2020 Integrated Report

31 March 2019 - 28 March 2020

mr price group limited

mr price group limited

OUR JOURNEY

1985
Laurie Chiappini and Stewart Cohen open the very first Mr Price Factory Shop in Klerksdorp.

1986
Laurie Chiappini and Stewart Cohen, together with BOE, acquire a major shareholding in John Orrs Holdings. The Hub and Miladys are the main trading operations.

1988
128 stores across all divisions.
The group now employs 1 399 associates.
Mr Price Share option scheme is launched.
The group's retail sales reach R118m.
Share price: 28 cents

1991
Laurie Chiappini and Stewart Cohen acquire control of the group from BOE.
The red cap, a symbol of attitude, youthfulness and fun is created.

1994
Share price: R1.80

1995
18 stores open in just one day.

1996
sheet•street
The group acquires Sheet Street.

1997
The group's core beliefs of Passion, Value and Partnership are established.

1998
mr price home
Mr Price Home launches.
500 stores across all divisions.
The group now employs 4 644 associates.
Share price: R2.17

2004
Mr Price Apparel reaches the R2bn sales mark.

2006
mr price sport
Mr Price Sport launches.

2008
903 stores across all divisions.
The group now employs 11 976 associates.
Share price: R16.57

2013
mr price
mrp.com is launched.
First South African listed fashion retailer to go online.

2015
mr price money
MRP Mobile launches.

2017
Hammarsdale DC, a world class distribution centre, opens.

2019
scarlet · hill
Mr Price Apparel launches Scarlet Hill cosmetics range.

2020
1 378 stores across all divisions.
The group now employs 19 707 associates.
Share price: R118.48

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About this report

Who we are

How we did

How we govern

Forward-looking statements
Certain statements in this report may constitute forwad looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may be beyond the group's control. The directors, therefore, advise readers to use caution regarding interpreting any forward-looking statements in the report.

mr price group limited

KEY ICONS

Strategic pillars

Growth
Extend earnings growth through increased market share and operational efficiency.

Build High Performing Brands
Build strong customer relationships by delivering an ongoing experience of surprising and delighting.

Operations
Continually strive for world class methods and systems.

People
Maintain an energised environment with empowered and motivated people.

Sustainability
Subscribe to high ethical standards and sustainable business practices.

King IV

King IV Principles:

The six capitals

F

Financial
The group's pool of funds consists of cash generated from operations, interest income and funds reinvested.

M

Manufactured
The stores, distribution network and general infrastructure throughout Southern, East and West Africa, which enable us to procure, import, deliver and sell our products and services.

I

Intellectual
The intangibles that constitute our brand, product and service offering and provide our competitive advantage.

H

Human
The skill and experience vested in our associates that enable us to deliver our products and services and implement our strategy, creating value for our stakeholders.

S

Social and Relationship
The key and long-term relationships that we have cultivated with customers, suppliers, associates, shareholders, government and community.

N

Natural
The resources that are used in the production of goods and the store environment.

Stakeholders

Shareholders and the Investment Community

Customers

Associates and Partners

Suppliers

Government and Society

Business activities

People

Value Proposal

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Operations

Communication

DC and Logistics

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Suppliers

Sustainable development goals

The Sustainable Development Goals (SDGs) are a collection of 17 goals set in 2015 as a blueprint for a better world. They are designed “to achieve a better and more sustainable future for all”. Broadly, the interdependent set of goals address global challenges related to poverty, inequality, climate change, environmental degradation, peace and justice. The SDGs were adopted by all United Nations Member States, including South Africa.

ABOUT THE REPORT AND BOUNDARY

We have pleasure in presenting the 2020 integrated report (this report) for Mr Price Group Limited and its subsidiaries (group). The purpose of this report is to provide our stakeholders with a complete overview of our business, including how we work towards achieving the group's purpose of adding value to our customers' lives and worth to our partners' lives while caring for the communities and environments in which we operate.

5 15 16

Scope

This report provides a consolidated view of the group's performance for the 52-week period ended 28 March 2020. It includes the financial results of Mr Price Group Limited trading in South Africa, Botswana, Ghana, Lesotho, Namibia, Nigeria, Swaziland, Zambia, Kenya and MRP Foundation, as well as the income received from franchise operations trading elsewhere in Africa. Operations in Australia and Poland were discontinued during FY2020. Our reporting complies with International Financial Reporting Standards, the Companies Act of South Africa (71 of 2008) and the JSE Listings Requirements.

This report aligns with the requirements of the King IV Report on Corporate Governance for South Africa 2016 and the International <IR> Council's Framework (Framework). The Framework contains the six forms of capital that impact on value creation and diminution in a business. These comprise financial, manufactured, intellectual, human, social and relationship, and natural capital. The group's activities and performance relating to these capitals are covered throughout the report. The information contained in this report is consistent with the indicators used for our internal management and board reports, and is comparable with previous integrated reports. We have strived to provide useful information that enables stakeholders to make informed decisions. The outputs contained within this report are the result of a focused and considered process by both senior management and the board and its committees.

The Framework requires organisations to, as a fundamental concept underpinning the framework, report on the resources and relationships that it uses or affects, and the critical interdependencies between them. These resources and relationships are referred to as "the capitals" (refer page 2). The group is committed to integrated reporting and, as such, has adopted the framework. In the business model on pages 26 to 27, we show the value that has been created through the use of the six capitals. The group considers the trade-offs between the capitals in its decision making on allocating capital resources and seeks to maximise positive outcomes.

This report is aimed at all stakeholders and is supported by detailed reports for specific key stakeholder groups. Namely, the Board report, Audit and Compliance committee report, Risk and IT committee report, Remuneration and Nominations committee report and Social, Ethics, Transformation and Sustainability committee report represents the group's integrated reporting suite for the 2020 financial year. All of these reports including the annual financial statements and the notice of annual general meeting are available for download on the group's website: www.mrpricegroup.com.

Materiality

The board has approved a materiality framework which determines the process to identify material matters (refer page 40). Our report focuses on issues which the board and management believe are material to the group and could impact the group's ability to create and sustain value including the six capitals over the short, medium and long-term. We have aimed to demonstrate the connectivity between these material matters and our business model, strategy, risks, key performance indicators, remuneration policies and prospects. The material matters are reviewed on an ongoing basis to ensure that they remain relevant and management assumes the responsibility for the approval of these material matters, which are then endorsed by the board. All matters that are considered material to the business have been included in this report. These matters have been identified and prioritised after taking into consideration:

- Our business model and values
- External factors that impact on the group's ability to create value in the short, medium and long-term
- Strategic objectives and key business risks arising from the group's strategic planning framework
- Items that are top-of-mind to the board and executive management
- Issues derived from key stakeholder engagement

Additional information

This report aims to focus on material matters only. Where additional or ancillary information is available, this has been separately published on the group's website: www.mrpricegroup.com.

Boundary

The boundary extends beyond the group to include the risks, opportunities and outcomes attributable to/associated with other organisations, independent of the group, that have a significant impact on its ability to create value for its stakeholders over the short, medium and long-term.

Assurance

The board is satisfied with the integrity of the report and the level of assurance applied. The group's consolidated annual financial statements have been audited by the independent external auditor, Ernst and Young Inc. The disclosures within the Social, Ethics, Transformation and Sustainability committee report (pages 110 to 129) were verified by internal audit. The board is satisfied with the level of assurance on the annual integrated report and does not believe that it should be subject to further external assurance. Any forecast financial information contained herein has not been reviewed and reported on by the group's external auditors.

Approval

The Audit and Compliance committee has reviewed this integrated report (including the extracts from the annual financial statements) and recommended these to the board for approval. The board has collectively applied its mind to the preparation process and reviewed and assessed the report in accordance with the Framework. The board acknowledges its responsibility for ensuring the integrity of the 2020 integrated report and collectively reviewed and assessed the content thereof.

The 2020 integrated report was approved for release to stakeholders by the board on 28 July 2020.

NG Payne Chairman	**MM Blair** CEO	**MJ Stirton** CFO

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KING IV

This King IV overview is included early in the report to provide guidance to stakeholders on how and where to find disclosure on general application of the King IV practices and the specific disclosures required in relation to each principle.

The group appreciates that corporate governance cannot be underestimated and where there is poor corporate governance, it will ultimately result in poor business practices. The value of good corporate governance is highlighted during times of crises and uncertainty, as have been experienced globally due to the COVID-19 pandemic. The group's application of the outcomes based and holistic approach of King IV continues to be integrated into the daily aspects of the business. The ultimate goal remains the realisation of an ethical culture, good performance, effective control and legitimacy.

King IV disclosures in this report

The board chooses not to publish an application register to move away from "tick-box" governance. In the same way that good corporate governance is integrated with and implicit in everything the group does, the application of King IV and other governance practices has instead been integrated throughout the report. The specific King IV disclosures included in the content of this report and in the specific committee reports are denoted by the icon. In addition, the principles covered by each section of the report are included at the start of each section. The group has endeavored to provide relevant and material disclosure of not only the specific King IV matters requiring disclosure but also practices and procedures adopted over and above King IV practices, to enable stakeholders to make informed decisions based on material and meaningful information.

The board is cognisant that good corporate governance is a journey and requires continuous monitoring and improvement, particularly as the business develops and grows, and must be aligned to the achievement of strategy. The group thus continually seeks to improve and adjust its already robust corporate governance practices in line with best practice and stakeholder expectations. The group's governance practices provided a solid foundation and framework from and within which to navigate the COVID-19 pandemic quickly and effectively.

Details of the group's application of the King IV principles are on page 67 of the board report.

As a quick reference guide the primary King IV disclosure items can be located on the following pages throughout this report:

WHO WE ARE

THE PEOPLE'S VALUE CHAMPION

Cash-Based Omni-Channel Fashion-Value Retailer

- Targeting a wide range of customers in the mid to upper LSM categories
- Retailing own-branded merchandise
- Every Day Low Prices
- Predominantly trading in South Africa

VISION

To be a top-performing omni-channel retailer.

PURPOSE

To add value to our customers' lives and worth to our partners' lives, while caring for the communities and environments in which we operate.

VALUES

Passion

Passion means ordinary people doing extraordinary things. It's our engine and the positive attitude and enthusiasm of all our associates who approach each day smiling and projecting a positive image – believing that work is fun!

Value

Value is the heart of our business and we strive to add value in everything we do. It is more than just product, it is the way we serve the business, each other and our customers. Value is about doing more than what is expected or required.

Partnership

Mutual respect is integral to the culture of the group. We therefore refer to our co-workers as "associates" and, once they own shares or share options, they are referred to as "partners". Partnership is sharing the ownership and success of the group with all our associates and fostering solid and long-term relationships with our suppliers. Without our customers, we would not have a business, and they are one of our most valued partners. We also partner with communities, by investing in strategic initiatives that will improve the lives of those who are less fortunate, particularly children and youth.

GROUP PERFORMANCE

Achievements

- Included in FTSE/JSE Responsible Investment Top 30 Index
- Included in the Dividend Plus Index
- Highest ranked apparel retailer in JSE Top 40
- #1 ranked clothing store shopped at most often (Broadcast Research Council 2019)

Market cap

R31 bn

Share price

R118

Gross profit margin

41.2 %

Operating margin

17.4 %

311.4
Dividends per share (cents)

1 047.0
Headline earnings per share (cents)

3 636
Net asset value per share (cents)

JSE Top 40 ranking

36

JSE Top 40

Highest ranked apparel retailer

21st most valuable brand in SA
Kantar Millward Brown

R23.0 bn
Retail sales and other income

R5.1 bn
Free Cash Flow

84%
Cash sales as a % of total sales

220 million units sold over the financial year

Gross space

764 353m²

2.2%
increase in weighted average space

Stores (corporate owned)

1 378

South Africa: 1 254
Rest of world: 124

People

19 707
associates employed across the group

Head office: 2 768
Stores: 16 939

1.0 million Instagram followers and over 2.2 million Facebook followers

49 million visits to our divisional websites

STRONG FUNDAMENTALS

Independent research of the group versus the market, based on FY2019 data for comparable purposes.

Amidst the gloomy consumer outlook, we have a clear growth plan which we are able to execute from a position of strength.

Return on Equity*

35.3%

mr price group limited

JSE Top 40

12.3%

Competitors

10.3%

Return on Assets*

21.5%

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JSE Top 40

5.3%

Competitors

6.1%

Debt/equity*

1.4%

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JSE Top 40

64.6%

Competitors

76.0%

Performance and returns

HEPS growth

20.0%
34 year CAGR
mr price group limited

***8.8%**
5 year CAGR
mr price group limited

***1.3%**
5 year CAGR
Competitors

Total shareholder return

15.3%
10 year CAGR March 2020
mr price group limited

*FY2019 for comparable purposes
Source: Refinitive Eikon last 12 months rolling. Competitors: Average of WHL, TFG, TRU, PPH.

Balance sheet

HOW WE COMPARE

Current ratio

mr price group limited

3.9
2.1

Competitors

Quick ratio

mr price group limited

2.7
1.3

Competitors

Inventory turn

mr price group limited

5.0
4.1

Competitors

Source: Refinitive Eikon last 12 months rolling. Competitors: Average of WHL, TFG, TRU, PPH.

COMPETITIVE EDGE

Fashion

Wanted items at Every Day Low Prices

Value

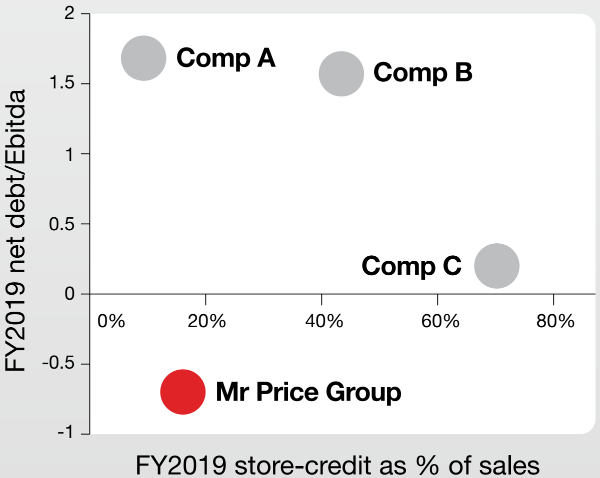
Lower mark-ups and selling higher volumes to offer excellent value

Cash

Remaining a cash driven retailer with cash sales > 80% of total sales

Positioned for growth

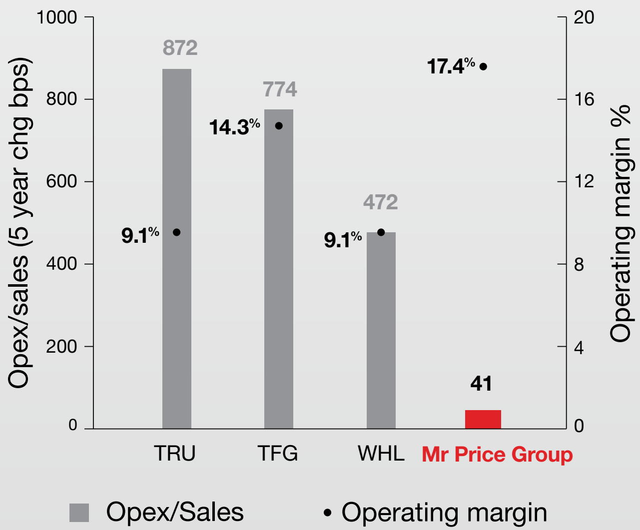
No debt, high cash contribution



The group is ungeared and has a low proportion of store credit sales, providing a platform for growth.

Low cost model

Continued strong operating leverage (2014 - 2019)

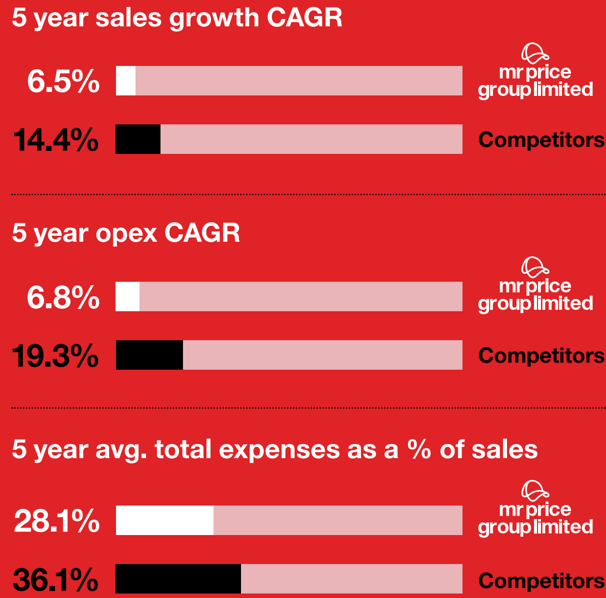


The group's operating expense to sales ratio has remained unchanged relative to the rest of the sector's growing overheads. The group's operating margin is the highest in the retail sector.

Source: JP Morgan | Bank of America Merrill Lynch FY2019

Income statement

HOW WE COMPARE



Source: Bank of America Merrill Lynch FY2019. Competitors: Average of WHL, TFG, TRU

STORE FOOTPRINT

Total owned stores

1 378

Total gross traded area: **764 353m²**

mr price	mr price sport	MILADYS	mr price home	sheet street
Total stores	Total stores	Total stores	Total stores	Total stores
532	**124**	**232**	**177**	**313**
Average store size **748m²**	Average store size **636m²**	Average store size **317m²**	Average store size **862m²**	Average store size **197m²**
Total trading area **397 766m²**	Total trading area **78 820m²**	Total trading area **73 458m²**	Total trading area **152 625m²**	Total trading area **61 685m²**

STORE BREAKDOWN

South Africa

1 254 Total stores

468	Mr Price Apparel
118	Mr Price Sport
219	Miladys
158	Mr Price Home
291	Sheet Street

Country	Total stores	Mr Price Apparel	Mr Price Sport	Miladys	Mr Price Home	Sheet Street
Botswana	31	14	2	4	4	7
Kenya	13	8	0	0	5	0
Swaziland	11	4	0	3	1	3
Ghana	4	4	0	0	0	0
Namibia	41	18	4	5	6	8
Zambia	14	9	0	0	2	3
Lesotho	5	2	0	1	1	1
Nigeria	5	5	0	0	0	0
Franchise	9	7	0	2	0	0

E-COMMERCE

#1 **Mr Price Apparel is the number 1 fashion retailer in SA, on instagram**

80% of all Mr Price Apparel sessions and online orders come through a mobile device

59% of Mr Price Apparel shoppers are influenced by social media when deciding where to shop

Lifetime video views on YouTube:
>55 million

Instagram followers:
1.0 million

Facebook followers:
>2.2 million

Visits to divisional websites:
49 million

ONLINE GROWTH FY20

Mr Price Apparel	+17.2%
Mr Price Sport	+32.8%
Mr Price Home	+16.7%
Total growth	**+17.5%**

ONLINE BASKET SIZE

exceeds store basket size **on average by 50%**

OMNI-CHANNEL*

Click + Collect: contributes >65% of all online orders

17% of customers purchase another item while collecting in store

43% of customers shop both online and instore

FIRST IN SOUTH AFRICA

MRP.com launched 2012
First listed fashion retailer to offer online shopping, delivering anywhere in SA

MRP fashion app launched 2013
First listed omni-channel fashion retailer to offer online shopping through an app

Dual fulfilment 2014
Order routing system built to check all stores inventory before directing to central warehouse

Paperless transactions 2016
Electronic receipts drive bricks customers to online platforms through targeted marketing

MRP App adds Home and Sport 2017
All 3 'red cap' divisions available to browse and purchase in one app

Click + Collect Lockers 2012 2018
Offer self-service, hassle-free collection of online orders within a safe store environment

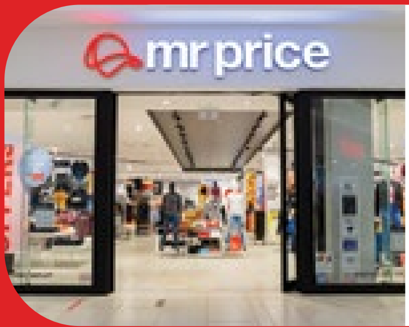
Visual search 2019
First omni-channel fashion retailer to launch this. Match any image or photo to Mr Price products

Scan to Pay 2020
Launched contactless, safe, mobile wallet allowing customers to pay within our the mrp app

*Mr Price Apparel statistics

OUR DIVISIONS

Apparel



mr price

Sub brands:

RT, RT KIDS 7-14, OR oakridge, red, redX, mrp, mrp KIDS 1-7, PROJECT, scarlet·hill beauty

A fashion-leading clothing, cosmetics, footwear and accessories retailer that offers on-trend and differentiated merchandise at extraordinary value to ladies, men and kids.

Through constant innovation and product development, staying on the pulse of international fashion trends and diligent resourcing, this brand is able to make trend-led fashion accessible to customers at highly competitive prices.

Target summary
Youthful customers who love fashion, appreciate extraordinary value and are primarily in the middle-income demographic.

mr price sport

Sub brands:

maxed, maxed TERRAIN, maxed ELITE

Makes active and outdoor living accessible to all through its sub-brands Maxed, Maxed Elite and Maxed Terrain. The Maxed range comprises equipment and apparel for fitness activities, key sport types and those who love to move! Its competitive pricing also makes it the perfect fit for the budget conscious. Its customer is the value-minded sports or outdoor enthusiast. With gear for infants, kiddies and adults, the aim is to serve everyone who's fit, fun and forever young. Its value-focused, authentic sports offering appeals to middle and upper income consumers.

Target summary
Value-minded sports or outdoor enthusiast. Value-focused authentic sports offering appeals to the 8 to 10 LSM range.

MILADYS

Sub brands:

WonderFit DENIM THAT WORKS WONDERS

Delighting customers with feminine women's smart and casual fashion apparel, intimate wear, footwear and accessories, of exceptional fit, quality and versatility at competitive prices, with clothing offered in extended size ranges.

Miladys really understands women. The division employs over 1 300 women of all shapes, ages and backgrounds. That means women are buying for women.

Target summary
Stylish fuller figure, 40+ women who shop for feminine, moderate fashion that makes her look and feel good, primarily in the 7 to 10 LSM range.

Home

mr price home

Sub brands:

kids home

PREMIUMRANGE

A mass market homeware retailer with broad spectrum appeal. Delighting customers by selling a comprehensive range of co-ordinated, contemporary homeware and furniture of good quality and competitive pricing, thereby creating great value. Its customers are trend aware, value conscious and love making their homes a beautiful place to be.

Target summary
Customers are predominantly women over the age of 25, from LSM 6 to 10.

sheet street

A value retailer offering a wide range of core and fashion products across the bedroom, living-room and bathroom.

The brand offers tasteful homeware products at exceptional value, allowing its customer to create the home they love, at a price that they can afford.

Target summary
Middle-income households (LSM range 5 to 8) looking to co-ordinate their homes tastefully but responsibly.

Financial Services and Cellular

mr price money

Sub brands:

mrpcellular

mrpinsurance

mrpmobile

The division incorporates MRP Cellular, MRP Mobile and MRP Insurance. It is focused on supporting the group's profitable growth in retail market share with a focus on building and maintaining real relationships with customers. Its product offering includes lending of credit, management and collection of debtor's books as well as the marketing of financial services, cellular products and value-added services.

The primary financial products (store cards, airtime and insurance) are positioned to add value to customers' unique lifestyles, build their trust and support the customer's lifetime journey with the brand. The product offering aims to be competitive, transparent, seamless and easy to understand with the customer-experience at the heart of it.

BUSINESS ACTIVITIES

Our business activities are enabled by our systems, suppliers and logistics, and are all geared to ensure our ability to provide sustained growth for our stakeholders. Decision making is guided by our strategic pillars enabling us to focus on what matters most to our business. In doing so, we are able to optimise the trade-offs between our capitals (refer page 2) that arise as a consequence of our business activities. The outcomes of our business activities include the internal and external consequences for our stakeholders and our resources, acknowledging that these can be positive or negative, and collectively result in the value that we create over time.

Capitals: F I H S — Strategic Pillars

People

- Passionate
- Energised organisational culture
- Our partners who act as business owners

The group's highly passionate and committed people are the heart of the business. The group strives to be a sought-after employer by offering leading development and career opportunities.

Inspired by its core founding values of Passion, Value and Partnership, the culture and climate is closely monitored and guarded.

The group's share schemes and incentive remuneration philosophy encourages its people to act as part owners and to participate in the group's success.

The MRP Foundation's Jump Start programmes provide a sustainable pipeline of retail talent to the group.

Capitals: F I H — Strategic Pillars

Value Proposal

- Best price for quality and fashion offered
- Every Day Low Prices

The value model is the very core of the group's existence and being a fashion value retailer means lower mark-ups and selling higher volumes to offer excellent value with Every Day Low Prices.

The group retails differentiated private label assortments that are dominant in the wanted fashion items of the season. Its primary focus is providing customers with the best price for the quality and fashion offered.

By remaining a cash driven retailer, the group is able to fund future growth without incurring debt. Operating margins are driven by improving trading densities and a low overhead structure.

Capitals: F M I H S N — Strategic Pillars

Merchandise

- Style, fashion and assortment
- Merchandise intensity and quality
- Ethical and sustainable

The group satisfies its customers' needs for fashionable items through specialist trend teams, frequent international travel and thorough research. Inspiration is derived from visits to trend offices, trade shows and international retailers where the opportunities to study local and international street styles, help to keep in touch with what customers are wearing.

From their research and travel process, the merchandise teams identify key commercial looks for their customers with test programmes that manage the risk to the businesses.

Post-seasonal analysis facilitates rationalising what worked and what did not work from the previous season and is a key factor in planning calls for the future.

Capitals: F M I H S N — Strategic Pillars

Operations

- Store size and location
- Layout and design
- Omni-channel

The group retails apparel, homeware and sportswear through owned and franchise stores and online channels. Retail operations are located in Africa.

The group builds stores at a cost aligned to its value model, while delivering an appealing store experience to customers. Occupancy costs are minimised through negotiation and a stringent lease renewal policy.

Return from space is maximised by suitably locating stores, and right-sizing space in line with trading conditions and market changes.

The group's e-commerce platform and mobile app also provides other channels to interact with customers.

Capitals: F M H S

Strategic Pillars

Communication

- Positional
- Promotional
- Aligned to brand personality

The business and merchandise strategies are the foundations upon which seasonal advertising campaigns are built. Clear product and price advertising is integrated with the brand personality.

Product presentation, together with its visual support material, provides customers with a consistently clear offer of what the brand stands for. All print and TV campaigns are fully supported in store.

Active dialogues through social and digital media enables the group to respond to customers' changing fashion needs. This feedback plays a vital role in keeping us in touch with social trends. Customers are able to shop the looks worn by #mrpmystyle online or seen on #mrpyourhome.

Capitals: F M I H S N

Strategic Pillars

Supply Chain Operations

- Warehousing, distribution centres, transportation

The Logistics operating division provides a diversified range of supply chain services, encompassing imports, warehousing, distribution and export. Strategically selected third-party providers manage the inbound and outbound transportation of merchandise to stores.

The group's complete stock distribution function, including receiving, storage, picking, packing and despatch, takes place from its 62 000m^2 distribution centre in Hammarsdale.

Supply chain operations have been developed with the core focus being placed on customers to ensure that product is shipped, fulfilled, distributed and delivered to the right place, at the right time and at the right cost. The division is committed to continuously evaluate, innovate, and upgrade technology and processes ensuring sustained gains in operational efficiency.

Capitals: M I H S

Strategic Pillars

Systems

- Enabler for all business processes and innovations

The Mr Price IT division aims to provide agile and innovative solutions, that enable the divisions to be top performing value retailers.

This is achieved by providing robust and efficient systems which enable the effective execution of business processes, as well as the delivery of strategic projects. These collectively create the opportunity for growth and innovation.

The division supports the provision of IT infrastructure, software and support services across a broad range of on-premise and cloud solutions. These span across supply chain, merchandising, omni-channel sales and financial services.

Capitals: I S N

Strategic Pillars

Suppliers

- Strategic supplier partnerships and high volume resourcing

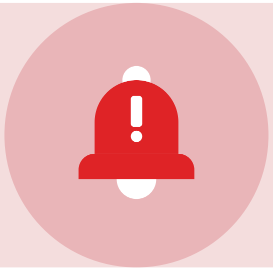
The group builds strategic partnerships with key suppliers to enable it to add value to its customers' lives.

The group continues to focus on enhancing its sustainable competitive value chain. The group interacts with suppliers according to high professional and ethical standards (refer page 113) and its suppliers are expected to comply with the group's Code of Conduct.

The group sources its merchandise from both local (RSA and Africa) and international suppliers. The local supplier base accounts for 45.7% of total units sourced.

COVID-19 IN SOUTH AFRICA

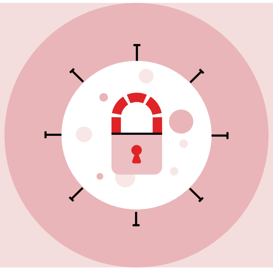
An overview of events from March 2020



Pre-lockdown

March 2020

- First confirmed COVID-19 case in South Africa 5 March 2020
- Durban head office closed 9 to 10 March 2020 as a precautionary measure and to deep clean, following suspected associate infection
- National state of disaster declared on 15 March 2020



Lockdown level 5

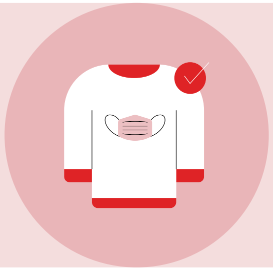
27 March to 30 April 2020

- Nationwide lock down implemented
- All stores closed and unable to trade (all non-SA regions experienced some form of COVID-19 trading restrictions except for Kenya and Zambia)
- No deliveries of e-commerce orders permitted
- Work from home for all associates

Lockdown level 4

1 to 31 May 2020

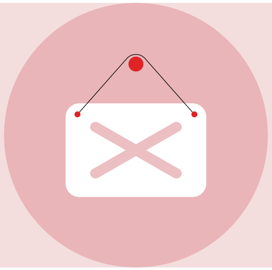
- Easing of lock down restrictions
- Stores permitted to trade under strict health and safety protocols
- Restricted merchandise permitted to be sold in store (only essential winter and kids clothing, and winter bedding)
- E-commerce deliveries for permitted essential winter products allowed
- Continued work from home for majority of head office functions. Very limited return to work, including store associates and certain core office based functions



Lockdown level 3

1 June 2020 to date

- Further easing of lock down restrictions
- All stores continued to trade
- All merchandise categories permitted to be sold
- E-commerce deliveries for all merchandise
- Limited return to work for head office functions as necessary. Work from home continued for support functions



Outlook

- SA infection rate on a steep upward trajectory
- Infection peak expected in August or September 2020
- Temporary store closures and operating disruption anticipated
- Possible reversion to Level 4 or Level 5, regionally or even nationally, as infections peak

PARTNERSHIP DURING COVID-19

From day one, our value system guided our actions. Our engagement during this time will shape our future.

Associates

- Most important stakeholder
- Frequent communication
- Full pay to date. Executive management and non-executive directors took a voluntary salary and fees cut of 10%-15% for 6 months
- Full work from home capabilities enabled for relevant functions

Suppliers

- Merchant teams worked closely with suppliers to manage order book
- Avoided unilaterally cancelling orders
- We need our suppliers to survive and grow with us

Communities

- Co-funded 10 000 t-shirts and caps used by front line testers
- Donated to the KwaZulu-Natal Growth Initiative and the South African Solidarity Response Fund to support relief initiatives
- Trading divisions launched their own targeted 'Together we do Good' campaigns

Partnership

Landlords

- Engaged extensively with retail and landlord CEO's
- Based on legal advice, no rent was payable during lockdown level 5
- Notwithstanding this, the group reached agreement with a landlord representative group for payment of a portion of rent in lockdown level 5 and 100% of rentals and costs for levels 4 and 3

Shareholders

- Issued SENS notice prior to lockdown (26 March)
- Communicated change in results release (4 May)
- Extensive engagement process. General meeting to approve equity raise

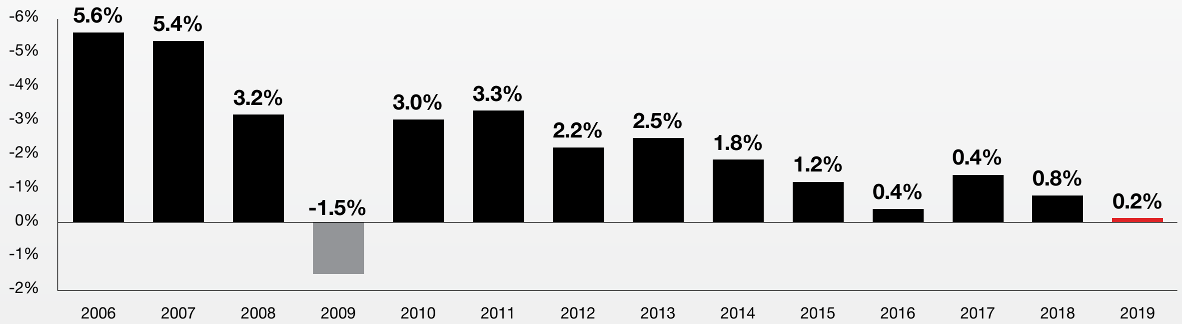
Customers

- Stores equipped with PPE, sanitiser and other protective measures and implemented all legislated health and safety protocols
- Focus on ensuring a safe and comfortable shopping experience
- Maintaining customers' trust is in the hands of the group's frontline associates

ECONOMIC OVERVIEW

Pre COVID-19

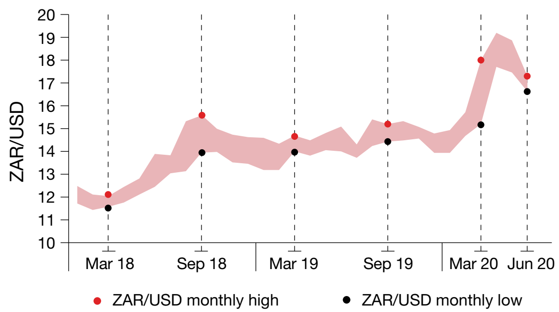
South African GDP growth



The SA economy grew 0.2% in 2019, the lowest level since 2009. The last two quarters of 2019 declined (technical recession).

Business confidence	CEO confidence	Unemployment rate	SA CEO's concerns
18 index points (Q1 2020)	**40 index points (Q4 2019)**	**30.1% (Q1 2020)**	**State of the economy, load shedding, corruption and SOE's**
28 index points (Q1 2019)	49 index points (Q4 2018)	27.6% (Q1 2019)	

ZAR/USD exchange rate



Avg. exchange rate

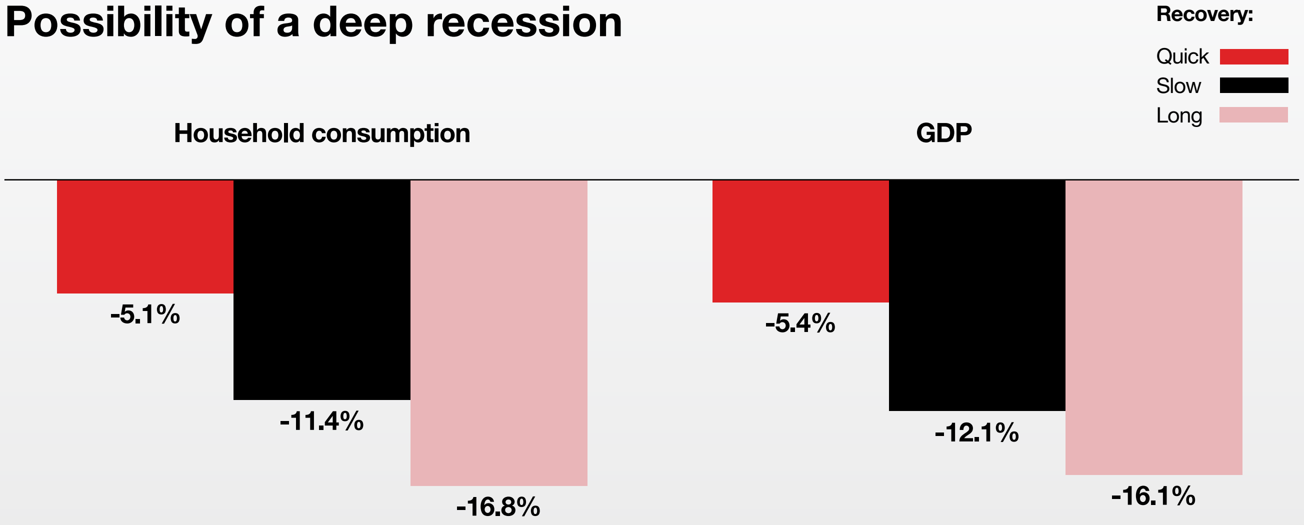
Q4 FY2020:	**R15.37**
Q4 FY2019:	**R14.01**
30 Mar FY2020:	**R18.07**

Source: SARB, BER Business Confidence, Stats SA, Merchantec Capital

THE COVID-19 EFFECT

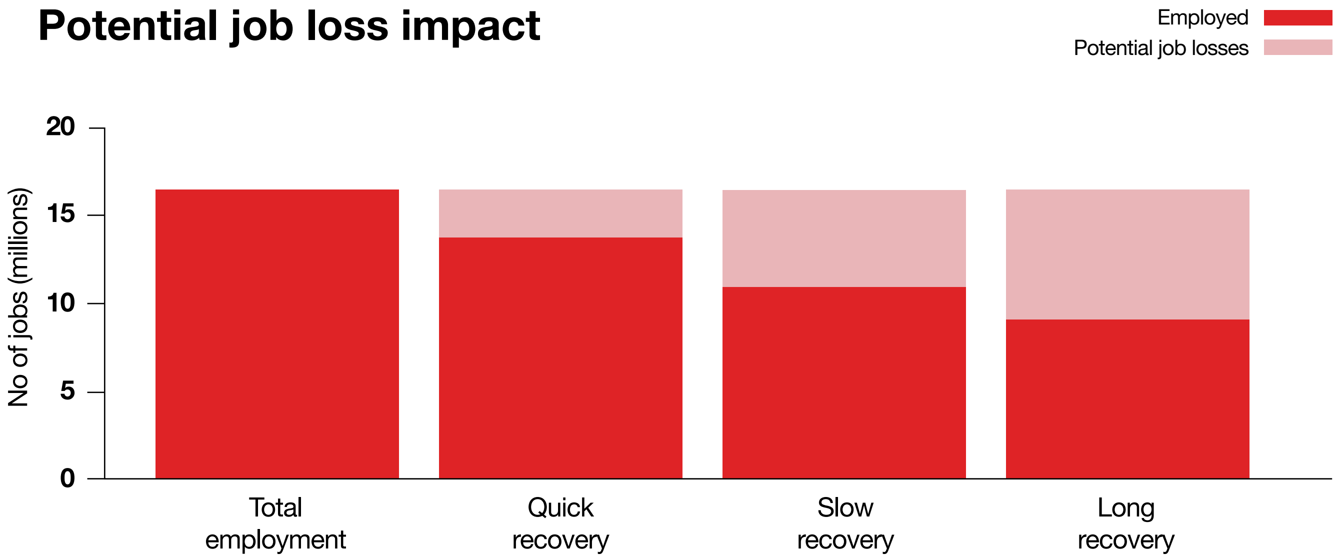
A quick recovery case could see the consumer environment less affected than originally thought. The long recovery case would have a significant impact on all sectors in SA.

