

# 2019

**Annual Integrated Report**

1 April 2018 - 30 March 2019







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# Key Icons



## Strategic Pillars



### Growth

Extend earnings through local and international growth.



### 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



### Financial

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



### Manufactured

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



### Intellectual

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



### Human

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



### Social & Relationship

The key and long-term relationships that we have cultivated with customers, suppliers and business partners.



### Natural

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

## Stakeholders



Shareholders & The Investment Community



Customers



Associates & Partners



Suppliers



Government & Society

## Sustainable Development Goals



People



Value Proposal



Merchandise



Operations



Communication



DC & Logistics

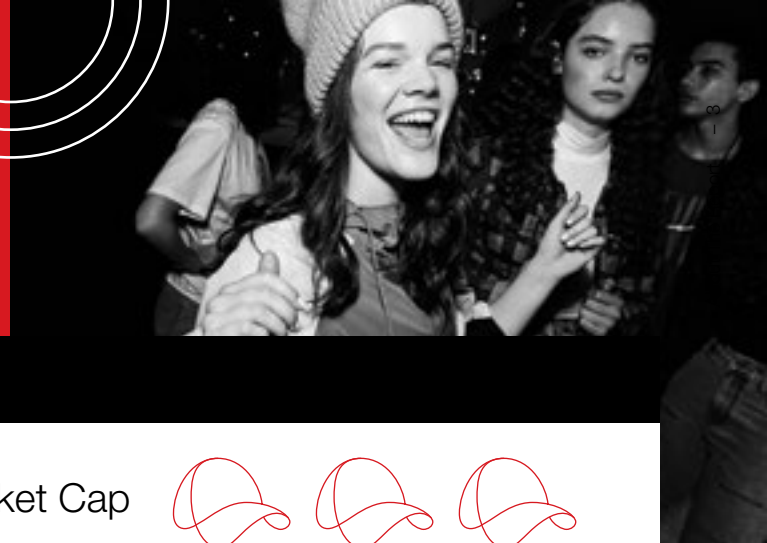


Systems



Suppliers

# Performance



## MARKET STATISTICS

Share Price (R)

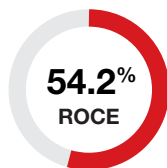
**190**

DPS c

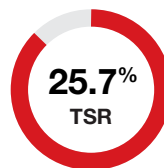
**736.2**

HEPS c

**1168.6**



Return On Capital Employed



Total Shareholder Return  
10 year CAGR

Market Cap

**R47 billion**



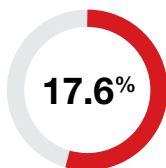
## PERFORMANCE

Gross Space

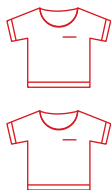
**745 662m<sup>2</sup>**

People

**18 900+**



Operating Margin



Units sold

**220  
million**

Debtors Accounts

**1.4  
million**

Retail Sales and Other Income

**R22.4 billion**

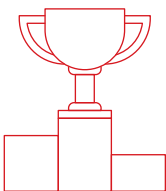
Free Cash Flow

**R2.4 billion**

## ACHIEVEMENTS

JSE Ranking

**37**

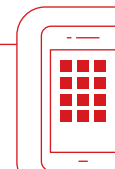


**36 million**

visits to divisional websites

**>600 000** Instagram  
followers

**>1.9 million** Facebook  
followers



**#1 Fashion  
retailer in SA**



# Scope & Boundary

 Principles: 5 15 16

We have pleasure in presenting the 2019 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, while caring for the communities and environment in which we operate. The report also includes all statutory reporting specifically required relating to financial information.





## Scope

This report provides a consolidated view of the group's performance for the 52-week period ended 30 March 2019. It includes the financial results of Mr Price Group Limited trading in South Africa, Australia, Botswana, Ghana, Lesotho, Namibia, Nigeria, Swaziland, Zambia, Kenya, Poland and MRP Foundation, as well as the income received from franchise operations trading elsewhere in Africa. Our reporting complies with International Financial Reporting Standards, the Companies Act of South Africa (71 of 2008) and the JSE Listings Requirements. In terms of non-financial indicators, only South African operations are included, unless otherwise indicated.

This report aligns with the requirements of the King IV Report on Corporate Governance for South Africa 2016 and the International Integrated Reporting Council's 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 International Integrated Reporting Council's 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 to page 2). The group is committed to integrated reporting and, as such, has adopted the framework. In the business model on pages 14 to 15, 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 decision making on allocating capital resources and seeks to maximise positive outcomes.

## Materiality

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. 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](http://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 & Young Inc. Their unmodified report can be found on pages 102 to 104. The disclosures within the social, ethics, transformation & sustainability committee report (pages 82 to 95) 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 at this point. Any forecast financial information contained herein has not been reviewed and reported on by the company's external auditors.

## Approval

The audit and compliance committee has reviewed the integrated report (including the full annual financial statements) and recommended these to the board for approval. The board acknowledges its responsibility for ensuring the integrity of the annual integrated report and collectively reviewed and assessed the content thereof.

The 2019 annual integrated report was approved for release to stakeholders by the board on 11 June 2019.

**NG Payne**  
Chairman

**MM Blair**  
CEO

**M Stirton**  
CFO





# King IV



**Principle: 5**

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.








Recent scandals involving poor corporate governance within major organisations reaffirms the group’s view that underestimating the impact of poor corporate governance ultimately equates to poor business. The outcomes based and holistic approach of King IV requires corporate governance to be integrated into the daily aspects of business to achieve the realisation of an ethical culture, good performance, effective control and legitimacy.

**King IV disclosures in this report**

The board has purposefully not published an application register in support of the 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. Details of the group’s application of the King IV principles are on page 50 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.

**King IV quick reference guide:**

Principle:	Pages:
1 Leadership	48-49
2 Organisational ethics	89
3 Responsible corporate citizenship	82-95
4 Strategy and performance	24-33
5 Reporting	2-152
6 Board	48-54
7 Board composition	49, 52-54
8 Board committees	54
9 Board performance evaluation	55
10 Appointment and delegation to management	52, 55
11 Risk governance	61-62
12 Technology and information governance	62-63
13 Compliance governance	59
14 Remuneration governance	64-81
15 Assurance	57-58
16 Stakeholders	16-19

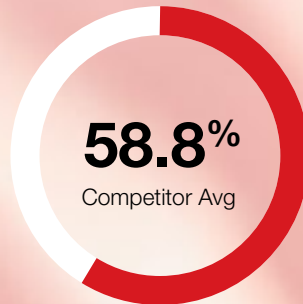
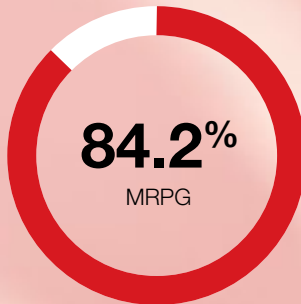
# Who We Are



**Cash-Based, Omni-Channel,  
Fashion-Value Retailer**

- Targeting younger customers in the mid to upper LSM categories
- Retailing predominantly own-branded merchandise

**Cash as a  
percentage  
of total sales**





# Vision

To be a top-performing international retailer.



Principles: 2 4

# 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 service 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 company 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.

# Competitive Edge

**Fashion** Wanted items at “everyday low prices”

## How do we satisfy our customers' need for fashion?

- Specialist trend teams, frequent international travel and thorough research
- Active dialogues through social and digital media
- Responding to customers' changing fashion needs
- Product testing before making significant merchandise commitments
- Slow moving merchandise cleared to make way for fresh, new merchandise

**Value** Lower mark-ups and selling higher volume to offer “excellent value”

## Increasing sales + low overhead structure = acceptable operating margins

- Quality and fashion offered at the best price
- Lower mark-ups in order to offer “everyday low prices”
- Large order quantities and higher sales volumes to keep input prices low
- Retail predominantly own-branded merchandise
- Maintain balance by incurring costs for future growth, often ahead of revenue generation

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

## A high cash sales component means:

- Less impacted by the cyclical nature of retail
- Not dependent on credit to drive sales, particularly during poor economic times
- Less exposure to bad debt
- Able to fund future growth without incurring debt
- Strong cash flows will support future growth and maintain an appropriate dividend payout ratio



# External Environment

 Principles: 3 4

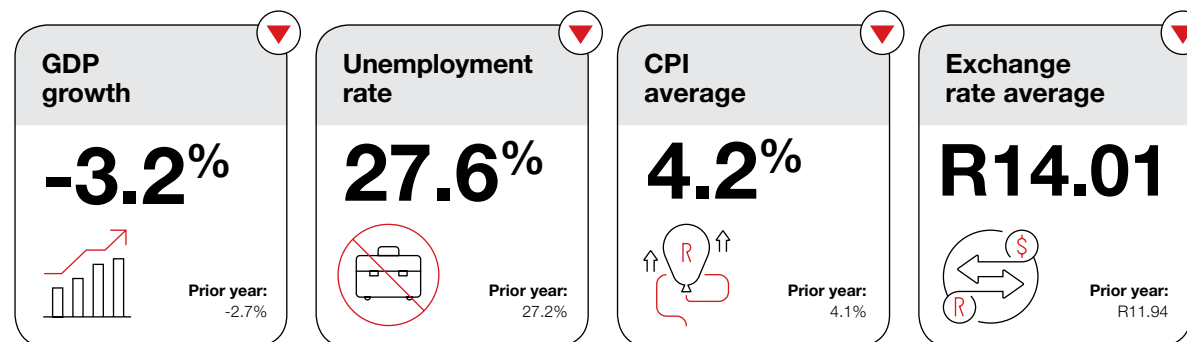
The following indicators highlight how difficult trading conditions were in FY2019. A weak macroeconomic environment was unsupportive of business. All indicators as highlighted by the red arrows were worse than the prior year. Consumers were highly constrained and forced to make purchasing trade-offs, lowering their basket spend. Unfortunately the outlook for FY2020 is similar.

