Generators have been in place to minimise the impact of loadshedding and water tanks installed to counter water outages.  The year under review: ▶ 244 social unrest incidents compared to 263 in the previous year (which included 36 stores looted in July 2021). We place the lives of our staff above assets and do not open stores in instances of community unrest. ▶ 265 retail days lost compared to 551 in the previous year. Prior year figures influenced by July 2021 unrest in KwaZulu-Natal and Gauteng. ▶ R24.3 million in estimated potential lost sales and damages compared to R40.6 million in the previous year (excluding July 2021 looted stores).

Cashbuild's e-Commerce and digital channel initiatives continue to be very successful, given the demographics of the Group's customers.



## OPPORTUNITIES

Cashbuild's sustainable business model incorporates the identification of opportunities such as store expansion, relocation and refurbishment, customer growth and other opportunities.

The communication models incorporate factors as diverse as regional demographics, specialised retail advertising and corporate branding partnerships, all of which enable the Group to accurately develop, predict and take advantage of market trends, and thereby exceed customer expectations.

### Store expansion, relocation and refurbishment

A critical element in the achievement of our strategic objectives is a sustained and sustainable increase in the number of Cashbuild stores, as well as the physical location of each store within its catchment area. In current times, new shopping developments have been slow in coming to completion thereby impacting the target of opening an average of 10 new stores per year. These additional stores are approved on the basis of identified locations showing clear potential to meet strict financial and operational criteria. Furthermore, from a human resources perspective, investment in a new store requires significant operational and store management experience to be available within the Group for deployment into new locations.

The Cashbuild store base is reviewed and critically analysed on an ongoing basis, particularly as and when leases are due for renewal. A decision is then made on whether to extend the lease, or relocate to a site with greater potential, or when deemed not viable to continue operating from a particular store, not extend the lease and close the store.

With regard to store refurbishments, Cashbuild's strategy is to refurbish and/or upgrade all stores on a rolling six-year basis. During the 2023 financial year, 20 stores consisting of 18 Cashbuild stores and two (2) P&L Hardware stores (2022: 21 stores) were refurbished.

With regard to store relocations, during the 2023 financial year, no stores were relocated (2022: one store). As in the case of new store openings, store relocations are only needed when a store is relocated to a better trading area when the current location no longer meets the strict financial and operational criteria.

### E-Commerce and digital channels

Cashbuild's e-Commerce and digital channel initiatives continue to be very successful, given the demographics of the Group's customers. For more information on these initiatives, refer to page 42 of the Integrated Report.

### Rest of Africa expansion strategy

Cashbuild has an Africa expansion strategy, however the process of opening a store cross border remains extremely onerous and time-consuming. The Group operated 29 (2022: 31) stores outside of South Africa.

On 31 May 2022, the Board approved management's proposal to close the Zambian operations. The decision was taken due to the continued losses being made after various attempts to make the operations profitable. Necessary processes were initiated as required to ensure operations are effectively wound-up by end of September 2022. On 31 July 2022, the Zambia stores were officially closed to the public.

Opportunities to expand further into the rest of Africa will continue to be carefully considered and their viability assessed, as and when they become evident.

### Customer growth

Cashbuild's customer model is one that encourages and enables communities to build, renovate, repair and decorate their homes and businesses throughout southern Africa.

The Group prioritises and actively supports the work of local councils and other local Government bodies to build schools, clinics and housing in every community in which it trades.

It is clear from the decline in the number of transactions this year, that the number of customers are declining. This is particularly evident in the decline of retail customers, which can be attributed to the challenging macroeconomic conditions, both in South Africa as well as neighbouring countries. The decline in the customer base is also as a result of increased competition in the Cashbuild and P&L Hardware markets, with significant competitive trends in the market relating to pricing and quality of product.

In order to combat these negative trends, the Group has reviewed the product ranges in many categories and is aggressively advertising reduced pricing in a number of the major categories with specific focus on the category driving stock keeping units (SKU's). Product quality is constantly being reviewed and changes are made to ensure that the ranges are fit-for-purpose. The Group is also actively pursuing alternative products within categories in order to offer its customers more affordable alternatives.

There has also been a major focus on growing the alternative sales channels in the business and good progress has been made in this regard. These methods are continually being refined and will continue into the future.