Possibility of a deep recession



Business confidence fell 13 index points in Q2 2020 to its lowest recorded level

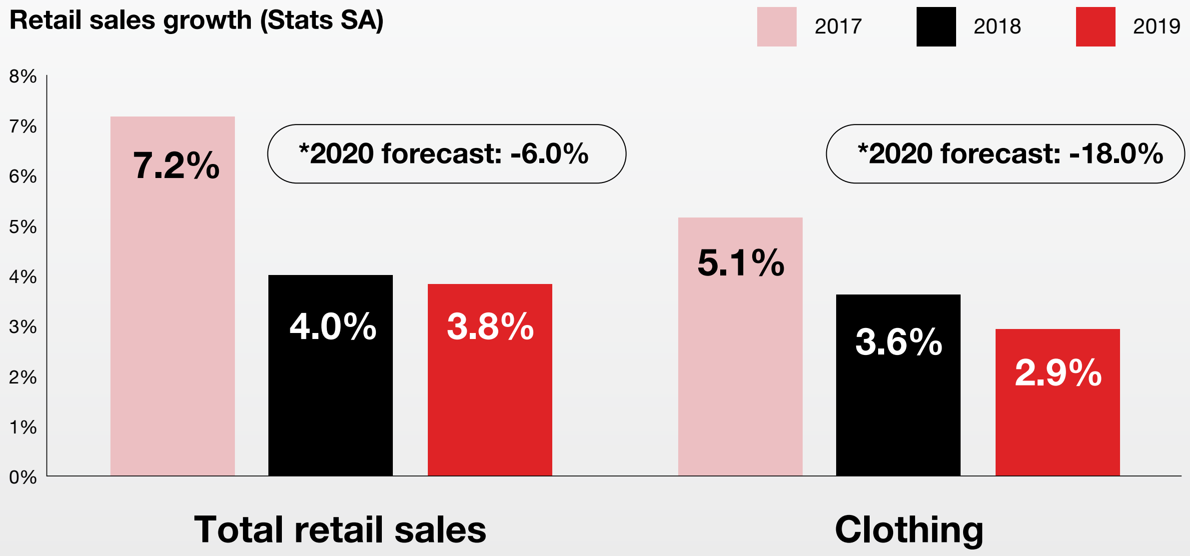
Potential job loss impact



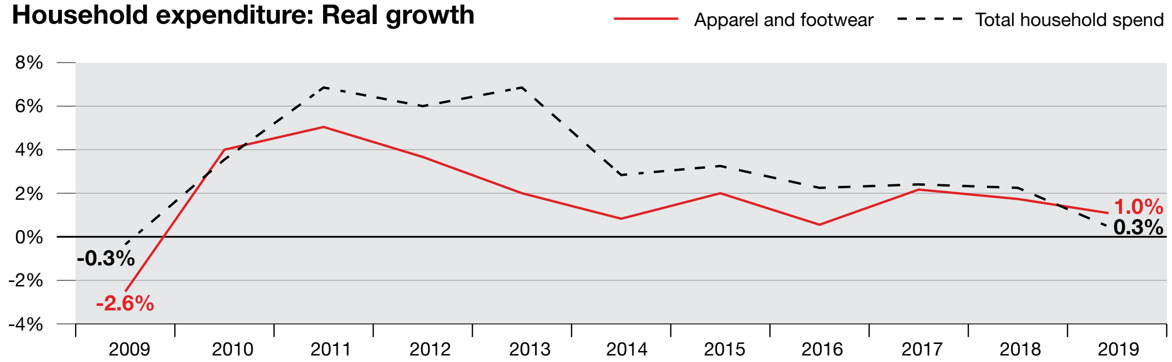
Source: National Treasury, Bloomberg, IMF

CONSUMER OVERVIEW

Retail sales growth (Stats SA)



Household expenditure: Real growth



Consumer confidence

Q1 2020	Q1 2019	Q1 2018
-9 index points	+2 index points	+26 index points

Source: Stats SA, SARB, BER Consumer Confidence, * RMB Morgan Stanley

OPERATING ENVIRONMENT

South Africa

Revenue contribution

92.0%

Strategic approach

Refocus efforts into primary market

Strategic pillars

Opportunities

- Capitalise on sourcing agility to lessen COVID-19 supply side impact
- Potentially lower valuations on M and A targets due to COVID-19
- Opportunity for government reform to stimulate economy
- Entrench Mr Price brand as the peoples value champion
- Ability to scale existing group infrastructure to enable growth
- Knowledge of local customer enabling brand and product extensions
- Further space growth opportunities
- Leverage high brand awareness and engaged customer base
- Improve stock turn through effective inventory management
- Strategic investments through use of healthy cash balance
- Pipeline of stores to be revamped and re-branded from MRP to Mr Price

Challenges

- COVID-19 impact on supply chain and local demand
- Declining economic growth and uncertainty exacerbated by COVID-19
- Increasing COVID-19 cases
- Slow delivery of government reforms to stimulate economy
- Currency volatility impacting import businesses
- Rolling power blackouts limiting business activity
- Local textile manufacturing limitations
- Weakened consumer spending power
- Increased retail competition
- Black Friday changing consumer spending patterns
- Discrepancy between customer experience in old stores and new stores

Response

- Refer page 84 for COVID-19 response
- Embraced our value of 'Partnership' from day one
- Acted swiftly to ensure supply chain adjusted to replace most at-risk merchandise
- Emphasis on Every Day Low Pricing, value and customer experience to maximise full price sales
- 71 new stores and 3.2% new space growth
- Reinvest in brands through store revamps and marketing
- Launch of Scarlet Hill
- Strategically aligned with Retail Clothing, Textile, Footwear, Leather goods (CTFL) masterplan to further support local sourcing
- Jump Start programme supporting job creation
- Extended hedging period for foreign exchange
- Research local organic and acquisition opportunities
- Re-setting of input margins to enhance value where necessary

Africa

Revenue contribution

7.5%

Strategic approach

Consolidate portfolio and invest in scalable opportunities

Strategic pillars

Opportunities

- Potential of emerging consumer
- Grow brand awareness off existing base
- Untapped retail space
- Low formal retail competition
- No cross seasonal planning required
- Close proximity suggesting shorter lead times
- Sourcing opportunities from the continent

Challenges

- Economic environment across markets
- Ongoing drought in Namibia (biggest region)
- Inconsistent government policy between countries and leadership within countries
- Liquidity constraints and slow repatriation of funds
- Stock flow, port disruptions and changing import tariff policies
- Dollar based rentals
- Xenophobic threats

Response

- View markets on a portfolio basis
- Exit unprofitable, complex or unscalable markets
- Increase local knowledge to improve supply chain
- Research opportunities to diversify supply chain
- Continue appropriate levels of investment

Rest of the world

Revenue contribution

0.5%

Strategic approach

Exit underperforming markets

Strategic pillars

Opportunities

- The group is not currently focusing on international opportunities

Challenges

- Uncertainty in US/China trade deal and impact on emerging markets
- COVID-19 threatening supply chain. China represents 48.5% of the order book
- Australia and Poland
  - lack of local market and customer knowledge
  - inefficient supply chain to support value model
  - disproportionate management activity required
  - low brand awareness, equity and strong existing competition
  - high proportion of online retail challenging traditional retail

Response

- Exited Australia and Poland
- Refocus energy back into South Africa
- Less sourcing reliance on a single market. Exploration of alternate countries

BUSINESS MODEL

Strategic pillars	Capitals	Stakeholders
Growth Extend earnings growth through increased market share and operational efficiency.	F M I H	
Build high performing brands Build strong customer relationships by delivering an ongoing experience of surprising and delighting.	F M I H S	
Operations Continually strive for world class methods and systems.	F M I H	
People Maintain an energised environment with empowered and motivated people.	F I H S	
Sustainability Subscribe to high ethical standards and sustainable business practices.	F M I H S N	

Resources applied and key relationships

H Human capital

- 19 707 associates
- R35.6m spent on learning and development
- R2.4bn remuneration paid to associates

I Intellectual capital

- Established Mr Price brands
- The Mr Price Way: Entrenched buying, planning and supply chain processes
- Mr Price Fashion Value formula
- 34 years of historical data available

M Manufactured capital

- 1 378 number of stores
- 764 353 m² of gross space
- E-commerce capabilities: websites, apps, social media
- Trading in 13 countries
- Highly mechanised 62 000m² DC

F Financial capital

- R4.7bn cash available
- R442m credit facilities unutilised
- New capital invested of R515m
- Working capital inflow of R458m

S Social and relationship capital

- R13.3m external donations to MRP Foundation
- 30+ years track record with landlords and suppliers
- Supplier grading tool (refer page 120)
- 3 523 participants in Jump Start programmes

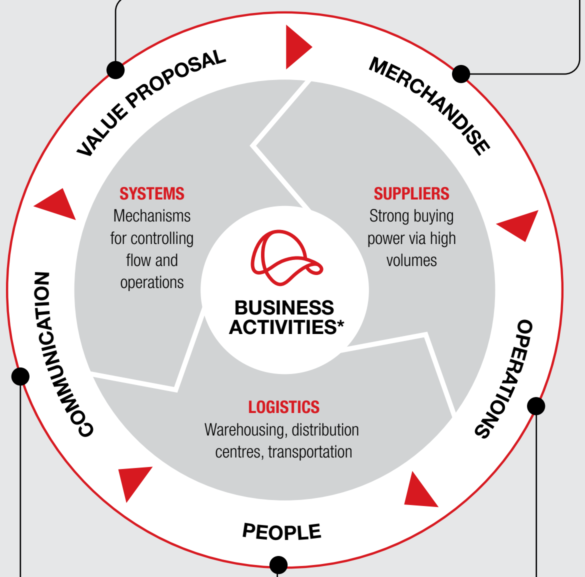
N Natural capital

- Renewable and non-renewable energy sources
- Carbon footprint reduction initiatives
- Recycling programme
- Clothing bank donations

Business activities

- Best price for quality and fashion offered
- Every Day Low Prices

- Style, fashion and assortment
- Merchandise intensity
- Ethical and sustainable



- Positional
- Promotional
- Aligned to brand personality

- Passionate and energised
- Strong organisational culture
- Our staff are our partners

- Store size and location
- Layout and design
- Omni-channel

Outputs

Throughout the reporting period, the group continued to deliver value to our customers through wanted product at Every Day Low Prices. We actively sought to minimise waste (refer pages 126 to 128) throughout our business activities to ensure that we conscientiously reduced the impact on the communities and environment in which we operate.

Outcomes

H Human capital

- Upskilled associates and increased pipeline of leaders
- 143 senior leadership program participants
- Developed succession planning programme

I Intellectual capital

- 21st most valuable brand in SA
- Scarlett Hill cosmetics brand launched
- Reinforcing zero tolerance of merchandise process non-compliance
- Included in FTSE/JSE Responsible Investment Top 30
- Highest ranked apparel retailer in JSE Top 40
- #1 ranked clothing store shopped at most often

M Manufactured capital

- 2.2% weighted average space growth
- 220m units sold
- 71 new stores
- 49m website visits
- 55m life time Youtube views
- 1.0m Instagram followers
- 2.2m Facebook followers

F Financial capital

- R1.9bn dividends paid
- ROE of 30.0%
- Cash conversion ratio of 133.3%
- Debt/equity ratio of 0.8%
- HEPS decline of 10.4%
- Operating margin of 17.4%
- ROA of 34.2%

S Social and relationship capital

- Combined corporate social investment of R39.0m
- 45.7% of units sourced in SA and rest of Africa
- 290bps increase in on-time in-full (OTIF) orders
- 2 315 Jump Starters employed in business

N Natural capital

- Carbon footprint of 115 820 tons CO_2e continues to reduce from FY2016
- Eliminated 42m polybags through improved supplier packaging instructions
- 2.5m units of cushion, duvet and pillow inners made from recycled plastic
- 1 036 375 kwh of power derived from solar energy
- Paperless administration saved 2 949km of paper

STAKEHOLDER ENGAGEMENT

The group's processes, activities and products sold are not done in isolation, but in a sustainable connection to a wide group of stakeholders.

Our stakeholders

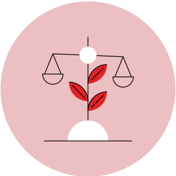
The group identifies its key stakeholders through ongoing engagement with all internal and external parties. Consequently, we are deeply connected to the environment within which we operate and the societies we serve. Our ability to deliver value depends on these relationships and the contributions and activities of our stakeholders. By providing for their needs and meeting their expectations we create value for our stakeholders and the group.

We believe understanding our role in society greatly influences our approach to stakeholder engagement. The group's success is linked to thriving communities and a healthy environment, compelling us to take a more transformative approach that creates shared and sustainable value for ourselves and our stakeholders.

The board has ultimate responsibility for the group's stakeholder engagement efforts. The process of engaging with stakeholders is decentralised to form part of the operations of our various divisions and support functions. Stakeholder engagement is guided by our values of Passion, Value, Partnership. Each business area is required to report regularly on its stakeholder engagements to the board.

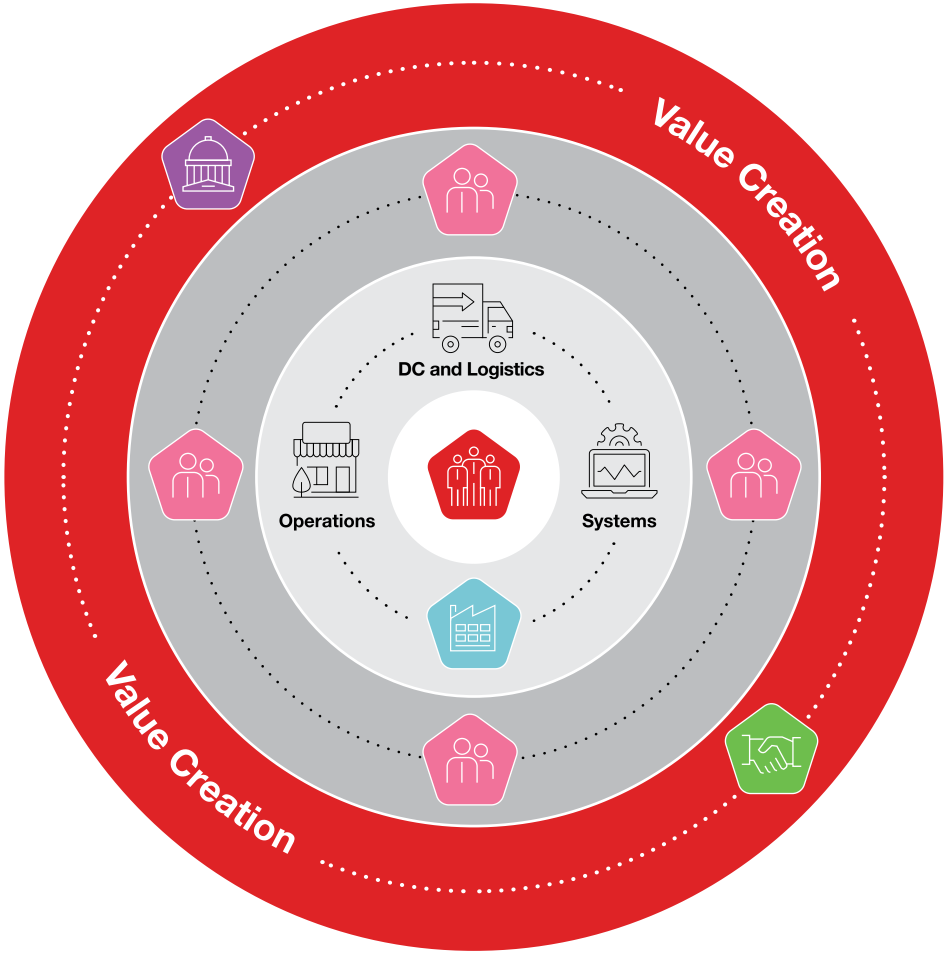
Getting to know and collaborating with our stakeholders and understanding and responding to their expectations are key elements of the group's strategy. Our approach to dialogue and transparency allows us to fulfil the goal of creating value in a sustainable manner and is key to facing the challenges and opportunities in our business activities. To determine the specific relationship strategy with each stakeholder and to establish the objectives and communication channels to be used, we continually identify and review our relationship with each one.

The quality of relationships with each stakeholder is assessed on both their performance and feedback given to the group. The group is committed to continue to live out its value of 'Partnership' and improve the quality of these relationships.



Our stakeholder ecosystem

The diagram below highlights the stakeholders identified as integrated partners and illustrates how our interdependent relationships create value.



Stakeholders

Associates (our people)
Value is created and the business delivers profit as a result of over 19 000 associates living out our values of Passion, Value and Partnership.

Customers
This is our biggest stakeholder group who remain at the centre of our strategic approach. They are the primary source of the group's revenue.

Suppliers
We have over 500 suppliers across the group's divisions. Our partnership approach to our supplier engagement is key to nurturing these relationships which enable the group to succeed.

Shareholders
Account for the ownership of 258m shares. Shareholders are 93% institutional and 7% retail. The shareholder base is well balanced between local and offshore.

Government and Community
We work closely with key government bodies to ensure that we maximise positive impact on the communities within which we operate.

Stakeholder communication

Stakeholder engagement requires more than communicating to stakeholders. It requires communicating through structured and interactive channels. The aim is to create sustainable strategies and value for diverse stakeholders including the group itself. Stakeholder value creation is a long-term outcome of a systematic approach. The group works with identified stakeholders and manages how their interests and influence impacts the group's strategy, operations and reputation. Stakeholder engagement should provide opportunities for learning with and from stakeholders. This involves using criticism, feedback and dialogue as value-creation opportunities for the stakeholders involved.

STAKEHOLDER VALUE CREATION

The table below outlines how the group has understood the different needs and expectations of its identified material stakeholders; how we engage and how value creation is measured along with the actual shared value creation over the reporting period. In order to ascertain how the group has strategically responded to each stakeholder's unique needs and expectations, the relevant strategic pillar has been highlighted. The group's strategy is influenced by its ability to respond and the detail behind this is disclosed on pages 34 to 39.

Stakeholders	Needs and expectations	How we engage	Strategic pillars	How we measure value and value created
Shareholders Relationship Quality ●●●●○	• Consistently delivered short and long-term returns from the business • Regular dividend payout • Transparent and timeous disclosure of group performance, investments and strategy • Responsible management ensuring sustainable long-term performance • Education on retail market trends and issues • Strong delivery on sustainability outcomes from the business • An adequate free float of shares for trade	• Direct engagement on proposed resolutions prior to the AGM • Annual general meeting • Full-year and half-year results presentations and roadshows • One-on-one meetings with investors, analysts and fund managers • Attendance at investor conferences • Annual integrated report • SENS announcements and trading updates • Dedicated investor relations function and investor website page: www.mrpricegroup.com/mr-price-group-investor-relations	Growth	• ROE: 30.0% • ROA: 34.2% • Dividend paid: R1.9bn • TSR: 15.3% (10 year CAGR) • Number of investor engagements: 255 meetings and conference calls
Customers Relationship Quality ●●●●○	• Quality product at affordable prices meeting their expectations for a strong Fashion Value offering • Customer service reflecting our value of 'Passion' • Responsibly sourced product • Sustainable approach to plastic use • Opportunity to give back to the community • Share feedback with the group on product and their experience • Access to affordable credit • Convenient online platform	• Traditional and social media marketing • Store windows • Customer surveys through 10 dedicated channels • Inbound and outbound call centres • Advertising campaigns and competitions • Live chat feedback on e-commerce sites • Mystery shopper programme • Club publications • Store account brochures	Build high performing brands	• No. 1 ranked clothing store shopped at most often • Customer engagement and satisfaction surveys: 166 937 customer responses • Instagram followers: 1.0m (No.1 fashion retailer) • Facebook fans: >2.2m • >49m website visits • Donations to MRP Foundation: R2.5m customer donations • Credit accounts and usage: 15.7% of sales through 1.4m active accounts

Quality of relationship

The quality of our relationship with our stakeholders is determined by the feedback mechanisms in place to help us understand their needs and expectations. This in turn enables us to deliver increased value creation. The adjacent key represents our internal grading on the quality of our relationships with each one, which is determined by a robust feedback tool that is currently used to engage with each respective stakeholder.

●○○○○	No current relationship
●●○○○	Existing relationship but lots of work to be done to improve
●●●○○	Established relationship with evident value creation but still room for improvement
●●●●○	High quality, mutually beneficial relationship with some room for improvement
●●●●●	Significant relationship, high value creation, mutually beneficial

Improved

Not improved

Neutral

Stakeholders	Needs and expectations	How we engage	Strategic pillars	How we measure value and value created
Associates Relationship Quality	• Market related compensation • Long-term career growth opportunities as the business develops • Training and development programmes to increase their skill sets • Clear vision and direction from management regarding the trajectory of the business • Acknowledgment of diversity through fair opportunities and compensation • Feedback on areas for workplace and performance improvement • Frequent communication from management	• Induction programmes • Performance reviews and career planning discussions • Training and development • Culture and climate surveys • Internal media and intranet • Team meetings • Associate results presentations • Divisional events including awards events • Whistleblower hotline • Staff share schemes • Group communications platforms	People Build high performing brands	• Culture and pulse survey results: qualitative feedback covering all associate matters • Head office leadership programme: 143 participants • MRP Foundation: 3 523 participated in Jump Start programmes. 2 315 participants were employed into the group • Learning and development investment: R35.6m • Number of hours allocated to formal learning: 145 288 hours
Suppliers Relationship Quality	• Ethically sourced product aligned with international safety standards • Manage risk by gaining visibility into value chain • Improve supplier delivery and quality performance • Have better knowledge of the group's future growth and expectations • Dual feedback loop ensuring both suppliers and the group have a voice • Meet B-BBEE compliance • Improve quick response times	• Supplier workshops • Supplier survey • Independent focus groups • Regular meetings and ongoing communication • Performance reviews • Quality audits and product testing • Factory, social and technical audits • Factory visits • Whistleblowers' hotline • Supplier Ethical Data Exchange (Sedex) • Southern African Sustainable Textile and Apparel Cluster • KwaZulu-Natal Clothing and Textile Cluster • Regional Footwear and Leather Cluster	Operations Sustainability	• Commitment to Retail - CTFL Master Plan aligns to the group's objective of building a sustainable and competitive value chain. • Wage compliance assessment in sample group of KZN factories representing 5 200 workers • Participation in KwaZulu-Natal Clothing and Textile Cluster stakeholder working group • ETI membership – improver status maintained • Development of supplier development framework to guide the implementation of collaborated supplier performance improvements in line with the group's value chain • Launch of continuous improvement programmes with 24 local suppliers • Enhancement of supplier grading tool - enables transparent communication between merchants and suppliers on measurable outcomes and development opportunities • Cotton farming loan facility: R10.1m input loan facility made available to 376 small-scale cotton farmers • South African cotton procurement: R38.0m loan facility made available to procure 1 357 tons of cotton lint used in the production of merchandise
Government and community Relationship Quality	• Fulfil legislative requirements • Undertake national priorities • Contribute to community upliftment • Provide sustainable social impact to our partners	• Engagement with: South African Revenue Service and National Credit Regulator, Department of Labour, Department of Education, Wholesale and Retail SETA, National Clothing Retail Federation and Department of Trade and Industry Local industry development • Skills development and training • Transformation/employment equity implementation • Compliance requirements • Energy, water and waste reduction • Education and job creation	Sustainability	• Engagement with relevant government bodies: Regular meetings held with government stakeholders across the business • Taxes: R610m paid • Transformation targets: level 7 B-BBEE • Local sourcing: 45.7% of units from SA and rest of Africa • Plastic reduction: 2.5m units of cushion, duvet and pillow inners made from recycled plastic • MRP Foundation schools: 98 primary schools supported • MRP Jump Start production: 3 523 participated in Jump Start programmes. 2 315 participants were employed into the group • Environmental impact: Carbon footprint 115 820 tons CO_2e. 19.1% of head office building energy was generated through renewable energy. 90 tons of paper saved in stores in through e-docket adoption

CEO'S REPORT

Looking back on my first year in the CEO's seat, I have many reasons to be positive about the progress we have made, yet at the same time, saddened by the onset of the COVID-19 pandemic and the impact this has had on the group, our people and society in the regions we operate in.

I am honoured to be the temporary custodian of the most treasured asset that money can't buy – our culture.

We have made significant strides on many fronts over the last year, with the management teams settling into their new roles and a renewed positive energy permeating the business. We experienced a very difficult trading environment, which was made significantly worse by South Africa entering a five-week full lockdown in late March. This had a material impact on trade in the last two weeks of the year, which necessitated increased provisioning on inventory and accounts receivable, negatively impacting our second half results. A detailed financial performance analysis is contained in the CFO's report (refer pages 46 to 53).

Despite not being able to trade during this period, and associates that could by working remotely, we emerged with a renewed sense of unity as we unveiled our 'We're returning as Mr Price' campaign. This initiative is tightly embedded in our refocused efforts based on our Founder's Mentality, centered around operating with an Owner's Mindset, acting like an insurgent on a bold mission to be the People's Value Champion, and an obsession with the front-line. Plans to rebrand our chains from MRP back to Mr Price are underway, and has resulted in great enthusiasm internally, and will be the catalyst to that change.

At the onset of the COVID-19 pandemic, our initial response was to assess the potential impact and protect our associates, suppliers and cash resources as much as possible. From day one, our mission was to bring our value system of Passion, Value and Partnership to the fore, with the aim of eventually emerging from the situation with our reputation intact. I am proud to say that, to date, this has been achieved, but at the same time I am aware of the mountain that still has to be climbed as our nation navigates its way through a period of a rising infection rate. At the time of writing, the group has 184 associates who have been infected, of which 72 have recovered.

After dealing with the immediate risks, our attention turned to the opportunities that our strong balance sheet could unlock. We are in an enviable position that a prudent approach to our balance sheet over many years, has enabled us to take a partnership approach with stakeholders and share the pain, while at the same time ensuring our operations are financially secure and adequately funded.

We announced a plan to raise capital to fund growth opportunities via an equity issue, and after extensive shareholder engagement, were delighted by the overwhelming support we received.

Our responsibility is now to identify attractive opportunities that may enable us to accelerate or complement our organic growth plans.

Subsequent to year end, we were not able to trade in April. However, in May we were permitted to sell a significant part of our apparel merchandise, while the sale of homeware products was substantially curtailed. Pent up demand for apparel in May shifted to homewares in June, as lockdown restrictions on merchandise permitted to be sold were fully lifted. Group retail sales for the period 1 May 2020 - 20 June 2020 were up 12.0% (Mr Price Apparel +16.1%, Mr Price Sport +7.7%, Miladys -13.8%, Mr Price Home +1.3% and Sheet Street +15.2%). We are firmly of the view that this level of trade is temporary, and we are cautiously managing overheads and stock inputs during these uncertain times. We are, comparatively speaking, well placed as a value retailer with strong online trading capabilities. We plan to increase investment in this area, which has shown growth of 90.1% in May and June.

There is no doubt that many aspects of business will be permanently changed, but strong, agile companies will have a unique opportunity to outperform if they are focused and execute properly. I am continually amazed by our associates' teamwork and 'can-do' attitude – we really are a company where ordinary people do extraordinary things. I wish to once again express my gratitude to our associates, suppliers, customers and other stakeholders for partnering through the situation with us and for their support. I also wish to acknowledge our board, particularly our Chairman, Nigel Payne, who was swift in re-arranging board interactions to let management focus on addressing the critical matters, and for his wise counsel. Lastly, thank you to our founders Stewart Cohen and Laurie Chiappini, who laid the foundations of a unique culture decades ago, and which has endured to this day.

I am honoured to be the temporary custodian of the most treasured asset that money can't buy – our culture.

Mark Blair
Chief executive officer

GROUP STRATEGY MATERIAL MATTERS AND KEY RISKS

The people's value champion

Our purpose is to add value to our customers' lives and worth to our partners' lives, while caring for the communities and environments in which we operate. Our vision is underpinned by the principles of the Founder's Mentality. While our strategy focuses on sustainable value creation over the short, medium and long-term; the principles of the Owner's Mindset, Insurgency and Front-Line Obsession ensure clarity and focus amongst relevant stakeholders.

Our strategic process has always balanced opportunities and risks and we will continue to be vigilant in how we allocate our capital and resources. Our competitors in ten years time will be different from those of the past ten years and never before has it been more important to keep up to date with emerging retail trends and carefully evaluate which we will adopt. As the new normal, post COVID-19 environment emerges, we will be focused on allocating resources to high opportunity growth areas and priority areas that ensure sustained growth in existing formats and markets.

The board of directors reviews the appropriateness of the strategic objectives annually. Key risks and progress against the strategic imperatives are agenda items at the quarterly board meetings. An integrated approach to strategy, risk management, performance and sustainability has been adopted and there is continued commitment to the alignment of "people, profit and planet".

Sustainable development goals

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Growth

Extend earnings growth through increased market share and operational efficiency

Targets for FY2020	Capitals	Stakeholders	Performance against targets: Outputs	Performance against targets: Outcomes
Improve sales growth trajectory and increase market share	F		Retail sales of R21.2bn, increased 1.5%. Comparable store sales decreased by 1.4%. South African sales grew 1.7%. The group lost market share in H1 but gained share in H2.	Retail sales momentum increased in H2 FY2020. The group gained market share in this period, led by its largest division Mr Price Apparel, whose previously disclosed turnaround initiatives have proven successful.
Expand high performing stores and exit unproductive space, while introducing quality new stores	F M		Targeted weighted average space growth was 2% to 3%. 71 new stores were opened and 16 expanded. New space increased 3.2% at year end and after closures and reductions, net weighted average space increased by 2.2%.	Multi-faceted space strategy delivered space growth focused on smaller formats in convenient locations. There is greater opportunity this year to execute long-awaited expansions of high performing stores.
Maintain profit wedge (growth in profits exceed growth in revenues)	F		Revenue increased 2.1% and gross profit growth was down 2.1%. Profit from operating activities from continuing operations was in line with the prior year at R4.0bn.	Profit wedge was not achieved for the group.
Grow mobile and cellular revenues and profits via MRP Mobile	F I H		Revenue increased 15.1% with double digit operating profit growth. MRP Cellular gained market share according to GFK.	Profitable revenue growth and attractive earnings diversification from our investment in cellular. Growth driven by in-store kiosks (handsets and accessories). 46 new stores, totalling 262 across the group. Double digit comparable growth continues to attract support from mobile networks.
Focus on cash sales and grow credit sales responsibly	F I		Cash and credit sales grew 2.4% and 0.3% respectively. Net bad debt ratio of 6.3%. Lower than prior year due to the book not being aged in March 2020 (bad debts not incurred in full for that month).	Remain focused on cash sales and maintained strict criteria for approving new accounts.
Improve performance in foreign territories. Consolidate portfolio to scalable opportunities and exit underperforming or legislatively onerous jurisdictions	F M I H		Sales in non-South African corporate-owned stores decreased 2.2%, compared to growth of 1.7% in South African stores. Exited Australian stores in April 2019 and Polish store in December 2019.	Decision to exit foreign territories with little or no existing scale to reduce distration of management team. Review of Africa strategy including franchise operation will be completed in H1 FY2021.
Identify appropriate markets and formats for expansion	F M I H		Research remains ongoing. Acquisition opportunities assessed did not meet all our criteria, particularly relative valuation and accretion.	International opportunities will not be pursued during FY2021. New formats (organic and acquisitive) will be pursued in existing markets. Identified several category extensions and new concepts for growth, all within our core skills set, some of which can be built organically e.g. Scarlett Hill, MRP Cellular.

Key trade-offs made:

- Primary focus for the year was the re-stabilisation of the core Mr Price Apparel business
- Investment in new trading space was slowed to focus on long awaited expansion opportunities
- Did not further pursue unprofitable revenue growth in Australia and Poland
- Did not acquire offshore retail businesses as opportunities did not align with requirements
- Did not commit to acquisitions or investments which did not meet the group's investment criteria

Focus areas for FY2021:

- Focus on comparable store profitability
- Understand and capitalise on retail trends emerging post COVID-19
- Concentrate on inventory management and cash generation
- Invest in and grow online further
- Consolidate international footprint to profitable and scalable territories
- Execute acquisitive/organic strategy to extend group's retail formats in existing profitable markets

Build high performing brands

Build strong customer relationships by delivering an ongoing experience of surprising and delighting our customers

Targets for FY2020	Capitals	Stakeholders	Performance against targets: Outputs	Performance against targets: Outcomes
Wanted Merchandise • Ensure clear market positioning in all markets (Fashion Value model) to grow market share • Focus on needs of the core customer and the fundamental success factors of our business model – differentiated and category dominant private label assortments and appropriate balance of fashion and core merchandise	F I H S		Merchant and strategy review process clearly defines price point plans, width and depth of assortment and fashion/core mix. Mr Price Apparel's execution of internal initiatives improved through the year with clear category dominance and clarity of offer. This resulted in market share gains in H2 and lower markdowns. Mr Price Sport continues to focus on increasing the brand equity of its private label brand Maxed. Introduction of category extensions to drive non-comparable growth. Miladys continues to focus on its core customer and coupled with strategic category extensions, delivered a strong performance. The division gained market share in 10 out of 12 months. Greater clarity brought to the relative positioning and offerings of Mr Price Home and Sheet Street.	Continued with our customer and market research to understand the needs of target customers and successfully execute merchandise offers and extensions. This focus lead to sequential improvement in quarterly sales performances. Mr Price was voted the 21st most valuable brand in South Africa in a Kantar Millward Brown study. Mr Price Apparel was ranked the number one clothing store shopped at most often in a Broadcast Research Council survey.
Communication • Integrated marketing strategy. Build on leading social media position. • Convey strong brand personality via multiple touchpoints to target market, ensuring consistent and seamless engagement • Define Mr Price Group Customer Relationship Management (CRM) strategy to achieve single view of the customer	I S		Mr Price Apparel has the third highest number of Facebook fans (1.4m) and the highest number of Instagram followers (0.7m) amongst the local competitor set. The division has continued to strengthen its omni-channel experience, as evidenced by its online sales growth of 17.2%. Mr Price Home has 450k Facebook fans and 250k Instagram followers. Divisional online sales increased 16.7%. The division had over 11m visits to its website during the year. Mr Price Sport's online sales increased 32.8%. Miladys going online in July 2020. CRM-Phase 1: Research commenced. Internal and external customer data identified. Phase 2 define and build to commence in FY2021	Social media positioning continues to strengthen. We remain aligned with the needs and expectations of core customers. Customer feedback supports being "surprised and delighted" by value offered, a merchandise assortment that meets their needs and wants and is supported by leading pricing and a seamless omni-channel experience. Well placed to further capitalise on the accelerated acceptance of online shopping.
Innovation • Lead with technology to reinforce our brand • Continue to invest in systems and innovation aligned to our value fashion model	F M I		Mobile Point of Sale (POS) now accounts for 15% of Mr Price Apparel transactions and continue to improve checkout times and manage queues during busy trading periods. Cellular kiosks now in 262 stores. Successful execution of the roll out of Click and Collect lockers.	Our focus on technology and innovation builds a stronger relationship with our tech-savvy customer. Continue to focus on differentiating ourselves relative to competitor set.

Key trade-offs made:

- Selected investments in online and technology to ensure appropriate returns are maintained
- Test in Poland did not meet expectations – settlement made to exit country to limit further negative returns
- Further investment in CRM delayed given higher priority investments during the year

Focus areas for FY2021:

- Entrench market positioning with target customers and grow market share
- Enhance seamless omni-channel model and launch online in Miladys
- Appropriate further investment in CRM to support data-driven decision making
- Value, customer convenience and trust

Operations

Continually strive for world-class methods and systems

Targets for FY2020	Capitals	Stakeholders	Performance against targets: Outputs	Performance against targets: Outcomes
Distribution Centre (DC) • Realise planned efficiencies	F M I H		The realisation of efficiencies will continue into next year. The DC continues to have sufficient capacity to handle current volumes.	Provides an infrastructure to enable increased efficiency, accuracy and speed to market (positively impacting sales and margins) and being capable of handling the group's long-term growth.
Leading IT Solutions • Achieve key project milestones • Set targets to deliver an infrastructure fitting for a value retailer • Build Business Intelligence (BI) capabilities to support data-driven decision making • Ongoing focus on cyber security • Focus on digital transformation	M I		Chief Information Officer (CIO) appointed 1 November 2019 – updated and re-aligned IT strategy approved. Mr Price Advance Team established to execute BI and Process Automation strategies. Chief Information Security Officer in place.	IT strategy execution under CIO carried over to FY2021. Digital payment alternatives considered.
Operations Structure to Support Value Model • Consider best centralised and de-centralised structures to support value model	F H		Chief Operating Officer (COO) Appointed 1 April 2019.	Continue to assess processes and structures to ensure infrastructure to execute future growth strategy.

Key trade-offs made:

- Only exploited those DC efficient opportunities that did not risk stabilisation
- IT project and investment prioritisation resulted in certain projects being delayed, re-scoped or removed

Focus areas for FY2021:

- Continue to extract DC efficiencies
- Execute key deliverables of the three pillars of our IT strategy
- Continue to enhance IT security
- Review operating structures to ensure best model in place for post COVID-19 environment
- Accelerate process automation projects to enhance lean structures

People

Maintain an energised environment with empowered and motivated people

Targets for FY2020	Capitals	Stakeholders	Performance against targets	
			Outputs	Outcomes
Continue to build our talent pipeline and review leadership capacity and succession planning to support the attainment of the group's strategy	I H		Restructured divisional leadership teams – all internal appointments. High potential talent has been identified across the group, which allows for greater alignment of succession planning and talent mobility within the group.	Increased skills and capacity to enable operational and strategic execution. Development programmes extend the pool of transformational leaders and high potential talent.
Achieve employment equity targets	F H S		Achieved employment equity targets contained within our FY2020 plan. The group is fully committed to transformation: • 71% of appointments within management teams since April 2019 were internal • 62% of promotions and new recruits were ACI associates • 88% of external appointments were ACI associates	The group recognises the value in diversity and the need for its workforce to be representative of the national and regional demographics of South Africa and is committed to employing and developing people from designated groups in furtherance of its employment equity.
Enhance the integrated performance process linked to reward	F H S		The group continued to progress the change in reward structures and remuneration philosophy. New long-term incentive plans being implemented to aid in retention.	Improvement in reward structures to ensure equity across the group. Those that can materially impact performance have clear objectives and are remunerated in line with the group's philosophy.
Establish group communications function	H S		Team appointed in FY2020.	New group communication strategy approved. Value add during the COVID-19 lockdown and subsequent work from home arrangements has been immeasurable.