## Economic and Consumer Overview

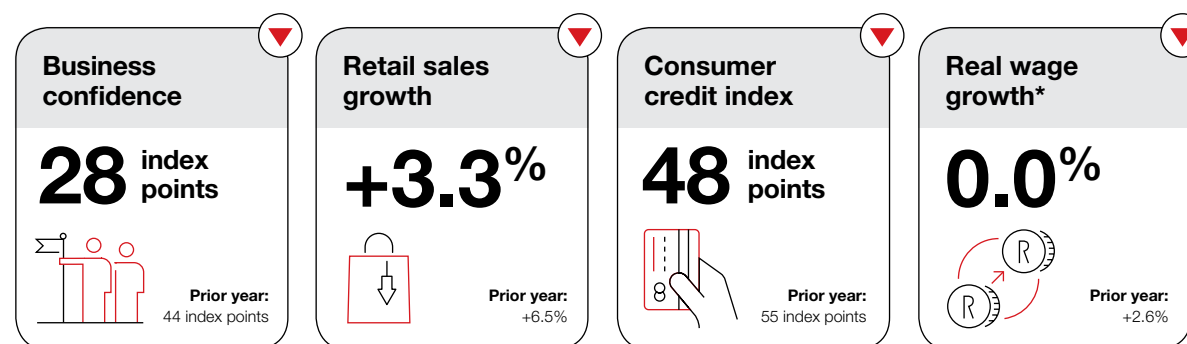
 Increase vs prior year

 Decrease vs prior year

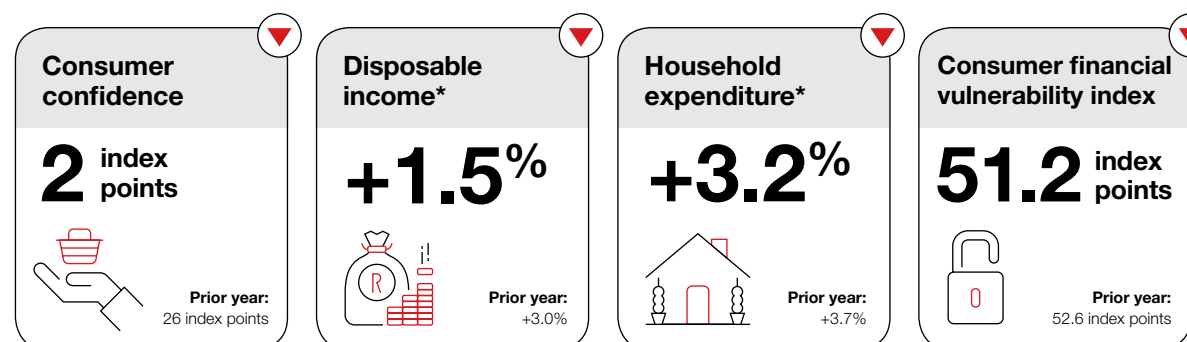
### SA Economy



### Business



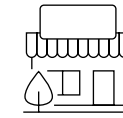
### Consumer



Time period: Q1 2019 unless otherwise stated  
\* Q4 2018

Source: SARB, Stats SA, BER, Transunion, Momentum/Unisa

# Store Footprint



**1 323** total owned stores  
**633 813m<sup>2</sup>** total net traded area



**512 stores**

Average store size **638m<sup>2</sup>**  
 Total trading area **326 494m<sup>2</sup>**



**179 stores**

Average store size **727m<sup>2</sup>**  
 Total trading area **130 044m<sup>2</sup>**



**112 stores**

Average store size **577m<sup>2</sup>**  
 Total trading area **64 611m<sup>2</sup>**



**306 stores**

Average store size **170m<sup>2</sup>**  
 Total trading area **51 896m<sup>2</sup>**



**214 stores**

Average store size **284m<sup>2</sup>**  
 Total trading area **60 768m<sup>2</sup>**

## Store breakdown

**South Africa**  
**1 205**  
 total stores

453	mrpApparel
158	mrpHome
107	mrpSport
284	Sheet Street
203	Miladys

**Rest of the world**  
**4**  
 total stores

1	mrpApparel
3	mrpHome
0	mrpSport
0	Sheet Street
0	Miladys

Africa and Franchise

**Botswana**  
**24**  
 total stores

11	mrpApparel
3	mrpHome
1	mrpSport
7	Sheet Street
2	Miladys

**Ghana**  
**4**  
 total stores

4	mrpApparel
0	mrpHome
0	mrpSport
0	Sheet Street
0	Miladys

**Lesotho**  
**5**  
 total stores

2	mrpApparel
1	mrpHome
0	mrpSport
1	Sheet Street
1	Miladys

**Kenya**  
**11**  
 total stores

6	mrpApparel
5	mrpHome
0	mrpSport
0	Sheet Street
0	Miladys

**Namibia**  
**41**  
 total stores

18	mrpApparel
6	mrpHome
4	mrpSport
8	Sheet Street
5	Miladys

**Nigeria**  
**5**  
 total stores

5	mrpApparel
0	mrpHome
0	mrpSport
0	Sheet Street
0	Miladys

**Swaziland**  
**11**  
 total stores

4	mrpApparel
1	mrpHome
0	mrpSport
3	Sheet Street
3	Miladys

**Zambia**  
**13**  
 total stores

8	mrpApparel
2	mrpHome
0	mrpSport
3	Sheet Street
0	Miladys

**Franchise**  
**18**  
 total stores

16	mrpApparel
2	mrpHome
0	mrpSport
0	Sheet Street
0	Miladys

# Our Divisions



Principles:

4



## Division



## Brand summary

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

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

## Target customer

Young and youthful customers who love fashion and appreciate exceptional value, and who are primarily in the 6 to 10 LSM range (mid to upper).



Comprehensive range consists of sporting apparel, footwear, equipment and accessories. All major seasonal and non-seasonal sport types are represented in our sport & fitness brand Maxed and extends to our outdoor brand, Maxed Terrain.

Value-minded sports and outdoor enthusiasts from age 6 upwards who are primarily in the 8 to 10 LSM range (upper).



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.

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.

Apparel





## Division

 **mrphome**

## Brand summary

Contemporary designed homeware and furniture to value-minded customers, who have a young-at-heart attitude.

The division aims to delight its customers with innovative products at everyday low prices.

## Target customer

Primarily fashion-value minded females, aged 25 years and older who love to decorate their homes. Customers, who have a young-at-heart attitude and are primarily in the 8 to 10 LSM range (upper).

**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.

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

 **mrpmoney**

The MRP Money division is focused on supporting the group's profitable growth in retail market share through the development of the right relationship with customers.

The primary financial products - store cards, airtime and insurance - are positioned to reward and retain our most valuable customers by being competitive, simple and easy to understand.

Our product offering includes granting of credit, management and collection of debtor's books and marketing of financial services and cellular products.

**Home**

**Financial Services & Cellular**
















# Business Model



Principles: 3 4

## Governance Framework

### Strategic Pillars

	Number of key targets*	Number of key trade-offs*	Capitals	Stakeholders
 <b>Growth</b> Extend earnings through local and international growth.	7	6		
 <b>Build high performing brands</b> Build strong customer relationships by delivering an ongoing experience of surprising and delighting.	3	5		
 <b>Operations</b> Continually strive for world class methods and systems.	2	2		
 <b>People</b> Maintain an energised environment with empowered and motivated people.	3	3		
 <b>Sustainability</b> Subscribe to high ethical standards and sustainable business practices.	4	3		

\*Refer to pages 24 to 29

## Available Resources and Key Relationships

### H Human capital

- Established culture (dreams & beliefs)
- 18k+ associates
- R40.8m spent on associate learning and development
- Remuneration paid to associates of R2.4bn

### I Intellectual capital

- Established Mr Price brand
- The Mr Price Way: Established buying, planning and supply chain processes
- Mr Price fashion value formula
- Real estate feasibility framework
- 33 years historic data available to aid decision-making

### M Manufactured capital

- Mr Price developed customised systems
- 1 323 stores covering 745 662m<sup>2</sup>
- Advanced e-commerce capabilities servicing 36 million website visits
- Trading in 15 countries
- Highly mechanised 57 000m<sup>2</sup> DC

### F Financial capital

- R3.2bn cash available
- Credit facilities of R457m available
- New capital invested of R424m
- Working capital outflow of R490m