The "Be Great" customer service programme, introduced in 2018, continues and aims to improve customer service through positive "word-of-mouth" advertising.

# Our Intellectual Capital

Investment in the Group's Intellectual Capital is intended to ensure that we continue to grow the Group's market share across all regions.

## OUR BRANDS AND TRADEMARKS

Our aim is to ensure that our brands are synonymous with quality service and product delivery. Thus, enabling us to be the preferred DIY and building materials retailer in southern Africa whilst growing our customer base.

Our main trading brands are:



Our main product brand is:



## IT SYSTEMS

Information technology is critical to the strategic transformation and organisational performance of Cashbuild. The Group strives to ensure that the IT application systems are bespoke, well suited and maintained to adequately support and enhance the Group's operating, reporting and management requirements. The project that was initiated to upgrade the P&L Hardware IT systems has been successfully completed and we can already see a marked improvement in their reporting and monitoring of stock levels.

The knowledge and systems that we employ in order to generate returns for our shareholders are key to our business.

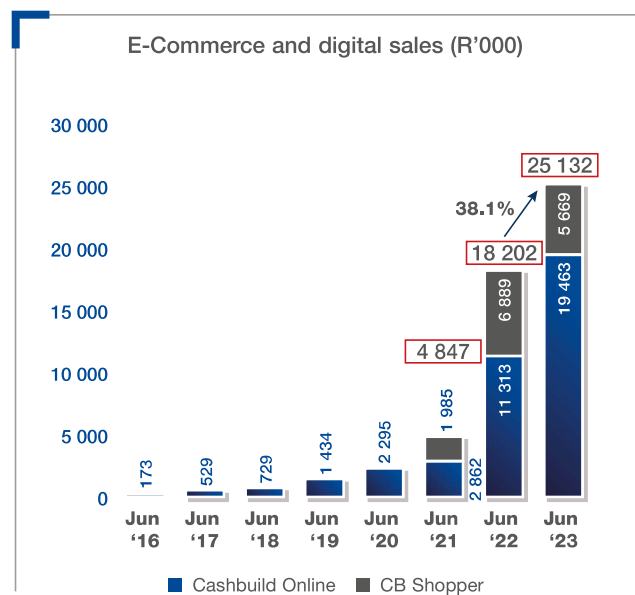
## E-COMMERCE AND DIGITAL CHANNEL INITIATIVES

In getting to know our customers better and improve direct communication, Cashbuild launched the CB Shopper customer loyalty programme in October 2018. This requires customers to provide their cell phone number at point of sale which has allowed us to analyse transactions and conduct focused marketing campaigns.

The Group has close to 6.2 million (2022: 5.1 million) unique cell phone numbers in its CB Shopper database. This digital platform is used to reward our loyal customers. Each registered CB Shopper has a chance to win their share of R50 000 worth of prizes on a monthly basis each time they shop at a Cashbuild store. Since inception in October 2018 to date, we have rewarded over 6 638 shoppers to a value of approximately R2.3 million worth of prizes. Prizes are increased during December months to further reward our customers. Random daily airtime rewards were awarded to 88 396 customers.

This, together with the product-focused campaigns, have proven to be extremely successful, resulting in digital channel sales increasing by 46.0% on the 2022 financial year. Revenue from e-Commerce and digital channel sales increased by 38.1% from R18.2 million (2022) to R25.1 million, which equates to 0.24% (2022: 0.16%) of total revenue generated.

The following online sales have been recorded:



All our stores can fulfil a customer order received via our e-Commerce and digital channels. The Group continues to enhance CB Shopper to better reward our loyal customers with various value-added services and rewards, which are in line with the latest technology and product trends.

# Our Manufactured Capital

As Cashbuild does not manufacture any products, its Manufactured Capital focuses on the Group's procurement policies to ensure the quality of the products sold in its stores are manufactured in line with its own values.

Cashbuild strives to do business with companies that conduct their activities in a responsible and ethical manner. This imperative is increasingly driven by the possibility of negative impacts or "risk by association" arising from doing business with companies that act unethically or irresponsibly.