Key trade-offs made:

- Strengthened leadership structure will be more costly than before, however, should create value in the short, medium and long-term
- Development programmes are targeted and are not across the board
- Lower guaranteed remuneration (pay at market median) in favour of variable remuneration based on company and individual performance

Focus areas for FY2021:

- Continue to enhance the integrated performance process linked to reward
- Continue to build our talent pipeline and strengthen succession planning
- Review of organisational structures employed by the group, supporting clarity and a value business
- Consider the people skills and structural requirements to support the CEO's strategy and retail in a post-pandemic world

Sustainability

Subscribe to high ethical standards and sustainable business practices

Targets for FY2020	Capitals	Stakeholders	Performance against targets: Outputs	Performance against targets: Outcomes
Suppliers Strategically review our resource model and strengthen our supplier capabilities: • Get closer to the point of manufacture to assess social and environmental compliance • Eliminate hidden or duplicated costs • Improve on-time in-full (OTIF) deliveries • Accelerate dual and direct sourcing	F I S N		The review of the resource strategy will continue into FY2021. Improved supplier visibility through increased factory-direct engagement. OTIF deliveries have increased by 290bps and the new supplier grading tool (refer page 120) will drive further improvement. Near sourced, quick response capability continues to strengthen. Development of supplier development framework to guide the implementation of collaborated supplier performance improvements in line with the group's value chain.	Steady progress is being made on the creation of a sustainable value chain that is agile, transparent, efficient and compliant. The need for dual sourcing has been assessed and will not be prioritised in the near future.
Develop the local industry • Enhance sustainable business practices and partnerships in the local industry • Continue to further improve our B-BBEE compliance	M I S		The group sourced 80.3m units totalling R9.2bn from South African suppliers. 45.7% of total input units were sourced from SA and other African suppliers combined. Founding retailer of South African Cotton Cluster (SACC) – procured 1 357 tons of cotton lint. Member of KwaZulu-Natal Clothing and Textile Cluster – participated and implemented activities to develop the local industry. B-BBEE level 7 accreditation achieved.	Positively influence the local economy via local procurement. Supported the SACC objectives to promote local RSA beneficiation, economic development and employment. Loan facility of R10.1m made available to 376 small-scale cotton farmers. Loan facility of R38.0m made available to procure 1 357 tons of cotton lint used in the production of merchandise.
Partner with communities • Positively impact South Africa's socio-economic landscape through relationship building with key stakeholders around education and skills development • Extend the 'Together we do Good' journey to external stakeholders	H S		The group donated R25.7m to the MRP Foundation. The MRP Foundation schools model currently impacts 96 495 South African learners per annum. Jump Start retail programmes – 3 523 participants of which 2 315 were employed into the group. 'Together we do Good' sustainability communication extended to external customers.	Our investment in the local community has positively affected South Africa's socio-economic landscape. The Jump Start retail programmes have enabled us and other participating companies to increase skills and employment.
Protect our planet • Improve resource efficiencies and address climate change	F N		Carbon footprint of 115 820 tons CO_2e continues to reduce from FY2016. This has been achieved by a reduction of diesel fuel consumption on outbound transportation, group head office and DC recycling programmes, paperless administration activities and reduced electricity consumption. 1 036 375 kwh of power derived from solar energy.	The group and the environment have benefitted from various initiatives undertaken.

Key trade-offs made:

- Local procurement opportunities are lost due to lack of technical manufacturing abilities or productivity
- Our agility can be compromised by our low-cost sourcing from territories with long shipping times
- B-BBEE supplier development points are focused on micro-businesses, therefore potential points are lost due to our large volume buys to obtain competitive pricing

Focus areas for FY2021:

- Finalise the strategic review of our resource model. Increase agility and shorten lead times
- Continued execution of the value chain objectives to strengthen our supplier capability
- Continue to explore environmental improvements
- Continue to monitor and improve B-BBEE compliance

MATERIAL MATTERS

Our material matters are evident in our key risks and opportunities and represent the issues that have the most significant impact on the group's ability to create value for our stakeholders over the short, medium and long-term. In determining these matters, which are not constant, and may change, consideration is given to the group's market positioning, the competitive and economic environments, the interests of key stakeholders and the long-term business strategy. In order to define our material matters, we adopt the following process:

Identify
Identify the matters that may impact our ability to grow earnings and operate in a sustainable manner. Reference is made to our vision, strategy and values.

Rank
Rank the matters identified in order of potential impact on the business and its stakeholders.

Apply and validate
Shape the business short-term business plans and long-term strategy based on the prioritised matters.

Assess
Continually assess the material matters for change and ensure that the business strategy comprehensively addresses these, thereby ensuring the strategy remains relevant.

The following are the material matters that are likely to impact our ability to create value:

The challenging retail environment

Our largest market, South Africa, has experienced a prolonged period of low economic growth. Unemployment remains high and real wage growth has slowed. Government decisions have negatively impacted foreign investors views and the Rand, which has reacted by displaying both weakness and volatility.

Consumer confidence is low, and their ability to spend is constrained, adversely affecting discretionary retail. Allied to this, access to credit has been tightened. Competition has intensified bringing with it a heightened level of promotional activity and discounts. Consumers have responded by spending on essentials and frequenting a higher number of retailers to seek out bargains and at times, delaying purchases. During the last quarter of the financial year, the world has been affected by the COVID-19 pandemic, bringing with it further adverse economic impact, which may last for years to come.

Our Risks
- Constrained consumer health
- Exchange rate volatility, impacting the cost of merchandise
- Low growth environment affecting our ability to increase comparable store sales ahead of cost growth
- Trade disruptions due to the COVID-19 pandemic
- More challenging to balance investment in long-term growth and short-term earnings

Our Opportunities
- Fashion value product differentiation, supported by an appropriate communication strategy and omni-channel trade
- Utilise our balance sheet strength to diversify by introducing new retail concepts, both organic and acquisitive
- More stringent identification of trade-offs and increased efficiency by thinking group-wide instead of in business unit silos
- Potential market share gain as a result of competitor weakness or failure

Partner performance

Our performance is strongly influenced by the performance of our significant suppliers, including landlords, merchandise and other service providers.

Our Risks
- Disrupted supply chains as a result of COVID-19
- Undisclosed financial sustainability of key suppliers
- Insufficient local competitive production capacity
- Product lead times longer than desired
- Shopping nodes compromised as a result of retail failures

Our Opportunities
- Agile resourcing strategy, including local production to shorten lead times, and increase delivery performance
- Improve demand forecasting to optimize inventory levels and chase replenishment of high performing product
- Supply chain financing initiatives to strengthen relationships with key suppliers in keeping with our 'Partnership' value
- Engage with landlords to take advantage of opportunities presented and correctly position our trading locations and lease commitments

The increasing role of technology

Businesses are becoming increasingly reliant on technology to increase efficiency, differentiate and provide insights. Greater digitisation increases the risk of cyber-attacks, lost data, fraud, and resultant trade disruption. Disruptive business models are emerging, focused on satisfying customers' needs. The trend of online sales growth exceeding store sales growth is expected to continue.

Our Risks

- Illegal penetration into our systems causing financial or information loss resulting in business disruption
- Disruptive business models can impact our revenue growth if ignored Unwarranted technology or overinvestment – careful consideration must be given to which technologies to adopt
- Shortage of skills available to implement chosen technology platforms

Our Opportunities

- Evaluate and prioritise investment to transition into an agile data led organisation and drive profitable revenue growth
- Increase efficiency via speed and lower payroll costs
- Capitalise on our strong online and omni-channel capabilities
- Introduce robotic process automation to replace expensive business processes
- Leverage data sources to enhance decision making

Building and retaining a high performing team

Our ability to outperform is highly dependent on the experience, technical skills, leadership abilities and attitude of our associates, who work together as a high performing team and embrace our unique culture.

Our Risks

- Loss of key associates to emigration, competitors or other industries
- Inability to attract top talent
- Our culture is diluted or lost
- Low growth environment results in stagnant organisational structures and legacy mindsets

Our Opportunities

- A high performing company and attractive working environment will attract top talent
- Focused development and retention efforts, including role rotation and succession planning
- Embrace appropriate new technology to attract talented individuals
- Re-designing LTI schemes

The quality of our decisions and execution

In an evolving retail world, and a challenging retail environment, there are both significant risks and opportunities. Our ability to capitalise on these requires extensive stakeholder engagement, detailed research and input from advisory partners. Our ability to create value for our stakeholders will be influenced materially by the strategic choices we make and how well we execute our operational and strategic goals.

Our Risks

- Invest in the wrong business format or territory
- Evaluation of business partners is flawed, and ongoing relationships are jeopardised
- Incorrect strategic calls result in a loss of capital, poor operating results and a loss of key associates
- Objectives and results not clearly delivered or understood

Our Opportunities

- Thorough evaluation of local opportunities provides further growth areas which can leverage off our existing infrastructure
- New high growth opportunities identified, contributing positively to earnings while reducing earnings concentration risk
- Reinforce our growth mindset
- Ensure language across the business is clear and purpose driven
- Extensive development opportunities for associates

TOP 10 RISKS

The group is committed to effective risk management in pursuit of its business and strategic objectives, with the overall aim of increasing stakeholder value. Risk management is an integral part of our operations, strategy and governance. An essential element of risk management is achieving an appropriate balance between minimising the risks associated with business activity and capitalising on opportunities, to maximise potential reward. Detailed information on the role of the Risk and IT Committee, risk governance and the risk management framework are contained in the report on pages 80 to 87.

The top risks are those that can impact our long-term strategy, and therefore directly impact on future revenue, earnings and our sustainability.

Strategy

The risk of making sub-optimal strategic decisions and investing in the wrong business models and/or territories, limiting growth.

The group has a well established strategic planning process that involves senior and executive management. The strategy is deliberated at board level annually and performance against objectives is evaluated quarterly. The group remains vigilant of emerging trends that could significantly impact the retail market over the next two to five years. As a result, the business is committed to a consistent re-assessment of the group strategy which entails extensive research and stakeholder engagement. Thorough business cases are crafted when opportunities are evaluated, of which return on invested capital vs group weighted average cost of capital and cash flow generation are critical.

Resilience

The risk of not being able to trade due to unavailable critical resources and/or external services and/or being unprepared for a significant disruptive event.

The group's ability to trade will be compromised by an extended period of unavailability of its store network, IT systems, human capital, merchandise flow or electricity. This would negatively impact earnings, market share and associate retention. The group classifies the COVID-19 crisis as a business resilience risk.

Although no one can predict the nature and timing of a disaster event, disruption scenarios are considered throughout the risk management process. This integration ensures the early detection and ongoing tracking of potential disruptive events. The resilience process is continually enhanced by increased testing and simulation exercises and associated recovery plans. Internal audit and risk functions perform reviews to ensure inadequacies are highlighted and gaps are closed.

Key IT systems are continually monitored for uptime, performance and capacity. Automated backups are scheduled and stored offsite. As a significant single point of failure, the group's distribution center, ensures that daily operational practices are aligned to resilience plans to ensure continuity. Preventative maintenance and the monitoring of machine, site and stock capacity are ongoing.

Execution

The risk that the strategy is not delivered or that operationally we do not remain true to the core principles of our business model.

The building of high performing divisional brands remains a key focus. The benefits of a clear strategy and well defined business model requirements will be diluted if we do not execute this well. A significant execution risk relates to the product assortments we offer to our customers. Our processes are well defined, however, periods of underperformance have historically coincided with straying from these principles. Enhanced reporting has been implemented to ensure greater visibility, focusing on risk of fashion, width and depth of assortment. These disciplines are continuously reviewed and enforced.

Competitive landscape

The risk of not anticipating or timeously responding to changes in the competitive landscape.

The group's future success will be heavily influenced by its sustainable competitive advantages including differentiation and innovation.

Through our value model we maintain a competitive offering providing our customers with wanted items at affordable prices. To deliver on our promise to surprise and delight our customers we adopt a value mindset in all activities including our low-cost infrastructure. Maintaining our value position while still innovating and investing for the future requires great discipline and identifying trade-offs. Intense focus on customer experience and ongoing investment in digitisation and omni-channel are key focus areas. Never before has customer centricity been so critically important.

Reputation

The risk that associates and suppliers do not act in accordance with the group's value system and its rules of engagement, thereby damaging the group's reputation.

The group seeks to be an above reproach corporate citizen and has zero tolerance for those who do not act in accordance with its value system or rules of engagement. All associates and suppliers are mandated to act in accordance with the value system and rules of engagement. All associates and suppliers are required to sign and adhere to the Code of Conduct in keeping with both the written word and spirit of the code. Transgressions are dealt with operationally, with main board involvement if warranted.

People and culture

The risk of being unable to attract, develop and retain key skills. The risk that our people are not engaged, thrive in our performance-based culture, or subscribe to our value system of Passion, Value and Partnership.

The group's expectation of performance is central to our success – ordinary people doing extraordinary things. A strong desire to win drives our performance-based culture but our engagement is grounded in our strong values. This has to be preserved at all costs and our value system defines how we engage. This applies equally to all structures in the group.

Well established induction and training materials are in place. Reward structures and succession plans continue to be refined, while the group's growth strategy will further enhance career development.

Technology

The risk that we are unable to develop and maintain secure and agile platforms appropriate to the operational and strategic needs of the group.

The group requires efficient and effective systems to support its “value” business model. The group has increased its investment in IT systems and management structures to improve execution of its retail modernisation programme. This includes ERP and merchandise retail and planning systems. Governance structures include divisional board, IT prioritisation forum, modernisation project steering committee, group risk and IT committee.

Information security and cyber resilience

The risk of financial loss or reputational damage as a result of inaccurate or lost data, a breach in security of customer information or the inability to prevent an illegal penetration of the group’s systems.

Cybercrime risks are continuously escalating. The prevention of such attacks is becoming ever more complex requiring multiple layers of protection to create an environment that is sufficiently secure, thereby safeguarding group assets and information and ensuring uninterrupted trade.

There is continued focus on reducing these threats. An information security strategy and framework is in place, an IT security committee established and a Chief Information Security Officer has been appointed. Anti-malware defence has been deployed and there is point-to-point encryption in the store transactional environment. Ongoing vulnerability testing and remediation is in place and this area remains a key priority.

Sustainability

The risk of not building a business for the future.

The group’s view is that nothing is possible without people, but nothing lasts without institutions. In order to achieve our vision, our responsibility is to ensure we have a built to last organisation, which meets key stakeholder expectations and a strategy rooted in longevity and purpose.

The group’s Social, Ethics, Transformation and Sustainability committee monitors group activities in relation to these matters. The sustainability team provides insights to enable business leadership to make informed strategic choices. These are informed by market success, best practise, research and benchmarking, stakeholder engagement, risk evaluations and pilot testing. This team ensures activities essential to the group’s longevity are understood and actioned by the business at large. A roadmap has been developed to assess the risks and opportunities in one of the most critical areas of global apparel retailing, being value chains.

Regulatory environment

The risk of loss or penalties as a result of non-compliance.

We operate in an environment with a high level of regulatory change and complexity. The group is required to ensure compliance with all legislation. This is an extensive process that absorbs significant resources: effort, time, systems development, oversight and budget. In certain territories, increased and onerous regulatory activities may further impact our ability to trade effectively.

Regulatory compliance continues to be guided and monitored by the group's governance function, with overall responsibility for implementation resting on the divisional managing directors. The board's Social, Ethics, Transformation and Sustainability committee has the responsibility of monitoring group activity too, inter alia, the constitution, the law, regulations and legal standards.

CFO'S REPORT

Our trading results for the period were disappointing and fell well below the group's historic earnings track record, exacerbated by the impact of COVID-19 on trade in March. The turnaround strategy in Mr Price Apparel, communicated at our interim results presentation, is tracking to expectations. We have noted several encouraging opportunities to capitalise upon in the next financial year, despite being acutely aware that trade will remain challenging. We are confident that if we deliver on our purpose of providing great value to customers at Every Day Low Prices, we will continue to gain market share in this environment.

The following summary of performance demonstrates how the group's financial capital has been increased, utilised and transformed through its operating, financing and investing activities in the 2020 reporting period.

Material matters

The prevailing macro-economic environment for much of the 2020 financial period remained volatile, with our primary market, South Africa, entering a technical recession in the fourth quarter of 2019.

The South African political arena remains highly charged. Meaningful economic growth has been absent for several years despite the country's inherent potential and extensive natural resources. GDP continues to decline making the country's fiscal situation very difficult to manage. Its bloated civil servant wage bill continues to weigh down the country's budget, expanding the deficit by incurring debt to fund the shortfall. Failure to execute on growth plans is at the heart of the country's challenges. Despite this, South Africa remains one of the most exciting and prospective emerging markets in the world. Its deep capital markets make it extremely liquid and therefore a highly traded market, a feature that allows foreign capital to flow easily. The adverse effects of this are increased volatility as South Africa continues to be used as a proxy for all emerging markets to manage portfolio risks and a carry trade to fetch higher yields.

This results in exchange rate volatility. Exchange rate stability is vital to manage cost price inflation. The group employs rigorous hedging policies to offset this impact, however, extreme volatility remains challenging to mitigate. The group continually looks for ways to manage cost inflation. The trade tensions between the USA and China did provide opportunities to offset some exchange rate volatility by securing production capacity at lower marginal rates. The group will continue to explore all permissible cost reduction opportunities as they arise across the supply chain, to ensure that it delivers on its customer promise of Every Day Low Prices.

Failures across state-owned enterprises have weighed heavily on the fiscus. Eskom's challenges to provide reliable power supply to meet domestic demand has created material disruption to value chains and consequently economic loss. The group has been impacted by rolling blackouts over the period which has caused lost revenue and profits. The group remains hopeful that new leadership at the parastatal will bring stability to protect the economy and attract much needed foreign investment.

The effects of COVID-19 to date have been well documented. In South Africa, the economic impact is expected to be severe. GDP is forecast to contract between 7% to 16%. Corporate consolidations are anticipated as the financial effects force companies with little capital flexibility to cease trading or merge to survive. Unemployment will rise notably in the coming months. The group is extremely proud of its capital structure going into the pandemic, which has allowed it to stand firm, even through the incredibly vulnerable month of April 2020 where the group was not permitted to trade. Despite this outlook, the group understands that adversity creates opportunity, which is the mindset it has adopted in response to the crisis.

The rest of our African markets were similarly affected by the COVID-19 outbreak as Governments in those regions imposed various levels of restrictions to manage the outbreak. Botswana, Lesotho, Namibia and Swaziland represent our biggest markets outside of South Africa.

Our Australia operations ceased trading effective May 2019. The group had three stores operating in the Australian market. In December 2019, our Polish operation, with one store, also ceased trading. Both operations have been presented and classified as discontinued operations in the reporting period. Comparative financial information has been restated to take into account the impact of the discontinued operations.

COVID-19 impact on results

Due to the group's year end falling on 28 March, the COVID-19 lockdown restrictions had material effects on the group's retail sales, profitability and cash reserves. At the time of writing, South Africa is operating under lockdown level 3 restrictions having traded under level 4 in May and level 5 in April (refer page 18). The group did a thorough going concern assessment and has no reason to believe it will not meet its obligations over the next 12 months as they become due and payable. At the year-end cash reserves totalled R4.7bn and committed overdraft facilities of R450m were in place. The group owns an unencumbered distribution centre and receivables book which it could raise funds against should the need arise. Financial institutions have offered uncommitted facilities of over one times EBITDA. Working capital re-engineering presents further opportunities for the group to unlock capital which will be executed over the new financial period.

The group's FY2021 budget is forecast to be materially down on the prior period. Expense savings were immediately actioned with immediate savings of over R300m identified pre any organisational restructuring. Executive and non-executive directors reduced their remuneration by up to 15% for six months. Annual salary increases across the group have been suspended and all other variable pay removed until further notice. The group utilised the Government's temporary employment relief fund and tax concessions in April and May 2020 which allowed it to avoid retrenchments. Relief was obtained from landlords for April rentals. The group paid 20% of its rental obligations and 100% of its rates and taxes, as agreed with the Property Industry Group, which provided much needed support. Full rentals were paid from May despite the group's ability to only sell a limited assortment.

An impairment evaluation was performed across the group's balance sheet. Due to the uncertainty surrounding trade and our customers' financial health, additional impairment provisions relating to inventory and debtors were taken. Refer to notes 8 and 9 of the annual financial statements for details. The group also evaluated its right-of-use assets (generated through its lease contracts with lessors) for impairment; no impairment was considered necessary. The group's value retailing model, which has performed historically well in tough economic times, its strong brand equity and its high average store operating margin are all factors that were considered. Management does not believe that an impairment is required.

FY2020 Financial performance overview

To reflect back on the close of the 2019 financial year results, the group ended the period with inventories up 21.5%. It noted that this was higher than desired due to a poor festive trade and weak last quarter merchandise performance by its biggest division, Mr Price Apparel. A below par performance from Mr Price Apparel due to poor product calls would extend from the second half of FY2019 into the first half of FY2020.

At the group's H1 FY2020 investor presentation, it detailed the extensive review that the new management team had undertaken. Significant deviations from the group's long standing processes had transpired, which resulted in material disruptions to the critical path and the division's balance of the assortment (width/depth and fashion/core ratios). The high stock carry from the prior period together with a compromised assortment resulted in the group's largest division having to take material markdowns to clear stock. This severely impacted the group's profitability in the first half with headline earnings declining 10.3%. The group maintained its half year dividend despite its poor performance.

Due to the long lead times in retail requiring one to commit to merchandise well in advance, the executive management team anticipated the corrections made would bear fruit into high summer and autumn assortments, with much improved inventory levels by year end. This was achieved with the group gaining market share in November and December recording its largest Black Friday sales at improved gross margins. The group exited the festive trade period lean from a stock perspective with ageing levels improved. The last quarter of the year was on track to meet expectations, however, the last two weeks of March were materially impacted by COVID-19.

Trading performance

Financial summary		2020	2019	% Change
Revenue	R'm	**23 030**	22 558#	2.1
Profit from operating activities	R'm	**3 966**	3 965#	0.0
Group operating margin	%	**17.4%**	17.8%#	(40)bps
Profit attributable to shareholders	R'm	**2 704**	2 982	(9.3)
Headline earning per share	cents	**1 047.0**	1 168.6	(10.4)
Diluted headline earnings per share	cents	**1 029.4**	1 142.3	(9.9)
Normalised diluted headline earnings per share *	cents	**1 053.3**	1 142.3	(7.8)
Adjusted normalised diluted headline earnings per share^	cents	**1 089.3**	1 142.3	(4.6)
Dividend per share	cents	**311.4**	736.2	(57.7)

Re-presented for discontinued operations
*Normalised non-IFRS financial information (Normalised) calculated to eliminate the effects of accounting standard change from IAS 17 to IFRS 16 on FY2020
^Non-IFRS information (Adjusted normalised) calculated to eliminate the effects of accounting standard change and additional COVID-19 provisions noted in subsequent events

Group retail sales and other income grew 2.0% in FY2020. Retail sales were up 1.5% (comparable sales down 1.4%) weighed down by the poor performance in H1 by Mr Price Apparel, the group's largest division. The introduction of new product categories, most notably the introduction of cosmetics through the brand Scarlet Hill in Mr Price Apparel in December, have all shown encouraging signs, which will provide future non-comparative sales growth in the upcoming financial period.

The group's online channel continues to grow at a pleasing rate of 17.5%, outstripping brick sales growth of 1.7%. The group leverages its store network to ensure that this channel is profitable and is an important source of driving in-store basket growth. Potential has been identified to remove friction and costs out of the supply chain and improve customer experience to enhance operating returns. As the group monitors the shifting customer pattern towards e-commerce, fixed costs will be recovered at a higher rate, further contributing to the viability of this channel.

Cash sales which make up 84.4% of retail sales grew 2.3%, faster than credit sales which were flat on last year. Consumer appetite for credit remained strong indicated by application growth of 5.3%, with approval rates at 34%, flat on last year. The use of credit and debit cards is competing with our store cards relevance. A strategic project has been launched to identify how we can more effectively support our customers through responsible credit granting, with a financial services product test anticipated in the new financial year.

Retail selling price inflation remains well contained at 1.4% albeit reduced by high markdowns taken in the first half. Despite this input inflation (price and mix) was contained at 2.8% and a unit growth of 0.1% was achieved.

The group continues to grow its store footprint and opened 71 new stores and expanded 16. Weighted average new space grew 3.2%. After closing 16 stores and reducing the size of 28, total weighted average space was up 2.2%, taking the total number of corporate owned stores to 1 378. 80% of new stores were micro, small and medium in size, raising the group's trading densities further and positioning the store network favourably post COVID-19.

The group's retail trading density continues to lead its peers at R32 958 per square meter. The group holds sacrosanct its proven retail performance metrics. These are evaluated quarterly to ensure the group continually refines its profitability model to maximise store, labour and inventory return ratios. Refer to the six year review on pages 58 to 61 and divisional performance on pages 54 to 57 for a breakdown of revenues and associated retail performance metrics.

Other income grew 8.3% on the prior period. The group's cellular income grew at 15.1% on the prior period supported by the rollout of its cellular kiosks across the group. The group gained market share over the period per GFK, a strong indication that our value offering is resonating with our customers. The group intends to leverage its cellular customer base to more effectively communicate with its customers into the future as it matures its CRM strategy.

Interest and charges on the debtors book increased 5.6% impacted by the reduction in the repo rate over the period of 150bps and slow growth in credit sales as noted above. The book experienced lower than normal net bad debt, down 3.2% as a result of a prudent approach to credit granting, and the decision to not age the debtors book in March 2020. Improved scorecards have been developed to better reflect the customers' immediate credit health. Insurance revenues declined 5.4% over the period, impacted by deteriorating customer financial health, a

Please refer to the Annexure included in the Final Results - supplementary Information 52 weeks ended 28 March 2020 for the Basis of Preparation on the Normalised Non-IFRS financial information and the Non-IFRS information

slowing credit book (an important conduit for lead generation) and FAIS accredited skill shortages to man the outbound sales channel. The group anticipates its credit and insurance portfolio to remain challenged in the upcoming period, further constrained due to the effects of COVID-19 for which the group increased its impairment provision on its retail debtors book to 10.1% (PY 8.9%).

The group's gross profit margin declined by 170bps to 41.2%. The negative impact was predominantly incurred in H1 as the merchandise GP% level improved from 40.7% in H1 to 43.2% in H2. This was mainly due to an improved assortment in Mr Price Apparel, benefitting from higher ingoing margins and lower markdowns. In H2, the group took an additional R83m stock provision to account for future disruption from COVID-19, excluding this, the group GP% was in line with the prior year.

Cellular growth was driven by in-store kiosks (handsets and accessories), with 46 new stores, taking the total to 262 across the group. The majority of new stores were rolled out in H1, with a higher number of stores becoming comparable in H2, slowing the top line growth rate. Double digit comparable growth continues to attract support from mobile networks. There was a strategic move away from postpaid to sim-only for Mobile which is beginning to bear fruit. H2 performance improved, which should continue into FY2021 with a focus on higher GP margin products.

Total selling and administration overhead growth has been well contained, down 2.8% on the prior year. Normalised growth excluding the effects of IFRS 16 (IAS 17 basis) was up 3.2%. Selling expenses decreased by 3.3% (normalised up 4.5%). If one further excludes the additional debtors provisions raised due to COVID-19 subsequent events, selling expenses increased 3.6% on an adjusted normalised basis. Rental reversions and optimisation of labour continue to aid expense control. Administrative expenses decreased 0.9% positively impacted by IFRS 16 and a movement in IT project impairment of R50m. The group continues to explore its organisational structures to unlock efficiencies and become more effective. The introduction of robotic process automation in FY2021 will further unlock opportunities to reduce processing costs.

The Apparel segment increased RSOI by 1.2% to R15.8bn. Operating profit from continuing operations decreased 4.6%, down 13.6% in H1 but recovered in H2, up 2.5%. The operating margin level increased from 14.6% in H1 to 17.0% in H2. The Home segment increased RSOI by 2.4% to R5.4bn. Operating profit from continuing operations increased 10.6% and the operating margin increased from 17.1% to 18.5%.

The Financial Services and Cellular segment reported revenue growth of 8.1% to R1.6bn and an operating profit growth of 5.6%.

Interest on cash grew 14.8% to R257m. Prior to the recent repo rate cuts of 150bps, the group achieved a yield between 7.5% to 8.5% for the year on its average cash balances.

The group continues to adopt a conservative tax posture. Its tax rate for the period was 28.0%, down 10bps on the prior year due to higher employment tax incentives and raising of deferred tax assets.

Headline earnings per share declined 10.4% (PY +6.2%) with diluted headline earnings declining 9.9% (PY +6.2%). On a normalised basis diluted headline earnings declined 7.8%. Adjusted normalised diluted headline earnings declined 4.6%. A final dividend has not been declared, as the board believes that cash preservation is critical in these uncertain times.

Tax matters

The group continues to pursue clarity and predictability on tax matters wherever feasible. It seeks to protect shareholder value in line with its broader fiduciary duties. The group will not seek to establish artificial arrangements not linked to genuine business requirements that would not stand up to scrutiny by the relevant tax authorities. It will not artificially transfer profits from one jurisdiction to another to minimise tax payments or pay more tax than is properly due under a reasonable interpretation of the law and on receipt of a lawful demand.

The only notable tax matter relates to an assessment raised by the South African Revenue Services relating to the disallowance of certain deductions claimed in the 2014 year of assessment. The company, supported by senior counsel's opinion, appealed the decision of the Commissioner to disallow the company's objection to the assessment. During FY2020, one of the issues was resolved and had no impact on the income statement. The other matter remains under dispute.

Please refer to the Annexure included in the Final Results - supplementary Information 52 weeks ended 28 March 2020 for the Basis of Preparation on the Normalised Non-IFRS financial information and the Non-IFRS information

Statement of financial position

The group's JSE top 40 ranking at the close of the financial year was 36 with a market capitalisation of R31bn trading at a PE multiple of 11 times. Its cash conversion ratio adjusted for lease payments was 133.3% which is testament to the group's high free cash flow generation relative to its earnings.

An unencumbered balance sheet allows the group to seize future opportunities and continues to provide shareholders with market leading return metrics. Refer to the six year review on pages 58 to 61.

	2020	2019
Non Current Assets	**7 110***	2 664
Current Assets	**10 244**	8 481
Inventories	**2 719**	2 692
Trade and other receivables	**2 268**	2 179
Cash and cash equivalents	**4 726**	3 275
Other assets	**530**	335
Total Assets	**17 354**	11 145
Shareholders equity	**9 428**	8 682
Total Liabilities	**7 926^**	2 463
Total equity and liabilities	**17 354**	11 145

* Right-of-use asset of R4.4bn included in FY2020
^ Lease liability of R5.0bn included in FY2020

Equity reserves increased by 8.6% to R9.4bn. Net asset value per share increased to R36.36, up 8.7%.

The group's capital structures remain sound but were adversely affected by the creation of a material lease liability on its adoption of IFRS16. The key solvency and liquidity ratios are as follows:

	2020	2019
Solvency ratio	**55%**	175%
NAV per share (cents)	**3 636**	3 345
Debt to equity	**0.8**	0.3
Current ratio	**2.6**	3.9
Quick ratio	**1.9**	2.7
Cash conversion	**133.3%^**	80.9%

^ FY2020 adjusted for lease payments.

Cash flow movements

R'm	
March 2019	3 150
Cash from operations	5 166
Working capital	465
Net interest received	640
Taxation	(610)
PPE and intangibles	(487)
Long-term receivables	15
Dividends	(1 944)
Treasury shares	(118)
Repayment of lease liabilities	(1 589)
Other	38
March 2020	4 726

Working capital management remains a strategic focus area. Supply chain funding programmes have commenced from the 2020 calendar year using an international supply chain platform and in partnership with a local bank. In the spirit of the group's value of 'Partnership' it plans to unlock capital for its business endeavours whilst simultaneously unlocking capital for our supply base through the group's attractive borrowing rate.

Inventory was well managed at year end, up 3.7% on the prior year and in line with the group's communication to investors at half year. The inventory impairment provision increased to 9.6% from 6.6% in the prior year. An additional R83m impairment provision was applied to the economic component of the model to account for COVID-19's impact on all aspects of our supply chain and a highly promotional retail environment that is anticipated.

Trade and other receivables were up 5.3% to R2.3bn. The group placed an additional overlay provision of 200bps into the impairment provision to account for the anticipated deterioration in credit health of the book. The impending economic woes facing South African consumers, as recorded by credit bureaus, is anticipated to be highly elevated particularly as unemployment levels rise.

Trade and other payables increased on the prior year due to timing of year end creditor payments being on the 31 March with the financial year ending 28 March. The most notable was the second provisional tax payment of R491m.

Capital of R515m was invested over the period, 48.9% of which related to its store capex projects. A higher proportion of store projects were completed in the second half, which will drive non-comparative growth to rise into FY2021. The remaining capital relates to intangible assets generated from the group's strategic investments into its modern retail and digital platforms.

Technology advancements

During the financial year, the group embarked on an upgrade of its financial platforms as part of its finance transformation journey aptly named Finance Re-imagine. In order to bolster internal financial controls, the group procured Empowered Enterprise from KPMG as a manifold over the new Microsoft ERP. This will reinforce the group with a financial control structure that is self-regulating and will provide management and external audit with complete visibility into how financial controls are performing, with a full audit trail of any deviations. We will be the first company in South Africa to implement this. The project is scheduled to be completed by end of July 2020, its go-live disrupted by two months due to the effects of COVID-19.

In February 2020, a new division was created called Mr Price Advance which reports directly into the CFO's office. Its primary mandate will be to enable the group's objective of becoming an insight driven organisation empowering every associate to make the most informed decision every day. The group's data science, enterprise information management and analytic skills have been consolidated into this division led by an experienced retail mind to ensure the products created empower and accelerate the group forward. A full re-platforming of the groups "data factory" together with governance standards, has commenced with early results very promising. The data science faculty of this division are working on the group's machine learning and predictive capabilities providing calculation and recommendations to allow associates to enhance decision making, particularly in the areas of inventory and supply chain, which is anticipated to unlock margin opportunities through improved markdowns and allocations.

The group has started its journey to identify and re-engineer existing processes to be replaced by robotic process automation software. Leadership across the group have been introduced to the capabilities. An opportunity register has been created. Manual, repetitive, paper-intensive tasks will be ranked by ROI. To date, returns into the triple digits have been identified. This will allow the group to focus its attention and resources on value creation activities necessary to unlock growth and profitability.

Outlook

COVID-19 has been the biggest global disruption of this century. Forecasted Global GDP growth is expected to be negative in 2020. Governments around the world have injected vast stimulus packages (liquidity) into their economies to soften the impact but they have not solved for corporate solvency that will start to be recorded in the months ahead. Unemployment is forecast to be at levels equivalent to The Great Depression, a concerning prospect for economies around the world.

The erosion of economic growth in our local South African context will be dramatic. It is estimated that the recovery will take several years to get to pre COVID-19 levels. Unemployment, in a worst case scenario, is expected to rise to over 50% of eligible workers. The country's budget deficit is expected to swell as the economy slows. Despite this gloomy outlook, the group believes it is best positioned in the South African context to offer exceptional fashion value merchandise. The group recognises that the retail environment will be extremely challenging with many social, supply chain and economic issues creating an unpredictable trading environment.

Retailers around the globe have either gone into liquidation or taken dramatic measures to curtail losses; preserving cash and restructuring their balance sheets is of primary importance. Capital projects have been ceased and financial arrangements renegotiated. Highly geared financial structures that existed pre COVID-19 have caused organisations to breach covenants with debt repriced for new prevailing risks. Equity raises have been executed across the globe to primarily refinance but others with strong capital orientations find themselves in a unique and powerful position to gain market share with these raises.

The group's strong balance sheet with R4.7bn in cash reserves at the end of the financial year has enabled it to make swift and decisive decisions in response to the pandemic. Austerity measures were immediately instituted across the group at the notification of a state of national disaster on 15 March. Impairments over the group's assets will be closely managed with several tactical strategies currently in place to ensure the value of its assets is preserved.

On 20 May, the group announced through the JSE SENS platform that it would seek approval to action an equity raise of up to 10% of the companies issued shares which was subsequently passed at a general meeting held on 29 June. This would be to capitalise on several organic and acquisitive growth opportunities which the group believes will become available in the coming months. The group has no intention to unnecessarily shore up cash. Due to the uncertainty noted above, and the group's prudent capital allocation, an ungeared balance sheet is considered the appropriate structure. The group's internal hurdles for investment are higher than its cost of equity so any investment would need to pass this prior to allocation and be earnings accretive from the first year. It will only deviate from this if the asset has unique strategic value.

The group has decided it will be exiting Nigeria in the first half of FY2021 and will be presented as a discontinued operation from that point. The necessary impairments have been taken into consideration.

The group remains cautiously optimistic about the future. Uncertainty provides opportunity and risk. We intend to make the most of our opportunities while remaining acutely aware of the risks to our operations. Companies with good business models and loved brands and products should capitalise through this downturn. We believe we are one of those such companies.

Mark Stirton
Chief financial officer

ACCOUNTING STANDARD CHANGES

The group adopted IFRS 16 Leases in in FY2020 which requires that a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Depreciation is recognised on the right-of-use asset and interest is recognised on the lease liability, replacing the straight-line operating lease expense under IAS 17 'Leases'.

The group applied IFRS 16 using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 March 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 'Leases'. The group elected to recognise the right-of-use asset at the date of initial application at its carrying amount as if the standard had been applied since commencement date, but discounted using the group's incremental borrowing rate at the date of transition. The incremental borrowing rate ranges between 8.25% – 9.25%. The group elected not to reassess the definition of a lease as all the leases identified as a lease in terms of IAS 17 will still be leases under IFRS 16. The group also elected to apply the short-term lease and low value lease expedients.

At transition date, the adoption of IFRS 16 resulted in the recognition of right-of-use assets to the value of R4 059m and lease liabilities of R4 604m. This, together with the derecognition of operating lease liabilities of R223m and adjustments of R90m for deferred tax, resulted in a R232m decrease in retained income on transition date. The effects of the standard are that several key performance and return ratios have been affected both positively and negatively, most notably return on assets, operating margin, debt to equity and EV/ EBITDA. Normalised earnings and expenses (IAS 17 basis) have been used to supplement commentary in the CFO's report as it provides a like-on-like comparison with the prior year.

Key ratios impacted

▲ **Positive:**
- EBITDA margin
- Operating margin
- Operating cash flows

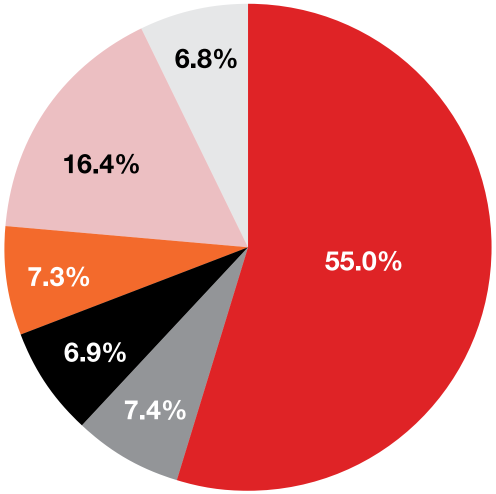
▼ **Negative:**
- Debt to equity
- Interest cover
- ROA
- Current and quick
- NAV per share
- ROCE/ROE

The initial adoption of IFRS 17 Insurance Contracts was set for 1 January 2021 which is our 2022 financial year, however the IASB has decided to defer the effective date to 1 January 2023, being our FY2024 financial year. The adoption of this standard is anticipated to have a material impact on the group's financial statements. The main features of the new accounting model for insurance contracts include: combining current measurement of future cash flows with the recognition of profit over the period that services are provided under the contract; presenting insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses and requiring an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. Impact assessments on this standard will commence in FY2021.