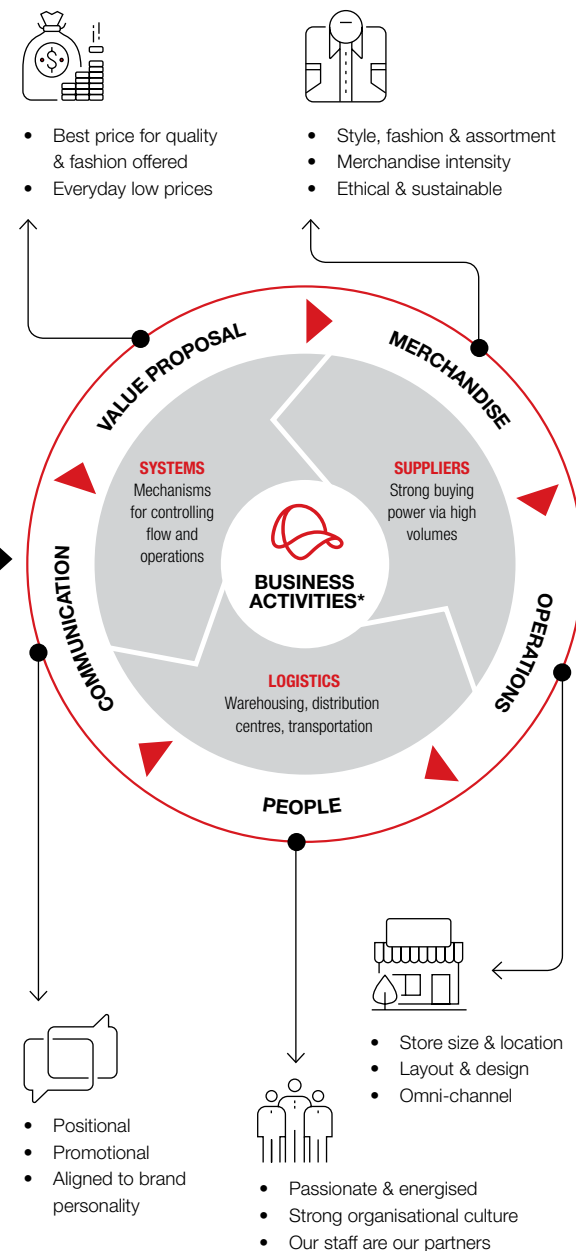
### S Social and relationship capital

- R15m external MRP Foundation donations
- >1.9m followers on Facebook; >600k on Instagram; >19m YouTube views
- Over 30 years of established track record with landlords and suppliers

### N Natural capital

- 1 561 tons of recycled plastic used as cushion inners
- 24 tons of plastic packaging removed from duvet covers
- 558 989 kWh of power derived from solar
- Paperless administration saved 2 687km of paper

## Business Activities



\* Refer to pages 20 to 21

## Outputs

Over the period, the group continued to deliver value to our customers through wanted product at everyday low prices.

We actively sought to minimise waste (refer pages 94 to 95) 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

- Passionate associates aligned to core values
- Skills attraction and retention
- 2.4% increase in associates
- Upskilled workforce and increased pipeline of leaders

### I Intellectual capital

- 17th most valuable brand in South Africa<sup>^</sup>
- New micro-express store formats created
- Trading densities up 3.0%
- Gross and operating margins per square meter improved

### M Manufactured capital

- Improved returns from operating assets
- 220m units sold
- 1.4% weighted average space growth
- 82 new stores added

### F Financial capital

- R1 916m dividends paid
- 54.2% return on capital employed
- Low gearing
- Positive HEPS growth of 6.2%
- Improved profitability, solvency and liquidity ratios

### S Social and relationship capital

- Corporate social investment of R29.5m
- 36.7% of units sourced from RSA
- 638 suppliers with Sedex membership
- Growing social media position aligned with needs of our core customers
- Strategic business relationships retained
- Positive impact of investment in local community and South Africa's social and economic landscape

### N Natural capital

- Carbon footprint decreased from 121 016 CO<sub>2</sub>e to 112 102 CO<sub>2</sub>e
- Steady progress on the creation of a sustainable value chain which is transparent, efficient and compliant
- The group and the environment have benefited from various initiatives undertaken

<sup>^</sup> Kantar Millward Brown



King IV Outcomes

Ethical culture | Good performance | Effective control | Legitimacy



# Stakeholder Engagement



Principles:

4

16

## Our stakeholders

The group's processes, activities and products sold are not done in isolation, but in a sustainable connection to a wide group of 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 and 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 establish the objectives and communication channels to be used, we continually identify and review our relationship with each one. The diagram to the right highlights the stakeholders identified as integrated partners to the organisation and illustrates how our interdependent relationships create value.



#### 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.



#### Associates (our people)

Value is created and the business delivers profitably because of over 18 000 associates who live out our values of value, passion and partnership.



#### Suppliers

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



#### Shareholders

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



#### Government & Community

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

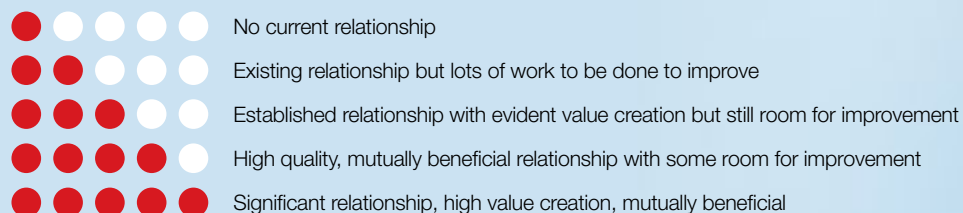
Stakeholder engagement requires more than communicating to stakeholders. It requires communicating through structured, interactive and proactive processes with the aim to create sustainable strategies and value for diverse individuals and groups including the organisation itself. Stakeholder value creation is a long-term outcome of a systematic approach by the group to work with identified stakeholders and manage how stakeholder interests and power impacts the organisation'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.









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 last year. The strategic pillar associated with the relevant stakeholder group has been highlighted as well as the quality of the relationship based on feedback received from each stakeholder.










### 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 on increased value creation. The key below 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.



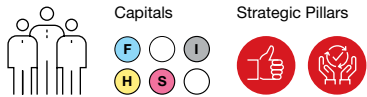
Stakeholders	Needs & expectations leading to value creation	How we engage	How we measure value and value created
<b>Shareholders</b>  <b>Strategic Pillars</b>  <b>Relationship Quality</b> 	<ul style="list-style-type: none"> <li>Consistently delivered short and long-term returns from the business</li> <li>Regular dividend payout</li> <li>Transparent and timeous disclosure of company performance, investments and strategy</li> <li>Responsible management ensuring sustainable long-term performance</li> <li>Education on retail market trends and issues</li> <li>Strong delivery on sustainability outcomes from the business</li> <li>An adequate free float of shares for trade</li> </ul>	<ul style="list-style-type: none"> <li>Direct engagement on proposed resolutions prior to the AGM</li> <li>Annual general meeting</li> <li>Full-year and half-year results presentations and roadshows</li> <li>One-on-one meetings with investors, analysts and fund managers</li> <li>Attendance at investor conferences</li> <li>Annual integrated report</li> <li>SENS announcements and trading updates</li> <li>Dedicated investor relations team and investor website page: <a href="http://www.mrpricegroup.com/mr-price-group-investor-relations">www.mrpricegroup.com/mr-price-group-investor-relations</a></li> </ul>	<ul style="list-style-type: none"> <li>ROE: 37.5%</li> <li>ROA: 26.8%</li> <li>Dividend payout ratio: 63%</li> <li>HEPS growth: 6.2%</li> <li>TSR: 25.7% (10 year CAGR)</li> <li>Number of investor engagements: 167 one on one meetings/calls</li> </ul>
<b>Customers</b>  <b>Strategic Pillars</b>  <b>Relationship Quality</b> 	<ul style="list-style-type: none"> <li>Quality product at affordable prices meeting their expectations for a strong fashion-value offering</li> <li>Customer service reflecting our value of passion</li> <li>Responsibly sourced product</li> <li>Sustainable approach to plastic use</li> <li>Opportunity to give back to the community</li> <li>Share feedback with the group on product and their experience</li> <li>Access to affordable credit</li> <li>Convenient online platform</li> </ul>	<ul style="list-style-type: none"> <li>Traditional and social media marketing</li> <li>Store windows</li> <li>Customer surveys through 10 dedicated channels</li> <li>Inbound and outbound call centres</li> <li>Advertising campaigns and competitions</li> <li>Live chat feedback on e-commerce sites</li> <li>Mystery shopper programme</li> <li>Club publications</li> <li>Store account brochures</li> </ul>	<ul style="list-style-type: none"> <li>Market share - StatsSA: all divisions outperformed Type D retailers</li> <li>Customer engagement and satisfaction surveys: 264 277 customer responses</li> <li>Instagram followers: &gt;600 000 (No.1 fashion retailer)</li> <li>Facebook fans: &gt;1.9m</li> <li>&gt;25.6m website visits</li> <li>Donations to MRP Foundation: R2.8m customer donations</li> <li>Credit accounts and usage: 15.8% of sales through 1.4m active accounts</li> </ul>