## PROPERTY

As at 25 June 2023, the Group had 318 stores, consisting of 266 Cashbuild stores and 52 P&L Hardware stores. Of the 318 stores, the Group owns 63 (2022: 61) properties with the balance having standard lease agreements in place. Only 57 (2022: 56) of the owned properties have trading stores on them, with the remainder consisting of other tenants as well as some properties still undeveloped and available for possible future expansion of stores.

A summary of the properties occupied by the Group:

	Units	25 June 2023	26 June 2022	% change
Total floorspace under roof for stores	m <sup>2</sup>	377 635	376 537	0.3
Total land used for stores	m <sup>2</sup>	1 401 964	1 398 443	0.3
Revenue from sales per m <sup>2</sup> under roof	R'000	28 210	29 599	(4.7)
Retail stores	number	318	318	–
Retail stores in South Africa	number	289	287	0.7

## PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

Cashbuild's association with key suppliers has developed over a significant period of time, and is based on communication, trust and a mutual beneficial business relationship. The Group has, up to now, not identified a requirement to develop a quantitative method for assessing the environmental and social sustainability performance of its suppliers, but this will be further investigated as part of Cashbuild's own ESG strategy. Where suppliers manufacture products that are more environmentally friendly (i.e. floor tiles using less natural products), we will support the suppliers.

To assist our suppliers, who might have funding requirements, a Supply Chain Finance platform was launched. This allows suppliers to activate early payment at a minimal cost and greatly assist them with working capital management.

EDI is also now widely in use, and this ensures that the cost and time required from order to payment is greatly reduced.

Cashbuild has a very specific store model, with most of the stores consisting of the following areas:

- ▶ trading: 1 200m<sup>2</sup>;
- ▶ office and ablutions: 130m<sup>2</sup>;
- ▶ yard: 850m<sup>2</sup>; and
- ▶ offloading area: 450m<sup>2</sup>; and
- ▶ parking: to suit site with a minimum of 36 bays.

Cashbuild has approximately 25 smaller stores where the size of the site prevents the standard store lay-out.

The P&L Hardware stores have variable store sizes with the following average spaces allocated to:

- ▶ trading: 600m<sup>2</sup>;
- ▶ office and ablutions: 50m<sup>2</sup> to 80m<sup>2</sup>;
- ▶ yard: 850m<sup>2</sup>; and
- ▶ parking: to suit site.

## PRODUCT RESPONSIBILITY

Cashbuild is not involved in the production or manufacturing process of the products it retails. The Group is committed to sourcing products that comply with applicable building industry standards, such as those developed by the SABS and other relevant certification agencies.

In line with Cashbuild's drive to be a responsible retailer, the Group only sources products that comply with legislative requirements related to product labelling, including warning labels. The production of the Champion branded products is outsourced to current suppliers. Cashbuild shares the labelling compliance with the manufacturers. However, Cashbuild collaborates on an ongoing basis with suppliers to ensure compliance in this regard.

In certain instances, particularly regarding products with finite lifespans, such as paint or cement, Cashbuild constantly updates its procurement and inventory management practices to eliminate wastage arising from the disposal of expired products that can no longer be sold.