During the financial year under review, the JSE performed a thematic review analysing companies' application and compliance with IFRS disclosure requirements since the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The aim of the review was to provide feedback to the market by identifying examples of good compliance with clear and concise disclosures. Management has reviewed the thematic review feedback and applied it against the group's annual financial statements to identify areas of improvement and apply the learnings in the adoption of new standards going forward. With the adoption of IFRS 16 Leases in FY2020, management has considered the following five application areas under which the thematic review was completed: general presentation considering consistency and no clutter, accounting policy disclosure, identification of all areas of key judgements and assumptions, consideration of specific disclosure requirements of the standards and adequate disclosure covering transitional requirements. The group has addressed all these areas in the preparation of the FY2020 annual financial statements. Management strives to ensure compliance and transparency in the group's reporting and will continue to do so.

DIVISIONAL OVERVIEW

RSOI* Contribution



Performance

Mr Price Sport and Miladys performed excellently throughout the year. Mr Price Apparel's under performance in H1 began to show improvement in H2 due to the implementation of internal initiatives. Unfortunately this increasing momentum was impacted in H2, along with the other divisions' performance, by the disruption in trade in the last two weeks of March 2020 due to COVID-19.

*Retail sales and other income

RSOI Growth

Apparel

Mr Price Apparel	Mr Price Sport	Miladys
(0.3%)	+8.7%	+6.3%

Home

Mr Price Home	Sheet Street
+1.9%	+3.5%

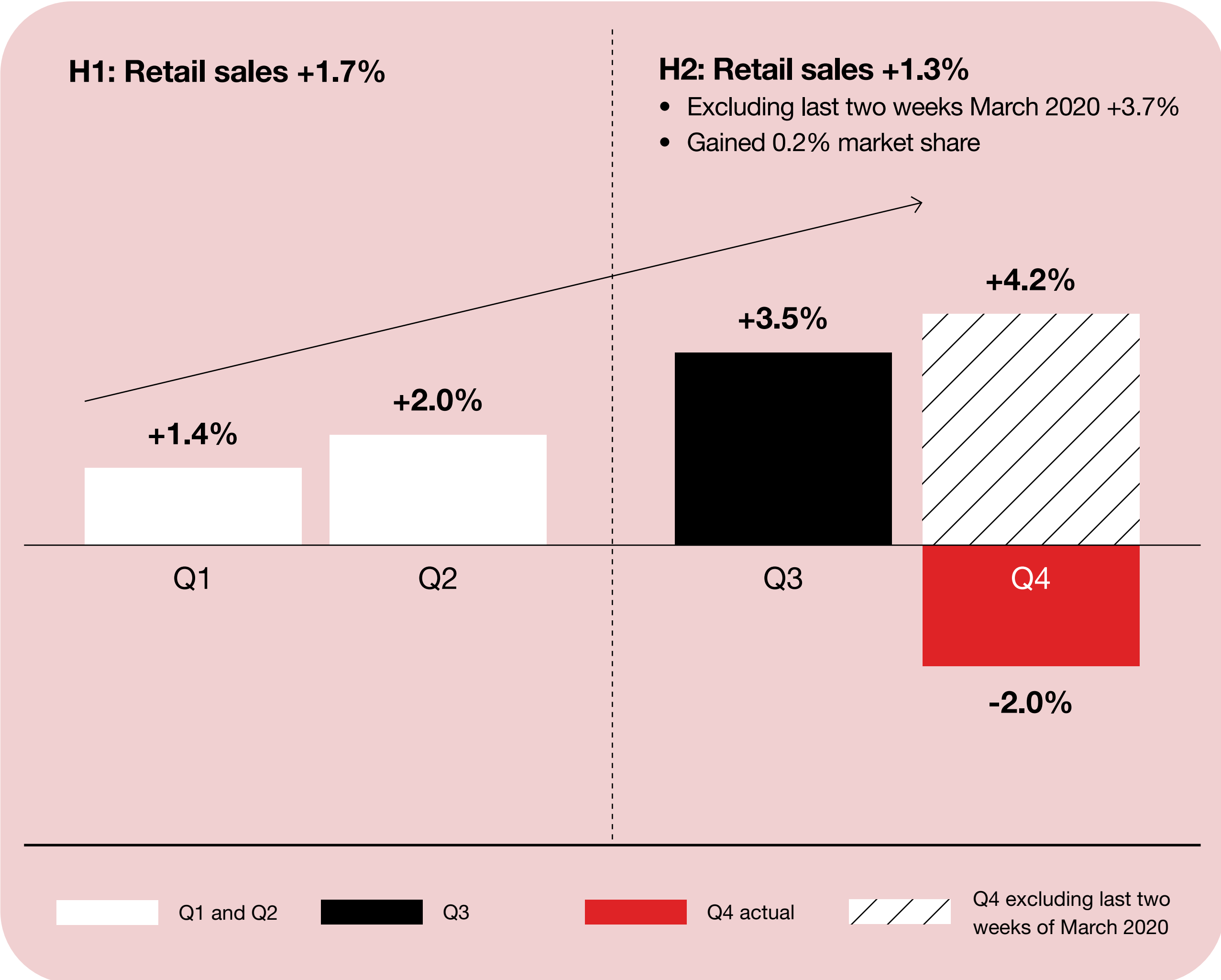
Financial Services and Cellular

Mr Price Money
+8.1%

Segment	H1	H2
Apparel		
RSOI	+1.0%	+1.5%
Operating profit	(13.6%)	+2.5%
Operating margin	14.6%	17.0%
Home		
RSOI	+4.1%	+0.9%
Operating profit	+17.8%	+5.9%
Operating margin	16.7%	18.5%
FS and Cellular		
RSOI	+10.3%	+6.2%
Operating profit	+20.7%	(9.4%)
Operating margin	34.0%	28.5%

ANNUAL PERFORMANCE: INCREASING MOMENTUM

Annual group retail sales growth: +1.5% (excluding last two weeks of March 2020 +2.7%)



Q3 Analysis

Improved high summer performance in Mr Price Apparel due to internal initiatives. Retail sales growth increased from 1.7% in H1 FY2020 to 3.5% in Q3. Combined sales in November and December 2019 grew 4.6% and GP% was maintained, despite December load shedding.

Q4 Analysis

More full priced items sold in January and February 2020, enabling GP% gain. Closed March 2020 with single digit stock growth. Initially disrupted by supply chain concerns out of China but materially impacted by demand side impact of national lockdown announcement. Excluding the last two weeks of Q4, group retail sales were up 4.2%.

Q4 Challenges

Competitor promotions:
Higher proportion of distressed merchandise on promotion (discounts of up to 70%) from December 2019 to January 2020.

Load shedding:
Eight days in January 2020 and 16 days in February 2020. Post a challenging H1, improved performance in H2 was a result of the implementation of several key internal initiatives.

COVID-19:
Sales in the first two weeks of March 2020 grew 8.6%. Sales growth declined 32.5% in the last two weeks of March 2020.

Market share:
Despite the above challenges, the group gained 0.1% market share in Q4 FY2020 per Retailers' Liaison Committee (RLC) data.

DIVISIONAL PERFORMANCE

mr price

Retail sales declined 0.3% (comparable sales down 3.3%). H2 (+0.6%) sales growth was higher than H1 (-1.2%). Excluding the last two weeks of March 2020, H2 sales grew 2.9% and annual sales 0.9%. Internal initiatives delivered an improved merchandise assortment. Q4 was materially affected by rolling blackouts and COVID-19. RSP inflation of -0.8% was a function of investment into price. The number of units sold grew to 148m. Weighted average space grew 3.9%, with new space growth of 4.3% achieved. Online sales grew 17.5% driven by strong social media engagement and over 35 million site visits to mrp.com. Improved inventory management enabled lower markdowns in H2. GP% margin increased in H2 excluding March 2020.

mr price sport

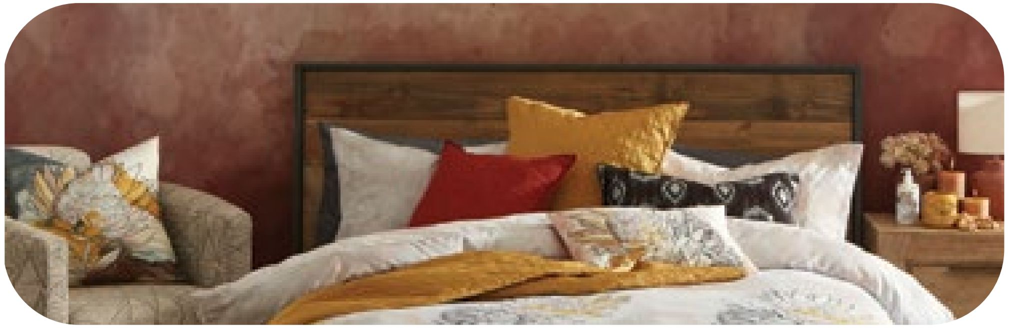
Another strong performance from the division with sales growth of 8.7% (comparable sales up 4.6%). This performance was delivered against a firm base of 9.7%. H2 sales (+5.9%) were lower than H1 (+12.2%) but excluding the last two weeks of March 2020, H2 was up 9.0%. RSP inflation of 4.8% and unit growth of 3.9% enabled a strong top line performance. Non-comparable sales were driven by weighted average space growth of 2.5% and strong sales density growth continued off an increased footprint. Online sales grew 32.8%. Annual double digit operating profit growth was achieved.

MILADYS

Miladys delivered 6.1% retail sales growth (comparable sales up 1.4%). H2 (+4.2%) sales growth was lower than H1 (+8.1%). Excluding the last two weeks of March 2020, H2 and annual sales grew 8.1%. January and February 2020 combined, grew 9.2%. The division gained market share in ten months of the year. RSP inflation of 2.6% and unit growth of 3.6% resulted in a strong sales performance. Weighted average space grew 1.5% having declined in the base. New space growth of 3.9% drove non-comparable sales and trading densities increased 4.5%. The division will be going online in July 2020. GP% margin grew in each month up until March 2020.

	mr price			mr price sport			MILADYS		
	2020	2019	% change	**2020**	2019	% change	**2020**	2019	% change
Retail sales - including franchise (R'm)	**12 531**	12 574	(0.3)	**1 679**	1 544	8.7	**1 550**	1 462	6.1
Comparable sales growth (%)	**(3.3)**	0.1		**4.6**	6.4		**1.4**	3.1	
Retail selling price inflation (%)	**(0.8)**	5.1		**4.8**	5.0		**2.6**	1.3	
Units sold (million)	**147.9**	147.1	0.6	**13.9**	13.4	3.9	**7.6**	7.3	3.6
Number of stores	**532**	512		**124**	112		**232**	214	
Trading area - weighted avg net m^2	**332 872**	320 410	3.9	**65 807**	64 212	2.5	**61 156**	60 233	1.5
Sales density (rand/weighted avg net m^2)	**37 550**	39 092	(3.9)	**25 516**	24 047	6.1	**25 351**	24 265	4.5

% change is based on full number



mr price home

Retail sales were up 1.5% (comparable sales up 0.3%). The division was up against a solid base of 7.2% in a tough environment for discretionary categories. H2 sales growth was flat on last year (H1 +3.2%). H2 sales were significantly impacted by the Rugby World Cup and COVID-19. Excluding October 2019 and the last two weeks of March 2020, sales grew 3.4%. RSP inflation of 4.2% was driven by H1 (+7.6%) being higher than H2 (+1.4%), resulting in an improved unit growth performance in H2. This is early evidence of the strategic brand repositioning taking effect. Online sales were up 16.7%. Ongoing space rationalisation supported further sales density growth.

	2020	2019	% change
Retail sales - including franchise (R'm)	**3 744**	3 687	1.5
Comparable sales growth (%)	**0.3**	4.5	
Retail selling price inflation (%)	**4.2**	6.6	
Units sold (million)	**33.1**	34.0	(2.7)
Number of stores	**177**	179	
Trading area - weighted avg net m²	**129 354**	130 783	(1.1)
Sales density (rand/weighted ave net m²)	**28 908**	28 196	2.5

sheet street

Retail sales were up 4.0% off a base of 4.0%. A positive H1 (+5.0%) performance slowed into H2 (+2.3%). Excluding the last two weeks of March 2020, H2 growth of 3.6% was achieved. RSP inflation was high in H1 (+11.0%) but significantly lower in H2 (+2.4%), resulting in improved unit growth. The division gained market share in H2 despite a lower growth level than H1, highlighting the consumer constraint in the homeware sector. Trading densities are the second highest in the group, growing 2.2%. Annual GP% margin gains were achieved.

	2020	2019	% change
Retail sales - including franchise (R'm)	**1 666**	1 610	3.5
Comparable sales growth (%)	**1.7**	1.6	
Retail selling price inflation (%)	**6.2**	2.1	
Units sold (million)	**17.7**	18.1	(2.5)
Number of stores	**313**	306	
Trading area - weighted avg net m²	**52 057**	51 730	2.9
Sales density (rand/weighted ave net m²)	**32 007**	31 120	0.6

mr price money

Financial services revenue (Credit and Insurance) grew 1.8%. Credit sales slowed to 0.3% annually but showed improvement in H2. Miladys, Mr Price Sport and Sheet Street all reported positive annual credit sales, with both active customers and average baskets growing on the prior year. As expected in H2 (excluding the last two weeks of March 2020), credit sales accelerated 2.2% due to an improved merchandise performance in Mr Price Apparel. The credit landscape continues to deteriorate, with accounts in default continuing to rise, an upward trend since Q1 2018. The new account approval rate remains flat as applications are measured against a tightened scorecard. The debtors book grew 5.2% with the number of active accounts up on the prior year. The NBD to book at 6.3% remains well below the impairment provision of 10.4%. The NBD to book was lower in H2 as the book was not aged in March 2020 due to COVID-19 store closures. Bad debts were not incurred in full for that month. A higher impairment provision was taken to account for lower collections as customers were unable to pay account balances in store, due to the lockdown imposed in March 2020 and April 2020.

Cellular and Mobile collectively grew at 15.1%. MRP Mobile's strategic move away from postpaid to sim-only is beginning to bear fruit. An improved H2 performance should continue into FY2021 with focus on higher GP% margin products. Growth in the Cellular business was driven by in-store kiosks (handsets and accessories). 46 new stores were added, totalling 262 across the group. MRP Cellular market share annually grew according to GFK data and double digit comparable growth continues to attract support from mobile networks. Strong double digit operating profit growth was achieved.

	2020	2019	% change
Gross trade debtors (R'm)	**2 238**	2 119	5.6
Total active accounts	**1 391 660**	1 381 265	0.8
Average balance (Rand)	**1 608**	1 534	4.8
% of debtors able to purchase on credit	**91.1**	89.7	+140bps
Retail sales analysis:			
- Cash (%)	**84.7**	84.4	+30bps
- Credit (%)	**15.3**	15.6	-30bps
Net bad debt (net of recoveries excluding collection costs) % of total debtors	**6.3**	7.5	-120bps
Impairment provision % of total debtors	**10.4**	9.0	+140bps

Gross trade receivables per division (R'000)	mrp	mrpHome	mrpSport	Miladys	Sheet Street	Total 2020	Total 2019
6 months	529 024	69 993	9 844	47 437	36 226	**692 524**	643 604
12 months	968 726	112 605	33 906	311 342	92 571	**1 519 150**	1 447 746
24 months		26 294				**26 294**	27 595
	1 497 750	208 892	43 750	358 779	128 797	**2 237 968**	2 118 945

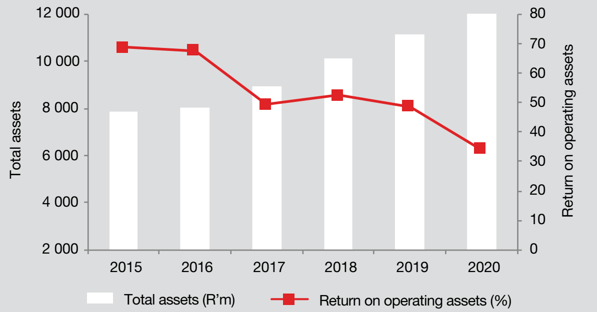
SIX YEAR REVIEW

Abridged statements of financial position, cash flows and income

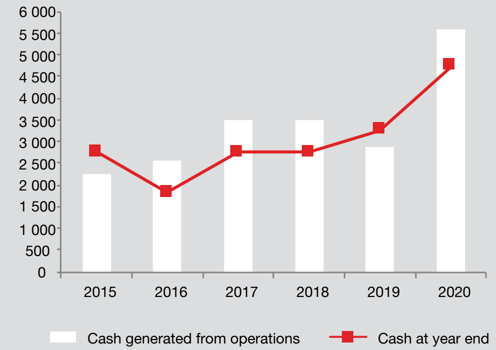
R'm	34 year compound growth %	Five year compound growth %	2020	2019	2018	2017	2016	2015
Statement of financial position								
Assets								
Non-current assets			7 110	2 664	2 628	2 577	2 241	1 364
Property. plant and equipment			2 137	2 126	2 092	2 130	1 672	838
Right-of-use assets			4 362	-	-		-	-
Other			611	538	536	447	569	526
Current assets			10 244	8 481	7 491	6 338	5 822	6 503
Inventories			2 719	2 692	2 215	2 102	2 168	1 741
Trade and other receivables			2 268	2 179	2 370	2 221	2 136	1 874
Reinsurance asset			182	304	146	129	99	124
Cash			4 726	3 275	2 756	1 823	1 419	2 764
Derivative financial instruments			342	27	-	-	-	-
Taxation			7	4	4	63	-	-
			17 354	11 145	10 119	8 915	8 063	7 867
Equity and liabilities								
Equity attributable to shareholders			9 428	8 682	7 455	6 729	5 620	5 021
Non-current liabilities			4 032	289	257	335	244	213
Lease liability			4 014	-	-	-	-	-
Other non-current liabilities			18	289	257	335	244	213
Current liabilties			3 894	2 174	2 407	1 851	2 199	2 633
Trade and other payables			2 296	1 920	2 115	1 744	2 105	2 116
Lease liability			1 027	-	-	-	-	-
Reinsurance liabilities			46	46	38	41	30	46
Other			525	208	254	66	64	471
			17 354	11 145	10 119	8 915	8 063	7 867
Statement of cash flows								
Cash flows from operating activities			5 661	2 857	3 502	2 574	1 906	2 264
Cash flows from investing activities			(472)	(451)	(455)	(809)	(1 153)	(456)
Cash flows from financing activities			(3 655)	(2 002)	(2 053)	(1 338)	(2 123)	(1 276)
Net increase/(decrease) in cash and cash equivalents			1 534	404	994	427	(1 370)	532
Cash and cash equivalents at beginning of the year			3 150	2 720	1 784	1 419	2 764	2 252
Exchange gains/(losses)			42	26	(58)	(62)	25	(20)
Cash and cash equivalents at end of the year			4 726	3 150	2 720	1 784	1 419	2 764
Income Statement								
Retail sales	17.8%	4.1%	21 165	20 850	19 994	18 575	19 038	17 285
Retail sales and other income	18.0%	4.8%	22 773	22 334	21 185	19 679	19 923	18 011
Profit from operating activities	20.8%	5.2%	3 966	3 965	3 732	3 048	3 603	3 076
Profit attributable to shareholders	23.3%	3.4%	2 704	2 982	2 781	2 263	2 645	2 293
Headline earnings attributable to shareholders	23.3%	3.4%	2 716	3 026	2 842	2 331	2 674	2 299

Notes:
1. FY2016 was a 53 week period.
2. The 34 year compound growth rates are calculated from the date of acquiring joint control in 1986.
3. FY2019 income statement re-presented for discontinued operations

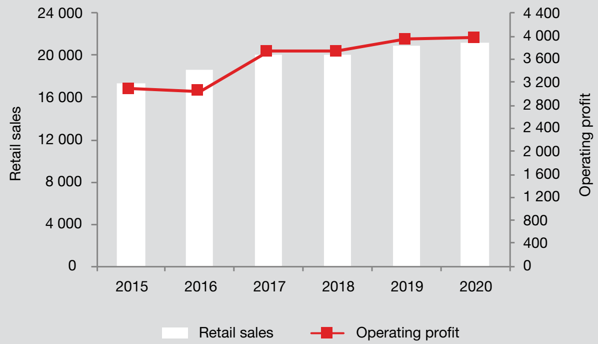
Total assets (R'million) and return on operating assets (%)



Cash generated and cash at year end (R'million)



Retail sales and operating profit (R'million)

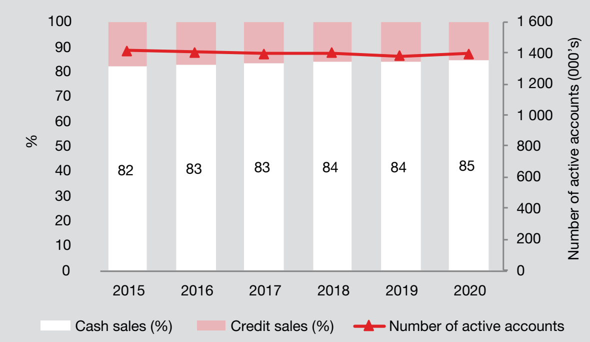


Stores and productivity measures

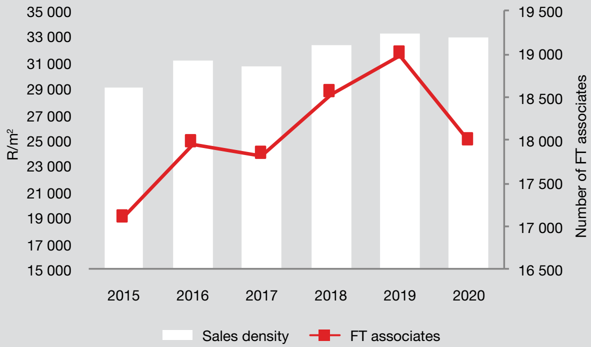
	34 year compound growth %	Five year compound growth %	2020	2019	2018	2017	2016	2015
Operating statistics								
Depreciation as a % sales [a]			1.5%	1.4%	1.4%	1.1%	1.0%	1.0%
Employment costs as a % sales [b]			10.9%	11.0%	11.1%	10.4%	10.2%	10.5%
Occupancy costs as a % sales [c]			8.3%	7.5%	7.6%	7.5%	7.1%	7.1%
Total expenses as a % sales [d]			30.1%	29.2%	29.4%	28.3%	26.3%	27.5%
Number of stores by segment								
Mr Price Apparel			532	512	481	470	458	438
Mr Price Sport			124	112	105	92	82	72
Miladys			232	214	207	202	198	196
Total Apparel Stores			888	838	793	764	738	706
Mr Price Home			177	179	171	168	163	166
Sheet Street			313	306	294	284	280	278
Total Home stores			490	485	465	452	443	444
Franchise			9	18	23	21	19	15
Total group stores	7.7%	3.6%	1 387	1 341	1 281	1 237	1 200	1 165
FT associates [e]			17 986	18 983	18 536	17 822	17 956	17 098
Trading area								
- weighted average net m²			641 246	627 367	618 684	605 979	590 714	572 869
- closing average net m²	9.1%	2.2%	649 700	633 813	621 512	616 934	594 557	583 558
Total sales (R'm)	17.8%	4.1%	21 165	20 877	19 994	18 575	19 038	17 285
Comparable sales growth %			-1.4	1.6	5.6	-3.6	6.3	9.2
Retail selling price inflation %			1.4	5.1	1.7	10.7	7.0	7.7
Cash sales %			84.3	84.2	83.7	83.3	82.8	81.9
Credit sales %			15.7	15.8	16.3	16.7	17.2	18.1
Sales per store (R'm)			15	16	16	15	16	15
Sales per full time associates (Rand)			1 176 747	1 099 764	1 078 678	1 042 276	1 060 247	1 010 928
Sales density excluding sales to Franchise (Rand per weighted average net m²)			32 958	33 201	32 238	30 654	31 234	29 093

Notes:
1. FY2016 was a 53 week period.
2. The 34 year compound growth rates are calculated from the date of acquiring joint control in 1986.
a Depreciation on property, plant and equipment only.
b Employment costs include salaries, wages and other benefits, share based payments, restraint of trade expenses, defined contribution pension fund expense, defined benefit pension fund net expense and post retirement medical aid benefits.
c Occupancy costs include depreciation on right-of-use asset and interest on lease liability from FY2020. Occupancy costs include land and building lease expenses, including straight line lease adjustments prior to FY2020.
d From FY2020, total expenses includes interest on lease liability
e FT: Full time. Prior to FY2015, the Full Time Equivalent associate numbers were disclosed. In FY2015, this changed to disclosing Full Time associates.

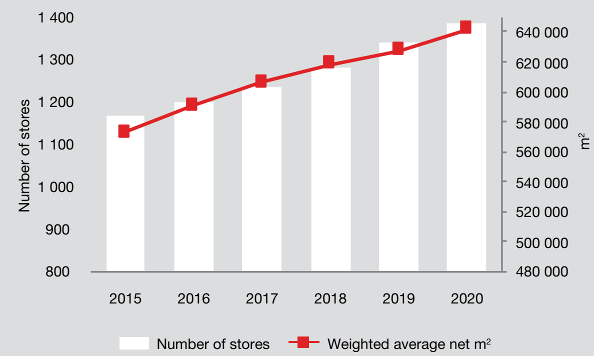
Credit sales and group number of active accounts



Sales density and number of FT associates



Number of stores and trading area

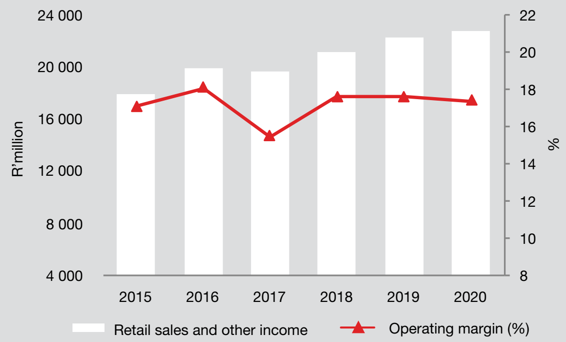


Returns, profitability and share information

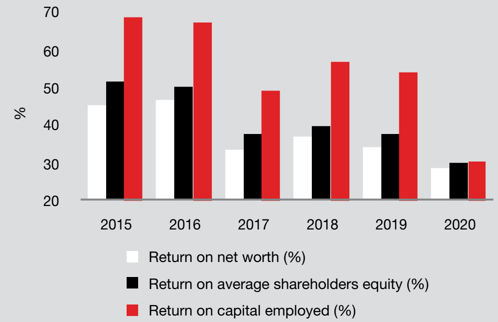
	34 year compound growth %	Five year compound growth %	2020	2019	2018	2017	2016	2015
Productivity ratios								
Net asset turn			2.2	2.4	2.7	2.8	3.4	3.4
Gross margin (%)			41.2	42.9	43.3	38.8	40.6	41.1
Operating margin (%) *			17.4	17.8	17.6	15.5	18.1	17.1
EBITDA margin (%)			26.5	20.8	20.3	17.8	20.1	19.0
Profitability and gearing ratios								
Return on net worth (%)			28.7	34.3	37.3	33.6	47.1	45.7
Return on average shareholders equity (%)			30.0	37.5	40.1	37.8	50.3	51.4
Return on capital employed (%)			30.8	54.2	57.0	49.3	67.6	68.7
Return on operating assets (%)			34.2	48.7	52.5	49.3	67.6	68.7
Solvency and liquidity ratios								
Current ratio			2.6	3.9	3.1	3.4	2.6	2.5
Quick ratio			1.9	2.7	2.2	2.3	1.7	1.8
Inventory turn			4.8	5.0	5.4	5.3	5.8	6.5
Total liabilities to total shareholders equity			0.8	0.3	0.4	0.3	0.4	0.6
Per share performance (cents)								
Headline earnings	20.0%	2.6%	1 047.0	1 168.6	1 100.1	911.4	1 057.8	919.7
Diluted headline earnings	19.9%	3.5%	1 029.4	1 142.3	1 075.4	887.9	1 012.9	865.1
Dividends	18.8%	-11.7%	311.4	736.2	693.1	667.0	667.0	580.0
Operating cash flow			2 182	1 103	1 355	1 006	754	906
Net worth			3 636	3 345	2 885	2 602	2 217	1 989
Dividend payout ratio (%)			29.7	63.0	63.0	73.2	63.1	63.1
Stock exchange information								
Number of shares in issue ('000)			259 309	259 588	258 982	258 589	253 530	252 449
Number of shares on which earnings based ('000)			259 419	258 922	258 375	255 793	252 786	249 990
Shares traded ('000)			392 932	317 866	426 089	427 817	325 342	186 184
Percentage of shares traded (%)			151	122.8	164.9	167.3	128.7	74.5
Earnings yield (%)			8.8	6.2	3.9	5.7	6.0	3.7
Dividend yield (%)			2.6	3.9	2.4	4.2	3.8	2.3
P:E ratio			11.0	16.2	25.9	17.5	16.8	27.4
Market capitalisation (R'm)			31 008	48 696	73 187	40 806	45 077	63 792
Share price (cents)								
- high			25 001	29 910	29 307	23 973	28 380	26 975
- low			10 374	18 050	14 395	13 000	14 126	15 301
- closing	20.7%	-14.7%	11 484	18 952	28 500	15 990	17 769	25 196
Foreign shareholding at year end (%)			51.5	48.4	50.7	43.2	52.2	54.5

Notes:
1. FY2016 is a 53 week period.
2. The 34 year compound growth rates are calculated from the date of acquiring joint control in 1986.
* The basis of computing operating margin is calculated as operating profit/retail sales and other income.

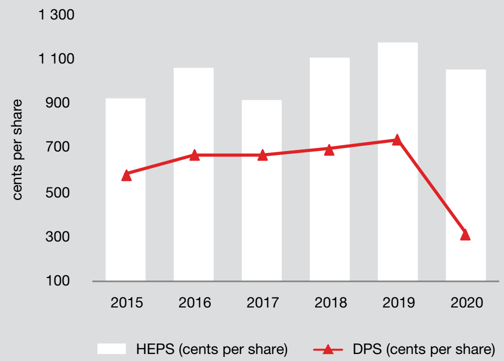
Retail sales and other income and operating margin



Return on net worth, equity and capital



Headline earnings and dividend per share



CHAIRMAN'S REPORT

"You learn to know a pilot in a storm" is attributed to Seneca, the Stoic philosopher, almost 2000 years ago.

As we navigate the storms of COVID-19 and its economic impacts, it is my privilege and responsibility, on behalf of the board, to report to our partners – the Mr Price Group associates, customers, shareholders, suppliers, owners of the premises from which we operate, other business partners and all our other stakeholders. Perhaps more so than at any other time in the history of this group, it is important that you are able to assess the calibre of our pilot (Chairman, board, CEO, management team), the robustness of the vessel in which we are navigating, and the destinations to which we aspire.

We recognise that in tough times, Value is noble work, and are thus returning to our Mr Price roots and brand, and the promises they entail.

I believe that the Mr Price Group is in good shape; it is resilient and agile, able to generate and exploit opportunities. I am reminded of the strong performance of the group in the years after the global financial crisis a decade ago. Our resilience in an economy constrained by low growth, high unemployment, escalating administered prices and damaging government policy choices, was based on our strong balance sheet, high cash generation, value business model, and was achieved through focusing on our customers, doing the basics well and continuing to adapt to the changing nature of retail.

Most of the year under review is a distant memory, our attention being on what lies ahead. The 2020 integrated report contains a wealth of information about our human capital, our values, our vision, our strategies to get there and the related risks we are embracing and mitigating. These are all underpinned by our dreams and beliefs, and our core principles of Passion, Value and Partnership. Together they confirm that the "Good Ship", the Mr Price Group, is well prepared and knows where we are heading.

The group started rapid COVID-19 preparations and scenario planning in February, focused on the safety of our people and customers, on being able to maintain our commitments to all our partners, and to start identifying opportunities for growth and outperformance in an uncertain economic environment. We implemented frequent board meetings, action teams, and near-daily CEO-chairman interactions. This generally enabled us to stay ahead of the unfolding crisis, to trade strongly, actively managing our inventories and cash.

We made an early announcement that our senior management and board had taken voluntary remuneration cuts with funds deployed to community and other support initiatives. Thank you all, I am profoundly grateful for your generosity in support of others.

Communication at all levels was increased. The leadership by our CEO Mark Blair, has been exemplary at both group and industry level, setting an example that has cascaded throughout the group. We recognise that in tough times, Value is noble work, and are thus returning to our Mr Price roots and brand, and the promises they entail.

Whilst continuing to play our governance and oversight roles, the board has embraced our responsibilities to add value in the areas of strategy and risk management. This will enable quick decisions in an environment of uncertainty, while allowing for debate and challenge to be alive to opportunities but resistant to big bets that would harm the group if unsuccessful.

The management team has a culture of transparency, accountability and discipline, attributable in large measure to everyone having an ownership stake in the business. We will use the current challenges and opportunities to ensure that they are appropriately incentivised and that we retain their talents to unlock the opportunities we have identified.

We recognise that we are likely to have to take some difficult decisions in the coming months. We will apply our minds diligently, will seek appropriate alternatives, will endeavour to mitigate the impacts, and will act in the interests of sustainability and a brighter future.

COVID-19 is not over, in fact, the worst of the medical impact in South Africa lies ahead. Our thoughts and gratitude go to our doctors, nurses and support staff for your vital roles, often at high personal risk. Thank you.

I am grateful to my colleagues on the board for your commitment to the group and for the sound judgement you bring to our deliberations. We are fortunate to have some non-executives who were on our board during the previous financial crisis, balanced by the input of those appointed more recently. We will strive to retain this balance as we maintain our board skills and mix.

In conclusion, some further words of wisdom from Seneca.
"If a man knows not to which port he sails, no wind is favourable."
"It is a rough road that leads to the heights of greatness."
"Luck is what happens when preparation meets opportunity."

Nigel Payne
Chairman

1 5 6 7 8 9 10 11 12 16

BOARD REPORT

Good corporate governance is key creating value by achieving the group's vision to be a top performing international retailer, and is reflected in the group's beliefs of:

Passion **Value** **Partnership**

The main impact of the board's deliberations on the group's value creation elements is reflected below:

Capitals

F M I H S

Stakeholders

Governance Outcomes

- Ethical culture
- Good performance
- Effective control

Strategic Pillars

Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

The board is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year and has provided relevant information to stakeholders to satisfy the King IV disclosure requirements.

The board confirms the group's compliance with the Companies Act, 71 of 2008 (Companies Act) and the Company's memorandum of incorporation for the reporting period.

Leadership

Ethical and effective leadership is the starting point of good corporate governance. From executive leadership to store associates, both individually and collectively, every associate of the group should do the right thing to enable delivery of appropriate outputs. Good corporate governance is aspirational and must be continuously monitored, adapted and improved. Critically, governance practices must be aligned to and enable value creation through the achievement of group strategy. More detail on the group's strategy can be found in the Group Strategy, Material Matters and Key Risks section on pages 34 to 45.

Board members, individually and collectively, are expected to conduct themselves with integrity, competence, responsibility, accountability, fairness and transparency. The beliefs of Passion, Value and Partnership (refer page 8) and as expanded on in the group's Code of Conduct, is the group's internalisation of ethics and the standard of conduct against which each director and the board is measured. The governance framework which sets out the group's reporting structure is on page 68.

Roles

The board is the custodian of corporate governance and is responsible for steering the group towards the achievement of the governance outcomes through strategic direction and value creation. As set out in the board's mandate, published on the group's website: www.mrpricegroup.com, this includes -

- Providing ethical and effective leadership
- Ensuring the group is, and is seen to be, a responsible corporate citizen
- Overseeing the elements of the value creation process to ensure the achievement of positive outcomes for all stakeholders
- Steering and setting strategic direction and monitoring group performance to achieve strategy
- Monitoring ethics, board composition, risk, remuneration, technology and information, compliance and assurance through its various committees
- Ensuring a stakeholder-inclusive approach

The key areas of focus for the reporting period were:
- Supporting the newly appointed CEO and executive leadership team
- Implementing lead independent director succession
- Supporting and guiding management in the resolution of non-compliance with the Code of Conduct by a single supplier, and senior management (refer page 113)
- Monitoring and overseeing the appropriateness of management's response to the outbreak of the COVID-19 pandemic to support associates and protect group assets and continuity (refer pages 18 to 19 and 84)

Future areas of focus are:
- Continued oversight of the group's response to, and the operating and financial impact of, COVID-19
- Guiding and supporting management's implementation of the group's growth strategy
- Under the guidance of the Remunerations and Nominations Committee (committee), ensuring that the composition of the board continues to support the delivery of strategy and creation of value
- Streamlining and adjusting board and committee meeting frequency and structure to facilitate focus on strategic matters

BOARD OF DIRECTORS

Stewart Cohen
Honorary Chairman

Age: 75
Appointed: March 1989
Qualifications: BCom, LLB, MBA
Key Skills: Retail, finance, risk, human resources, marketing, sustainability, strategy

Nigel Payne
Chairman

Age: 60
Appointed: August 2007
Qualifications: CA (SA), MBL
Other directorships include: Bidvest Bank Holdings Ltd, Vukile Property Fund Ltd, Strate (Pty) Ltd, Alexander Forbes Holdings Ltd, Bidcorp Ltd.
Key skills: Finance, risk, financial services, strategy

Mark Blair
Chief Executive Officer

Age: 54
Appointed: March 2006
Qualifications: CA (SA)
Key skills: Finance, governance, risk, human resources, sustainability, financial services, strategy

Mark Stirton
Chief Financial Officer

Age: 40
Appointed: January 2019
Qualifications: CA (SA), FCMA, CGMA
Key Skills: Finance, governance, risk, human resources, IT, financial services, strategy

Mark Bowman
Lead independent, non-executive director
Age: 54 | Appointed: February 2017
Qualifications: BCom (Finance) MBA
Other directorships include: Tiger Brands Ltd, Dis-Chem Pharmacies Ltd, Grand Parade Investments Ltd.
Key Skills: Human resources, marketing, sustainability, strategy

Bobby Johnston
Independent, non-executive director
Age: 71 | Appointed: February 1998
Qualifications: CA (SA)
Other directorships include: Eljay Financial Services (Pty) Ltd
Key Skills: Finance, governance, risk, sustainability

Brenda Niehaus
Independent, non-executive director
Age: 60 | Appointed: February 2018
Qualifications: Advanced Management Programme (Harvard)
Key Skills: Risk, human resources, IT, strategy

Mmaboshadi Chauke
Independent, non-executive director
Age: 41 | Appointed: November 2018
Qualifications: CA (SA)
Other directorships include: AfroCentric Investment Corporation Limited, The Small Enterprise Foundation, Mamor Investments (Pty) Ltd
Key Skills: Finance, risk, human resources, financial services, strategy

Maud Motanyane-Welch
Independent, non-executive director
Age: 69 | Appointed: September 2008
Qualifications: Diploma Library Science, WPI fellow
Other directorships include: Jet Education Trust, Dynamic Recovery Services (Pty) Ltd
Key Skills: Marketing, sustainability

Neill Abrams
Alternate director
Age: 55 | Appointed: August 2010
Qualifications: BA, LLB, LLM (Cambridge)
Other directorships include: Ocado Group Plc
Key Skills: Governance, risk, sustainability, international

Keith Getz
Non-executive director
Age: 64 | Appointed: May 2005 | Qualifications: BProc, LLM
Other directorships include: Cape Union Mart Group (Pty) Ltd, Ingenuity Property Investments Ltd, Spur International Ltd, Strate (Pty) Ltd, Trematon Capital Investments Ltd
Key Skills: Governance, strategy

Daisy Naidoo
Independent, non-executive director
Age: 48 | Appointed: May 2012
Qualifications: CA (SA), MCom (Tax)
Other directorships include: Anglo American Platinum Ltd, Hudaco Industries Ltd, Strate (Pty) Ltd, ABSA Group Ltd, Redefine Properties Ltd
Key Skills: Finance, governance, risk, financial services, strategy

Steve Ellis
Alternate executive director
Age: 58 | Appointed: May 2005
Qualifications: CA (SA)
Key Skills: Risk, retail, strategy

King IV

As the cornerstone of good corporate governance, the meaningful and group-wide incorporation of the King IV corporate governance practices in the group's day-to-day operations is the key input to achieving the desired governance outcomes and creating value for stakeholders. For further details on the group's application of King IV, refer page 5.

