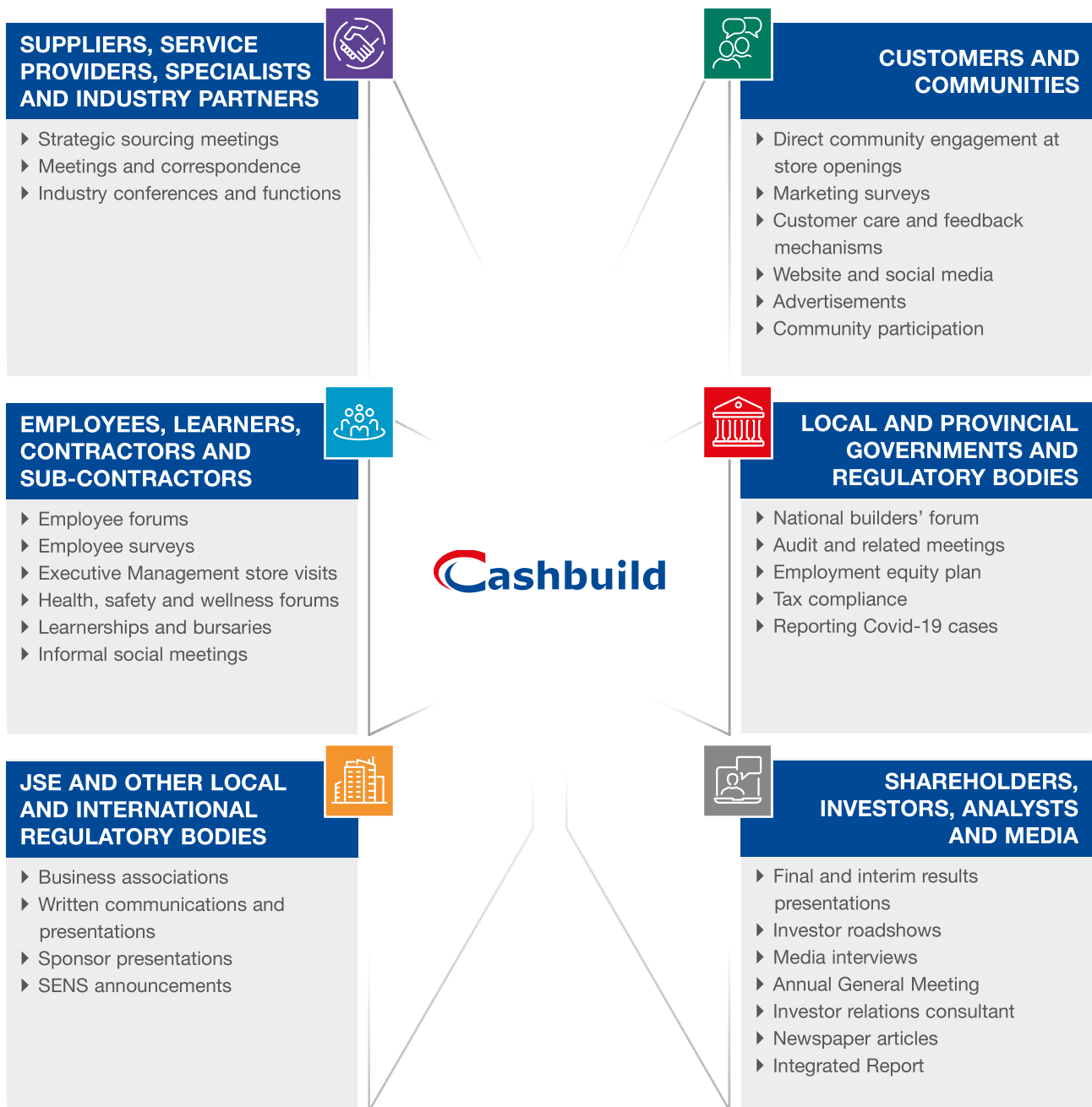


# Our Stakeholders and Related Material Matters

## 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