Stakeholders	Needs & expectations leading to value creation	How we engage	How we measure value and value created
<b>Associates</b>  <b>Strategic Pillars</b>  <b>Relationship Quality</b> 	<ul style="list-style-type: none"> <li>Market related compensation</li> <li>Long-term growth opportunities as the business develops</li> <li>Training and development programmes to increase their skill sets</li> <li>Clear vision and direction from management regarding the trajectory of the business</li> <li>Acknowledgment of diversity through fair opportunities and compensation</li> <li>Feedback on areas for workplace and performance improvement</li> </ul>	<ul style="list-style-type: none"> <li>Induction programmes</li> <li>Performance reviews and career planning discussions</li> <li>Training and development</li> <li>Culture and climate surveys</li> <li>Internal media and intranet</li> <li>Team meetings</li> <li>Associate results presentations</li> <li>Divisional events including awards events</li> <li>Whistleblowers' hotline staff share schemes</li> </ul>	<ul style="list-style-type: none"> <li>Culture survey results: qualitative feedback covering all associate matters</li> <li>Head office leadership programme (LEAD): 143 participants</li> <li>JumpStart work experience: 4 664 participants with a 60% employment rate</li> <li>Learning and development investment: R40.8m</li> <li>Number of hours allocated to learning: 202 077 hours</li> <li>Exercising share options: 1.6m shares</li> </ul>
<b>Suppliers</b>  <b>Strategic Pillars</b>  <b>Relationship Quality</b> 	<ul style="list-style-type: none"> <li>Ethically sourced product aligned with international safety standards</li> <li>Manage risk by gaining visibility into value chain</li> <li>Improve supplier delivery and quality performance</li> <li>Have better knowledge of the group's future growth and expectations</li> <li>Dual feedback loop ensuring both suppliers and the group have a voice</li> <li>Meet B-BBEE compliance</li> <li>Improve quick response times</li> </ul>	<ul style="list-style-type: none"> <li>Supplier workshops</li> <li>Supplier survey</li> <li>Independent focus groups</li> <li>Regular meetings and ongoing communication</li> <li>Performance reviews</li> <li>Quality audits and product testing</li> <li>Factory, social and technical audits</li> <li>Factory visits</li> <li>Whistleblowers' hotline</li> <li>Supplier Ethical Data Exchange (Sedex)</li> <li>Southern African Sustainable Textile and Apparel Cluster</li> <li>KwaZulu-Natal Clothing and Textile Cluster</li> <li>Regional Footwear and Leather Cluster</li> </ul>	<ul style="list-style-type: none"> <li>Code of conduct compliance: 87% of suppliers signed the code of conduct</li> <li>Supplier survey feedback: qualitative feedback covering all supplier matters</li> <li>Sedex membership: 638 suppliers with active Sedex membership</li> <li>Factory worker reporting tool: 26 local factories</li> <li>ETI membership : Improver status maintained</li> <li>South African Cotton Cluster (SACC): R3.9m in input loans to 263 small-scale cotton farmers</li> <li>South African cotton lint produced: 587 tons</li> <li>Supplier performance: launch of supplier grading tool</li> </ul>
<b>Government &amp; Community</b>  <b>Strategic Pillars</b>  <b>Relationship Quality</b> 	<ul style="list-style-type: none"> <li>Fulfil legislative requirements</li> <li>Undertake national priorities</li> <li>Contribute to community upliftment</li> <li>Provide sustainable social impact to our partners</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with: South African Revenue Service, Department of Labour, Department of Education, Wholesale and Retail SETA, NCRF,</li> <li>National credit regulator</li> <li>Local industry development</li> <li>Skills development and training</li> <li>Transformation/employment equity implementation</li> <li>Compliance requirements</li> <li>Energy, water and waste reduction</li> <li>Education and job creation</li> </ul>	<ul style="list-style-type: none"> <li>Engagement with relevant government body: Regular meetings held with government stakeholders across the business</li> <li>Taxes: R1.2bn paid</li> <li>Transformation targets: level 8 B-BBEE</li> <li>Local sourcing: 36.7% of total units</li> <li>Plastic reduction: 24 tons of plastic removed from duvet covers. 1 561 tons of recycled plastic used in inners for cushions</li> <li>MRP Foundation schools: 98 new primary schools brought onboard</li> <li>MRP JumpStart production: 76 people completed JumpStart production with a 99% employment rate. 17 people completed the professional retailers programme with 88% employment in local manufacturing</li> <li>Environmental impact: Carbon, water and waste reduction continued. Carbon emission factor reduced to 0.97; 2 687km of paper saved</li> </ul>

# 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 to 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.



## People

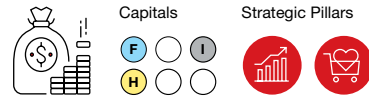
- Passionate & energised
- Strong organisational culture
- Our staff are our partners

Mr Price Group strives to be a sought-after company to work for by offering leading career opportunities in fashion-value retailing. The group recognises that it has highly passionate and committed people that drive the successful business model.

Inspired by the group's core founding values of Passion, Value and Partnership, the culture and climate of the working environment is surveyed to ensure that the needs of associates are heard to enrich their working lives.

The group's share schemes and incentive remuneration philosophy allows associates to participate in the company's success.

The group supports retail skills development through e-learning and programmes for specialised buyer and planner skills, which are critical areas to the business. MRP Foundation's JumpStart programmes provide a sustainable pipeline of retail talent to our operations.



## Value Proposal

- Best price for quality & fashion offered
- Everyday 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 everyday low prices.

The group retails differentiated private label assortments that are dominant in the wanted fashion items of the season. Our primary focus is providing our 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.



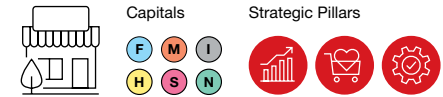
## Merchandise

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

We satisfy our customers' needs for fashionable items through specialist trend teams, frequent international travel and thorough research. We visit trend offices, trade shows and international retailers for inspiration and study local and international street styles to keep in touch with what customers are wearing.

From our research and travel process, we identify key commercial looks for our 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.



## Operations

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

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

The group fits stores at a cost aligned to our 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.

Our e-commerce platform and our mobile app also provides other channels to interact with customers.



## Communication

- Positional
- Promotional
- Aligned to brand personality

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

Our product presentation, together with its visual support material, provides customers with a consistently clear offer of what we stand 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.

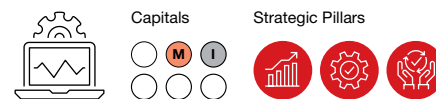


## DC & Logistics

- Warehousing, distribution centres, transportation

The group owns and operates a 70 920m<sup>2</sup> distribution centre (DC). A courier partner is responsible for transportation of merchandise to stores locally and operates 15 depots.

The DC is capable to handle current production as well as to create a lean and agile omni-channel supply chain to support the group's growth plans. We manage our distribution facilities and provide a visible and ideal flow of merchandise through integration with store operations and outbound transportation to ensure optimal efficiency and experience for store associates and both store and e-commerce customers. Within our business model, we remain customer driven to ensure that product is shipped, distributed and delivered intact to the right place at the right time.



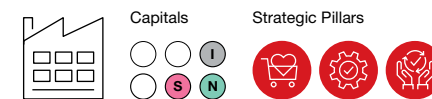
## Systems

- Mechanisms for controlling flow and operations

An effective information technology (IT) system is essential to support the business, enable growth and achieve future efficiencies.

The mrpIT division provides value to the group through alignment of IT systems and capabilities to support business needs and strategies. These include developing and implementing hardware, software and analytics solutions and supporting and sustaining the IT environment.

The broad range of ICT services and solutions which are aligned to the business strategic objectives include merchant, in-store, digital, logistics & supply chain, enterprise information management and finance solutions; data centre and store infrastructure; and end user computing support.



## Suppliers

- Strong buying power via high volumes.

Partnership includes the relationships we have with our suppliers, as without them, there would be no value to add to our customers lives.

There has been increased focus on building sustainable, competitive value chains and suppliers are expected to comply with the group's supplier code of conduct. The group interacts with suppliers according to high professional and ethical standards (refer page 89).



How We Did

# CEO's Report



Principles: 3 4 5

I am pleased to report, despite the poor health of our economy and knock-on effect on consumer health and confidence, our five retail chains delivered annual operating profit increases. Our financial services divisions profits declined marginally by 1.3% in a difficult credit environment. Our retail sales exceeded R20 billion and our profit before tax R4 billion for the first time. Headline earnings per share grew 6.2%.





Our long-term performance continues to outperform the market, highlighted by our 33 year compound annual growth rate in earnings per share of 21.1%, proving the resilience of our business model. This track record is a tribute to the efforts of all our past and present associates and business partners, for which the board and I are extremely grateful.

The 2019 financial year was an eventful one in which former CEO Stuart Bird retired. I am thankful, not only for Stuart's leadership over the years, but also for the institution he has built and I have inherited. The period following my appointment in January 2019 focused on implementing the leadership structure capable of executing our future plans. I am excited about the impact Mark Stirton (chief financial officer), Nicci Lyne (chief retail officer) and Arn de Haas (chief operating officer) will have on the group in their new roles, having a combined retail experience in the company of 45 years. There have also been changes to certain divisional leadership structures and I am proud these all fully support our company's promote from within philosophy.

A major focus area in the year ahead will be our growth agenda. This involves establishing a clear view of the place we shall occupy in the rapidly evolving retail landscape and will be informed by our own experiences and views and supported by detailed research and stakeholder engagement. Despite the local economy slowing down in recent years, we have a strong understanding of the local trading environment and consumer behaviour and plan to further leverage our infrastructure and grow market share. Our growth plans also entail carefully considered international growth. However, we shall not put our debt-free balance sheet and healthy cash generation at risk by pursuing large-scale acquisitions that can potentially divert management's attention away from the core business.