As is consistent with previous reporting periods, King IV was applied across the group, with the exception of one recommended practice. In this regard the board notes the practice of having an externally facilitated performance evaluation of the board, committees, chair and individual members at least every two years, a principle 9 recommended practice, is not applied. Instead, the board mandate provides the board will consider biennially whether an externally facilitated process should be adopted. The board established in the 2019 reporting period and ahead of the performance evaluation that the internal process managed by the previous lead independent director (LID), in conjunction with the company secretary, was robust, honest, adds incredible value and is preferable.

During the reporting period, the application of principles 11 (risk governance) and 12 (technology and information governance) received increased focus. Specifically, the group's top threats and opportunities were identified, reviewed and prioritised, management's responses to group's risks were monitored through the application of agile and fit for purpose response plans and improvements were made to the group's IT security posture. Due to the dynamic nature of security breaches, the group will continue to maintain and improve the protection of its information and de-risk the operating environment. For further detail refer pages 86 to 87 of the report of the Risk and IT Committee, which has oversight of this area.

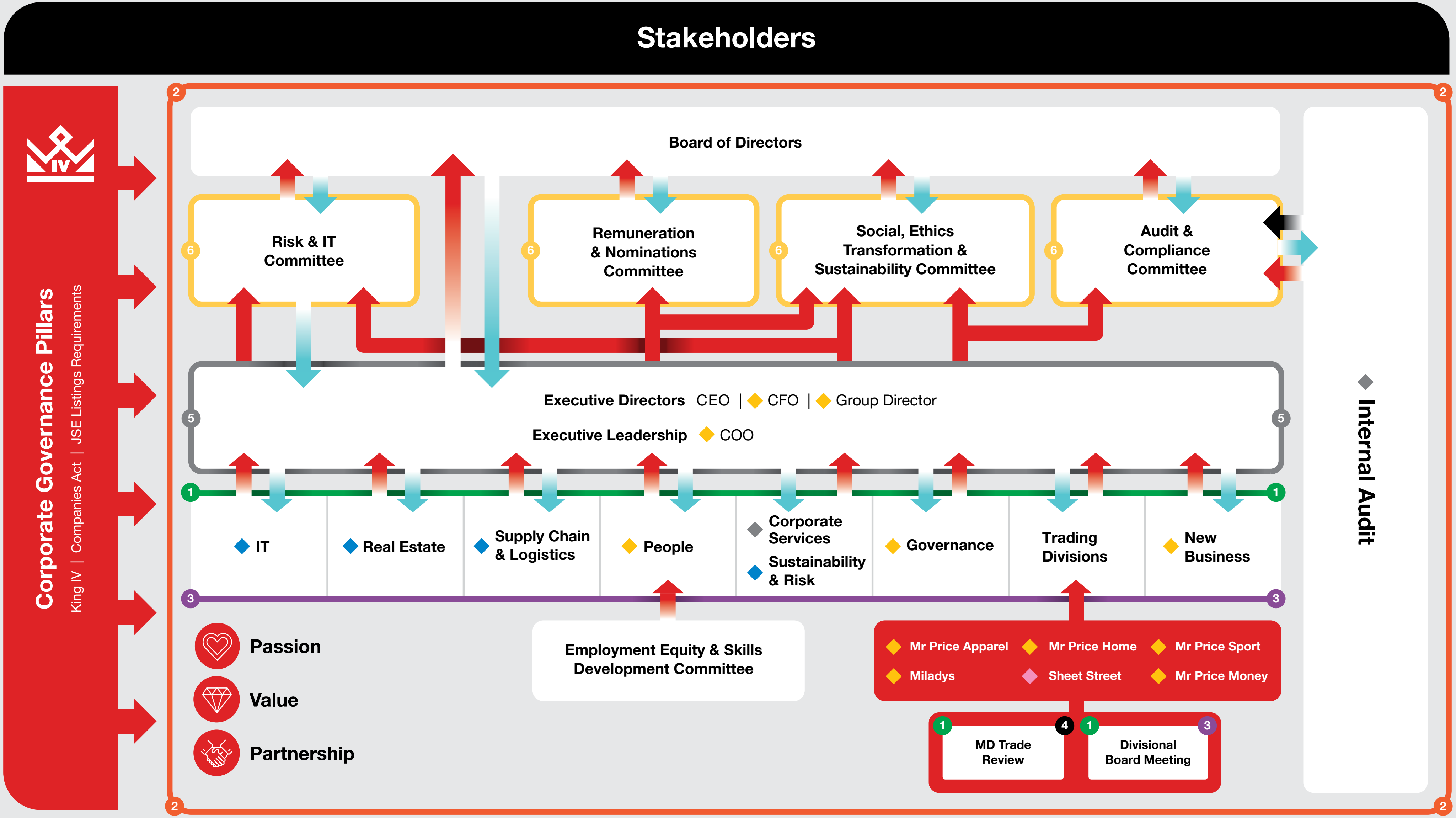
The following governance documents are located on the group's website: **www.mrpricegroup.com**.

- (i) board, (ii) committee, and (iii) IT divisional board mandates
- policies for the (i) appointment of directors and (ii) promotion of gender and ethnicity diversity on the board
- outline of board and management committees
- internal audit annual assurance statement
- code of conduct
- memorandum of incorporation
- notice of 2020 AGM

GOVERNANCE FRAMEWORK

Diagram Key: Delegation of Authority | Reporting Obligation | Assurance

Reporting Lines: CEO | CFO | COO | mrpHome



1. Details of attendees at these meetings are included in the board and management committees document on the website: www.mrpricegroup.com.

2. The activities and actions undertaken by the board, its committees, executive management and senior management are in the context of and underpinned by (i) the group beliefs of Passion, Value, Partnership, (ii) the group ethics framework and (iii) the group's codes of conduct.

3. Trading division and support services board meetings occur in February, April, July and October.

4. MD trade review meetings occur in March, May, August and November.

5. Leadership team

6. Non-member director attendance at committee meetings is high, which allows for the sharing of information between committees and facilitates transparency and robust informed deliberations.

Board composition

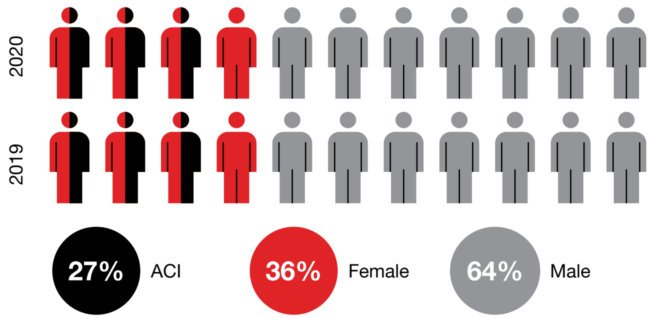
Key changes:

- Stuart Bird, retired as executive director 31 March 2019
- Mark Bowman, appointed LID, in Bobby Johnston's stead, 30 May 2019

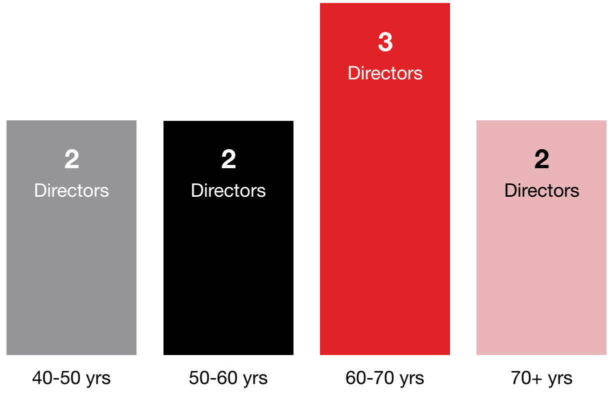
The philosophy of the group is to maintain a vibrant board that challenges management's strategies and evaluates performance against established benchmarks. The board currently comprises 11 directors including two executive directors, seven independent non-executive directors and two non-executive directors. In addition, the chief executive officer and honorary chair each have an alternate director.

The board is satisfied that its composition currently reflects the appropriate mix of knowledge, skills, experience, diversity and independence. Despite this and given the changed economic and social environment, the board, on the recommendation and under the guidance of the committee, is considering focusing board skills to ensure that the composition of the board continues to support the delivery of strategy and creation of value. This consideration is still in its early phases and will be a key focus during FY2021.

Board composition



Non-executive director age



Average age 2020: 59 years (2019: 58 years)

Board diversity

The board's composition and diversity cultivates robust debate on key issues and enables improved decision-making. The board has achieved its initial voluntary gender diversity target of 30% female representation. However, through committee and as part of the board skills focus, the board will continue to seek to appoint additional directors with appropriate skills and experience in furtherance of the achievement of the initial voluntary ethnicity diversity target of 30% ACI representation.

Board skills

The board's set of skills includes a balance of -

Retail
Strategy
Human resources
Finance
Governance
Sustainability
Risk
IT
Marketing
International business
Financial services

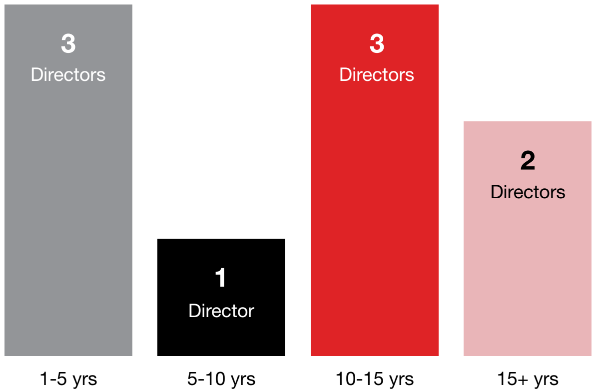
Tenure

The group values the long service of a number of its directors and believes this serves the business well, given the cyclical and specialist nature of retail, and ensures the retention of valuable corporate knowledge.

The board acknowledges and recognises the long-standing directors, who continuously add invaluable experience and knowledge to the group. Director tenure will however be one of the elements considered as part of the board skills refocus.

The group is fortunate to have the group's co-founder Stewart Cohen as honorary chair. Stewart provides regular valuable retail insights and input on strategy and is the embodiment of the group's beliefs of Passion, Value and Partnership. His continued tenure on the board is crucial to provide stability and retain institutional knowledge. Also, exposure to Stewart's extensive operational retail knowledge and experience is an important part of new director induction.

Non-executive director tenure



Average tenure 2020: 12.2 years (2019: 11.2 years)

As per the memorandum of incorporation, each year one-third of the non-executive directors retire by rotation. Subject to the directors making themselves available for re-election, committee recommends directors for re-election based on their attendance of board meetings, participation and value-add and board balance of skills. Bobby Johnston, Maud Motanyane-Welch and Nigel Payne are due to retire by rotation at the 2020 AGM.

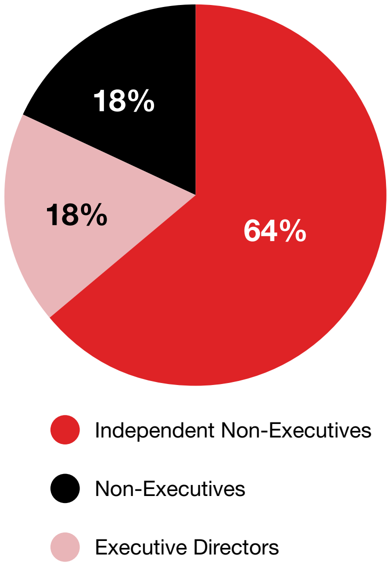
As recommended by committee, the board fully supports the re-election of these directors.

Fees

Non-executive director fees and executive remuneration is disclosed in the committee report on pages 102 to 105. In light of COVID-19 and the subsequent business and global economic impact, committee recommended, and the board agreed, to not apply any fee increases for at least the first half of FY2021 to align with the postponement of executive director and general staff increases for FY2021. In addition, and to echo the six-month voluntary salary sacrifice by the group's executive directors of up to 15% of monthly salary, the non-executive directors each agreed to sacrifice 10% of their director fees for the first half of FY2021. The equivalent of this fee sacrifice was included in the group's R2 million donation to the South African Solidarity Response Fund in support of COVID-19 relief.

Director independence

Each year, facilitated by the LID on behalf of committee, the independence of each non-executive director is assessed by way of a formal written self-assessment based on a number of director independence indicators including personal and professional interests, nature of relationship with the group, length of service and individual conduct. Directors who have served on the board for nine years or longer are required to complete an additional self-assessment. These results, together with other facts and circumstances relevant to each director, were considered by the board at the special corporate governance meeting. Although the board is satisfied each director acts with independence of mind in the best interests of the group, the board is cognisant of the appearance of independence and because of this has again classified as not independent (i) Stewart Cohen due to his material holding in the group's shares and (ii) Keith Getz as a function of his role as a professional legal advisor to the group. The board is further satisfied each of the other long-serving directors exercise objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party is likely to influence unduly or cause bias in decision-making and are thus classified independent.



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Non-Executives are independent

Board chair

The board considers its chair Nigel Payne to be independent. In addition Mark Bowman is the appointed LID thus ensuring a clear balance of power and no one director has unfettered decision-making power. The LID is responsible for chairing the annual special corporate governance meeting of the board, facilitating the conduct of the board and company secretary performance evaluations, providing regular formal feedback on progress against matters requiring improvement and acting as chair where the board chair is conflicted or unavailable.

Dealings in shares

The board adheres to a strict policy and process for dealings in the group's shares. The chair must approve any director share dealings, these are disclosed in terms of the JSE Listings Requirements and share dealings by senior management must be approved by the CEO and company secretary. Directors and associates are notified in advance of all closed and prohibited periods and adherence to the requirements of and restrictions on trade are carefully managed.

Conflicts of interests

Directors are obliged to avoid conflicts of interest, both actual and potential, and act in the best interests of the group at all times. Directors update their conflicts of interest registers when changes occur and review them at least quarterly before each board meeting. For transparency, updates to directors' registers are included in each board pack and directors are required, or are asked, to recuse themselves from any agenda item in respect of which there may be a conflict. Where conflicts of interest cannot be avoided, they are proactively and appropriately managed.

Board committees

The board has delegated roles and responsibilities to standing board committees, some which are required by law, to assist with the effective discharge of its duties. In March 2020, the board formed an ad hoc special committee to which it delegated responsibilities to make strategic decisions to mitigate and in response to COVID-19 risks. This committee is not permanent and will exist for so long as the circumstances require. To the extent that the impact of COVID-19 becomes "business as usual", related oversight and monitoring activities will be assumed by the relevant committees. Notwithstanding the various committees, the board retains ultimate responsibility for leading and steering the group and applies its collective mind to the information, opinions, recommendations, reports and statements presented by the committees.

The board confirms each of the committees have satisfied their respective responsibilities in accordance with their mandates for the reporting period.

Meeting attendance

The board and its committees meet formally four times a year; convene telephonically in January to review the Q3 trading results and on an ad hoc basis when required.

Given the immediate business risk and impact of COVID-19, the March 2020 meeting held shortly before South Africa went into full lock down, which is ordinarily a strategy meeting, focused on COVID-19 crisis and impact management as well as limited key standing agenda items. A separate corporate governance meeting is held in November to deal with governance matters. This ensures enough time is available in the other meetings to focus on matters of strategic importance. Meeting attendance is consistently high, and all directors attended all meetings of the board and committees on which they are members save as indicated in the attendance table. Although non-member director attendance at committee meetings is not reflected in the table, attendance is also consistently high, which facilitates transparency and robust, informed deliberations to allow for integrated thinking and decision-making.

FY2020 attendance

100% Board, AGM, Special Corporate Governance, Audit and Compliance, committee, RITC

Committee membership and attendance

	Name	Board	AGM	Special Corporate Governance	Audit and Compliance (ACC)*	Remuneration and Nominations (committee)*	Risk and IT (RITC)*	Social, Ethics, Transformation and Sustainability (SETS)*
Executive	Mark Blair	4/4	1/1	1/1			4/4	4/4
Executive	Mark Stirton	4/4	1/1	1/1			4/4	
Non-executive	Stewart Cohen	4/4	1/1	1/1				
Non-executive	Keith Getz	4/4	1/1	1/1		4/4		4/4
Independent non-executive	Nigel Payne	4/4	4/4	1/1		4/4	4/4	
Independent non-executive	Mark Bowman	4/4	1/1	1/1	4/4	4/4		
Independent non-executive	Bobby Johnston	4/4	1/1	1/1	4/4	4/4		
Independent non-executive	Mmaboshadi Chauke	4/4	1/1	1/1	4/4			
Independent non-executive	Maud Motanyane-Welch	4/4	1/1	1/1				3/4[1]
Independent non-executive	Daisy Naidoo	4/4	1/1	1/1	4/4		4/4	4/4
Independent non-executive	Brenda Niehaus	4/4	1/1	1/1			4/4	
Alternate[2]	Neill Abrams[3]	1/4	0/1	0/1				
Alternate[2]	Steve Ellis	4/4	1/1	1/1			4/4	

1 Extended apologies for the November 2019 SETS meeting.
2 Alternate directors are not required to attend each meeting.
3 UK citizen.

*The chief operating officer, and key trading and service division senior management are permanent invitees to the relevant committee meetings (as per the committee mandates located on the group's website www.mrpricegroup.com). The chief operating officer is also a permanent invitee to the board meetings. This creates transparency and facilitates robust discussions, which enables the board and committees to make more informed, better decisions.

Key:
- Chair
- Member
- Permanent invitee

Performance evaluations

The performance of the board and its committees is continually monitored through a formal process facilitated by the previous LID and the company secretary. Detailed performance evaluations of the board, chair, each director, each of the committees and the respective members and chairmen, were conducted in the previous reporting period. The scope of the assessments covered governance requirements such as conduct of board and committee meetings, people factors including contribution and interactions with management, business specific issues relating to strategic direction, matters material to the group and living the group values. Comprehensive steps for improvement documents and progress are tabled bi-annually. Overall, the board, its committees and members function efficiently and discharge their responsibilities as the group's custodians of corporate governance.

Peer evaluations were conducted during the reporting period. The peer evaluations were completed by each director and included an assessment of their peers on the roles and responsibilities of being a director, the specific characteristics required to be exhibited, meeting preparation, meaningful value add and interactions with the group's associates.

During the reporting period a "new director" evaluation process was agreed and will be implemented going forward to evaluate new directors based on the first year of tenure.

Annually committee, taking into account feedback from the board and honorary chair in the case of the chief executive officer, and the chief executive officer in the case of the chief financial officer, assess the performance of both the chief executive officer and the chief financial officer. The personal performance portion of STI awards recommended by committee for approval by the board are based on the outcomes of this assessment. The committee and the board are satisfied with the performance of both executive directors.

Delegation to management

Authority to implement and execute approved strategy is devolved sequentially as depicted in the governance framework on page 68 and formally to management through the group's delegated limits of authority document.

These limits of authority are reviewed annually by management and the board to ensure they remain aligned to the group's risk appetite and strategy and appropriately balance governance oversight with operational efficiency. The board is satisfied holistically the governance framework and delegated limits of authority provide role clarity and contribute towards effective exercise of authority. As part of continuous monitoring and improvement, the formal delegation document was updated during FY2020.

Chief executive officer

The chief executive officer and chief financial officer collectively exercise executive control over and management of the group and its trading and service divisions. The chief executive officer had no professional commitments outside the group during the reporting period. The chief executive officer does not have a fixed-term contract, but has a notice period of six months as stipulated in his engagement letter. Emergency succession and succession planning for the chief executive officer role over the long-term is in place.

Company secretary

The performance of the company secretary was formally reviewed in March 2020 in compliance with paragraph 3.84(h) of the JSE Listings Requirements. The board is satisfied Janis Cheadle has the competence, qualifications and experience necessary to effectively discharge her responsibilities and, for the reporting period, she performed her duties and provided appropriate professional corporate governance guidance to the board at an arms-length basis.

AUDIT AND COMPLIANCE COMMITTEE REPORT

The main impact of this committee's deliberations on the group's value creation elements is reflected below:

Capitals

F I S

Stakeholders

Business Activities

Governance Outcomes

- Good performance
- Effective control

Strategic Pillars

Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Role

The committee is constituted as a statutory committee in respect of its duties in terms of section 94(7) of the Companies Act (71 of 2008), and has been delegated the responsibility to provide meaningful oversight of the internal and external audit, and finance and compliance functions. The committee mandate is published on the group's website www.mrpricegroup.com. The committee members, their qualifications and experience, the number of meetings held and attendance at meetings is detailed in the Board report on pages 66 and 72.

The committee provides independent oversight of the effectiveness of the group's assurance and compliance functions, with particular focus on combined assurance arrangements (including external assurance service providers, internal audit and the finance function) and the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the group. In doing so, it assists the board to discharge its responsibility to:

- Safeguard the group's assets
- Operate adequate and effective systems of internal controls, financial risk management and governance
- Prepare materially accurate financial reporting information and statements in compliance with applicable legal/regulatory requirements and accounting standards
- Monitor compliance with laws, regulations and adopted non-binding rules, codes and standards
- Provide oversight of the external and internal audit functions

The key areas of focus for the reporting period were:

- Conducting the suitability assessment of the external auditor and new audit partner
- Ongoing assessment of the group's approach to mandatory audit firm rotation
- Monitoring the interpretation and impact of IFRS 16
- Overseeing ongoing regulatory, tax and credit matters
- Monitoring legal and regulatory compliance, and providing guidance on the suspected Madagascar supplier non-compliance and remedial actions
- Considering the impact of the 2019 JSE Listings Requirements (LR) amendments on financial reporting and compliance

The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year, including duties in terms of the Companies Act, JSE LR and King IV.

Compliance assurance

The committee oversees the assurance arrangements in place are effective. The combined assurance model comprises management, the compliance function, the internal audit function and external audit services. The committee is satisfied that these arrangements are effective in providing a robust control environment which enables the provision of reliable information for decision making purposes and support the integrity of external reports. After an extensive review and consultation process, the business has made a strategic decision to outsource the internal audit function to KPMG from 1 July 2020 (refer page 77).

Management and reporting

Having given due consideration, the committee believes and confirms that Mark Stirton, who is the financial director and carries the title chief financial officer (CFO), possesses the appropriate expertise and experience to meet his responsibilities. The committee is also of the view that the group's financial function incorporates the necessary expertise, resources and experience to adequately and effectively carry out its responsibilities.

Further, the committee believes that the group has appropriate financial reporting procedures and is satisfied that these procedures are operating adequately. This is supported by the effectiveness of internal controls being maintained at a high standard which translates into accurate financial and related information presented to stakeholders in this annual integrated report. There are no known significant internal financial control weaknesses. Significant matters considered in relation to the annual financial statements were the approach to determining both inventory and trade receivables provisioning, impairment assessments and assumptions used, going concern evaluation, quality of earnings, adoption of new IFRS standards and disclosures. The impact of COVID-19 on the group's financial reporting has been reviewed in conjunction with Ernst and Young Inc (EY). Additional disclosure relating to management judgment has been added where appropriate. The committee also considered the impact of the JSE report on proactive monitoring of annual financial statements 2019, the activities of the Financial

Reporting Investigation Panel in 2019 and the JSE thematic review of IFRS 9 and IFRS 15. Based on supporting information presented by the external auditors including financial analysis, prior history and best practice, the committee is satisfied that these matters were adequately addressed.

The impact of the amendments to the JSE LR were considered to ensure compliance with requirements as they become effective.

The basis for determining materiality was approved by the committee and the committee is satisfied with the level of reporting by management on qualifying significant items over the period.

External audit
EY were the group's appointed external auditor for the reporting period. Although EY has been the group's auditors since October 1989, the committee is satisfied that EY is independent of the group. In reaching this conclusion, the committee considered:

- The fact that the designated partner for the reporting period, Vinodhan Pillay, was assigned to the group audit in FY2016 (and will rotate off the group's audit from the FY2021 reporting period)
- The group has a clearly defined non-audit services policy which is strictly followed
- The extent of non-audit services is minimal and is continuously monitored, with no excessive, unusual or unnecessary engagements noted

The committee is of the view that the group received a high quality external audit taking into account the standard of audit planning and scope of activities performed. The audit team assigned to the audit, EY's independence, its relationship with stakeholders, understanding of the business, and the extent of non-audit services provided, were further points taken into consideration during the assessment of the audit quality. The committee chair met with EY prior to the approval of this report to discuss key audit matters, the group's annual financial statements, commentary thereon and general matters.

Vinodhan Pillay will rotate off the group audit as designated partner after FY2020 and EY proposed that Merisha Kassie take over as the designated audit partner for FY2021. The committee has considered the documents submitted by EY as part of the committee's suitability assessment and Merisha Kassie in terms of the JSE LR. On the basis of this assessment the committee recommended to the board and recommends to shareholders that EY be re-appointed as the external auditors and Merisha Kassie be appointed as the designated auditor for the current financial year (FY2021). The resolution for the re-appointment of EY as the group's external auditors is on page 142 of the notice of AGM.

The group has considered the requirements of mandatory audit firm rotation as prescribed by IRBA effective 1 April 2023. In the 2019 integrated report, the committee communicated its commitment to rotate external auditors from FY2021 provided such decision served the best interests of the business. Selection of the group's new external auditors was on track to be completed by the third quarter of FY2021, however, management requested that the rotation be delayed to FY2023. Audit failure is high when new external auditors who are unfamiliar with the business are introduced. Mandatory audit firm rotation timelines have been delayed in order to reduce the change risk of new external auditors, bringing more stability during a period where the economy and business is navigating extreme and unprecedented uncertainty. Further to this, it would be too disruptive to have both new internal and external auditors in the same year. Next financial year (FY2022) will be used to assess the capabilities and suitability of qualifying audit firms to enable a smooth transition at the appropriate time.

ANNUAL INTERNAL AUDIT ASSURANCE STATEMENT

For the reporting period, internal audit provides reasonable assurance that key risks were managed at acceptable levels to support the achievement of the group's strategy.

Internal Audit

Independence

- Independence and objectivity is maintained through internal audit's appropriate organisational positioning, reporting functionally to the committee and administratively to the CFO
- Internal audit is independent of all group operational activities and has unrestricted access to all areas within the group
- Internal auditors maintain an unbiased mental attitude that allows them to perform engagements objectively
- The committee approves the appointment (and removal), and contract of the chief audit executive (CAE). The committee approves the remuneration of the CAE in conjunction with committee
- The CAE ensures Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner
- Executive management support and encourage the independence of the function and the opinions provided
- The CAE has a standing invitation to attend any divisional board meeting but is not a member of these boards to maintain independence

Approach

- Assurance is provided through a risk-based approach that is aligned to the strategic risks facing the group
- Internal audit remains agile to respond to the rapid shifts in the internal and external environment. Internal audit plans are re-calibrated on a quarterly basis to align efforts to risks on an ongoing basis. The approved audit plan for FY2020 was achieved
- Internal audit's fit for purpose, cost effective approach to providing assurance to a value driven business ensures that key risks are appropriately managed to acceptable levels, in line with the group's defined risk tolerances
- Internal audit's integrated approach to all audit disciplines provides a holistic view on risk
- Internal audit provides real-time assurance through digital auditing resulting in greater coverage, depth and efficiencies
- Duplication of assurance efforts are reduced through a coordinated combined assurance approach to risk management
- Internal audit is aligned to professional standards, Code of Ethics of the Institute of Internal Auditors and King IV principles

People

- Experienced, qualified and passionate associates have been upskilled in retail acumen to provide assurance in key strategic areas and drive value creation for stakeholders

Value Creation

- Internal audit identified cost saving opportunities to the group through improvements and innovative approaches to providing assurance such as process efficiencies
- Collaborated with the project management office to strengthen the first and second line of defence through stage gate reviews that ensured key requirements were met during each IT project
- Improved ethics and fraud detection within the group through quick and effective response to fraud and ethics related matters
- Implementation of dashboards to monitor key risks on an ongoing basis within the store operations environment

Transforming Internal Audit

- Internal audit's ever evolving, innovative and agile approach to assurance has provided real-time, insightful and foresight driven assurance
- Transitioning internal audit from providing assurance that is insightful to foresight driven, through the development of predictive analytics to forecast risk/ control breakdowns within the store operations environment
- The Southern African Institute of Internal Audit recognised the CAE in 2019 for his excellence in internal audit leadership, internal audit transformation and contributions to the profession
- An outsource agreement with KPMG was facilitated through a section 197 arrangement, whereby all internal audit associates were transferred to KPMG from 1 July 2020
- Key criteria considered in the decision to outsource internal audit include
  - increased diversity of assurance skills required to respond to the changing needs of the group
  - improved career path for the internal audit associates not available within the group
  - introduction of new technologies to aid in the prevention and detection of control breaches and
  - leverage of global best practices and methodologies

Continued

ANNUAL INTERNAL AUDIT ASSURANCE STATEMENT

For the reporting period, internal audit provides reasonable assurance that key risks were managed at acceptable levels to support the achievement of the group's strategy.

FY2020 Strategic focus

Retail modernisation IT Project
- Contributed towards optimising the fundamental retail capabilities across the group by providing relevant and timely assurance on IT project delivery.

Revenue assurance (Mr Price Money)
- Provided assurance on the revenue streams within Mr Price Money, focusing on the credit, cellular and insurance processes and systems contributing to accurate, valid and complete billing and financial reporting.

Information security
- Assurance was crafted around the everchanging security risk landscape faced by the group to ensure constant monitoring and improvements in the group's response to security threats.

Store operations
- Positively influenced the store operational risk environment by providing assurance on key risks associated with the management of cash and stock at stores. The approach to provide digital assurance was successfully pioneered allowing operational risks and control breakdowns to be monitored daily through visual dashboards.

Supplier compliance
- Assessed supplier compliance with import regulations.

Supply chain (Plan, Buy, Move and Sell)
- Provided assurance on key processes that enable the achievement of the strategic imperative to deliver the right product, to the right store, at the right time.

FY2020 Outcomes

Tone at the top
- The Executive team is always supportive and committed to ensuring good governance and risk management across the group. Adherence to the group code of conduct is promoted through consistent application in all matters relating to employee and supplier conduct.

Governance
- Governance, risk and controls evaluated were adequate and appropriate to assure that the group operated in a responsibly governed manner.

Risk management
- Risk management structures, systems and processes continuously improve to identify, assess and mitigate key emerging internal and external risks and to support the achievement of the group's strategic goals.

Internal control
- Internal processes and associated controls remained appropriate and reliable across the group, ensuring the achievement of strategic/operational imperatives, safeguarding of assets and compliance with relevant laws and regulations. Responsiveness to reported control weaknesses and recommended improvements remained positive.

Process efficiencies
- Processes are reengineered on an ongoing basis through continued focus on identifying efficiencies within every process that was audited.

Internal audit training intervention outcomes
- Internal Audit have built the appropriate level of skill and optimised approaches to support the group as a key governance pillar.

Compliance

The board governs compliance with applicable laws, regulations and adopted non-binding rules, codes and standards. It has delegated this responsibility to the committee which is accountable for setting the direction on how compliance is managed by approving the group's compliance policy and exercising ongoing oversight of compliance governance. The committee delegates the implementation and execution of effective compliance management to the group's management, as first line of defence.

Compliance is embedded within the group through the group compliance function which acts as part of the second line of defence. It assists the board, management and associates in fulfilling their responsibility to comply with applicable compliance obligations through the provision of compliance risk management services. The constantly changing regulatory landscape is monitored to ensure that key regulatory changes are identified across all jurisdictions in which the group operates, the business impact determined, and appropriate controls implemented to achieve compliance. The group's credit and insurance business are highly regulated. There is a dedicated compliance function within the group's Mr Price Money division, which has a dotted reporting line to the group compliance function. Implementation of compliance measures and controls is managed within other trading and support divisions as part of existing roles as appropriate.

Annually, the group's regulatory universe is reviewed, and approved by the committee, and responsibility for legislation is delegated to management. Material group and divisional compliance risks, trends and mitigation measures are monitored by the group compliance function and formally reported to management at quarterly governance divisional board meetings as well as to the board through both the Social, Ethics, Transformation and Sustainability Committee (SETS), regarding compliance matters relevant to SETS area of oversight, and this committee. On an annual basis, management and the group compliance officer provide assurance to the committee in respect of their delegated areas of responsibility through the legal assurance process.

Tax and labour compliance

Regarding the previously disclosed SARS assessment objections and appeal, the group has reached a settlement with SARS on one matter without incurring penalties. The other matter is proceeding to court (these matters are covered in the CFO's report on page 50). The previously disclosed department of labour (DoL) compliance notices issued regarding alleged non-compliance with the sectorial determination for "store associate" rates of pay remain under dispute. The DoL has misinterpreted the retail "store associate" role as defined in the context of the group's self-service model and has not taken staff benefits into account when calculating store associate rate of pay. These matters are ongoing.

Occupational health and safety compliance

In March 2020 the group closed the Durban head office voluntarily and as a precautionary measure for two days after two associates who had traveled internationally and met with a supplier who was diagnosed with COVID-19, showed flu-like symptoms. During this closure the offices were deep cleaned, sanitisers installed and hygiene protocols and awareness escalated. Although the associates tested negative, the measures taken during the closure resulted in the group early-implementing the Government directed social distancing and hygiene measures which were enforced during March 2020. The closure also enabled the group to test its work from home capacity which assisted in a smooth transition to full lock down in late March. Ongoing compliance with the Disaster Management Act regulations and implementation of COVID-19 health and safety requirements is a key focus for the current (FY2021) reporting period. Further detail on the group's response to and management of the COVID-19 pandemic is on page 84.

Customs and excise compliance

During this reporting period an investigation by internal audit identified suspected non-compliance with customs and excise requirements by a supplier of the group. As a consequence, the relationship with the supplier was terminated and disciplinary action was taken against accountable senior associates (refer page 113). As a precaution and to address any potential reporting obligations, the CAE met with senior SARS officials in late 2019 to discuss the matter.

No material or repeated penalties, sanctions or fines for contraventions of or non-compliance with statutory obligations (including environmental obligations) were imposed on the group or its directors or management during the reporting period.

The key areas of focus for the reporting period were:

- Achieving payment card industry (PCI) compliance
- Implementing National Credit Act (NCA) amendments
- Favourably resolving the NCA matter before the National Credit Tribunal relating to the Miladys club product fee (this was resolved in May 2019 during the reporting period but was fully disclosed in the 2019 annual integrated report)
- Improved data protection compliance including Protection of Personal Information Act (POPIA) readiness
- Resolving the suspected supplier non-compliance matter
- Implementing measures to comply with the Disaster Management Act regulations and COVID-19 health and safety requirements

Future areas of focus are:

- Entrenching and monitoring of Disaster Management Act regulations and COVID-19 related compliance
- Materially progressing POPIA compliance through a focused data protection project to ensure compliance by the 1 July 2021 implementation date
- Increased monitoring of financial services legislation following recent legislative amendments

How we govern

8 11 12

RISK AND IT COMMITTEE REPORT

The main impact of this committee's deliberations on the group's value creation elements is reflected below:

Capitals

F M I H

Stakeholders

Business Activities

Governance Outcomes

- Good performance
- Effective control

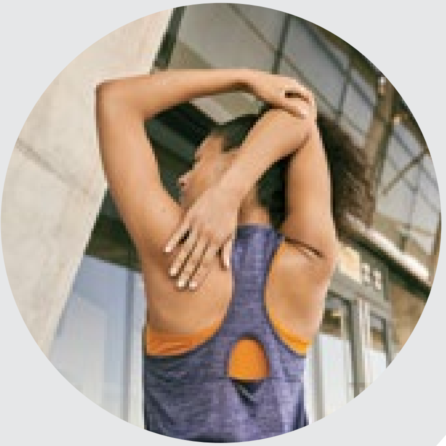
Strategic Pillars

Sustainable Development Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Role

The committee is constituted as a committee of the board and has been delegated responsibility for governing and overseeing the risk, information and technology (IT) activities of the group. The committee mandate is published on the group's website www.mrpricegroup.com. The committee members, their qualifications and experience, the number of meetings held and attendance at meetings is detailed in the Board report on pages 66 and 72.

The committee's responsibility is to ensure risks and opportunities are considered and managed, in a way that both influences and fulfils the setting and achievement of the group's strategy (as detailed in the Strategy, Material Matters and Key Risks section on pages 34 to 45). The committee is also responsible for overseeing IT operations which are a strategic enabler supporting both the group's current and future business activities. To fulfil its role, the committee oversees management's implementation and execution of risk, including insurance cover and business resilience, and IT control, as well as the three lines of defence, in conjunction with the Audit and Compliance Committee which oversees financial controls and reporting risk.

A specialist non-executive director plays a role as a committee member and monitors and provides input but does not make any decisions on material IT projects. The non-executive director has also attended certain IT project steering committees and provides adhoc guidance on general IT governance matters.

The key areas of focus for the reporting period were:

- Identifying, reviewing and prioritising the group's top threats and opportunities
- Monitoring management's responses to the group's risks through the application of agile and fit for purpose response plans
- Overseeing progress towards the successful delivery of the group's IT retail modernisation programme
- Monitoring and reviewing improvements to the IT security posture
- Guiding and monitoring management's response to the COVID-19 pandemic

The committee is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year.

Risk philosophy

The group recognises that in order to create and protect shareholder value there is a need to take risks in a responsible and informed manner. Risks are inherent in business activities and can relate to strategic goals, business performance, compliance with laws and regulations, and those critical to environmental, social and governance aspects. Whilst no risk management system can possibly identify and address every risk, the aim of the group is to ensure that prioritised risks are managed within acceptable levels.

Open candid and fact-based discussions on risk related issues are encouraged. This transparency surfaces all relevant facts and information which enables the assessment of various possible options on which informed decisions are made. Considering and assessing risk is embedded into the day to day functions within the business and remains at the forefront of thinking at all levels from from group strategic matters to daily operational management.

The risk maturity of the group has continued to evolve. The group's attitude to and the acceptance of risk includes opportunity-based thinking. Risk mitigation steps are constantly refined to extend beyond mitigation to include opportunity-based identification and action sentiment. Risks are managed such that it encourages entrepreneurism and in a way that will maximise the upside whilst providing protection against the downside. Risk capabilities will further improve in the year ahead under the leadership of the newly appointed risk director.

Risk operating model

Even with the entrenchment of risk and opportunity-based thinking, the group recognises the need for groupwide risk disciplines to be applied in a manner that is effective and reliable. This safeguards against uncertainties that could threaten the achievement of business strategies and ensure that these are managed in a structured, transparent and responsible manner, with sufficient degree of oversight. Risk identification is driven through a hybrid approach of a top down and aggregated bottom up process. During the reporting period risk monitoring software was also implemented to improve the speed, efficiency and tracking of risks logged across the group.