# Our Manufactured Capital (continued)

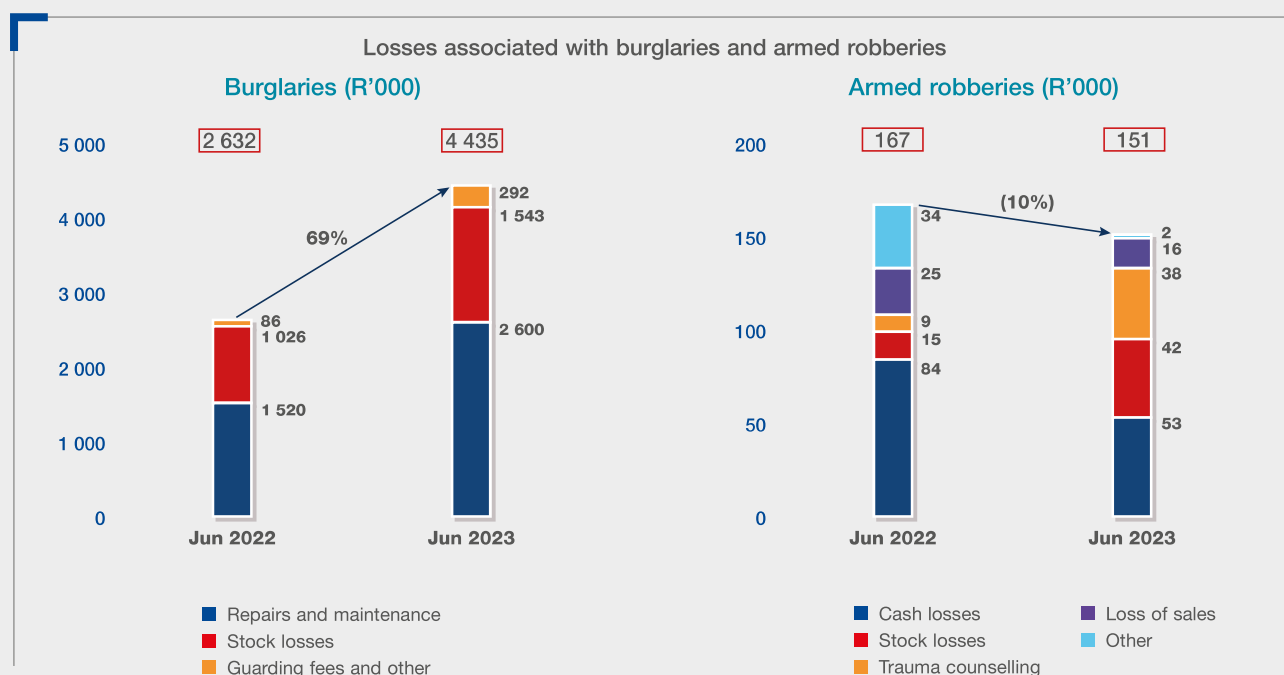
Regarding customer communication, the Group is considering making use of in-store communication and signage, to both advise customers of inherent risks associated with certain products and to educate customers regarding their proper use. CB Shopper also allows us to communicate with our customers via SMS messaging. Social media and printed leaflets are the mainstream for communication. Several educational videos are also available to our customers to assist in the correct use of products.

## SECURITY, CRIME PREVENTION AND COUNSELLING

Crime, in particular theft, at Cashbuild stores remains an ongoing challenge and the Group promotes continuous vigilance within stores to combat this issue.

An area of particular emphasis is the prevention of any instances of crime that directly or indirectly affect employees, customers or our community members.

Cashbuild remains committed to offering the victims of such crimes appropriate counselling at both an individual and a Group basis through an external service provider. The majority of crimes committed at the Group's stores during the 2023 financial year included 291 (2022: 199) burglaries totalling R4.4 million (2022: R2.6 million), up 69%, and 12 (2022: 12) armed robberies totalling R0.15 million (2022: R0.17 million), down 10%. The robbery cost per incident is up this year mainly as a result of the theft of computers. Cashbuild continues to improve security and processes around protecting our people and assets, thereby limiting damages.



Cashbuild subscribes to an anonymous tip-off service line where third parties and employees can report incidents of theft, fraud, mismanagement or unauthorised expenditure.

All tip-offs are investigated to identify their root causes and address the issues reported. The status of tip-offs logged is administered by Cashbuild's Group Risk Management department with regular updates provided to the Executive Management Team and quarterly reporting to the Social and Ethics Committee. During the past financial year, 120 (2022: 102) such incidents were reported, with each of these being

directly addressed by the Group and the appropriate disciplinary action being implemented where warranted.

This issue is also linked to the rate of employee turnover within Cashbuild. In the reporting year, a total of 567 (2022: 447) employees were dismissed across Cashbuild's operations, with the majority of these dismissals related to incidents of theft or corruption.

The Group outsources security personnel where needed and is not aware of any human rights violations committed by security personnel in the execution of their responsibilities.

During the 2023 financial year, Cashbuild had 244 (2022: 263) incidents of community unrest, which resulted in some of our stores being affected for a total of 265 (2022: 551 – excluding July 2021 looted stores) trading days throughout the course of the year. Of these affected trading days, stores were closed for 159 store days (2022: 304 store days). Trading days affected resulted in an estimated loss in sales and damages of R24.3 million (2022: R40.6 million – excluding July 2021 looted stores).