The national elections in May delivered a positive outcome, which I hope will lead to reformed economic policies that encourage business growth and job creation. If these are achieved, consumers will benefit and the retail sector will emerge from a downward cycle, as it has done previously.

We shall continue to invest significantly in South Africa, not just in capital expenditure, but in the welfare of society and our associates. We are proud founding members of the Sustainable Cotton Cluster (aimed at developing a sustainable local cotton industry) and the SA SME Fund (a private sector initiative to stimulate entrepreneurship by investing in high potential small and medium enterprises and providing high-quality mentorship and support). In conjunction with MRP Foundation, we shall continue our commitment to driving social change and upliftment so young people can break the cycle of poverty and inequality through education and skills development. More details can be found later in the annual integrated report.

Success depends on us having clarity of purpose; maintaining our discipline; being paranoid about focusing on the areas and opportunities of high impact; identifying trade-offs and executing at a superior level. This will be enabled by developing, guiding and harnessing the talents and energy of our associates, who in turn subscribe to our non-negotiable value system of Passion, Value, Partnership. Irrespective of our status in the company, we are unified by our goals of protecting our unique DNA and culture and surprising and delighting our customers.

**Mark Blair**  
Chief executive officer

“We shall continue to invest significantly in South Africa, not just in capital expenditure, but in the welfare of society and our associates.”





# Group Strategy, Material Matters & Key Risks



Principles: 4 11

**Our vision is to become a top performing international retailer.**















We are driven by our purpose to add value to our customers lives and worth to our partners lives, while caring for the communities and environment in which we operate. Our vision is to be a top performing international retailer. To enable these ambitions, the group has developed a strategy which requires sustainable value creation over the short, medium and long-term and ensures clarity and focus amongst relevant stakeholders.

In developing our strategy, we consider both opportunities and risks, which are informed by the ever changing consumer and retail environments. Our long term strategy considers the global trends which will increase demand in the retail chains we manage and markets in which we operate. In assessing these trends and opportunities, the group is required to allocate resources and capital to high opportunity or priority areas, which often requires having to make trade-offs. This requires us to carefully consider which will suit our business model and will be pursued, and which will not.

The board of directors reviews the appropriateness of the strategic objectives annually and performance against set targets regularly throughout the year. Key risks and progress against strategic imperatives are agenda items at each quarterly board meeting. 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'.





Targets for FY2019	Capitals	Stakeholders	Performance Against Targets	
			Outputs	Outcomes
Maintain sales growth trajectory and increase market share			Retail sales were R20.9bn, up 4.4%. Comparable store sales increased 1.6%. South African sales grew 3.8%, ahead of Type D retailers per STATS SA of 2.7%	Sales growth achieved in a muted local retail trading environment. Market share maintained in MRP Apparel, Miladys, and home sector (reduction in Sheet Street offset by gain in MRP Home).
Introduce quality new space and exit from unproductive space			Targeted space growth was 4% (2.5% net of closures and reductions). 82 new stores were opened and 11 expanded. New space added increased 4.8% at year end (weighted average 3.1%), and after closures and reductions net space increased by 2.0% (weighted average 1.4%).	Expanded store footprint with good performance metrics. Multi-faceted space opportunity that is not dependent upon one store type or one trading division.
Maintain profit wedge (growth in profits exceed growth in revenues)			Although gross profit growth of 4.6% was lower than revenue growth of 5.8%, leverage was driven by expenses only increasing 4.0%. Profit after tax was up 7.2%	Profit wedge achieved by profit growth exceeding revenue growth.
Grow mobile and cellular revenues and profits, via MRP Mobile			Revenue increased 62.1% and operating profit by 58.0%.	Profitable revenue growth and earnings diversification.
Focus on cash sales and grow credit sales responsibly			Cash and credit sales grew 6.1% and 2.2% respectively. Net bad debt ratio of 7.3%.	Maintained cash focus and avoided opening accounts for low credit scoring applicants.
Increase the contribution of international sales to total sales. Improve performance in foreign territories, bed down Kenyan acquisition and open a MRP Home test store in Poland			Sales in non-South African corporate owned stores up 12.3%, higher than the 3.8% in South African stores. Bedded down acquisition of 12 franchise stores in Kenya. Australian test stores were closed in April 2019. Opened test store in Poland in October 2018.	Contribution of revenue from "external markets" increased from 7.5% to 8.0% of group sales, which is not a significant diversification of risk.
Identify appropriate markets and formats for expansion			International research initiated and will continue into next year. Potential acquisition opportunities reviewed did not meet our criteria.	Planned reduction in reliance on one key market.

## Key trade-offs made:

- Merchandise margins in biggest division impacted by decision to clear excess inventory
- New trading space opportunities foregone due to decision made to focus on quality space and trading densities
- Credit sales growth constrained by our stringent account opening requirements
- Did not pursue revenue growth in Australia at the expense of profitability and further working capital
- Did not acquire offshore retail businesses as opportunities did not align with our requirements
- Avoided committing resources to potential markets which could not achieve sufficient scale

## Focus areas for FY2020:

- Grow new trading space (closing basis) ~2.6% (3.9% net of space reductions). Open ~70 stores
- Increased focus on comparable store profitability. Cost reduction plans delivered
- Improve inventory management and cash generation
- Invest in and grow online
- Improve performance in African stores
- Following the appointment of a new business director on 1 April 2019, research local and international markets for growth opportunities



# Build High Performing Brands

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



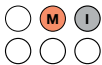

Targets for FY2019	Capitals	Stakeholders	Performance Against Targets	
			Outputs	Outcomes
<b>Wanted Merchandise</b> <ul style="list-style-type: none"> <li>Ensure clear market positioning in all markets (fashion value model) to grow market share</li> <li>Focus on needs of the core customer and the fundamental success factors of our business model - differentiated &amp; category dominant private label assortments and appropriate balance of fashion &amp; core merchandise</li> </ul>			<p>Generally good product execution across most businesses, evidenced by market share gains and all divisions improving their GP% (except MRP Apparel in Q4). Lower markdowns than last year. Sold 220m units, an increase of 0.2%.</p> <p>MRP Apparel executed well in H1 but in H2 the merchandise offer was too wide and therefore lacked depth. Category dominance and clarity of offer suffered.</p>	<p>On a group basis, we understood the needs of our target customers and successfully executed our merchandise offers. Protected our market positioning and delivered on our promise to our customers.</p> <p>Received several accolades: MRP Apparel: GenNext 2018 – ‘Coolest clothing store’. Sheet Street: Daily News Your Choice Awards – Best Linen Store; Sowetan Shopper Survey/ Retail Awards - 2nd in homeware category. Ask Africa Orange Index – 3rd in Home &amp; Décor sector. MRP Home: Kasi Star Brands Awards -1st in Homeware &amp; Décor category; The Sowetan/ Sunday Times (Tiso Blackstar) Shopper Survey Awards - 1st in Homeware &amp; Décor category.</p>
<b>Communication</b> <ul style="list-style-type: none"> <li>Integrated marketing strategy. Build on leading social media position.</li> <li>Convey strong brand personality via multiple touchpoints to target market, ensuring consistent and seamless engagement</li> <li>Develop a single view of the customer (CRM)</li> <li>Implement Powercurve automated credit decision engine) and Inquba (enhanced customer communication)</li> </ul>			<p>MRP Apparel has the highest number of Facebook followers (~1.2m) and Instagram followers (454 000) amongst the local competitor set. The division has continued to strengthen its omni-channel experience, as evidenced by its online sales growth of 30.2% and 62% of mrp.com and app users browse online before shopping in store. 50% of their online orders are click and collect, while 20% of online shoppers made an additional purchase while in store.</p> <p>MRP Home has 440 000 Facebook fans and 150 000 Instagram followers. Group online sales increased 32.1%. Online showroom via in-store kiosk in 46 MRP Home stores.</p> <p>MRP Sport online sales up 43.8%.</p> <p>CRM – single view of store card customers achieved.</p> <p>New credit decision engine implemented.</p> <p>Inquba – first project deliverable is live, balance by end June 2019.</p>	<p>Social media position, aligned with needs and expectations of our core customers, continued to strengthen.</p> <p>Customers ‘surprised and delighted’ by value offered a merchandise assortment which meets the wants and needs of the target customers, supported by confident and aggressive pricing and a seamless online and store experience. Well placed to further capitalise on the increasing trend of online shopping.</p>
<b>Innovation</b> <ul style="list-style-type: none"> <li>Lead with technology to re-inforce our brand</li> </ul>			<p>Mobile POS now accounts for 13.7% of MRP Apparel transactions and has improved checkout times.</p> <p>mrpEmpower: 1 578 tablets deployed in stores has improved communication, merchandising and training.</p> <p>Cellular kiosks in 216 stores.</p>	<p>Further differentiation achieved with competitors; stronger relationships with our tech-savvy target customer</p>

## Key trade-offs made:

- Avoided certain specific investment in online, which requires an appropriate level of investment and clear ROI
- Could not achieve desired market positioning in Australia, resulting in operations being closed and impairments
- Online sales growth at the expense of store growth
- Customer Relationship Management (CRM) system due to other areas requiring priority of investment
- Cellular kiosks not extended to all stores