The risk structure below provides an overview of how the group thinks about, structures and manages its risks. This enables the group to understand the relationships between risks across multiple divisions. It is also used as a means to capture material risk exposures generated from varying perspectives.

Risk oversight

Risk and IT committee
- Governance and oversight of risk activities
- Approve the risk appetite for the group
- Approve risk management components
- Discuss group-wide risks and opportunities (as detailed in the Strategy, Material Matters and Key Risks section on pages 34 to 45)

Risk management

Executive management
- Define risk appetite
- Evaluate risk mitigation plans
- Provide risk related information
- Focus on strategic group risks

Risk function
- Create a common risk framework
- Provide guidance on the application of the framework
- Identify and assess risks
- Aggregate, co-ordinate and report risk information and processes
- Ensure adequate mitigation by management relative to impact and proximity
- Track risk responses
- Provide training and guidance

Internal audit
- Provide assurance on the effectiveness of the risk management process
- Provide assurance on risk mitigation steps once implemented

Risk ownership

Trading and service divisions
- Operate within the risk appetite and governance structures
- Respond to risks in a timely and effective manner
- Focus on tactical risks while aligning to strategic group risks

Strategic risk

Risk management is included in the annual strategy process across all trading and service divisions. Risks are considered in achieving a given strategy and business objective. Executive and divisional management routinely challenge themselves on their capabilities (skills, time and mitigations) to achieve the business strategy and objectives. Formal divisional progress updates are provided quarterly. Divisional risk registers are maintained and analysed for completeness, progress and alignment to group strategic risks.

Throughout the year, risk assessment pulse checks are performed by the group and/or risk management function to identify internal and external events that might affect achievement of the group's objectives. As part of the annual risk survey, a selection of risks most likely to emerge within the next 5 years, are also identified. These risks are then evaluated on a quarterly basis for inclusion in the group's inventory of threats and opportunities.

A home grown deep dive risk methodology is adopted for key strategic risks. These are completed as part of the risk programme and progress is monitored by executive and divisional management, and this committee.

The deep dive method unpacks material risks and opportunities by strategic theme. Risks are defined to ensure a common understanding across all stakeholders and risk owners. Causes and potential consequences are agreed and documented. Key risk mitigation and controls are assessed with assurance mechanisms attached. Required action and treatment steps are identified and tracked to ensure progress and/or improvement on the overall management of the risk.

A deep dive dashboard for key material risks is presented to the committee on a quarterly basis. The consolidation of all efforts and progress by risk allows for a thorough interrogation and alignment on the identified risks, likely impact, adequacy and progress of treatment plans and required assurance mechanisms.

Tactical and operational risk

In addition to focus on strategic risks, the group appreciates the need to manage daily operational and tactical risks (such as stock and cash losses) to preserve the value driven model of the group. Whilst these risks are managed through divisional management as part of daily operations, there is oversight by executive management. These are reported through the internal audit function as a standard reporting item at both the divisional and board levels on a quarterly basis.

Risk incidents

Any major risk incident is immediately reported to executive management and the committee. This includes qualitative and quantifiable matters such as:

- Risk of reputational damage
- Injury of a customer or staff
- Ethical or compliance breach
- Extended information technology system failure
- Significant business interruption event

For the reporting period, COVID-19 was a significant unexpected and unusual risk. Further details on this and the group's response are on pages 84 and 85.

Business resilience

Business resilience is the ability of an organisation to anticipate, prepare for, respond and adapt to incremental change and sudden disruptions in order to survive and prosper. A resilience plan guides how to respond, recover and rebuild operations. Although these plans are not intended to cover every eventuality, they must be flexible enough to adapt to a specific crisis.

For effectiveness, the resilience process forms part of the group's risk management approach. This integration ensures the early identification and tracking of potential disruptive events.

As with risk management, the business resilience process is maturing with further enhancements expected in the year ahead. Enhancement to this process includes:

- Annual testing of each divisional customised resilience plan
- Crisis simulation exercises for group leadership and executives
- Impact assessments incorporating third party activities
- Ongoing awareness initiatives and training across the group
- Resilience requirements incorporated into all new processes, services and systems

COVID-19: Business impact, risk assessment and response

The COVID-19 pandemic emerged in the last quarter of the reporting period. Initially, this pandemic affected the inbound supply chain (caused by disruption in the East) but due to the swift reaction of the South African Government in instituting a national lockdown, business and economic effects of the pandemic rapidly accelerated and impacted local demand in South Africa. A timeline of COVID-19 events in South Africa is on pages 18 and 19.

In the true spirit of partnership, the group and executive leadership fully supported Government's decision by going beyond compliance with regulatory requirements and collaboratively supporting and working with all stakeholders, including associates, Government and landlords, to mitigate risk.

A crisis committee led by executive management and represented by heads of all divisions was immediately established. Accepting that no amount of business continuity and contingency planning could have prepared any business for the impact of a complete shutdown of the entire economy, a focused COVID-19 risk assessment was promptly performed. Risk identification was guided by the entrenched values of the group. These included concentrating on the well-being and safety of associates, treating suppliers and landlords with fairness, shareholder interests, and society at large. In addition, scenario analysis was conducted to pre-empt responses to anticipated amendments or extensions to lockdown dates, supplier impact, increase in associate infection rates, and product sale prohibitions post lockdown. A 5-stage process risk assessment framework was adopted. Using credible external sources of COVID-19 risk assessments as a point of reference, a focused set of questions were developed. These questions were specifically focused on the group's ecosystem and were customised to address the most significant business resilience areas.

These key resilience areas and the crisis committee objectives are summarised as follows:

Organisational resilience	Objective
Workforce	• To ensure safety and well-being of all associates • To ensure clear communication to all associates • To consider the risk of the virus spreading across the business
Financial	• To assess business performance due to loss of trading and supplier obligations • To accurately forecast working capital requirements and cash flow projections • Halt all discretionary, uncommitted and capital spend • Evaluate capital structure and stress test liquidity under various scenarios • Increase short-term credit line availability to provide additional financial headroom
Business continuity and operations	• To monitor Government regulations and assess the impact on group operations and performance, and develop suitable response plans • To enhance ability to respond to customer reactions (e.g. decreased demand or adverse publicity) • To ensure reliable incident response processes aligned to all protocols
Supply chain	• To ensure on-going operational performance, reliance on internal capabilities and external partners • To ensure adequate merchandise flow with balanced assortments to satisfy customer demand • To ensure visibility and continuity of supply
Technology	• To ensure capability to continue to operate in a changed environment, support work from home capability, and adequate support from technology partners
Legal and compliance; and governance	• To maintain effective governance throughout the process • To ensure that the group is contractually protected • To ensure accurate communication to the Board and external stakeholders • Work with industry and government bodies such as National Clothing Retail Forum and Department of Trade Industry and Competition on protocols and permitted items under each lockdown phase

Risks were then identified, and proposed risk mitigations implemented. These were thereafter tracked on a real time basis with formal weekly oversight by the crisis committee. These meetings were structured with agendas, formal feedback and minutes. Internal controls and response plans emanating from these risks will be subject to validation by internal audit.

The pandemic has had a significant impact on the group's turnover and profitability with the inability to trade during level 5 lockdown from 27 March 2020 to 30 May 2020 and limited trading ability through level 4 during the month of May 2020. Lockdown level 3 (from 1 June 2020) allowed trade to return unrestricted. The broader socio-economic impact is likely to continue to affect the trading environment for an extended period. Despite this, the foundation and pillars of the organisation have held the group in good stead to respond well to the pandemic.

Comfort is taken from the group's cash position. As a value retailer with a strong balance sheet, the business remains well positioned in the market. The pandemic will, however, continue to make the group risk profile volatile.

The rules of engagement have and will continue to change significantly, and the group must remain vigilant in this dynamic environment. The group has also proven its agility as regulations were introduced and amended. This is demonstrative of adaptive business processes

Performance measures in all aspects of the business will be revised to ensure sustainability and optimal financial performance. Trends and changes to the sector and customer behaviour will be closely monitored. Capital investment decisions will be reassessed, and cost saving opportunities will be relentlessly pursued.

The group will look for potential opportunities that may arise in the post COVID-19 era. COVID-19 will continue to provide valuable learnings that will be incorporated into the group's business resilience process.

Information and technology governance

The group's IT function is responsible for supporting and maintaining effective IT internal controls to meet the overall governance standards. The IT governance standards are aligned to the group's governance methodology and apply the principles in King IV and COBIT.

To meet the governance standards, the division has identified and established the following structures:

Governance structures

operating effectively | not operating effectively

IT governance is implemented through IT management committees. The divisional committees have been reviewed and re-aligned to balance appropriate levels of governance.

Risk and IT Committee
Committee of the board including executive and non-executive directors, with divisional management as permanent invitees

IT Divisional Board
(Operations, strategic prioritisation and investment decisions)

Executive directors and trading and service division heads

IT Exco
CIO and Heads of IT

Change Advisory Board
IT Portfolio Managers

Design Authority
IT Architecture

Project Steering Committee
IT and business representatives

Risk and Security Committee*
Heads of IT, internal audit, risk

*The committee has been incorporated into the IT Exco and will no longer be a standalone committee.

The key IT governance activities for the reporting period were prioritised based on the key enablers and components of strategy delivery, and enablement of day to day business activities. The newly appointed Chief Information Officer (CIO) who joined in November 2019, has reorganised and prioritised the IT delivery framework to provide greater assurance that investment and risk is progressed responsibly and timeously and that the IT strategy supports and enables the group strategy.

The group's vision for the IT division over the next five years, is for the team to lead from the edge. This will require it to move from a reactive based support division to a thought leader, trusted advisor and change driver.

During the reporting period, core IT focus areas included:

- Retail modernisation programme implementation (ERP and retail merchandising solutions)
- Improvements to the cyber security posture
- Achievement of payment card industry (PCI) compliance

There has been a concerted effort by the division to deliver these projects. Projects focused on legacy migration, maintenance and innovation initiatives require further attention and present opportunities. A complicated legacy environment has made it challenging to capitalise on modern architectures and tool sets available to enhance competitiveness in the modern retail landscape. The shift towards driving change is a key future focus.

The mission is to shift the energy allocation from focusing on the base layer of infrastructure and applications to spending more and more time on Innovation supported by applications.

During the reporting period, there were no major IT incidents or IT security breaches, and while various IT policies were updated as part of continuous improvement activities, there was no material change in the group's IT policy. The internal audit function plays a key role in monitoring the effectiveness of IT management. Audit findings on IT risk management are reported on a real-time basis and the resolution of findings is tracked and reported by internal audit. The group's IT control environment remains reliable, with ongoing opportunities to mitigate risks.

The planned areas of future focus:

- Delivering core retail systems as priority projects to enable group strategy and future-proof the group
- Opportunities to:
  - fast track digitisation across the business
  - plan and execute on legacy system decoupling to enable change
  - increase strategic focus on e-commerce in response to an accelerated shift in the utilisation of this channel since COVID-19
- Maintaining and improving the IT security posture and de- risking the operating environment
- Remediate the control gaps identified by internal audit

Further details of the impact of IT projects on the delivery of the group's strategy are included in the Strategy, Material Matters and Key Risks section on pages 34 to 45.

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

The main impact of this committee's deliberations on the group's value creation elements is reflected below:

Capitals

F I H

Stakeholders

Business Activities

Governance Outcomes

- Good performance
- Effective control

Strategic Pillars

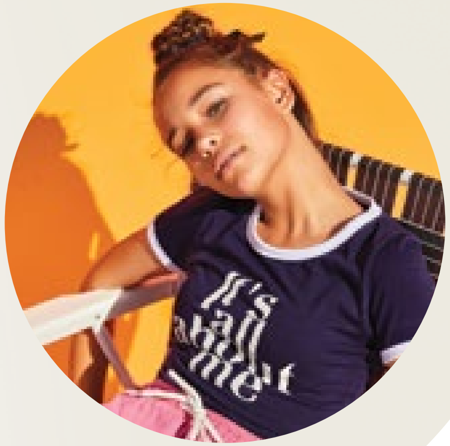
Sustainable Development Goals

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

11 SUSTAINABLE CITIES AND COMMUNITIES



The committee is constituted as a committee of the board and has been delegated responsibility for overseeing the remuneration activities of the group and the nominations activities in respect of the board. The committee mandate is available on the group's website www.mrpricegroup.com. The committee members, their qualifications and experience, the number of meetings held and attendance at meetings is detailed in the Board report on pages 66 and 72.

Role

The board, ultimately responsible for the remuneration policy and implementation thereof, seeks to deliver the most desirable outcomes and practices which appropriately balance the welfares of all interested stakeholders in a transparent and integrated manner. The committee oversees the group's approach to remuneration to ensure fair, equitable and responsible remuneration in support of the group's strategy. The committee is further responsible for overseeing that remuneration processes are carried out consistently and aligned to the group's remuneration policy thus ensuring that the intellectual capital required to achieve the group's imperatives is attracted, motivated, retained and rewarded. In addition, the committee oversees the composition and performance of the board and its committees.

Key areas of focus for the reporting period were:

- Following a review of shareholder comments received in relation to current long-term incentives and taking leading remuneration practice into consideration, a new long-term incentive plan (LTI) was developed for implementation in FY2021. The LTI comprises a mix of instruments and while the implementation details are still in the process of being finalised, the main features of the LTI as it applies to executive management, together with the associated advantages, are on page 99.
  - the LTI will not result in any shareholder dilution as it can only be settled by using cash to purchase shares in the market. The group will also waive its present authority to issue shares to satisfy the requirements of its current share schemes
  - the LTI is operated out of a single set of plan rules, ensuring ease of administration and lowering the operating costs thereof
  - executive and divisional directors will no longer receive forfeitable shares without performance conditions
  - a mix of appropriate performance measures aligned with long-term strategy will be used for each instrument. Due to the COVID-19 pandemic, it was not yet possible to set meaningful targets and conditions, but the committee will undertake an active shareholder engagement process prior to making the first awards under the LTI. During these engagements the mix of instruments together with the proposed performance measures will be discussed with shareholders
  - performance forfeitable shares will be substituted for performance awards over conditional rights to shares that are settled on vesting following the satisfaction of performance conditions. The use of conditional rights to shares avoids a situation where shares must be forfeited due to the non-fulfilment of performance conditions, meaning cash can be used more productively. As a result, executive and divisional directors will no longer earn dividends on unvested performance shares
- Enhancement of short-term incentive (STI) structure for executive directors and senior management. This included a significant shift in the weighting away from personal performance to the achievement of strategic KPI's for executive directors
- Alignment of roles and grades across the group to ensure consistency across divisions and to better position group roles against the market
- Enhancement of associate nomination and assessment process to strengthen succession planning
- The ongoing board refresh and skills focus, and the identification of suitable directors
- Engaging with and responding to shareholder remuneration questions

The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2020 financial year and that the remuneration philosophy achieved its stated objectives. Future areas of focus are on page 92.

The committee's remuneration report is structured as follows:

Background statement

Letter from the chair:

Our culture of partnership

Our values are embedded in our strong culture, which is a key element of our strategic competitive advantage. People who are driven by Passion, guided by Value and committed to Partnership have enabled our success as an organisation. The core objective of our remuneration policy is to attract, motivate, retain and reward top retail talent to deliver superior results. The historical 34-year compound earnings (20.0%) and dividend (18.8%) growths and our record of key staff retention over the years, provides tangible evidence that our values and approach to remuneration have delivered on this objective.

Our remuneration structures are designed to support this entrepreneurial culture by incentivising high performance. We have taken a conscious and deliberate decision to skew our remuneration philosophy towards variable pay and we choose to generously reward superior performance through our variable pay structures. This ensures that our associates share in the risk and reward of the performance of the group and are aligned to shareholder value creation. At the same time our guaranteed pay is aimed at the median of our chosen comparator group, placing a lesser burden on the group's fixed staff costs in years of under-performance. It makes sense to us to reward generously when the group experiences successful years, and to contain our fixed cost commitment to reasonable levels in years of poor performance. To ensure that we are providing remuneration that is fair, appropriate and responsible, we conduct our own internal benchmarking exercise annually and every second year make use of an external remuneration consultant to confirm our objectivity in discharging our mandate.

The committee (and the board) is acutely aware of the global issue regarding fair and responsible remuneration between management and junior level employees. We believe that our unique and inclusive approach to short and long-term remuneration enables the best possible outcomes, is substantively fair, and is applied consistently throughout the organisation. By addressing equal pay for work of equal value, we consequently close the gap between gender and equity disparity. The group's recent role evaluation and grading project has provided an objective basis to identify and address any misalignment. Our partners share scheme, details of which are on page 97, is a key example of the ability of all associates to share in the success of the business. Total dividends received by the associates participating in this scheme amount to R210 million since inception.

Our performance and impact on remuneration

In the committee's view the following matters, inter alia, influenced remuneration during the reporting period:

- The suppressed local economy and low business and consumer confidence
- The remedial and structural changes that the newly appointed CEO and CFO made to enhance the positioning of the organisation
- The threat of a loss of key staff to competitors locally and internationally
- Labour and employment laws, amendments and minimum wage requirements
- The impact of COVID-19 on financial performance, associate remuneration and retention

The tough retail market and impact of COVID-19 on the group's results have meant that regrettably none of the share options and performance forfeitable share plan (FSP) awards granted in 2015 will vest in 2020, due to the non-fulfilment of performance vesting conditions.

In March 2020, the first case of COVID-19 was reported in South Africa, and on 27 March 2020 the country was placed under a nationwide lockdown until 30 April 2020. As a result of the lockdown stores were unable to trade for this period (refer pages 18 and 19 for a complete COVID-19 timeline). Despite a complete shutdown of trading operations, the group continued to remunerate all associates at 100% of salaries including all benefits. The CEO voluntarily chose to take a 15% reduction in salary for a period of six months and similarly all other executive directors and non-executive directors voluntarily elected to take a 10% reduction in basic salaries and fees effective 1 April 2020. In addition, salary increases for all associates for the 2021 financial year are suspended until the full impact of COVID-19 can be evaluated (refer to special resolution 1 in page 144 regarding the approval of non-executive director fees). The group remains committed to maintaining job security and ensuring the wellbeing of all associates as far as possible to ensure business continuity. The group applied to the temporary employment relief scheme made available by the South African government for employers who were required to close or partially close operations during the lockdown.

Shareholder engagement

The committee and the group encourage and appreciate feedback from shareholders on remuneration matters. Issues raised are tabled at committee meetings and considered when reviewing policy, implementation of policy and remuneration disclosure.

Despite the shareholder roadshow conducted by the committee chair, senior management and the group head of investor relations with fourteen of our largest shareholders representing 49.9% of total ordinary shareholding (overall twenty of our shareholders were contacted for engagement) prior to the AGM, we unfortunately only received 66.04% and 61.29% shareholder approval on the remuneration policy and implementation report respectively at the 2019 AGM. We are disappointed with the overall result, particularly given the positive results of the remuneration resolutions at the 2018 AGM and the policy implementation adjustments made over the course of the 2019 financial year. Shareholders were invited to engage with us post the AGM, however no shareholders contacted us in this regard.

The group strives to apply its remuneration philosophy of ‘Partnership’ consistently and appropriately and will continue its efforts to proactively engage with shareholders to understand the concerns around the remuneration policy and implementation thereof.

As a result of these outcomes and in an attempt to align our policies more closely to the expectations of our shareholders whilst remaining mindful of our unique business needs, we addressed the following matters either via policy changes or by the introduction of new policies, as set out in the table below.

Element	Matters raised	Mr Price response and/or policy changes
LTI	Shareholder dilution associated with the share plans.	The new LTI that can only be settled by using cash to purchase shares in the market will be implemented in FY2021, resulting in no shareholder dilution. The group will also waive its authority to issue shares to satisfy the requirements of its current share schemes. Further details can be found on pages 98 and 99.
	Performance conditions – shareholders indicated that LTIs that make use of performance hurdles based on operational returns, measured against cost of capital and agreed with shareholders in advance are preferred. The use of HEPS as the only performance measure for both LTIs was noted as a concern.	The committee agrees that the use of a single measure for options and forfeitable shares is not ideal and intends to use a balance of measures linked to long-term shareholder value creation and our strategic objectives for the new LTI. Due to the uncertain trading conditions as a result of the COVID-19 pandemic, the committee was not yet able to set performance metrics for the new plan and will use this opportunity to engage with shareholders prior to the anticipated implementation of the new LTI in November 2020 to discuss the mix of instruments to be used as well as the performance conditions for each instrument.
	Retention awards for executives were not supported and a number of shareholders raised the concern that 50% of FSP awards are not performance-based.	While 50% of the FSP awards are based on employment and not performance, these awards only accounted for 7.8% of the total LTIs awarded to executive directors. Going forward, no retention awards will be granted to executive directors under the new LTI.

Future areas of focus are:

- Implementation of the new LTI. This will include a shareholder engagement process prior to making awards to discuss performance conditions and the application of the various instruments
- Introduction of clawback provision in the new LTI plan
- Rationalising and simplifying all benefits and converting all associates to a cost-to-company structure
- Enhance the performance enablement process
- Standardise STI structures across the group and align to grading system
- Benchmark executive director roles and correct this where necessary. Currently the CEO and CFO's total guaranteed pay (TGP) is below the 25th percentile compared to our comparator group benchmark conducted in November 2018. This is not in line with our policy to remunerate TGP at the 50th percentile

The group is committed to a sustainable, fair and responsible remuneration policy which satisfies the requirements of all our stakeholders and we trust that we can count on your continued constructive support.

Mark Bowman
Committee Chair

Remuneration policy

At the heart of our business, our purpose is to add value to our customers' lives and worth to our partners' lives. This is supported by rewarding our associates with a total remuneration mix that drives Passion, Value and Partnership which are key enablers of group success. The group's remuneration policy is to reward all associates for their contribution to the performance of the business, taking into consideration an appropriate balance between guaranteed, variable, short and long-term remuneration components.

Being a value retailer, the group aims to remunerate all associates at the retail market median on TGP and to reward superior performance through incentives (STIs and LTIs) when targets are achieved, enabling associates to exceed the market median on total earnings.

Given that performance-related incentives form a material part of our remuneration structure, ongoing performance feedback is vital. Associates participate in performance and career development evaluations on an annual basis, focusing on work achievements against targets, learning and development needs, values and cultural alignment.

Remuneration is not influenced by race, creed or gender, with the emphasis on equal pay for work of equal value. There is strong alignment of the types of benefits offered to the various levels of permanent associates. The group can justify areas where differentiation has been applied, specifically where consideration has been given to the position's seniority, job requirements and the need to attract and retain key skills. Below we have set out our remuneration policies as it applies to all our associates, followed by an in-depth overview of the arrangements applicable to executive directors.

Guaranteed remuneration policy

	Remuneration Components (What?)	Purpose (Why?)	Mechanics (How?)	Executive Directors	Divisional Directors
Total Guaranteed Package (TGP)	**Basic Salary** Applicable to all associates	To offer competitive market related basic salaries that attract and retain high calibre associates capable of crafting and executing the business strategy. Basic salaries for all associates, including executive directors, are benchmarked against the market median.	Remuneration is reviewed annually on 1 April taking into consideration: • Job content and grades • Internal equity • External competition • Consumer price inflation • Individual competence and performance	Total remuneration is benchmarked and aligned biennially to the median of a customised comparator group of JSE listed companies, which are selected using established principles and clear criteria. The survey was last performed in November 2018 by PwC and included the following 17 companies in the peer group: • Sector: - Clicks Group Ltd - Massmart Holdings - Pick n Pay Stores Ltd - Shoprite Holdings Ltd - The Foschini Group Ltd - Truworths International Ltd - Woolworths Holdings Ltd • Market Capitalisation: - Bid Corporation Ltd - Dis-Chem Pharmacies Ltd - Imperial Holdings Ltd - Life Healthcare Group Holdings - PSG Group Ltd - The Spar Group Ltd - Tiger Brands Ltd • Growth: - Aspen Pharmacare Holdings - Capitec Bank - Remgro Ltd In years when a customised benchmark report is not compiled, executive director remuneration reviews are conducted in line with the process for divisional directors and the rest of the organisation. This approach ensures a fair and consistent approach to executive director remuneration in the context of overall employee remuneration and those at the lower end of the pay scale.	Total remuneration is benchmarked and aligned annually to the national and/or retail market median depending on functional area. The group subscribes and submits data to the annual PwC REMchannel remuneration survey which is used as the data source for South Africa.
	Retirement Fund Contributions Applicable to all permanent associates	To ensure the financial well-being of our associates and their dependants.	Defined contribution scheme: Retirement fund contributions are calculated as a % of annual guaranteed remuneration and includes risk and funeral benefits.		
	Medical Aid Contributions Applicable to all permanent associates	To ensure the mental and physical well-being of our associates and their dependants.	Medical aid and gap cover: Voluntary membership is offered to associates on the plan of their choice. Dedicated financial wellness and medical aid consultants assist our associates to achieve what matters most to them at each life-stage.		
	Guaranteed Cash Allowances (in cash) Applicable to specific permanent associates	To provide a relevant and market-competitive suite of benefits which add value and enable our associates.	Car allowance, cellphone allowance (where applicable).		
	Fringe Benefits (in kind) Applicable to specific permanent associates		Use of company car; petrol/fuel card; staff discount (where applicable).		
	December Bonus Applicable to all permanent associates	To reward contribution to company performance.	Payable annually in December and calculated as a % of monthly basic salary based on length of service as follows: - 1 years' service: 20% - 2 years' service: 40% - 3 years' service: 60% - 4 years' service: 80% - 10 years' service: 100%		

Short-term incentive policy

	Remuneration Components (What?)	Purpose (Why?)	Mechanics (How?)	Executive Directors	Divisional Directors
Short-term Incentives (STI)	**Performance Bonus**[1] The aim is to ensure that a strong relationship exists between strategy, targets and remuneration thus enabling sustainable value creation.	To motivate and reward associates for the achievement of the group's short-term performance in areas which they can influence.	The group aims to ensure that a well-balanced set of measurables are designed for each level of associate. Targets are tailored annually recognising prevailing economic and trading conditions.	A substantial amount of the award requires outperformance and is therefore at risk. The table below reflects target and maximum awards expressed as a % of annual basic salary (ABS). Associates must be in the group's employ at year end to receive incentive bonuses unless due to specific circumstances the committee has approved alternative arrangements. Bonus payments are not deferred and are payable annually in May in cash.	

1 Full personal performance awards are only achieved in exceptional circumstances and have rarely been paid. A poor personal performance evaluation can reduce or eliminate incentives achieved under measurable group performance.

Short-term incentive policy (continued)

Remuneration Components (What?)	Mechanics (How?)	Executive Directors	Divisional Directors
Short-term Incentives (STI) — **Performance Bonus** The aim is to ensure that a strong relationship exists between strategy, targets and remuneration thus enabling sustainable value creation.	2020 STI Framework for Executive and Divisional Directors		

2020 STI Framework for Executive and Divisional Directors

Measures	CEO		CFO		Executive Director		Trading Divisions		Service Divisions	
	Target	Max	Target	Max	Target	Max	Target	Max	Target	Max
Financial measures **Executive directors:** HEPS growth and ROE **Service directors:** combined operating profit **Trading directors:** divisional operating profit + combined group operating profit	33%	67%	33%	67%	21%	50%	Divisional 19% Group 8%	Divisional 41% Group 25%	17%	50%
Achievement of strategic KPIs	67%	67%	50%	50%	33%	33%	17%	17%	33%	33%
Personal performance[1] Determined via individual and peer reviews considering leadership, innovation, effort and teamwork.	33%	67%	17%	33%	8%	17%	8%	17%	8%	17%
Total (as a percentage of ABS)	**133%**	**200%**	**100%**	**150%**	**62%**	**100%**	**52%**	**100%**	**58%**	**100%**

Strategic KPI measures[2]		Personal performance measures
Growth[3]	Extend earnings through local growth.	• Evidence of self-development • Developing others including succession • Efforts aligned to strategy and most important matters • Value to the executive team and support of our mission • Maintaining personal energy, new experiences, interests • Operating within the approved mandate of the CEO • Built to last approach • Visible leadership and quality thereof • Well considered decision-making • Living our values • Group thinking, removal of silos
Build high performing brands[4]	Build strong customer realtionships by delivering an ongoing experience of surprising and delighting our customers.	
Operations[5]	Continually strive for the world class methods and systems.	
Sustainability[6]	Subscribed to high ethical standards and sustainable business practices.	
People[7]	Maintain an energised environment with empowered and motivated people.	

1 Full personal performance awards are only achieved in exceptional circumstances and have rarely been paid. A poor personal performance evaluation can reduce or eliminate incentives achieved under measurable group performance.
2 Refer pages 35 to 39 for further details.
3 Refer page 35 for further details.
4 Refer page 36 for further details.
5 Refer page 37 for further details.
6 Refer page 39 for further details.
7 Refer page 38 for further details.

Long-term incentive policy

LTIs play a dual role in achieving our strategic goals: in line with the group's core value of 'Partnership', share schemes appropriate to the various levels of associates are in place. A key factor of the share schemes is that, in essence they also incorporate the group's intentions regarding the ownership criteria of broad-based black economic empowerment (B-BBEE). Rather than entering into an ownership deal with external parties, the committee and board resolved to embrace the true spirit of B-BBEE and, subject to certain qualifying criteria, included all associates employed in the Southern African Customs Union region in its various share and share option schemes. Also, the group uses LTIs to re-enforce its pay for performance culture not only amongst executive management, but also amongst all associates who participate in the LTIs.

During the year the committee reviewed the LTIs to ensure they remain fit for purpose in motivating executives and other associates, address our value system while driving value creation for shareholders and comply with leading practices. As a result of the review, the group has designed a new LTI plan that will use cash to purchase shares in the market in settlement of awards. The LTI plan will be operated via a single set of plan rules that complies with leading remuneration practice and includes multiple instruments to be used flexibly to address the group's requirements over the long-term. The committee has not yet determined how the LTI plan will be rolled out to the wider associate base and if the partners share scheme will continue to be used for the broader associate workforce. This decision will be informed by, amongst amongst other factors, an analysis of the costs and benefits that the current LTIs present. The operation of the new LTI is summarised below on page 99.

Due to the difficulty in calibrating forward looking performance conditions during the current COVID-19 pandemic, the committee is not yet able to set performance conditions and will use this opportunity to engage with shareholders prior to the anticipated implementation of the LTI in November 2020. This will include a move from the use of a single measures, to a range of measures supporting our strategic objectives.

Existing awards will run their course and thus, for the sake of transparency the current structures are also disclosed. The outcomes against historic targets set will be disclosed in the implementation report as and when the existing LTIs mature.

Overview of historic plans

<table>
<tr><th>Plan</th><th>Partners Share Scheme</th><th>General Staff Scheme</th><th>Senior Management Share Scheme</th><th>Executive and Executive Director Share Schemes</th><th colspan="2">Executive Forfeitable Share Plan</th><th>Group Forfeitable Share Plan</th></tr>
<tr><td>Instrument</td><td>Free Shares with voting and dividend rights</td><td colspan="3">Options</td><td>Forfeitable shares with performance conditions</td><td>Forfeitable shares without performance conditions</td><td>Forfeitable shares without performance conditions</td></tr>
<tr><td>Purpose</td><td colspan="3">To motivate associates to think and act like business owners regarding group performance. In this way, those responsible for contributing to the group's success become partners in the business and are rewarded for sustained high performance.

Given the socio-economic environment in South Africa, we believe that our inclusive approach to share ownership enables the best possible outcomes and imbues good corporate citizenship.

In the case of the partnership share scheme associates obtain increased financial security when they eventually retire from the group.</td><td>To offer an attractive scheme that motivates and retains executives critical to the achievement of the long-term goals contained in the group's strategy.</td><td colspan="2">To support the attraction, motivation and retention of executives while continuing to align their interests with that of shareholders.</td><td>To retain the services of executive and divisional directors who are central to the group's strategy. The award is subject to the relevant executive remaining employed with the organisation for five years and signing a two-year restraint of trade agreement.

It is advantageous to the group and shareholders that executives are prevented from joining competitors and disclosing their intimate knowledge of the group's successful business formula.</td></tr>
<tr><td>Eligibility</td><td>Associates earning a basic monthly salary of less than or equal to R15 097.</td><td>Associates earning a basic monthly salary above R15 097 and the top 50 store managers.</td><td>Nominated senior management.</td><td colspan="4">Executive and divisional directors.</td></tr>
<tr><td>Award policy</td><td>Awarded once following a year of service.</td><td colspan="3">Awarded once for every year of completed permanent service. In exceptional cases where supported by the committee, the board may authorise non-routine awards.</td><td colspan="2">Awarded once for every year of completed permanent service. In exceptional cases where supported by the committee, the board may authorise non-routine awards.</td><td>Once off award.</td></tr>
<tr><td>Vesting and exercise periods</td><td>Retirement or upon death.</td><td colspan="3">Vesting is subject to the achievement of performance conditions measured over a five-year performance period. Once options have vested, a two-year exercise period applies.

Management has the authority to prevent both the award and vesting of share options in circumstances where the individual is deemed to have demonstrated poor personal performance.</td><td>Vesting is subject to the achievement of performance conditions measured over a five-year performance period.</td><td>Vesting occurs after five years subject to continued employment.</td><td>Vesting occurs after five years subject to continued employment.</td></tr>
<tr><td rowspan="8">Performance conditions and vesting levels</td><td>Not applicable</td><td colspan="3">All options are subject to performance vesting conditions measured over a five-year performance period. Performance conditions for the general and senior management schemes is HEPS growth greater than or equal to CPI+1%. Performance conditions for the executive and executive director share schemes are as follows:</td><td colspan="2">The FSP performance awards are measured over a five-year performance period. The following conditions applied:</td><td rowspan="8">None</td></tr>
<tr><td rowspan="7"></td><td colspan="2">CAGR (Nov 18)</td><td>Vesting %</td><td>CAGR (Nov 18)</td><td>Vesting %</td></tr>
<tr><td colspan="2">HEPS growth < CPI+1%</td><td>0%</td><td>HEPS growth < CPI+1%</td><td>0%</td></tr>
<tr><td colspan="2">HEPS growth ≥ CPI+1%</td><td>33%</td><td>HEPS growth ≥ CPI+1%</td><td>20%</td></tr>
<tr><td colspan="2">HEPS growth ≥ CPI+2%</td><td>66%</td><td>HEPS growth ≥ CPI+2%</td><td>40%</td></tr>
<tr><td colspan="2">HEPS growth ≥ CPI+3%</td><td>100%</td><td>HEPS growth ≥ CPI+3%</td><td>60%</td></tr>
<tr><td colspan="2">HEPS growth ≥ CPI+10%</td><td>125%</td><td>HEPS growth ≥ CPI+10%</td><td>80%</td></tr>
<tr><td colspan="2">HEPS growth ≥ CPI+15%</td><td>150%</td><td>HEPS growth ≥ CPI+15%</td><td>100%</td></tr>
</table>

Overview of historic plans (continued)

Award quantum and mix of instruments at executive level	**Executive and divisional directors receive a mix of instruments. The total value expressed as a percentage of annual guaranteed remuneration are awarded as follows:**				
		Options	**FSP with performance conditions**	**FSP without performance conditions**	**Total LTI award as a % of annual guaranteed remuneration**
	CEO	298%	28%	28%	354%
	CFO	212%	19%	19%	250%
	Executive directors	126%	12%	12%	150%
	Divisional directors	84% - 211%	8% - 19%	8% - 19%	100% - 250%
Dilution	In terms of specific authority received from shareholders, the group may issue 46 548 430 shares to satisfy the requirements of its share schemes. Since the schemes were introduced in 2006, the group has issued 11 775 305 shares and still has 34 773 125 shares that may be issued for this purpose. However, to avoid shareholder dilution, the group's policy to date has been to purchase shares on the open market to satisfy the schemes' requirements, as opposed to issuing new shares. The maximum LTI award obligation to any one individual is limited to 1.13% of issued share capital. The maximum obligation for any individual is currently 0.35%.				

Structural overview of new LTI

Award type	Partnership awards	Forfeitable share awards	Share appreciation awards	Bonus awards	Performance awards
Instrument and application	Forfeitable shares – these are full value shares settled on award with voting and dividend rights and will be used as a method to save towards retirement, in a similar fashion to the previously used Partner Scheme.	Forfeitable shares – these are full value shares settled on award with voting and dividend rights.	Share appreciation rights (SARs) - rights over the appreciation in the share price are awarded. Rights vest and can be exercised after a vesting period and may be subject to performance vesting conditions.	Forfeitable shares – these are full value shares settled on award with voting and dividend rights and will be used either as a method of bonus deferral or bonus matching.	Conditional rights to shares will be used. Shares are delivered on the vesting date, based on the satisfaction of performance conditions. Optional dividend equivalents will be settled based on the number of vested shares.
Eligibility	Associates below a predetermined grade.	Associates between predetermined grades, excluding executive and divisional directors.	Associates above a predetermined grade including, executive and divisional directors.	Associates above a predetermined grade, including executive and divisional directors.	Executive and divisional directors.
Quantum and mix of instruments	The company will engage with shareholders prior to the anticipated implementation of the new LTI. These discussions will include the mix of instruments to be used as well as the performance conditions for each instrument.				
Vesting and exercise periods	Awards will vest on the earlier of death or retirement.	Three years.	Three to five year vesting period and a two year exercise period.	Three years.	Three to five years.
Performance conditions	None	None	The vesting of all SARs awarded to executive and divisional directors will be subject to performance vesting conditions.	Performance will be used as an entry mechanism via the outcome of the annual STI and no prospective performance conditions will therefore apply.	All awards will be subject to performance conditions. A combination of appropriate performance conditions will be used.
Dilution	The plan will be settled using cash to purchase shares in the market and there will therefore be no dilution. The group will also waive its authority to issue shares to satisfy the requirements of its current share schemes.				
Malus and clawback	All unvested awards will be subject to malus (i.e. awards may be reduced/cancelled) should a trigger event occur during the vesting period. If a trigger event occurs after vesting or exercise (as applicable), any incentive remuneration settled under the LTI will be subject to clawback (i.e. recouped). The trigger events are regulated in the company's malus and clawback policy.				

Executive service contracts vesting conditions – general disclosure
All associates sign a letter of employment which stipulates their notice period. The contract may be terminated by either party giving written notice, which ranges from one month for a store or head office associate to six months for executive directors. Despite these provisions, either party may terminate the contract of employment without notice for any cause recognised in law or by agreement by both parties to waive the notice period. Contracts are also terminated in the event of dismissal, without the associate having an entitlement for compensation. Employment contracts do not contain provisions relating to the compensation of executives for a change of control of the group, providing neither balloon payments on termination or retirement, nor restraint of trade payments (although the latter may be contained elsewhere).

Associates retiring at the age of 65 may retain unvested shares which will vest according to their original timeframes. However, given that associates are entitled to take early retirement from the age of 50, guidelines were established considering the age and years' service of associates retiring before 65. This permits the retention, post-retirement, of unvested options on a sliding scale. Associates can take early retirement from age 50 and retain their options if they have a minimum 25 years' service. This graduates to retirement at 64, requiring 11 years' service. Retirement at 65 does not require a minimum service period. In the Partners Share Scheme, retirement causes the shares to vest unconditionally and the age and length of service guidelines detailed above have also been applied to those associates retiring before 65.