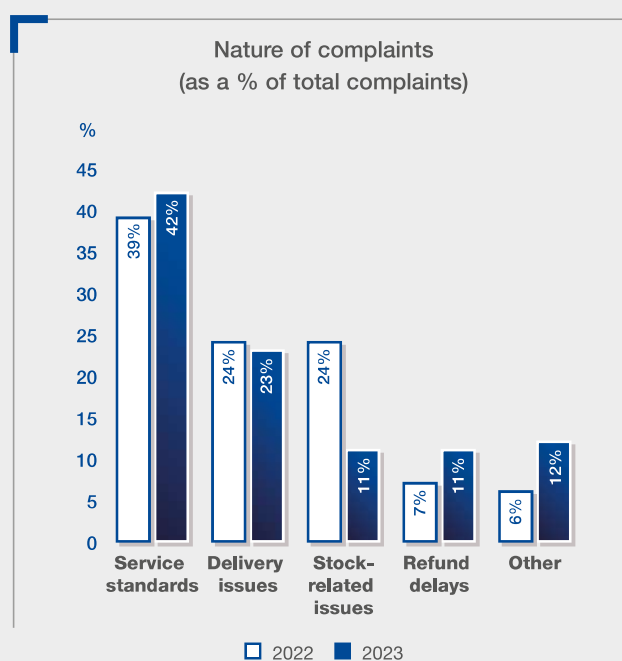
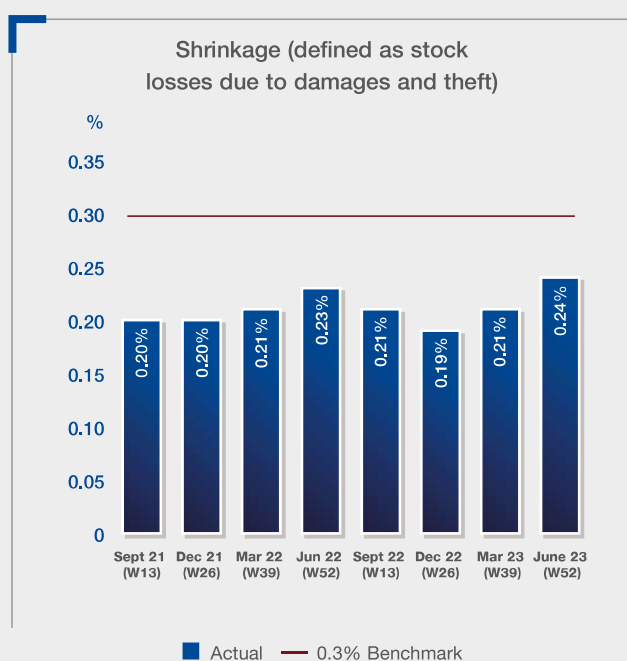
An area that Cashbuild prides itself on is the management of shrinkage risk (defined as stock losses due to damages and theft). The Group has an objective to manage this risk and minimise shrinkage losses to below 0.3% of sales. This trend has been successfully managed to a level of 0.24% (2022: 0.23%).

## CUSTOMER COMPLAINTS

Cashbuild experienced a commendable 23.1% decline in customer complaints from 532 (2022) to 409 this year. All customer complaints are taken seriously and timeously addressed where necessary.

Cashbuild also receives informal feedback in-store from customers as the Divisional Manager's details are displayed in-store to allow customers to contact them directly with service- and customer-related issues.

We have further introduced a Customer Relations Management (CRM) process to manage interactions with customers and potential customers. The goal is to improve customer service relationships and assist in customer retention and drive sales growth.



Below is a summary of the formal complaints received through our customer care hotline during the year under review:

	Unit of measure	2023	2022	2021	2020	2019
Formal customer complaints	number	409	532	771	502	400
Transactions	'000	14 732	15 886	19 672	16 973	18 107
Customer complaints per 1 000 transactions	number	0.028	0.033	0.039	0.030	0.022
Poor service customer complaints	number	173	197	211	256	184
Poor service customer complaints per employee	number	0.029	0.032	0.034	0.041	0.029
Product returns from customers	R'm	342	354	416	344	400
Average return value per transaction	Rand	618.04	801.81	580.93	590.03	646.05