## Focus areas for FY2020:

- Grow market share, particularly MRP Apparel by improving product execution category dominance, category extensions and bold communication of our value offer
- Continue to focus on the needs of our core customers and fundamental success factors of our business model
- Further enhancement of the customer's seamless omni-channel experience, including MRP Money
- Review of foreign markets, including supply chain, operational processes and fashion value positioning to improve profitability
- Further implement CRM strategy

Targets for FY2019	Capitals	Stakeholders	Performance Against Targets	
			Outputs	Outcomes
<b>Distribution Centre (DC)</b> <ul style="list-style-type: none"> <li>Stabilise DC following move to new location</li> <li>Realise planned efficiencies</li> </ul>			<p>DC operational and systems' stabilisation achieved.</p> <p>Efficiency realisation will continue into next year. DC costs as a percentage of sales was lower than the two previous financial years.</p>	<p>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.</p>
<b>Leading IT Solutions</b> <ul style="list-style-type: none"> <li>Achieve project milestones regarding new merchandise planning and ERP systems</li> <li>Review project prioritisation</li> <li>Implement expanded IT management structure to support execution</li> <li>Develop a data management blueprint</li> <li>Ongoing focus on cyber threats</li> <li>Approve the mandate of the newly established risk &amp; IT committee and monitor key risks</li> </ul>			<p>During the period, an extensive IT project prioritisation exercise was undertaken. IT activities were then compared to available IT and business capacity, which resulted in lower priority items being culled and in some instances, project timelines being re-scheduled.</p> <p>The management structure was strengthened and a senior programme manager and dedicated business owner appointed.</p> <p>Data management blueprint not completed.</p> <p>An independent cyber security capability assessment was undertaken.</p> <p>Recommendations are being addressed and the incident response policy implemented. There were no major IT security breaches during the year.</p> <p>Risk &amp; IT committee mandate approved and key risk monitored on an ongoing basis.</p>	<p>Delay in delivering enhanced capabilities to maximise sales and margins in current markets and support international growth.</p>

## Key trade-offs made:

- Certain DC efficiency opportunities could not be addressed due to focus on stabilisation following go-live
- IT prioritisation resulted in certain projects being removed from the project list

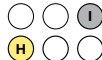





## Focus areas for FY2020:

- Continued realisation of DC efficiencies – throughput productivity, inventory accuracy and on-time in-full deliveries
- Implement expanded IT management structure and continually review project prioritisation
- Ongoing enhancement of IT security
- Achieve identified project milestones with regard to the retail modernisation programme, including merchandise planning and ERP systems
- Data management blueprint to be developed



# People

Maintain an energised environment with empowered and motivated people



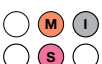





Targets for FY2019	Capitals	Stakeholders	Performance Against Targets	
			Outputs	Outcomes
Continue to build our talent pipeline and review leadership capacity and succession planning to support the attainment of the group's strategy			<p>Executives – several new appointments made to create leadership capacity and strengthen delivery, including a chief retail officer, chief operating officer and a new business director.</p> <p>143 senior associates are currently on the group's LEAD programme, aimed at equipping leaders with transformational people skills.</p>	<p>Increased skills and capacity to enable operational and strategic execution.</p> <p>Development programmes extends the pool of transformational leaders.</p>
Achieve employment equity targets			<p>Achieved employment equity targets contained within our FY2020 plan. 95% of associates employed are from previously disadvantaged backgrounds.</p>	<p>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.</p>
Enhance the integrated performance process linked to reward			<p>Initial step to strengthen the reward process, which included rationalise job titles and grading all roles was completed.</p>	<p>Improvement in reward structures to ensure equity across the group to ensure that those that can materially impact performance have clear objectives and are remunerated in line with the group's philosophy, which placed more emphasis on variable pay and less on guarantee.</p>

## Key trade-offs made:

- Strengthened leadership structure will be more costly than previously, 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 FY2020:

- 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
- Appoint a leading chief information officer
- Consider the people skills and structural requirements to support the recently appointed CEO's strategy

Targets for FY2019	Capitals	Stakeholders	Performance Against Targets	
			Outputs	Outcomes
<b>Suppliers</b> Strategically review our resource model and strengthen our supplier capabilities: <ul style="list-style-type: none"> <li>Get closer to the point of manufacture to assess social and environmental compliance</li> <li>Eliminate hidden or duplicated costs</li> <li>Improve on-time in-full (OTIF) deliveries</li> <li>Accelerate dual and direct sourcing</li> </ul>			<p>The resourcing strategy work has been substantially completed and will be considered fully in the new year.</p> <p>Successfully increasing visibility by eliminating third parties where they are unnecessary in the procurement process. The number of suppliers with Sedex membership increased from 301 in FY2015 to 638 in FY2019 with active Sedex membership.</p> <p>OTIF deliveries have decreased and there is scope for significant improvement. New supplier grading tool introduced should positively impact OTIF deliveries.</p> <p>Near sourced, quick response capability is being developed in order to allow the business to respond better to in-season product sales.</p> <p>The need for dual sourcing has been assessed and will not be prioritised in the near future.</p>	<p>Steady progress is being made on the creation of a sustainable value chain which is agile, transparent, efficient and compliant.</p>
<b>Develop The Local Industry</b> Enhance sustainable business practices and partnerships in the local industry Continue to further improve our B-BBEE compliance			<p>During FY2019, the group sourced 104.2m units totalling R5.0bn from local suppliers. This represented 36.7% of total input units, or 46.2% including other African territories.</p> <p>Founding retailer of South African Cotton Cluster (SACC) – procured 587 tons of cotton lint from South African farmers in FY2019 and have made ongoing commitments. The group purchased 4 999 362 t-shirts and towels containing SA cotton secured through the SACC.</p> <p>Member of KZN Clothing and Textile Cluster - participated and implemented activities to develop the local industry.</p> <p>B-BBEE level 7 accreditation achieved. An improvement from level 8 in FY2018.</p>	<p>Positively influence the local economy via local procurement. Supported the SACC objectives to promote local RSA beneficiation, economic development and employment. The support provided to farmers assisted in an estimated 47 004 tons of cotton harvested in the 2018/2019 production year, a growth of 26.6%.</p>
<b>Partner With Communities</b> Positively impact South Africa's socio-economic landscape through relationship building with key stakeholders around education & skills development. Extend the 'Together We Do Good' journey to external stakeholders			<p>The group donation to MRP Foundation up 5% to R29.5m.</p> <p>The MRP Foundation schools model currently impacts 96 495 South African learners per annum.</p> <p>Jump Start retail programmes – 4 664 delegates completed work experience in FY2019 with 60% employment rate.</p> <p>'Together We Do Good' sustainability communication extended to external customers through divisional communication ensures buy in.</p>	<p>Our investment in the local community has positively affected RSA's socio-economic landscape, with 96 495 learners being impacted in FY2019.</p> <p>The JumpStart retail programme has enabled us and other participating companies to increase skills and employment, with 12 489 of the 35 885 candidates trained since inception being employed.</p>
<b>Protect Our Planet</b> Improve resource efficiencies and address climate change			<p>Since the 2014 baseline year the carbon footprint has been reduced by 45.6m tons CO<sub>2</sub> emissions despite the growth in our operational footprint. This has been achieved by a reduction of diesel fuel consumption on outbound transportation, a group head office recycling rate of 82% and the DC's of 92%, paperless administration activities and reduced electricity consumption, partly via the head office and DC photovoltaic systems which generated 558 989 kWh during the year.</p>	<p>The group and the environment have benefitted from various initiatives undertaken.</p>

## 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 we lose potential points due to our large volume buys to obtain competitive pricing

## Focus areas for FY2020:

- 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 Broad-Based Black Economic Empowerment 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 which 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 unacceptably high and real wage growth has slowed. Government decisions have negatively impacted foreign investors views and our currency, the Rand, has reacted by displaying both weakness and volatility, further impacting the prices of imported goods and the fuel price.

Consumers are struggling financially and spending choices are not in favour of discretionary items. Consumer confidence is low and access to credit has been tightened. Competition has intensified by the numbers of retailers servicing this market and the heightened level of promotional activity and discounts. Consumers have responded by spending on more basic needs, frequenting a higher number of retailers and at times delaying purchases.

### Our Risks

- Exchange rates impact the cost of imported merchandise
- Ability to increase comparable store sales ahead of cost growth
- More challenging to balance investment in long term growth and short term earnings

### Our Opportunities

- Differentiation via fashion value product assortment, and omni-channel innovation
- Utilise our balance sheet strength to diversify by introducing new retail concepts, and investing offshore
- More stringent identification of trade-offs and increased efficiency by thinking organisation-wide instead of in business unit silo's
- Increased levels of consumer spending if newly elected government delivers on their promise of prioritising economic growth

## Partner performance

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

### Our Risks

- The strength of our resourcing base is key. On-time in-full delivery performance and supplier B-BBEE commitment generally requires improvement
- Product lead times are longer than desired

### Our Opportunities

- Landlords are under pressure from online retail, lower turnover rentals in a stagnant economy, and in some cases, arrangements with Edcon. We continue to engage on our business strategy and ensure our rentals are reflective of industry trends, our retail scale and ability to increase foot-traffic in trading location
- Reconsider resourcing strategy to improve agility via shortened lead times, especially on fashion product. Run leaner inventory levels and chase replenishment of high performing product
- Further develop our partnership commitment



## The increasing role of technology

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

### Our Risks

- Illegal penetration into our systems causing financial or information loss or business disruption
- Disruptive business models can impact our revenue growth if we were to ignore them
- Unwarranted or overinvestment – careful consideration must be given to which technologies to adopt

### Our Opportunities

- Evaluate and prioritise investment to transition into an agile data led organisation and drive profitable revenue growth
- Increased efficiency via speed and lower payroll costs
- Capitalise on our strong online and omni-channel capabilities

## 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 gel together as a high performing team and embrace our unique culture.