In all other retirement or dismissal situations, unvested options and shares will lapse unless the trustees and committee exercises its discretion and permits the retention of any or all the unvested options and shares. The schemes have been designed in such a way that the option awards decrease as an associate approaches retirement and retention becomes less imperative.

The committee has the authority to exercise its discretion and allow associates to retain unvested options post resignation in addition to the arrangements detailed above. Since the inception of the schemes, the committee has granted this on a limited number of occasions, after considering the associate's length of service, resignation circumstances, past service to the group and the vesting period remaining on all unvested awards. No accelerated vesting of share options is permitted in any LTI scheme. Pro-rata vesting, based on length of service, is permitted under the rules of the group forfeitable share plan (GFSP) due to the restrictive conditions agreed by both parties.

The vesting rules for the new LTI also make a distinction between fault and no-fault terminations. Unvested or unexercised awards are generally forfeited for a fault termination, while unvested awards for no-fault terminations are pro-rated for service and performance up to the date of termination of employment. Shares may continue to vest for retired associates, subject to the provisions set out above regarding early retirement and the minimum 25 years' service requirement.

Malus and clawback
The committee has adopted a malus and clawback policy with a view to further align the interests of associates with the long-term interests of the group and all interested stakeholders and to ensure that excessive risk taking is mitigated. The policy applies to all associates, prospectively to STI awards effective from 2019 and prescribes three years after the award of any STI. All prospective awards made under the new LTI will also be subjected to malus and clawback.

Following written recommendation from the committee the board may act to adjust (malus) or recover (clawback) incentive remuneration paid/settled, where substantiated and as agreed by the committee, for reasons including but not limited to:

- Contributing to or being responsible for material financial misstatements; or
- Personal dishonesty, fraud or gross misconduct; or
- Instructing, directly or indirectly, any person to act fraudulently, dishonestly or negligently

Shareholder engagement
Remuneration report voting
Two separate non-binding resolutions for the remuneration policy and implementation report is tabled for votes by shareholders at the AGM each year. In the event that 25% or more of shareholders vote against either or both the remuneration policy and implementation report, the committee will engage with shareholders (in particular, the dissenting shareholders) to understand their vote and consider their concerns. The committee may consider various manners of engagement, including extending an invitation to dissenting shareholders in the SENS announcement of the AGM results (or in a subsequent SENS announcement at a later stage) with the manner and timing of engagement; and/or communicate with dissenting shareholders via email, telephone calls and meetings.

Following this engagement, the committee may use its discretionary powers to amend components of the remuneration policy and further align these to market practice and/or shareholder value creation.

Additional shareholder engagement
The committee will, as appropriate, engage with shareholders on matters concerning policy changes. The format of such engagement will as far as possible include face-to-face meetings, or telephonic/video conferencing. The purpose of these engagements is to invite shareholders for their input on mutually important matters.

Non-executive directors (NEDs)

	Remuneration Components (What?)	Purpose (Why?)	Mechanics (How?)	Opportunity and Limits	Performance Conditions
Emoluments	Fees are related to the skills, experience and time commitment to fulfil the respective requirements of the board and committees. The group does not pay a base fee plus attendance fee per meeting as historically, attendance at meetings has been good and the board has always felt that NEDs contribute as much outside of meetings as they contribute in meetings. NEDs do not have service contracts but receive letters of appointment and retire by rotation every three years. Shareholders vote for their re-appointment at the AGM.	To offer market related fees that attract and retain high calibre NEDs.	Fees, exclusive of VAT, are proposed by management and are detailed in the notice of AGM for approval at the forthcoming AGM. Fees are paid quarterly in advance. NEDs are reimbursed for travel related costs incurred on official group business and receive discounts on purchases made in group stores. No other benefits are received. NEDs do not receive STIs nor do they participate in LTI schemes.	Fees are benchmarked biennially to the median of the same comparator group of companies as selected for executive directors' remuneration. The benchmarking survey was last performed in November 2018 by remuneration advisors, PwC Reward Services Ltd. No contractual arrangements exist relating to compensation for loss of office.	Specific group performance conditions do not apply. The performance of non-executive directors is reviewed annually via peer evaluation. Effective from the 2019 reporting period, the board has introduced a further mechanism providing the chairman with the means to deduct a maximum annual amount of 20% of NEDs fee in the event of non-performance, specifically non-attendance.

NED fees 2021

NED fee increases proposed at 4.5% (excl. VAT) for the 2021 financial year (effective 1 April 2020) were guided by CPI and aligned to the planned, pre-COVID-19 increases for general staff. Due to the COVID-19 pandemic, the committee recommended, and the board agreed, to not apply any increases for at least the first half of FY2021 to align with the postponement of executive director and general associate increases. In addition and to echo the six-month voluntary salary sacrifice by the group's executive directors of up to 15% of monthly salary, the non-executive directors each agreed to sacrifice 10% of their director fees for the first half of FY2021. The equivalent of this fee sacrifice was included in the group's R2 million donation to the South African Solidarity Response Fund, in support of COVID-19 relief. Added to this and although two extra unplanned board meetings were held in April and May 2020 to deliberate COVID-19 and other matters, no additional fees will be paid for these extra meetings. NED fees will be reviewed in October 2020 once the impact of COVID-19 can be evaluated. Further detail can be found in special resolution 1 on page 144 of the notice of AGM.

NED emoluments for FY2020 (Rand)

	Main Board	Remnomco	SETS	Audit and Compliance	Risk and IT	Other	Total
SB Cohen	786 819						**786 819**
NG Payne[1]	1 573 638	-			-		**1 573 638**
MR Johnston[2]	402 896	103 891		144 166			**650 953**
M Bowman[2]	453 290	198 947		144 166			**796 402**
M Chauke	390 297			144 166			**534 463**
K Getz	390 297	103 891	158 567				**652 755**
RM Motanyane-Welch	390 297		100 700				**490 997**
D Naidoo	390 297		100 700	270 350	125 862		**887 209**
BJ Niehaus	390 297				284 112[3]	100 000[4]	**774 409**
Total	**5 168 128**	**406 729**	**359 967**	**702 848**	**409 974**	**100 000**	**7 147 645**

1. The board chairman's fee is an all-inclusive fee which includes committee membership. The chairman is a member of Remnomco and chairs the Risk and IT committee.
2. MR Johnston was replaced by M Bowman as Lead Independent Director effective from 30 May 2019.
3. The FY2020 Risk and IT fee for BJ Niehaus comprises the annual committee fee and an additional fee of R158 250 in respect of the added IT governance oversight responsibilities delegated to her by the board and committee.
4. This amount relates to consulting services provided.

Remuneration implementation report

Adjustments to base salaries

The group considered a 4.5% increase on base salary for all associates including executive directors and NEDs. Due to the COVID-19 pandemic these were postponed. The CEO voluntarily took a 15% reduction in salary for six months and all other executive directors took a voluntary 10% reduction in salary effective 1 April 2020 for six months. This will be reviewed in October 2020 once the impact of COVID-19 can be evaluated.

STI outcomes for FY2020

Divisions who met their financial targets received their STI payments. A limited number of personal performance awards were made to certain other associates who made exceptional contibutions during the year.

LTI vesting outcomes during FY2020

Due to the non-fulfilment of the group financial performance conditions, none of the FSP performance awards and share option awards granted in November 2015 with a performance period that expired on 31 March 2020 will vest. The FSP retention shares awarded in 2015 will vest in November 2020.

LTI awards granted during FY2020

The table of unvested awards on pages 108 and 109 contains the award details for FSP and option awards granted to executive directors during FY2020. The same performance conditions as listed on page 97 were applied to these awards.

Summary and analysis of executive director remuneration

Total single figure remuneration

For purposes of single figure remuneration disclosure, the group's policy is to follow the principle established (and legislated) in the UK where remuneration is reflected as "receivable" in the final reporting period of the applicable performance measurement period. Awards with no performance conditions, other than continued service of the associate, are disclosed in the relevant reporting period in which the awards are made.

Mark Stirton[1] Total Remuneration (R'000)	FY2019	FY2020
	CFO	
	1 Jan 19 - 31 Mar 19 (3 months)	1 Apr 19 - 31 Mar 20 (12 months)
Annual Basic Salary	647	2 589
Retirement Fund Contribution	143	456
Medical Aid Contribution	43	176
Guaranteed Cash Allowances	52	240
Fringe Benefits	72	272
December Bonus	-	173
Total Guaranteed Package (TGP)	**957**	**3 905**
Short-term Incentives (STI)	**520**	**863**
Dividends (FSP Plans)	-	46
Share and Share Option Valuation[2]	8 795	791
Long-term Incentives (LTI)	**8 795**	**837**
Total Remuneration	**10 272**	**5 606**

1 Due to the appointment during the course of the previous reporting period, all remuneration incured before appointment has been excluded
2 Refer to page 106 for further detail on the valuation of shares and share option awards

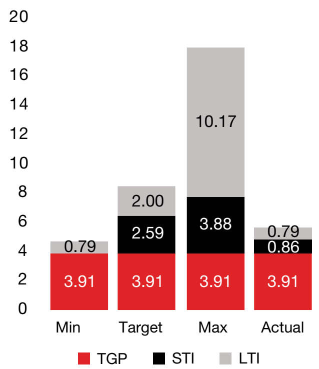
Mark Blair Total Remuneration (R'000)	FY2019			FY2020
	CEO	CFO	CEO and CFO	CEO
	1 Jan 19 - 31 Mar 19 (3 months)	1 Apr 18 - 31 Dec 18 (9 months)	1 Apr 18 - 31 Mar 19 (12 months)	1 Apr 19 - 31 Mar 20 (12 months)
Annual Basic Salary	1 425	3 148	4 573	5 700
Retirement Fund Contribution	305	678	983	1 219
Medical Aid Contribution	45	122	167	180
Guaranteed Cash Allowances	95	229	324	415
Fringe Benefits	124	258	382	455
December Bonus	-	350	350	475
Total Guaranteed Package (TGP)	**1 993**	**4 785**	**6 779**	**8 444**
Short-term Incentives (STI)	**1 857**	**2 004**	**3 861**	**2 850**
Dividends (FSP Plans)	-	739	739	375
Share and Share Option Valuation[1]	3 204	5 713	8 918	2 224
Long-term Incentives (LTI)	**3 204**	**6 452**	**9 657**	**2 598**
Total Remuneration	**7 055**	**13 242**	**20 297**	**13 892**

1 Refer to page 106 for further detail on the valuation of shares and share option awards

Performance Bonus Calculation				**CFO**
Performance Measures	**% of ABS**			**ABS**
	Target	Max	Actual	2 589
Financial (HEPs and ROE)	33%	67%	0%	-
Strategic KPIs	50%	50%	0%	-
Personal	17%	33%	33%	863
Total	**100%**	**150%**	**33%**	**863**

TGP: as earned for FY2020
STI min: assumes no performance conditions are met and therefore value is zero
STI target: assumes target level of performance
STI max: assumes performance conditions are achieved in full
LTI min: assumes only EFSP employment awards vest, valued at face value on grant
LTI target: The LTI min plus the maximum number of EFSP performance awards and share options granted in FY2020 multiplied by the fair value on grant
LTI max: The maximum number of instruments granted in FY2020 multiplied by the face value on grant

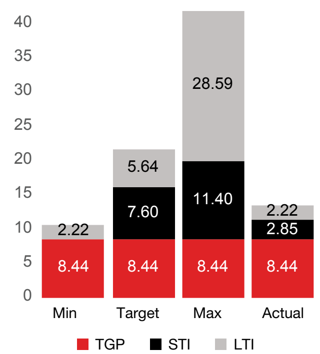
Total Remuneration Composition
(R'm)



Performance Bonus Calculation				**CEO**
Performance Measures	**% of ABS**			**ABS**
	Target	Max	Actual	5 700
Financial (HEPs and ROE)	33%	67%	0%	-
Strategic KPIs	67%	67%	0%	-
Personal	33%	67%	50%	2 850
Total	**133%**	**200%**	**50%**	**2 850**

TGP: as earned for FY2020
STI min: assumes no performance conditions are met and therefore value is zero
STI target: assumes target level of performance
STI max: assumes performance conditions are achieved in full
LTI min: assumes only EFSP employment awards vest, valued at face value on grant
LTI target: The LTI min plus the maximum number of EFSP performance awards and share options granted in FY2020 multiplied by the fair value on grant
LTI max: The maximum number of instruments granted in FY2020 multiplied by the face value on grant

Total Remuneration Composition
(R'm)



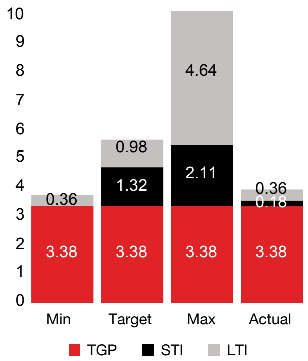
Summary and analysis of executive director's remuneration (continued)

Steve Ellis Total Remuneration (R'000)	FY2019	FY2020
	Group Director	
	1 Apr 18 - 31 Mar 19 (12 months)	1 Apr 19 - 31 Mar 20 (12 months)
Annual Basic Salary	2 012	2 112
Retirement Fund Contribution	454	478
Medical Aid Contribution	167	212
Guaranteed Cash Allowances	172	180
Fringe Benefits	214	217
December Bonus	168	176
Total Guaranteed Package (TGP)	**3 187**	**3 376**
Short-term Incentives (STI)	**796**	**176**
Dividends (FSP Plans)	116	57
Share and Share Option Valuation[1]	1 898	361
Long-term Incentives (LTI)	**2 014**	**418**
Total Remuneration	**5 998**	**3 970**

1 Refer to page 106 for further detail on the valuation of Shares and Share Option awards

Performance Bonus Calculation				**GD**
Performance Measures	**% of ABS**			**ABS**
	Target	Max	Actual	2 112
Financial (HEPs and ROE)	21%	50%	0%	-
Strategic KPIs	33%	33%	0%	-
Personal	8%	17%	8%	176
Total	**63%**	**100%**	**8%**	**176**

Total Remuneration Composition
(R'm)



TGP: as earned for FY2020
STI min: assumes no performance conditions are met and therefore value is zero
STI target: assumes target level of performance
STI max: assumes performance conditions are achieved in full
LTI min: assumes only EFSP employment awards vest, valued at face value on grant
LTI target: The LTI min plus the maximum number of EFSP performance awards and share options granted in FY2020 multiplied by the fair value on grant
LTI max: The maximum number of instruments granted in FY2020 multiplied by the face value on grant

LTIs disclosed in single figure remuneration

FY2020	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	HEPS CAGR Required for vesting	HEPS CAGR Achieved	% of Award vesting	LTIs Receivable / Awarded at Fair Value (IFRS2[1]. market value[2]) - R'000			
Award Type								**Mark Blair**	**Mark Stirton**	**Steve Ellis**	**Total**
Share Options	Performance Related	22-Nov-15	29-Nov-20	FY2020	6.0%	2.6%	0.0%	-	-	-	-
EFSP	Performance Related	22-Nov-15	29-Nov-20	FY2020	14.3%	2.6%	0.0%	-	-	-	-
EFSP	Employment Related	22-Nov-19	29-Nov-24	n/a	n/a	n/a	n/a	2 224	791	361	3 376
Total Excluding Dividends								**2 224**	**791**	**361**	**3 376**
Dividends								375	46	57	478
Total								**2 598**	**837**	**418**	**3 854**

FY2019	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	HEPS CAGR Required for vesting	HEPS CAGR Achieved	% of Award vesting	LTIs Receivable / Awarded at Fair Value (IFRS2[1]. market value[2]) - R'000			
Award Type								**Mark Blair**	**Mark Stirton**	**Steve Ellis**	**Total**
Share Options	Performance Related	22-Nov-14	29-Nov-19	FY2019	5.9%	8.8%	100.0%	-	-	1 618	1 618
EFSP	Performance Related	29-Nov-14	29-Nov-19	FY2019	14.2%	8.8%	0.0%	-	-	-	-
EFSP	Employment Related	22-Nov-18	29-Nov-23	n/a	n/a	n/a	n/a	1 153	-	280	1 433
EFSP	Employment Related	20-Feb-19	27-Feb-24	n/a	n/a	n/a	n/a	3 204	812	-	4 016
GFSP[3]	Employment Related	20-Feb-19	27-Feb-24	n/a	n/a	n/a	n/a	-	7 983	-	7 983
Total Excluding Dividends								**4 357**	**8 795**	**1 898**	**15 050**
Dividends								739	-	116	855
Total								**5 096**	**8 795**	**2 014**	**15 905**

1 IFRS 2 value actuarial valuation (refer pages 108 and 109)
2 Fair Value determined using current reporting period year-end closing share price (refer pages 108 and 109)
3 The GFSP award was a once-off award made to the incoming CFO upon his appointment, linked to a two-year restraint of trade agreement

LTIs vested and exercised during the reporting period

FY2020	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	HEPS CAGR Required for vesting	HEPS CAGR Achieved	% of Award vesting	Gains on options exercised and shares vested - R'000			
Award Type								**Mark Blair**	**Mark Stirton**	**Steve Ellis**	**Total**
EFSP	Employment Related	29-Nov-14	29-Nov-19	n/a	n/a	n/a	100,0%	881	-	313	1 193
Share Options	Performance Related	17-Jun-14	17-Jun-19	FY2019					139		139
Total								**881**	**139**	**313**	**1 333**

ED Participation In Awarded LTIs (Closing Balances)	MM Blair	MJ Stirton[1]	SA Ellis
Senior Management Share Trust (Options)	-	-	-
Mr Price Executive Share Trust (Options)	-	34 414	-
Mr Price Executive Director Share Trust (Options)	752 636	98 566	101 848
Mr Price Executive Forfeitable Share Plan (excl GFSP)	111 381	22 652	16 547
Mr Price Executive Forfeitable Share Plan (GFSP)		42 121	
Total	**864 017**	**197 753**	**118 395**
% of share capital (ords and B ords)	*0.33%*	*0.07%*	*0.04%*

1 '% of share capital' is calculated using total share awards received (inclusive of awards prior to CFO appointment)
Further details are disclosed on pages 108 and 109

Summary of LTI schemes

Total Options and Shares Obligation	Number of Participants	Number of Options/Shares	
		Total	**Lapsed**
Partners Share Trust	12 147	4 216 791	
General Staff Share Trust	2 298	5 114 850	527 681
Senior Management Share Trust	215	3 207 972	331 237
Executive Share Trust	40	2 107 258	199 353
Executive Director Share Trust	5	1 983 504	190 691
Executive Forfeitable Share Plan	41	567 296	35 787
Group Forfeitable Share Plan	1	42 121	
Total	**14 747**	**17 239 792**	**1 284 749**

Partnership Share Scheme

12 147 participants

ACI ownership

in the Partners Share Scheme is

96%

with an individual average value of

R39 014 held per associate

Partners share trust dividends

R210m paid out in dividends since the inception of the scheme

R23m paid out in dividends during the last financial year

R1 878 average total dividend received per associate on this scheme

Effects of COVID-19 on remuneration

On 23 March 2020, President Cyril Ramphosa announced a national lockdown effective 27 March 2020 to 16 April 2020, which was extended to 30 April 2020. Refer pages 18 to 19 for the COVID-19 timeline.

During this period the group continued to remunerate all associates (in both operational and support areas) at 100%.

Details of the interest of executive directors in long-term incentives (Shares - Forfeitable Share Plans)

Executive Director	Position Held	Date of Award	Share price at award date	Face Value at award date (R'000)	Vesting Date	HEPS CAGR% required for vesting[4]	Shares held at the beginning of the year	Shares awarded and accepted	Shares vested during the year	Shares lapsed during the year[4]	Shares held at end of the year	Fair Value at end of the year (R'000) [3]
Mark Blair												
Mr Price Group Executive FSP (EFSP)												
EFSP Employment	CFO	29-Nov-14	R 223	-	29-Nov-19	-	5 121	-	5 121	-	-	-
EFSP Performance	CFO	29-Nov-14	R 223	-	29-Nov-19	-	-	-	-	-	-	-
EFSP Employment	CFO	22-Nov-15	R 200	1 193	22-Nov-20	-	5 967	-	-	-	5 967	707
EFSP Performance	CFO	25-Nov-15	R 200	1 193	25-Nov-20	14.3%	5 967	-	-	5 967	-	-
EFSP Employment	CFO	22-Nov-16	R 138	1 268	22-Nov-21	-	9 191	-	-	-	9 191	1 089
EFSP Performance	CFO	22-Nov-16	R 138	1 268	22-Nov-21	Note 2	9 191	-	-	-	9 191	-
EFSP Employment	CFO	28-Nov-17	R 188	1 327	28-Nov-22	-	7 047	-	-	-	7 047	835
EFSP Performance	CFO	28-Nov-17	R 188	1 327	28-Nov-22	Note 2	7 047	-	-	-	7 047	-
EFSP Employment	CFO	22-Nov-18	R 232	1 410	22-Nov-23	-	6 084	-	-	-	6 084	721
EFSP Performance	CFO	22-Nov-18	R 232	1 410	22-Nov-23	Note 2	6 084	-	-	-	6 084	-
EFSP Employment	CEO	20-Feb-19	R 210	3 548	20-Feb-24	-	16 908	-	-	-	16 908	2 003
EFSP Performance	CEO	20-Feb-19	R 210	3 548	20-Feb-24	Note 2	16 908	-	-	-	16 908	-
EFSP Employment	CEO	22-Nov-19	R 165	2 225	22-Nov-24	-	-	13 477	-	-	13 477	1 597
EFSP Performance	CEO	22-Nov-19	R 165	2 225	22-Nov-24	Note 2	-	13 477	-	-	13 477	319
				21 942			**95 515**	**26 954**	**5 121**	**5 967**	**111 381**	**7 271**
Mark Stirton												
Mr Price Group Executive FSP (EFSP)												
EFSP Employment	Corporate Financial Director	22-Nov-16	R 138	108	22-Nov-21	-	785	-	-	-	785	93
EFSP Performance	Corporate Financial Director	22-Nov-16	R 138	108	22-Nov-21	Note 2	785	-	-	-	785	-
EFSP Employment	Corporate Financial Director	28-Nov-17	R 188	125	28-Nov-22	-	663	-	-	-	663	79
EFSP Performance	Corporate Financial Director	28-Nov-17	R 188	125	28-Nov-22	Note 2	663	-	-	-	663	-
EFSP Employment	Corporate Financial Director	22-Nov-18	R 232	185	22-Nov-23	-	800	-	-	-	800	95
EFSP Performance	Corporate Financial Director	22-Nov-18	R 232	185	22-Nov-23	Note 2	800	-	-	-	800	-
EFSP Employment	CFO	20-Feb-19	R 210	899	20-Feb-24	-	4 284	-	-	-	4 284	508
EFSP Performance	CFO	20-Feb-19	R 210	899	20-Feb-24	Note 2	4 284	-	-	-	4 284	-
EFSP Employment	CFO	22-Nov-19	R 165	791	22-Nov-24	-	-	4 794	-	-	4 794	568
EFSP Performance	CFO	22-Nov-19	R 165	790	22-Nov-24	Note 2	-	4 794	-	-	4 794	113
			1 866	**4 217**		**-**	**13 064**	**9 588**	**-**	**-**	**22 652**	**1 456**
Mr Price Group FSP (GFSP)												
GFSP[1]	CFO	20-Feb-19	R 210	8 838	20-Feb-24	-	42 121	-	-	-	42 121	4 990
			2 076	**13 055**		**-**	**55 185**	**9 588**	**-**	**-**	**64 773**	**6 446**
Steve Ellis												
Mr Price Group Executive FSP (EFSP)												
EFSP Employment	Group Director	29-Nov-14	R 223	-	29-Nov-19	-	1 817	-	1 817	-	-	-
EFSP Performance	Group Director	29-Nov-14	R 223	-	29-Nov-19	14.2%	-	-	-	-	-	-
EFSP Employment	Group Director	25-Nov-15	R 200	285	25-Nov-20	-	1 423	-	-	-	1 423	169
EFSP Performance	Group Director	22-Nov-15	R 200	285	22-Nov-20	14.3%	1 423	-	-	1 423	-	-
EFSP Employment	Group Director	22-Nov-16	R 138	302	22-Nov-21	-	2 190	-	-	-	2 190	259
EFSP Performance	Group Director	22-Nov-16	R 138	302	22-Nov-21	Note 2	2 190	-	-	-	2 190	-
EFSP Employment	Group Director	28-Nov-17	R 188	321	28-Nov-22	-	1 706	-	-	-	1 706	202
EFSP Performance	Group Director	28-Nov-17	R 188	321	28-Nov-22	Note 2	1 706	-	-	-	1 706	-
EFSP Employment	Group Director	22-Nov-18	R 232	343	22-Nov-23	-	1 478		-	-	1 478	175
EFSP Performance	Group Director	22-Nov-18	R 232	343	22-Nov-23	Note 2	1 478		-	-	1 478	-
EFSP Employment	Group Director	22-Nov-19	R 165	361	22-Nov-24	-	-	2 188	-	-	2 188	259
EFSP Performance	Group Director	22-Nov-19	R 165	361	22-Nov-24	Note 2	-	2 188	-	-	2 188	52
				3 224			**15 411**	**4 376**	**1 817**	**1 423**	**16 547**	**1 116**

1 Once off award on appointment to CFO. linked to two year restraint of trade agreement and five years continued service
2 For EFSP performance awards allocated effective from November 2016. the board approved a revised hurdle structure that required HEPS growth over the vesting period in excess of CPI as follows: HEPS growth < CPI+1%: 100% forfeited. HEPS ≥ CPI+1%: 20% vests. 80% forfeited. HEPS ≥ CPI+2%: 40% vests. 60% forfeited. HEPS ≥ CPI+3%: 60% vests. 40% forfeited. HEPS ≥ CPI+4%: 80% vests. 20% forfeited. HEPS ≥ CPI+5%: 100% vests.
3 Fair Value determined using the year-end closing share price 0f R118.48. This value takes into account the estimated vesting % based on the likelihood of achieving the performance hurdles.
4 HEPS CAGR % achieved was 2.6%.

Details of the interest of executive directors in long-term incentives (Total share options and shares - Mr Price Executive Director Share Trust and Forfeitable Share Plans)

Executive Director	Position Held	Date of Award	Option price of award	Face value of options and shares at award date (R'000)	Vesting date	Expiry date for exercise	Options/shares held at the beginning of the year	Options awarded and accepted	Gain on options exercised during the year (R'000)	Shares lapsed during the year[4]	Options exercised during the year	Options held at end of year	Fair value at the end of the year (R'000)[2, 3]
Share Options													
	CFO	22-Nov-14	R 223	12 378	22-Nov-19	22-Nov-24	55 608	-	-		-	55 608	-
	CFO	22-Nov-15	R 200	-	22-Nov-20	22-Nov-25	64 784	-	-	64 784	-	-	-
	CFO	22-Nov-16	R 138	30 986	22-Nov-21	22-Nov-26	224 539	-	-		-	224 539	-
Mark Blair	CFO	28-Nov-17	R 188	14 412	28-Nov-22	28-Nov-27	76 510	-	-		-	76 510	-
	CFO	22-Nov-18	R 232	15 312	22-Nov-23	22-Nov-25	66 058	-	-		-	66 058	-
	CEO	20-Feb-19	R 210	38 522	20-Feb-24	20-Feb-26	183 588	-	-		-	183 588	-
	CEO	22-Nov-19	R 165	24 146	22-Nov-24	22-Nov-26	-	146 333	-		-	146 333	1 425
Total Options				**135 756**			**671 087**	**146 333**	**-**	**64 784**	-	752 636	1 425
Total Shares[5]				**21 942**			**95 515**	**26 954**	**-**		**5 121**	**111 381**	**7 271**
Total				**157 698**			**766 602**	**173 287**	**-**	**64 784**	**5 121**	**864 017**	**8 696**
	Corporate Financial Director	17-Jun-14	R 170	-	17-Jun-19	17-Jun-24	5 441	-	139		5 441	-	-
	Corporate Financial Director	22-Nov-15	R 200	1 558	22-Nov-20	22-Nov-25	7 789	-	-	7 789	-	-	-
	Corporate Financial Director	22-Nov-16	R 138	2 556	22-Nov-21	22-Nov-26	18 523	-	-		-	18 523	-
Mark Stirton	Corporate Financial Director	28-Nov-17	R 188	1 357	28-Nov-22	28-Nov-27	7 204	-	-		-	7 204	-
	Corporate Financial Director	22-Nov-18	R 232	2 014	22-Nov-23	22-Nov-25	8 687	-	-		-	8 687	-
	CFO	20-Feb-19	R 210	9 761	20-Feb-24	20-Feb-26	46 518	-	-		-	46 518	-
	CFO	22-Nov-19	R 165	8 588	22-Nov-24	22-Nov-26	-	52 048	-		-	52 048	507
Total Options				**25 833**			**94 162**	**52 048**	**139**	**7 789**	**5 441**	**132 980**	**507**
Total Shares[1, 5]				**13 055**			**55 185**	**9 588**				**64 773**	**6 446**
Total				**38 889**			**149 347**	**61 636**	**139**	**7 789**	**5 441**	**197 753**	**6 953**
	Group Director	22-Nov-14	R 223	4 393	22-Nov-19	22-Nov-24	19 733	-	-		-	19 733	-
	Group Director	22-Nov-15	R 200	3 090	22-Nov-20	22-Nov-25	15 448	-	-	15 448	-	-	-
Steve Ellis	Group Director	22-Nov-16	R 138	3 282	22-Nov-21	22-Nov-26	23 782	-	-		-	23 782	-
	Group Director	28-Nov-17	R 188	3 489	28-Nov-22	28-Nov-27	18 520	-	-		-	18 520	-
	Group Director	22-Nov-18	R 232	3 720	22-Nov-23	22-Nov-25	16 051	-	-		-	16 051	-
	Group Director	22-Nov-19	R 165	3 921	22-Nov-24	22-Nov-26	-	23 762	-		-	23 762	231
Total Options				**21 894**			**93 534**	**23 762**	**-**	**15 448**	**-**	**101 848**	**231**
Total Shares[5]				**3 224**			**15 411**	**4 376**	**-**		**1 817**	**16 547**	**1 116**
Total				**25 118**			**108 945**	**28 138**	**-**	**15 448**	**1 817**	**118 395**	**1 348**
Total Options			-	183 483			858 783	222 143	139		5 441	987 464	2 163
Total Shares			-	38 221			166 111	40 918	-		6 938	192 701	14 833
Total All Executive Directors			-	221 704			1 024 894	263 061	139		12 379	1 180 165	16 996

1 Includes retention awards linked to a two year restraint of trade agreement and five years continued service.
2 IFRS 2 Fair Value Actuarial Valuation. This value takes into account the estimated vesting % based on the likelihood of achieving the performance hurdles.
3 Fair Value determined using the year-end closing share price of R118.48.
4 Performance hurdle required for vesting = HEPS growth ≥ CPI+1%. HEPS CAGR % achieved was 2.6%.
5 Refer page 108 for details of forfeitable shares.

SOCIAL, ETHICS, TRANSFORMATION AND SUSTAINABILITY COMMITTEE REPORT

The main impact of this committee's deliberations on the group's value creation elements is reflected below:

Capitals

H S N

Stakeholders

Business Activities

Governance Outcomes

- Good performance
- Effective control
- Legitimacy
- Ethical culture

Strategic Pillars

Sustainable Development Goals

1 NO POVERTY
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

MRP Foundation

62 Early Childhood Development Centres in QwaQwa and Soweto

98 MRP Foundation Primary Schools

18 MRP Foundation High Schools

4 301 Jump Start graduates

R2 million donation to the Solidarity Fund to support COVID-19 pandemic relief

2 474 439 units of cushion, duvet and pillow inners manufactured from recycled plastic

Member of Proudly South African

Renewable energy generated at Mr Price buildings:

19.36%

of total building energy (PV solar panels)

Carbon footprint (tons CO_2e):

- 115 820 (FY2020)
- 112 102 (FY2019)
- 121 016 (FY2018)
- 121 999 (FY2017)
- 127 304 (FY2016)

Energy Usage (mWh):

- 109 115 (FY2020)
- 113 082 (FY2019)
- 118 756 (FY2018)
- 116 599 (FY2017)
- 122 248 (FY2016)

B-BBEE status

Level 7 Group

Level 1 MRP Foundation

80.3 **million merchandise units**

(totalling R9.2 billion at retail) sourced from local SA suppliers.

Local SA procurement represents:

35% of total merchandise input units

Sustainably grown cotton represents:

40% of total cotton inputs

376 **small-scale farmers**

benefited from our cotton programme

Share the Love winter warmer collection drive:

3 400*

items collected and donated to various organisations

Launch of MRP Foundation tees:

11 148

units sold

Project Rhino: We were able to hand over another

R398 000

to the Project Rhino team in September 2019 bringing our total raised to date to over R1.5 million.

Product donation to support Enterprise Development:

Units	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	Estimate cumulative total value at cost price
	44 857	291 791	369 191	480 928	538 811	740 992	R135 637 349

* Approximately

Role

The committee is constituted as a statutory committee in respect of its duties in terms of section 72(4) and regulation 43(1) of the Companies Act (71 of 2008) and a committee of the board in respect of additional duties assigned to it. The committee mandate is available on the group's website www.mrpricegroup.com. The committee members, their qualifications and experience, number of meetings held and attendance at meetings is detailed in the board report on pages 66 and 72.

The committee is responsible for fulfilling the functions set out in the Companies Act and provides oversight of and reporting on organisational ethics, responsible corporate citizenship, and stakeholder relationships. It reviews and monitors sustainable business practices and business ethics, including transformation as well as social and environmental practices, to ensure that the business achieves its strategic imperatives in a responsible and ethical manner. This also encompasses overview of labour practices to ensure fairness and monitoring the group's commitment to promoting and protecting human rights.

Sustainable business

A sustainable business understands the role it plays in the context of responsible citizenship, environmental constraints, volatile economic systems, and a more conscious and demanding society. Meaningful stakeholder engagement with customers, associates, investors, governments, civil society and suppliers guides in the understanding of perceptions and expectations, to provide insights into the formulation of appropriate business responses.

The desire to be a responsible corporate citizen is reflected in the business purpose, to add value to the lives of our our customers' lives and worth to our partners' lives, while caring for the communities and environments in which we operate. Unlocking worth to partners has a multiplier effect on customers by facilitating further value creation for customers and contributing to increased sales levels. Doing good business now facilitates doing better future business.

Meaningful strategic imperatives are integrated into the ways of working to ensure that these receive the required focus and resources and are integrated into business operations. Further details on the group's vision, purpose and values can be found on page 8 and the strategy is set out on pages 34 to 41.

Key areas of focus include:

- Improved B-BBEE and transformation, with specific focus on preferential procurement and employment equity practices
- Monitoring the ethical conduct of associates and overseeing appropriate action in instances of a breach of the Code of Conduct
- Building a sustainable value chain with focus on continued improvement of supplier performance through more effective engagement and performance measures
- MRP Foundation activities and the ongoing positive impact we have in society
- Responsible sourcing, with specific focus on social and environment compliance
- Environmental and climate change initiatives to consider ways to reduce plastic, with specific focus on single-use plastic carrier bags as well as a continued focus on stabilising energy use

The committee is satisfied that it has fulfilled its responsibilities, in accordance with its mandate, for the past financial year. The committee chair will be available at the AGM to answer any questions relating to the committee's statutory obligations.

ETHICS

Living the group's long-standing beliefs of Passion, Value, Partnership, is the foundation of ethical behaviour and leadership throughout the group. These beliefs permeate all activities from strategy formulation to day-to-day store activities. Further detail on the beliefs can be found on page 8. More information on ethical leadership is set out in the Board report on pages 64 to 73.

Ethics oversight is delegated to this committee by the board. The committee is responsible for the governance of ethics and directs the group's approach to ethics by approving the code of conduct and related policies and provides ongoing oversight over organisational ethics. In turn, the implementation and management of ethics is delegated by the committee to management. The Code of Conduct, which sets out the group's stance on various ethical issues, includes and upholds the group's commitment to human rights, opportunity, fair treatment, labour, environment, and anti-corruption principles. The Code of Conduct is published on the group's website www.mrpricegroup.com and incorporated into employment contracts with associates, and contractual arrangements with suppliers and other service providers. The externally facilitated Whistleblower Hotline provides a confidential mechanism for associates and third parties to report non-compliance with the Code of Conduct.

The ethics officer monitors ethical compliance and is supported by internal audit and external professional advisors, when necessary. Annually a declaration of compliance with the Code of Conduct is undertaken across the business, focusing on directors, executive and senior management as well as associates who engage with and could influence relationships with suppliers, service providers or professional advisors. This year the declaration was extended to include operational and regional managers. The outcome is reported to the committee and the Audit and Compliance committee as part of its compliance oversight role and any material concerns are investigated by the ethics officer and internal audit.

Ethics related matters are reported at governance and internal audit divisional board meetings, which are attended by senior management of trading and service divisions, as well as to the board through this committee. This reporting includes statistics and trends regarding ethics issues reported through the Whistleblower Hotline, results of the annual Code of Conduct declarations and other material ethics issues. Matters reported via the group's Whistleblower Hotline are investigated internally or externally as the circumstances require, and appropriate remedial action is taken. During the reporting period, no human rights violations were reported through this mechanism.

During the reporting period non-compliance with the code of conduct by two members of senior management and a single supplier was identified and investigated, as disclosed in the group's SENS announcements of 12 and 19 September 2019. Disciplinary action was instituted against the relevant associates and the group terminated its relationship with the supplier. A further matter involving a breach by divisional senior management of the group's gift policy was reported through the Whistleblower Hotline and investigated. In both instances, the committee is satisfied appropriate and robust processes were followed.

The key areas of focus for the reporting period were:

- Whistleblower Hotline awareness
- Improving the ethics content of associate induction and training material
- Resolving the material ethics issues mentioned above
- Reinforcing and communicating the group's zero tolerance of non-compliance with the Code of Conduct
- Entrenching the partnership between the ethics officer, internal audit and the people team in ethics-related matters

Future areas of focus are:

- Conducting an ethics risk assessment given the leadership changes and ethics matters that arose during the reporting period
- Finalising and implementing the ethics management plan and strategy following the ethics risk assessment
- Increasing the profile of the ethics function, the ethics officer and building on general awareness

TRANSFORMATION

Broad–based black economic empowerment

The group is committed to transformation. A B-BBEE Compliance Level 7 was achieved following the FY2020 independent verification. The primary focus areas are management control (including employment equity) and enterprise and supplier development (including preferential procurement).

Element	Weighting Points	Points FY2019	Points FY2020
Ownership	25	12.24	13.21
Management control (includes employment equity)	19	5.98	6.75
Skills development	25	13.94	11.98
Enterprise and supplier development (includes preferential procurement)	40	21.97	21.90
Socio-economic development	5	4.58	5
Total Points	**114**	**58.71**	**58.84**
Compliance level achieved		Level 7	Level 7
Final B-BBEE status		Level 7	Level 7

Although substantial financial investment was set aside to fund initiatives to achieve B-BBEE compliance, based on current uncertainty and the unknown forward impact of COVID-19 on the economy and trade, B-BBEE compliance as a strategic objective is suspended in the short-term in favour of associate welfare and business continuity efforts.