### Our Risks

- Loss of key associates to emigration, competitors or other industries, thereby losing vital experience and knowledge
- Inability to attract top talent
- Our culture is diluted or lost

### Our Opportunities

- A high performing company and attractive working environment will attract top talent
- Focused development and retention efforts, including role rotation and succession plan strengthening

## The quality of our decisions and execution

In an evolving retail world, and a challenging retail environment, there are both significant risks and an abundance of opportunities. Our ability to capitalise on these requires extensive stakeholder engagement, detailed research and input from advisory partners. In FY2020 our newly appointed CEO will initiate a thorough strategic assessment of our current position and desired future state, both locally and abroad. 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 relationship is jeopardised
- Incorrect strategic calls result in a loss of capital, poor operating results and a loss of key associates

### Our Opportunities

- Thorough evaluation of local growth opportunities provides further growth opportunities which can leverage off our existing infrastructure
- New high growth opportunities identified, contributing positively to earnings while reducing reliance on one key market
- Extensive development opportunities for associates in an international business



# 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 daily operations, strategy and governance. An essential element of risk management is achieving an appropriate balance between minimising the risks associated with any business activity and capitalising on opportunities, thereby maximising the potential reward. Detailed information on the role of the Risk and IT Committee, risk governance and the risk management framework is contained in their report on pages 60 to 63.

Our top risks are those which can impact our long term strategy and therefore have a direct impact on future revenue, earnings and assets, as follows:

## Strategy

*The risk of making incorrect strategic decisions.*

The group's ability to create stakeholder value is heavily influenced by the business strategy and therefore the human and capital resources it deploys.

The company has a well established strategic planning process which involves senior and executive management. The strategy is deliberated at board level annually and performance against objectives is evaluated quarterly. Due to the recent change in company leadership, the CEO will lead a comprehensive re-assessment of the group's strategy in the new financial year. This will entail extensive stakeholder engagement and research, in existing and new potential markets. A thorough business case will be required for identified opportunities, of which return on assets and cash flow generation will be critical.

## Disruption

*The risk of not being able to trade optimally as a result of the non-availability of critical resources or external services to the group.*

The company's ability to trade will be compromised by a prolonged period of non-availability of IT systems, human capital, electricity or merchandise flow. This would negatively impact earnings, market share and associate retention as our remuneration philosophy is to reward performance via short and long term incentive schemes.

Disruption scenarios are considered throughout the risk management process and include recovery plans in the event they do occur. Gap assessments identify areas for improvement. Key IT systems are continually monitored for uptime, performance and capacity. Automated backups are scheduled and stored offsite. Our partnership approach includes regular engagement with our associates and forms the foundation of effective relationships.

## 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 benefits of a clear strategy and well defined business model requirements will be diluted if we do not execute well in these areas.

An expanded executive team is in place effective 1 April 2019, which will enhance operational and strategic delivery. A significant execution risk relates to the products assortments we offer to customers. Our processes are well defined, however periods of underperformance have historically coincided with straying from these foundations. These disciplines will be further hard coded into the relevant touchpoints.

## Reputation

*The risk that our associates, or parties with whom the company transacts, conducts themselves in a manner that damages the company.*

The company seeks to be a model corporate citizen and has a zero tolerance for those that do not act in accordance with its value system or rules of engagement. Financial or reputational harm can be caused by the actions of our partners resulting in loss of funds or customer support.

All associates and suppliers are required to sign and adhere to our code of conduct and this is incorporated by reference into the agreed contractual terms of engagement. All parties must comply with both the written word and the spirit of the code. Any issues are generally dealt with operationally, however escalation protocols will result in main board involvement if necessary.



## People and culture

*The risk that our people are not engaged, and do not thrive in a performance based culture or subscribe to our value system of passion, value, partnership.*

Our business culture, which is central to our success, is one of performance - ordinary people doing extraordinary things, has to be preserved at all cost. Our value system defines how we engage and applies equally to all structures in the organisation.

Well established induction and training materials are in place. Reward structures and succession plans will continue to be refined, while the group's growth strategy will further enhance associate career development prospects. Due to the magnitude of change in the business, further focus is being applied to a reduction and prioritisation of new initiatives and project, which require CEO and CFO approval.

## Regulatory environment

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

The high level of regulatory change in our key market continues. Regrettably these changes are sometimes ill-considered by legislators and implemented despite stakeholder feedback. The company is then required to ensure compliance with all existing and new regulations – an extensive process which absorbs significant resources: effort, time, systems development, oversight and budget. In certain territories, increased and onerous regulations may impact our ability to effectively trade.

Regulatory compliance is guided and monitored by the group governance function, with overall responsibility for implementation resting on the business unit managing directors. The board social ethics transformation and sustainability committee has the responsibility of monitoring company activity relating to, inter alia, the Constitution, the law, regulations and legal standards.

## Technology

*The risk that we unable to develop and maintain secure yet agile platforms appropriate to the operational and strategic needs of the company.*

The group requires efficient and effective systems to support its 'value' business model, drive earnings and support its strategy. In the absence of this, manual processes are potentially error prone, require increased headcount and inhibit us from scaling business opportunities.

The company has increased its investment in IT systems and management structures to improve execution of its retail modernisation programme, which includes merchandise planning and ERP systems. Governance structures include: divisional board, IT prioritisation forum, ERP Steercom, group risk and IT committee. Delivery in this area is a top priority.

## 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 an illegal penetration into the group's systems.*

Due to advancements in the information technology arena, risks are continually escalating. The prevention of cyber-attacks is becoming more complex, requiring multiple layers of protection to create an environment that is sufficiently hardened, thereby safeguarding company assets and information, and ensuring un-interrupted trade.

An information security strategy and framework is in place and an IT security committee established. 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. This area has been identified as a key focus area for the systems team, which is being guided and monitored by appropriate forums, including the group risk and IT committee. The business is looking to appoint a dedicated chief information security officer.

## Competitive landscape

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

In the face of intensifying competition, the group's future success will be heavily influenced by its sustainable competitive advantages, which includes differentiation and innovation.

Through our value model, we maintain a relevant and competitive offering that provides our customers with wanted items at an affordable price. To deliver on our promise to 'surprise and delight' our customers, we require a value mind-set in all activities and a low cost infrastructure. Maintaining our value proposition while still innovating and investing for the future requires great discipline and identifying trade-offs. Intense focus on our customer experience and ongoing investment in digitisation and omni-channel are key focus areas and will be augmented by outcomes of the group's strategy process.

## Sustainability

*The risk of not building a sustainable 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 board social ethics transformation and sustainability committee monitors company activities in relation to these matters. The independent sustainability team provides insights to enable business leadership to make informed strategic choices and are informed by market successes and best practice, research and benchmarking, stakeholder engagement, risk interventions and pilot testing. They then ensure that activities contributing to longevity are understood and actioned by the business at large. A roadmap was developed to assess the risks and opportunities in one of the most critical areas of global apparel retailing being their value chains as this is central to our future success.



# CFO's Report



Principles:

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Whilst our trading results are pleasing in the prevailing retail environment, they fell below our own 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 everyday low prices, we will continue to gain market share in this climate.





### Value creation through the use of our financial capital

The following summary of performance demonstrates how the group's financial capital has been increased, utilised and transformed through its operating and investing activities in the 2019 reporting period.

### Material matters

The group remains predominantly an African retailer subject to the challenges and opportunities presenting themselves on the continent. South Africa, our largest market constituting 92.2% of the group's retail sales, has been left in a state of uncertainty for most of the reporting period.

Slow economic growth and the absence of firm policy-making remains a major concern. A stronger more unified African National Congress (ANC) post its win in the recent national elections is anticipated to provide much needed clarity. This should encourage economic growth attracting more permanent direct foreign investment, resulting in fixed capital formation and private sector confidence, to spur much needed job creation and in turn consumer spending.

Retail is highly dependent on the consumer psyche. Ramaphoria, the term coined for the hope that ensued post the election of Cyril Ramaphosa as ANC president in February 2018, resulted in the country's consumer confidence index rising to a high of 26 in the first quarter of 2018.

However, this was not sustained with consumer hope dashed for much of 2018 by headlines of deep-set corruption and the poor fiscal health of the country's state lead enterprises. The country's revenue services were consequently affected, placing additional pressure on South Africa's budget deficit, projected to be 4.5% of GDP. Rising debt levels and the interest-servicing costs associated, now standing at 55.8% of GDP, remain a concern.

The government passed a one percentage point increase in the value added tax (VAT) rate in April 2018 to aid revenue collections. However, this, together with rising petrol prices and an increase in the repo rate in November 2018 by 0.25%, all weighed heavily on a distressed consumer whose real wage growth as per the last quarter of 2018 was flat against 3.2% in the prior year.