Ownership

The comprehensive analysis of the group's shareholding to the individual shareholder level contributed to the points achieved under this element. Further points were attained as associates can share in the success of the business by participating in the Partners Share Scheme. Refer to the remuneration report on page 88 for additional information. The group's international shareholding of 51.5% does not attract B-BBEE ownership points.

Management control and skills development (including employment equity)

The group recognises the value in diversity and need for its workforce to be representative of South Africa's national and regional demographics. It is committed to employing and developing people from designated groups to further its employment equity objectives. The philosophy is to encourage associates to achieve their full potential by applying for and securing growth opportunities within the group as these arise. There is a strong focus on diversity and inclusion in all organisational culture and leadership initiatives to help associates identify with unconscious bias and ensure a vibrant and representative workforce.

The employment equity committee, comprising of top and senior management representation and critical and core positions across the group, meet regularly to discuss progress towards employment equity goals. The committee's purpose is to identify and recommend steps to overcome affirmative action barriers and ensure adherence to relevant legislation.

The group also participated in an unemployed learnership programme for 166 black disabled youth, to facilitate skills development and hope for these young people in their bid to secure employment.

Over the past year, 65% of the promotions of transfers into management teams were internal movements highlighting that the group's home-grown culture is well entrenched. 61% of these promotions and new recruits were african, coloured or indian associates and 88% of the new external appointments into these teams were african, coloured or indian candidates.

Total workforce profile - March 2020

Occupational	Male				Female				Foreign Nationals		Total
Occupational Levels	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	-	1	11	-	-	-	4	-	-	17
Senior management	5	-	10	31	2	3	8	41	-	3	103
Professionally qualified	47	17	69	105	44	25	73	144	4	5	533
Skilled technical	697	158	177	83	2 160	686	345	328	7	8	4 649
Semi-skilled	2 603	303	114	13	7 375	1 228	283	64	5	21	12 009
Unskilled	4	-	-	-	37	2	1	-	-	-	44
Total permanent	**3 357**	**478**	**371**	**243**	**9 618**	**1 944**	**710**	**581**	**16**	**37**	**17 355**
Temporary employees	186	65	6	5	472	168	11	5	1	-	919
Grand total	**3 543**	**543**	**377**	**248**	**10 090**	**2 112**	**721**	**586**	**17**	**37**	**18 274**
ACI as % of total	Male			95%	Female			96%		Total	95%

Disabled workforce profile - March 2020

Occupational	Male				Female				Foreign Nationals		Total
Occupational Levels	A	C	I	W	A	C	I	W	Male	Female	
Top management	-	-	-	-	-	-	-	-	-	-	-
Senior management	-	-	-	-	-	-	-	-	-	-	-
Professionally qualified	-	-	-	1	-	-	-	-	-	-	1
Skilled technical	1	-	1	1	5	2	1	3	-	-	14
Semi-skilled	9	-	1	-	12	1	-	-	-	-	23
Unskilled	-	-	-	-	-	-	-	-	-	-	-
Total permanent	**10**	**-**	**2**	**2**	**17**	**3**	**1**	**3**	**-**	**-**	**38**
Temporary employees	88	-	-	-	26	-	-	-	-	-	114
Grand total	**98**	**-**	**2**	**2**	**43**	**3**	**1**	**3**	**-**	**-**	**152**
ACI as % of total	Male			98%	Female			94%		Total	97%

Enterprise and supplier development (including preferential procurement)

Supplier development

The group applies due diligence processes to ensure that supplier development investments meet the relevant criteria, have a strong business case and are sustainable and meaningful to the partners. The partnership with the South African Cotton Cluster (SACC) and the financial support provided to small-scale black cotton farmers continued with the purpose of supporting the local cotton-growing industry. Further information on this programme can be found on page 129.

Enterprise development

The partnership with The Clothing Bank (TCB) now has a strong six-year history and continues to be a successful story of economic empowerment and a win-win relationship for all partners. A registered NPO and public benefit organisation, TCB channels donated merchandise through an enterprise development programme. Initially focused on unemployed mothers, this programme has been extended to include men, sewers and cobblers. The aim is to break the cycle of poverty and for the participants to become self-sufficient through training and mentorship centred on basic business and life skills. The number of units of merchandise donated to TCB has increased significantly and now exceeds 2.4 million units since the inception in 2014. During the reporting period, over 791 entrepreneurs were supported by TCB's programme. Donations were also made to Nation Changers in the past financial year.

Preferential procurement

The sourcing teams, focused on increasing the level of local supplier B-BBEE compliance, continue to make good progress transforming local South African trade suppliers. The efforts to support the local supply base are reported under the Sustainability section of this report. The group sourced 80.3 million units (worth R9.2 billion at retail value) from South African suppliers during this financial year.

Socio-economic development

The group's strategic partnership with the MRP Foundation supports South African youth. Further information on the MRP Foundation programmes can be found on pages 118 to 119.

SUSTAINABILITY

Building a sustainable business has always been a core principle for the founders of the group and it is clearly articulated in the business purpose. The scope of the group's sustainability focus incorporates business operations, value chain and the communities in which the group operates.

The group is committed to the United Nations Global Compact (UNGC) Principles and uses the Sustainable Development Goals (SDGs) to guide implementation. Innovation is critical to deliver greater value through fair social contribution and within the boundaries of the planet. Broader measurement and disclosure frameworks measure full impact on society and the environment, together with the growth in capability of leaders and associates, helps to deliver on our commitments. We work in partnership with key stakeholders and harness our marketing and communications through "Together we do Good", which takes customers along on the journey.

To achieve this commitment efforts have been focused as follows:

- Increase sustainable raw material content in products, in line with international standards. The target is to source 80% sustainable cotton by FY2023
- Increase supply chain visibility by mapping to 90% of the value chain, thereby deepening measure of social and environmental performance as well as supplier longevity and resilience. This will enable the group to target high impact interventions
- Reduce and stabilise value chain impact on the planet, with immediate focus on reducing single use plastics and other non-recyclable raw materials in packaging
- Remind leaders and associates to consider longevity in business decision making
- Extend "Together we do Good" partnership to further key stakeholders

While significant progress has been made to deliver these commitments, the scope and depth of sustainability measurement and reporting will broaden. To deliver this, the group's sustainability strategy has prioritised measurement indicators aligned to Global Reporting Initiative guidelines, the SDGs, material business issues and stakeholder requirements.

Doing good business now facilitates doing better future business.

Outcomes for sustainability

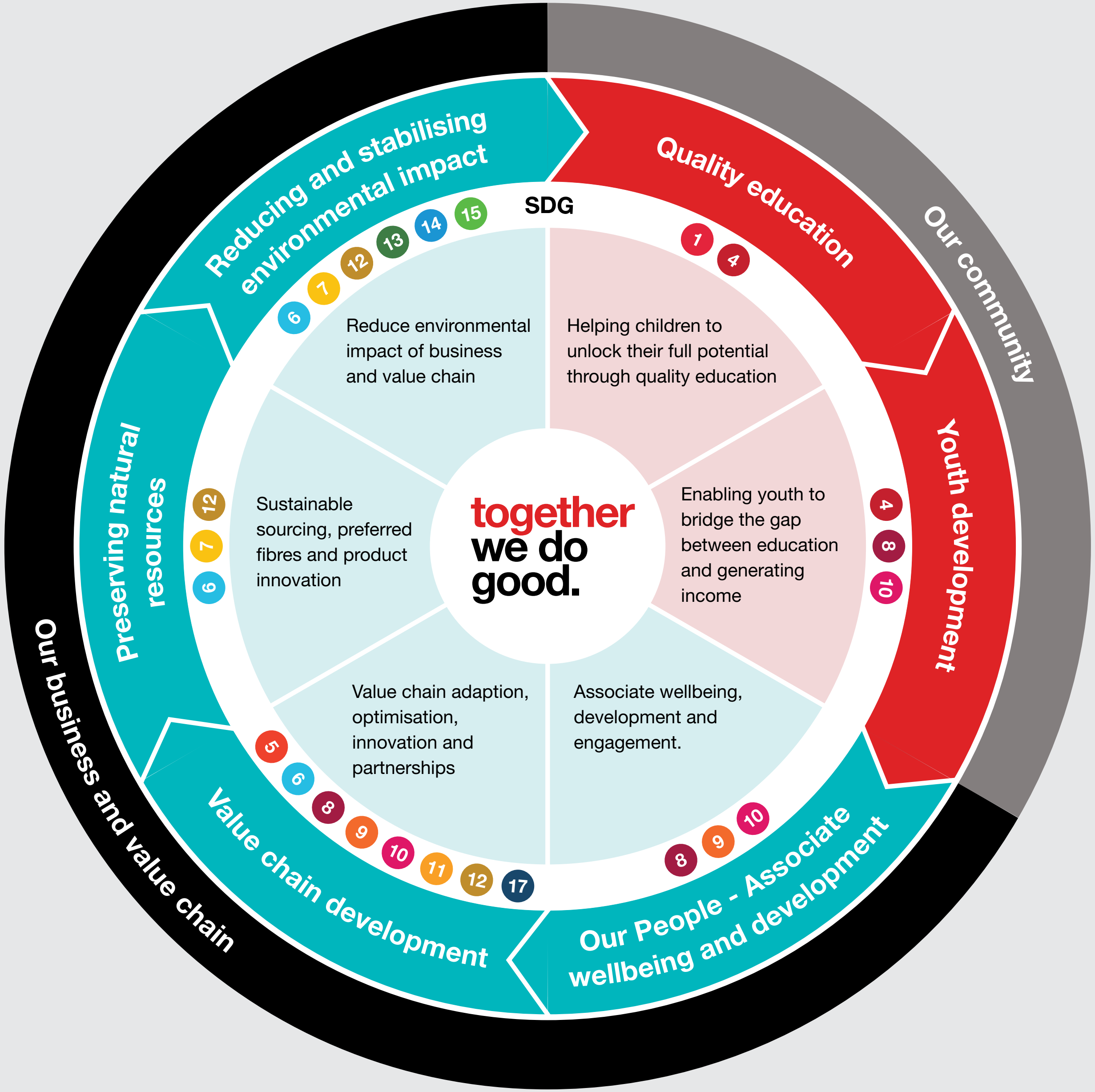
The group strives to achieve six key outcomes. The outcomes are rooted in the goal to build a sustainable business and value chain, as well as the vision of the MRP Foundation, which is to break the cycle of poverty and inequality.

The group aligns its approach to SDG implementation to global best practice, pulling from various sources to ensure it is innovative and fit for business purpose.

The six outcomes include:

- Quality education
- Youth development
- Our People - Associate wellbeing and development
- Value chain development
- Preserving natural resources
- Reducing and stabilising environmental impact

These outcomes are highlighted in the diagram on the right*.



*Adapted from the Cambridge Institute of Sustainability Leadership diagram

Our community

Reducing the impact of poverty and inequality in our communities

The business cares about young people in the communities in which it operates. An annual investment, equivalent to approximately 1% of net profit after taxation from South African operations, is made into South African communities through a donation to the MRP Foundation. The Foundation, a registered non-profit organisation (with public benefit organisation status), was established in 2005 to focus on South Africa's youth development.

Focus areas

mrp foundation schools

Education

+

mrp foundation jumpstart

Skills Development

Purpose

Enable young people to reach their full potential

Vision

Young people breaking the cycle of poverty and inequality

What makes the MRP Foundation different?

As a youth development organisation the MRP Foundation empowers youth to reach their full potential, through education and skills development. The intent is to assist young people on their journey from school into a career, empowering them to break the cycle of poverty and inequality. The education programme contributes positively to the delivery of sustainable quality, holistic education in selected lower socio-economic status schools through the upskilling and mentoring of school management and educators thereby enabling children to unlock their full potential. Through demand-driven development, the Jump Start programmes develop the skills of unemployed youth by bridging the gap between school/tertiary education and the working world. The MRP Foundation programmes attempt to address systemic challenges while being realistic in delivery through on-the-ground approach to implementation. This supports the South African Government's National Development Plan and SDGs, aimed at positively impacting the socio-economic landscape of South Africa. To achieve this, the MRP Foundation works with like-minded organisations that connect strongly on purpose.

Youth development

mrp foundation jumpstart

209 Jump Start interventions

63% employment rate

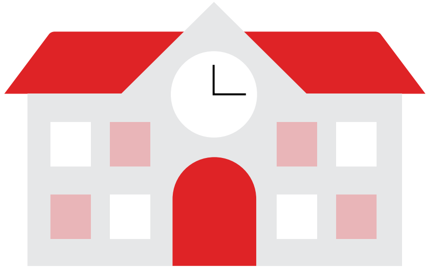
4 301 unemployed youth benefitted

R17 072 246 invested in youth development

CASE STUDY

Quality education

mrp foundation schools



98 primary schools that completed year 1 of 6 year model

18 high schools supported

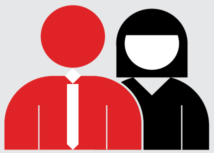
5 KwaDukuza schools in sustainability

62 Early Childhood Development supported

131 school management upskilled

2 357 educators participated in content knowledge workshops

77 818 learners impacted



R19 213 095 invested in quality education

Reflections from the MRP Foundation

Looking back on this past year, it has been one of growth and learning.

We scaled the MRP Foundation Schools Programme from 5 to 98 primary schools with them completing year 1 of the six-year model. Partnerships and relationships take time to build but despite these challenges, active participation by school leadership and educators was achieved. This was attested by Ms Rakoto, a Primary School Principal from QwaQwa, who has benefited professionally from the workshops. She shared that her newly-learnt management skills have made her school more effective. Programme deliverables will continue to be reviewed according to each school's need, taking into account school closures caused by COVID-19.

Our Jump Start programmes aim to match suitable unemployed youth to the demand for entry-level positions within the retail industry and its related supply chains. Through Jump Start, Samantha Dube discovered her passion for retail and is now able to provide for her family through her employment as an Assistant Store Manager. Despite South Africa's growing youth unemployment rate, sourcing and recruiting candidates interested in retail careers is a challenge, which was seen in the Jump Start Frontline Programme where 19 186 youth expressed interest in the programme, 4 726 attended Life Skills training and 4 246 completed work experience.

Tough economic conditions have reduced employment opportunities within certain industries and thus scaled back certain programmes. Ongoing engagement with employer partners and industry bodies remains key to ensuring programmes are aligned to industry requirements. However, we continue to explore work readiness opportunities within the retail industry and how youth can access these careers.

With the Foundation's resilient heart and vision to break the cycle of poverty and inequality in South Africa, and through strong partnerships with stakeholders and implementation partners, we remain committed to our purpose — to enable young people to unlock their full potential.

Further details on the activities of the MRP Foundation can be found at: www.mrpfoundation.org.

Our business and value chain

Value chain development

Supplier enablement

Sharing performance metrics

The Supplier Grading Tool is a critical enabler to provide both merchants and suppliers with the necessary information to improve value chain performance and reliability. The tool is used in collaboration with suppliers to enable collective action both from trading divisions and their suppliers. A key success of the tool is the enablement of divisional sourcing and merchandise teams to work directly with suppliers on measurable outcomes that affect both parties. Further development will enable the group to incorporate key sustainability measures.

Supplier development

A Supplier Development Framework was developed this reporting period to guide the implementation of collaborated supplier performance improvements in line with the group's value chain development strategy. All trading divisions formulated supplier development strategies aligned to the framework. To support this, the group's Supplier Grading Tool provides detailed information on different performance measures to assist suppliers in targeting their improvement efforts.

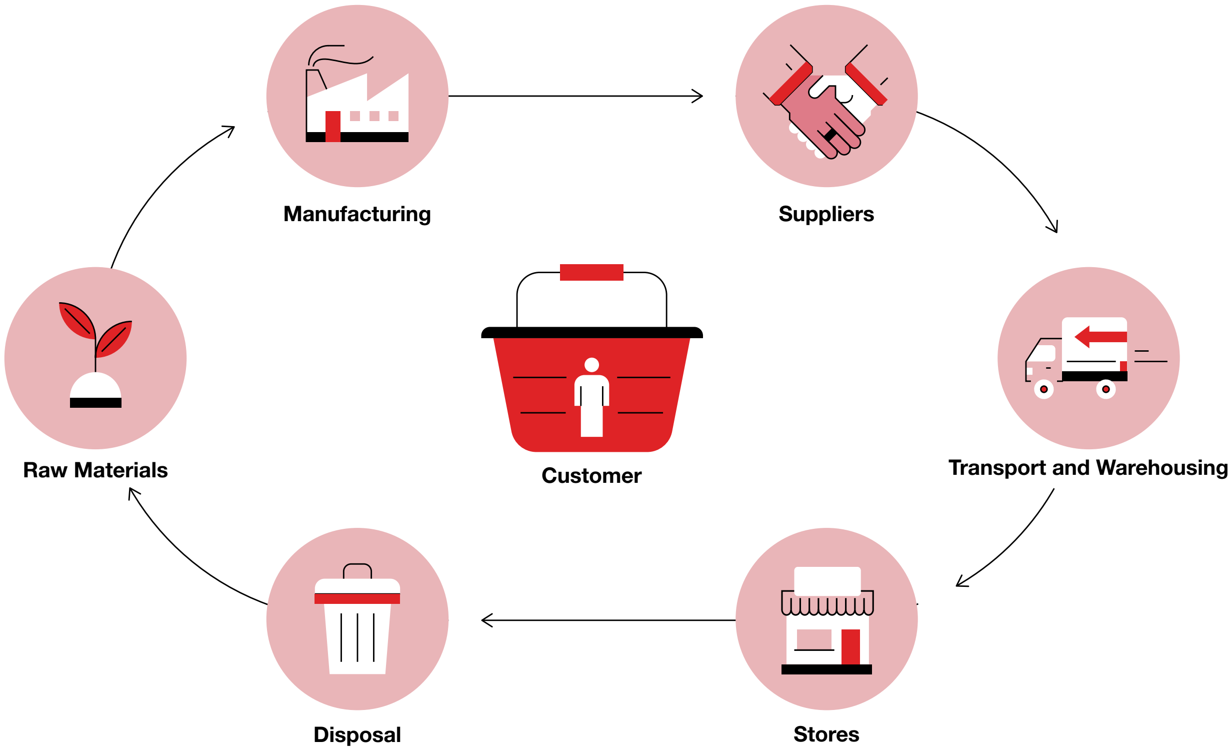
Supplier development is a collaborative with several training workshops and an innovation network where the outcomes are measured to guide the initiatives with most impact.

Workers in our value chain

As a member of the Ethical Trading Initiative (ETI), the group understands its role as a lead firm in the value chain and therefore factory workers are incorporated in social impact monitoring. While the group contracts directly with first tier suppliers involved in the manufacturing of store-ready products, the entire value chain (from raw material to store) is considered. To achieve this, the group is committed to achieve 90% visibility of the value chain by FY2023 in order to monitor and measure social, environmental and business practices more closely.

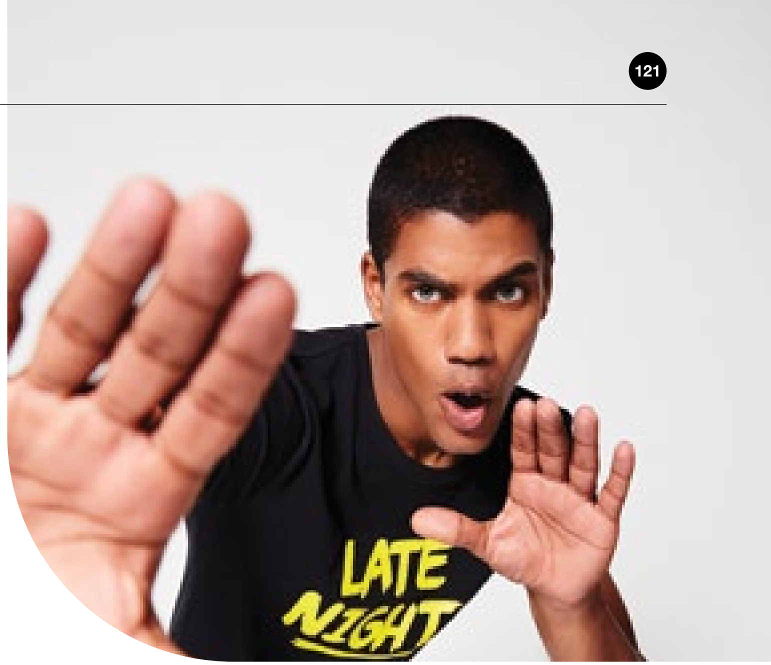
Trading divisions and their suppliers are guided by responsible sourcing practices which aims to instil transparent and ethical practices in the value chain. This incorporates decent work and trade relations to comply with national and international regulations and codes of good practice. To achieve this, the group monitors and guides suppliers to align their business practices and processes to the group's Code of Conduct. The code of conduct can be viewed at: www.mrpricegroup.com.

The group acknowledges the significant complexities involved in influencing responsible practices throughout the value chain, and therefore aims to monitor, guide and instill responsible trade practices within the value chain through different stages. The diagram below illustrates the scope of the group's sphere of influence, to guide, monitor and evaluate sustainability.



A Responsible Sourcing Working Group was established in 2015 to drive responsible social and environmental practices and ensure alignment across trading divisions.

Supplier due diligence
To enhance the level of value chain visibility, the group partnered with SEDEX in 2014 to establish a supplier mapping process. SEDEX provides a global supply chain data system that allows suppliers to provide information about health and safety, business, labour and environmental practices. Although this assisted with mapping supplier and production sites, a decision has been made to implement upgrades of the existing supplier portal which will enable enhanced value chain visibility. Against our target of 90% visibility, to date 75% of suppliers and their contracted production sites have been mapped.



The Responsible Sourcing Framework and Implementation Guide provides guidance and standards to suppliers and manufacturing sites. Annual factory audits are required to assess improvements and informs the implementation of supplier corrective action plans. Suppliers and manufacturing facilities are expected to remediate all identified issues within recommended timeframes and to maintain records of social audits and corrective actions taken. A non-compliance escalation process applies where lack of commitment and improvement is found.

An improved supplier on-boarding process was implemented in 2018 to ensure that trading relationships are only developed with suppliers who share the group's values and commitment to decent labour standards. No purchase orders may be raised unless the new supplier satisfies the requirements of the due-diligence assessment which includes mandatory factory social audits.

Grievance mechanisms
The group has an established hotline for grievances to be reported anonymously and promotes the use of the Whistleblower Hotline facility to factory workers to encourage workers to be able to safely report grievances. Worker interviews (individual and group) are also an integral part of the social audit process. No grievances were received from factory workers via the Whistleblower Hotline during the year.

Decent work
While social audits are conducted in all major sourcing countries, a specific focus has been placed on South African manufacturing facilities. In FY2019 the group commissioned an in-depth wage compliance assessment at a sample group of factories in KwaZulu-Natal, representing approximately 5 200 workers. The assessment enabled the group to gain an understanding of where the greatest wage gaps in the industry are likely to be and the results were shared with the suppliers involved.

Wage compliance is a complex and a systemic issue in global fashion value chains. Guidance from the ETI is that collaborative effort is required to address systemic problems. In response to this, the group initiated a provincial stakeholder discussion, facilitated by KwaZulu-Natal Economic Development, Tourism and Environmental Affairs, as a key stakeholder in the province with a large representation of clothing manufacturing in South Africa. The working group includes participation from all key stakeholders required to address the concerns. At a national level, the group is committed to the Retail-CTFL Master Plan which includes a key focus on addressing the systemic factors that contribute to wage non-compliance in factories.

Monitoring social and environmental compliance
The group is committed to monitoring and guiding compliant and sustainable compliant practices in the value chain and has allocated human resources, both at a group and divisional level, to manage this work. Targeted social audits were conducted this year, indicating that improvements are still required in health and safety practices, working hours (prevalent in China) and wage compliance (only assessed for South Africa). The table below specifies the number of social audits conducted this year:

Since January 2019

	SADC	ASIA
Social compliance audits	70	179

*note – all audits are semi announced.

Mr Price Group accepts SMETA, BSCI and WRAP third party audit standards.

Ethical buying practices
Regular training is conducted to equip buyers to understand the impacts of purchasing practices when engaging with suppliers. The group's Buying Ethically training is supported through a licence agreement with ETI.

To further enhance knowledge of manufacturing processes, the Mr Price Academy developed a programme to improve production knowledge and the understanding of a critical path. The academy has also developed in-house solutions to support ETI training:

- ETI Buying Ethically: 11 delegates in FY2020 and 489 delegates since inception
- Introduction to Supply Chain: 49 delegates in FY2020 and 321 delegates since inception
- Supply Chain Game: 44 delegates in FY2020 and 221 delegates since inception
- Critical path: 78 delegates in FY2020
- Introduction to Sustainability: 22 delegates in FY2020 and 375 delegates since inception

Our People - associate wellbeing and development

Our culture is what gives us our unique competitive advantage. In the year ahead we will be doing a deep dive into our values and culture to better understand what has served us well and what needs to change. This will give us the insights to articulate the cultural and leadership behaviours which will help us to build our future. These behaviours will be built into our DNA and will form part of our leadership and cultural initiatives. A key part of this process will be to ensure the clear integration of diversity and inclusion principles into our culture which will support our transformation strategy.

Engagement
The group monitors and responds to the climate within the working environments closely through regular open conversations and online engagement, on-boarding and exit surveys. These surveys are followed-up by feedback sessions and focus groups designed to listen to the needs of associates, co-create solutions and identify business improvement and leadership development opportunities.

An enhanced internal communication function was launched in January 2020 under the brand identity, MRPG Voice. The purpose of this function is to increase the frequency and intensity of strategic group messaging to all associates and encourage transparent and collaborative engagement across the business.

Talent acquisition
Developing and retaining home-grown talent is a strategy that has served the group well in the past and will continue to be a core focus. In order to facilitate career development and facilitate talent mobility throughout the group, an online careers centre has been setup through our Applicant Tracking system. This ensures all our vacancies are visible to our associates and they are aware of new career opportunities as they arise. Sourcing the right skills and expertise externally when required is equally important. Stringent pre-employment assessments ensure the required skill levels are maintained.

Talent management
The group offers various diverse career opportunities and associates are encouraged to pursue their ambitions within the dynamic and evolving working environments. Business growth and new skill requirements frequently creates new roles and most of these are filled internally, drawing from talent within the group. Our succession and High Potential Development Planning processes have been further enhanced through an improved nomination and assessment framework. This ensures constant availability of high-quality managers and executives across the group.

Close working relationships between managers and associates are valued and personal growth and career development is discussed with each associate annually. The launch of the enhanced group wide performance enablement process, has assisted us in growing a culture of always-on feedback. The roll-out of phase two and three will see us linking in the elements of goal setting and recognition. Line managers are responsible for ensuring these discussions result in meaningful development plans.

Associate development
Attracting, developing and retaining talent is critical to our competitiveness and long-term sustainability. We strive to deliver high quality and relevant training through the Mr Price Academy. The academy's impact relies on specialist learning and development managers working with subject matter experts to develop and facilitate business-focused and blended learning interventions.

Trainee buyer and planner as well as store manager development programmes are designed and implemented to develop a solid pipeline of critical skills. Learnerships remain a critical part of the development strategy to afford associates the opportunity to gain a formal qualification. This year, 367 associates registered on learnerships, 100% of whom were from previously disadvantaged backgrounds.

Leadership development
The group partners with credible training professionals and business schools, locally and internationally, to design and facilitate leadership programmes. The senior leadership development programme aims to equip our leaders with transformational leadership skills. People leadership skills solutions for all associates are delivered through our leadership essentials programmes.

Recognition and reward

Central to the group's values is to reward high performance and instil a culture of celebration and recognition. Well-defined targets are set annually with performance discussions conducted as required during the year. A highlight is the Running Man award, presented to selected associates who have made extraordinary contributions over an extended period. These highly valued individuals embody the group's culture and core beliefs and demonstrate consistently high dedication and performance. Additionally, the group medallion and team cap awards are awarded to associates who have delivered exceptional performance or innovation during the year, thereby setting new standards and becoming role models.

All associates within the Southern African Customs Union (SACU) region participate in the group share or share option schemes after fulfilling the specific employment tenure requirements of that scheme. These employees become part-owners and we refer to them as partners or associates. Further details are contained in the remuneration report on page 97 and on the group's website www.mrpricegroup.com.

Associate relations

Treating all associates fairly is at the heart of the group's values. The group is committed to a workplace free from discrimination, compliant with relevant labour laws with open communication between managers and associates. This enables workplace grievances to be avoided or speedily resolved.

Wellness and safety

Group wellness initiatives, facilitated through our wellness forum, focus on holistic wellbeing on a physical, mental, emotional and financial level, through various initiatives throughout the year. Safe working practices are encouraged throughout our business. In the year under review no major associate or customer incidents were reported.

Key achievements per year	2020
Investment in learning and development	R35 565 375
Total annual number of hours allocated to learning	145 288
Average learning and development days per person	0.9
Previously disadvantaged individuals as a percentage of total participants in learning and development	95%
Females as a percentage of total participants in learning and development	69%
Previously disadvantaged associates as a percentage of total of associates trained through e-learning	99%
Previously disadvantaged associates as a percentage of associates on learnerships	100%

Preserving natural resources

Industry research highlights that most of the environmental impact in the fashion industry occurs in the textile production value chain. Natural resources are often unsustainably managed to deliver on production demand. The group has made a commitment to source an increased level of sustainable raw materials, and a task team has been established to develop a sustainable sourcing strategy.

Sustainable raw materials

40% sustainably sourced cotton

In FY2020, sustainable cotton made up 40% of all cotton products, which includes cotton grown with Better Cotton Initiative (BCI) and Cotton Made in Africa standards. This means that cotton growers apply methods that reduce the environmental impact of cotton growing and apply socially responsible labour standards.

In South Africa, the group has been actively developing a sustainable cotton value chain in collaboration with the relevant stakeholders. A key part has been to secure a BCI alliance for South Africa to ensure that all local cotton farmers follow sustainable practices. BCI standards reduces water and pesticide usage and contribute to improved profitability for the farmers.

4% recycled polyester (RPET)

In FY2020, the group incorporated local recycled polyester (RPET) into 4% of polyester products. Preferred fibres training for merchants was carried out, to increase the use of sustainable raw materials and recyclable content in product.

13% of Mr Price Home timber product FSC approved

The group is committed to increasing the volume of sustainably sourced timber and timber products. Forest Stewardship Council (FSC) approved timber accounts for 13% of wood products within Mr Price Home. In addition, the group's cardboard swing tickets are now produced on FSC approved board.

Reducing and stabilising environmental impact

Reducing and stabilising environmental impact includes efforts to increase the use of renewable energy, increasing energy efficiency and implementing principles of a circular economy. The group's Code of Conduct requires all suppliers to comply with in-country environmental legislation and regulations, and surveillance testing of product for the presence of a banned or restricted substance is part of the group's quality assurance and due diligence process. In addition, standardised care instructions on apparel and home textile products encourage customers to wash at lower temperatures to reduce the impact of carbon emissions and microfiber shedding.

Packaging

Packaging is a key focus to reduce environmental pollution and post-consumer waste to landfill. The group has targeted the reduction of single-use plastic used in its supply chain and has set targets for trading divisions to reduce unnecessary or problematic plastic in all packaging, and to ensure that packaging is recyclable.

Initiatives to reduce plastic

- Avoid/reduce problematic raw materials or unnecessary packaging. Ensure that all packaging is recyclable. Reducing the need for unnecessary single use packaging
- Single-use polybags are a necessary part of the supply chain, to ensure that product is kept clean and dry while in transit or in storage

Mr Price has eliminated 42 million polybags in FY2020 through the consolidation of packing instructions to suppliers.

The group intends to eliminate single-use plastic shopper bags in a phased approach. Reusable bag options were introduced in May 2019 and across all trading divisions by September 2019 as Phase 1 of the transition, with a total 1 938 761 bags being sold in FY2020.

Communication, to encourage customers to partner with us, has been implemented to support our efforts. This will continue to be tracked and monitored as part of the group's preparation for the next phase of the transition.

Climate change

Climate change impacts the retail industry throughout the value chain and business operations. In the short, medium and long-term an increasing impact is expected on the business due to changing climate patterns and extreme weather conditions, both on direct and indirect operations. The group assesses both existing and emerging climate change regulations, such as the Carbon Tax Act and Climate Change Bill, to ensure adherence. Technology is used, where practical, to reduce the impact on climate change, including electricity meters to monitor usage in all stores and LED lighting in new stores, at the distribution centre and head office buildings.

While climate change poses risks and challenges to the way we do business, our value chain (including availability of raw materials) and the communities in which we operate, are also opportunities in changing consumer needs and demands which the group will explore.

Through this board committee, the United Nations Global Compact 10 Principles are monitored, including Principle 8 which states that businesses should undertake initiatives to promote greater environmental responsibility.

Carbon footprint

The group has invested in roof-top solar photovoltaic (PV) systems at both the head office and Hammarsdale DC. The units run successfully and have generated 2 627 625 kWh since inception. Phase 3 is 462.25kWp at the DC.

Phase 3, which was commissioned in March 2020, consists of additional 7x50kW solar inverters and 1 248 x 370 watt solar panels at Hammarsdale DC, and is expected to produce approximately 589 942 kWh of energy per annum.

The group's South African carbon footprint (tons of CO_2e) is based on Scope 1 and Scope 2 emissions, including stores, head offices and DC.

Ongoing monitoring of store-level energy use takes place, driving behavioural change and reducing energy usage.

Since 2016, the group's courier company has used idling cut-off systems to further fuel efficiency and reduce carbon emission.

FY2020

115 820 tons CO_2e **0.14** CO_2 e/m^2 **109 115** mWh

*Carbon footprint negatively affected by grid emission factor. Energy usage decreased in FY2020

Solar energy

Site	FY2020		FY2019		FY2018	
	% of building's energy derived from solar	kWh	% of building's energy derived from solar	kWh	% of building's energy derived from solar	kWh
MRPG (Mr Price Home Roof)	25.47	111 461	30.83	116 141	27.98	112 197
MRPG (DC Rooftop)	20.16	176 007	18.81	180 018	17.55	179 545
Hammarsdale DC	18.53	748 907	6.86	262 830	6.57	273 508
Total	19.36	1 036 375	10.82	558 989	10.12	565 249

Water

Water is a significantly impacted resource, both in South Africa and globally. The group's greatest water impacts are in its value chain, specifically cotton cultivation, as well as fabric production and dyeing.

The group's water consumption is currently only measured at head office locations and the distribution centre. Retail operations are generally not large users of water.

The production processes of clothing and textiles, however, has a substantial impact on water usage. The group is mapping supply chains to production locations and plans to start introducing initiatives to measure water usage in the value chain.

The Miladys water-wise denim collection saves millions of litres of water a year, by using recycled water.

Water consumption at head office

	FY2020	FY2019	FY2018	FY2017
	Kilolitres	Kilolitres	Kilolitres	Kilolitres (Estimates)
	Apr 2019 – Mar 2020	Apr 2018 – Mar 2019	Apr 2017 – Mar 2018	Apr 2016 – Mar 2017
Total	**22 192**	**23 345**	**24 419**	**35 064**

Paper

Paperless administration at store level and the promotion of e-dockets are fundamental paper saving initiatives.

By using paperless administration at store level and promoting the use of our e-docket services, the group saved 2 949km of paper in FY2020 - the equivalent of driving from head office to the Stellenbosch store and back. Since inception, over 10 020km of paper has been saved. This amounts to almost 90 tons of paper saved in stores in FY2020.

CASE STUDY

Our centre of excellence

Mr Price Group Distribution Centre (DC)

The group's national DC is mostly self-sufficient. A 2.5 million litre water catchment tank and water recycling solution allows the DC to have no reliance on municipal water supply for about 90% of the year. The roof insulation reduces building heat requirements; natural ventilation has replaced air-conditioning; a photovoltaic system on the roof reduces electricity required from the energy-grid, supplying about 46% of day time electricity to the site and the truck yard asphalt was made from recycled plastic.

Partnerships

The group believes in the value of 'Partnership' and actively participates in selected membership organisations. The group has been a full member of the ETI since 2017 and maintained Improver Stage. Other membership organisations include the National Clothing Retail Federation (NCRF), WWF South Africa, the South Africa Sustainable Cotton Cluster (SCC), the Kwazulu-Natal Clothing and Textiles Cluster (KZN CTC) and Proudly SA.

As a member of the NCRF, the group has played an active role in the development of the 2030 Retail-CTFL Master Plan and has committed to increase competitively produced products in South Africa over the next 10 years. The CEO serves as a member of the Executive Oversight Committee, chaired by the minister of Trade, Industry and Competition, Minister Ebrahim Patel.

In addition, the group allocated key resources to support implementation, as the Retail-CTFL Master Plan aligns to the group's objective to build a sustainable and competitive value chain.

The group's long-term partnership with The Clothing Bank, an economic empowerment project, addresses excess merchandise and has the environmental benefit of prolonging product usage. The group is an active member of the National Retail Association which facilitates representation and participation in discussions of national interest.

Partnering with customers
Customers are the primary stakeholder group, as indicated in the business purpose. Much organisational effort is therefore focused on value creation for customers, however customer health and safety as well as consumer protection are also important focus areas for the trading divisions. The voice of the customer is critical to sustaining the business and special attention is paid to all channels that provide this valuable input.

Both formal and informal engagements with customers take place daily through various channels, including social media, traditional marketing, customer call centre, interactions with store associates, and customer surveys. Any complaints received are managed effectively and efficiently. The number of complaints referred by customers to the Consumer Goods and Services Ombud remains minimal. In the year under review no major customer incidents were reported.

A working group has been established to execute the communication plan that delivers the group's sustainability messaging to key stakeholders, including customers. The objective of the working group is to ensure alignment and consistency of the messaging under "Together we do Good" across all channels and media, to drive awareness and invite key stakeholders to partner with us stakeholders.

together we do good.

CASE STUDY

Building a sustainable local cotton value chain

Mr Price Group is the founding retail member of the South Africa Cotton Cluster (SACC), which, together with key stakeholders including industry, government and Cotton SA, aim to build a sustainable local cotton value chain. Through our commitment, the local cotton industry increased its output by 775% in 7 years.

When the group got involved in 2013/2014 the industry was at an all-time low with a total lint production of 6 245 tons. As a result of collaboration across the value chain, and the additional support from new retail members, South African cotton lint production increased to an estimated 48 409 tons in 2019/2020, of which the group committed to procuring 1 357 tons for its local cotton value chains.

The South African cotton industry has the potential to unlock significantly more production, but central to this is the participation of small-scale cotton farmers. There are however several obstacles that these farmers face, including access to input finance. Small-scale farmers are categorised as high risk by conventional financial service providers and therefore high interest-rates limit the viability of borrowing for these farmers.

In response to this challenge, the group contributed R10m this year to a farming input loans facility, which has benefitted 376 small-scale farmers. In addition, the group supports field co-ordinators to help farmers access and manage the loans, achieve compliance, improve productivity and register and implement the Better Cotton Initiative (BCI) standards.

In November 2019 the industry celebrated the success of the past five years at the first Cotton Industry Indaba, "Can't Stop Cotton". The group was recognised for the contribution to the industry since 2014 and won awards for its innovative funding solutions and for its partnership with the Khula Credit Guarantee – a government initiative that underwrote loans to farmers. At the event, the group emphasised its vision for a sustainable local cotton value chain, thereby unlocking global competitiveness, shared value and improving small-scale cotton farming businesses by unlocking significant value to these communities.

mr price group limited