The US/China trade wars have been harsh on emerging markets. A risk-off investment posture by the international investment community has resulted in large outflows from South Africa's bond and equity markets. The major casualty has been the ZAR/USD exchange rate where the local currency depreciated 23.5% against the dollar over the financial period and inversely affected the prices of the group's foreign

sourced inventory. RSP inflation was contained at low to mid-single digits for the year despite impacts of increased VAT and a weaker exchange rate.

The group's retail presence across Africa continues to be viewed with a medium to long-term investment horizon, recognising as these economies develop and populations grow, a fashion value brand such as Mr Price will be well-positioned to capture the hearts and minds of these populations. The purchase of the Kenyan operations from our franchisee in May 2018, the entry of Sheet Street into Zambia and the appointment of new franchisees in Tanzania, the Democratic Republic of Congo (DRC) and Uganda have helped expand the group's continental presence.

Further afield our Australia operations ceased trading on 30<sup>th</sup> April 2019. Organic growth has proved difficult and was compounded by a depressed retail market. Several store format types and pricing strategies were tested however the sales case could not be proven with consistency in order to warrant further investment. The directors of Australia evaluated the company's ability to trade in the absence of financial support and concluded that the entity needed to be placed into administration. These operations will be classified as discontinued for the FY2020 financial period. The MRP Home division continues testing the Polish market with one store. Product acceptance has been fair to date however broader awareness is needed for volumes to pick up.

The group's audited annual financial statements should be utilised for a more comprehensive analysis of its performance over the financial period.

### Trading performance

Financial summary		2019	2018	% Change
Revenue	R'm	<b>22 585</b>	21 347	5.8
Profit from operating activities	R'm	<b>3 938</b>	3 732	5.5
Group operating margin	%	<b>17.6</b>	17.6	
Profit attributable to shareholders	R'm	<b>2 982</b>	2 781	7.2
Headline earnings per share	cents	<b>1 168.6</b>	1 100.1	6.2
Diluted headline earnings per share	cents	<b>1 142.3</b>	1 075.4	6.2
Dividend per share	cents	<b>736.2</b>	693.1	6.2

The group continues to reward its shareholders with exceptional returns ratios. Return on assets (ROA) was 26.8% and return on equity (ROE) was 37.5%.





## The groups total shareholder return (TSR) on a ten year basis is 25.7%.

In April 2019 the group announced its secondary listing on South Africa's alternate stock exchange A2X, becoming the first retailer in the country to do so. Shareholders will enjoy the benefits of the platform's lower transaction fees, effectively enhancing the net yield per trade.

## The Mr Price brand equity remains high, ranked the 17th most valuable brand in South Africa by Kantar Millward Brown in their latest published report.

The group's JSE top 40 ranking is 37 and our ExQ (Exponential Organisations) rank was 13.

Headline earning per share (HEPS) increased 6.2%. The group maintained its dividend pay-out ratio of 63%, distributing 736.2 cents to shareholders for a 3.9% dividend yield. The company's average free float was 95% for the period, with over 317m shares traded in FY2019 at an average price of R231.64.

Retail sales and other income grew 5.6% to R22.4bn. Retail merchandise sales grew 4.4%, ahead of Type D retailers for the same period of 3.4%, while revenue from other income grew 24.7%. The group's sales performance by segment are: Apparel up 3.8%, Home up 5.9% and Financial Services and Cellular up 25.9% (refer divisional overview on pages 44 to 45).

Ecommerce continues to grow ahead of bricks sales, up 32.1% on last year.

## All three MRP brands achieved high double digit growths with high social media engagement levels achieved.

Online basket size exceeds store basket on average by 50%. The group understands the strategic importance of this channel, with continued investment into this space to ensure we are well positioned.

Cash remains the predominant tender type at 84.2% of the group's retail sales. High cash conversion through market leading stock turns allowed the group to generate free cash flows of R2.4bn in FY2019,

with closing cash reserves up 15.9% to R3.2bn. The free cash flow conversion ratio remains high at 80.9%. Interest revenue earned on average cash reserves over the period was R224m at a 7.3% yield.

Credit sales including Cellular grew 2.2%, impacted by a deteriorating credit landscape as noted by TransUnion. Its latest credit report indicated a 6% growth in new accounts three months or more in arrears. The group's credit appetite remains conservative, implementing tighter credit scorecards mid-year in response to rising bad debt write-offs that increased to 7.3% (LY 5.9%) of the debtors' book. Account applications rose 6.9% on the prior year but approvals only rose 1.0% as a result of the scorecard changes that inversely impacted book growth.

Revenue from Mobile (the group's mobile virtual network operation) and its in-store cellular kiosks increased by 9.8% and 399.7% respectively. The latter was aided by the rollout of over 200 kiosks into stores in the existing footprint. These products and services have pleasing sales and profitability densities, delivering value to customers while earning their place within the store environment.

Retail merchandise selling price inflation increased 5.1% in FY2019 impacted by the one percentage point hike in VAT in April 2018, with units increasing 0.2%. Comparative sales grew 1.6% with new gross space growth of 3.1% and weighted average space growth of 1.4%. The group now trades from 1 323 stores, growing its store footprint 5.2% by adding 82 stores over the financial period.

Gross margins declined 40 bps to 42.9%. Merchandise gross margins were almost flat at 43.6% (LY 43.7%). Five of the group's six trading divisions improved margins over the period. MRP Apparel's gross margin improved for nine months, but a challenging fourth quarter driven by markdowns impacted margin growth. Mobile and cellular margins declined 150bps to 19.1% due to the kiosks rollout into new stores where lower margins on handsets and associated products diluted margins. The introduction of the on-biller product in the next financial period will allow the group to improve its cellular margins made in-store by enabling it to curate its own data and voice prepaid offerings.

Overheads were 27.3% of retail sales and other income (RSOI), a well-contained growth of 4.0%, slightly behind sales and gross profit growth and providing positive operating leverage for the year. Overhead growth was supported by lower variable remuneration incurred due to performance targets not achieved. Rental negotiations remain highly contested as the weaker retail climate has provided opportunities for improved rental renewals terms. The state of Edcon and its future



remains topical in this regard. A R60.1m asset impairment was incurred on intangible assets held in work in progress, and related to write-down of past IT development work which became obsolete as technology advancements impacted future usability.

Operating profit before interest and tax increased 5.5% to R3.9bn. Operating margins remained flat on the prior year at 17.6%.

The group tax rate slightly improved on the prior year at 28.3% (LY 28.5%) and this aided positive leverage lifting profit attributable to shareholders by 7.2% to R3bn.

The group continues to maintain a conservative tax posture. It is committed to fully complying with relevant regulatory obligations in line with its broader social responsibilities and stakeholders' expectations and will continue to act with integrity in all tax matters in line with the group's tax code of conduct. This includes disclosing relevant facts to tax authorities in all countries in which it operates and is done under a policy of full transparency based on open and honest relationships with those authorities.

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.



## Statement of financial position

The group's balance sheet remains healthy as indicated by the following key solvency and liquidity ratios:

	2019	2018
Solvency ratio	175%	152%
NAV per share	R33.53	R28.85
Debt to equity ratio	3.3%	3.4%
Current ratio	3.9	3.1
Quick ratio	2.7	2.2
Cash conversion	80.9%	109.4%

## Clean balance sheet enabling high free cash flow

R'm	March 2019	March 2018
<b>Non-current assets*</b>	<b>2 664</b>	2 628
<b>Current assets</b>	<b>8 481</b>	7 491
Inventories	2 692	2 215
Trade & other receivables	2 210	2 374
Cash & cash equivalents	3 275	2 756
Reinsurance assets	304	146
<b>Total assets</b>	<b>11 145</b>	10 119
Shareholders equity	8 682	7 455
Total liabilities	2 463	2 664
<b>Total equity &amp; liabilities</b>	<b>11 145</b>	10 119

\*includes non current assets held for sale

Equity reserves increased 16.5% to R8.7bn. The group continues to maintain low levels of gearing as noted by the debt to equity ratio of 3.3%.

**Net asset value per share increased by R4.68 per share to R33.53, up 16.2%.**

R'm	2018	2 720
Cash from operations	4 009	
Working capital	(490)	
Net interest received	591	
Taxation	(1 253)	
Kenyan Acquisition	(19)	
PPE & intangibles	(424)	
Long term receivables	(6)	
Dividends	(1 916)	
Treasury shares	(82)	
Other	20	
<b>2019</b>	<b>3 150</b>	

The cash cycle has deteriorated by 2.8 days due to higher closing inventory levels. This was due to the early receipt of winter merchandise and the shift of Easter into April versus the prior year. Stock on hand closed 19.7% higher, while excluding goods on the water, inventory grew by 14.2%.

Working capital management remains a key focus. The current and quick ratios for the period both improved on last year.

Stock turn was acceptable at five times, impacted adversely by the higher closing stock position. Tighter stock management will be instituted in the upcoming period which will see this improved.

Trade and other receivables declined 8.0%, driven by a 0.4% decline in the group's credit book, which was impacted by a tougher credit environment particularly at the lower LSM levels. The impairment provision increased to 8.9% (LY 7.7%) of the debtors' book as a result of the IFRS 9 lifetime expected loss model.

Trade and other payables remain well managed declining slightly on the prior year by 2.6%, with trade creditors up 12.7% and other payables declining 13.5% due to lower turnover rental accruals and performance incentive provisions versus the prior period.

The group invested R424m, with new stores accounting for 23.6% of the capital. The theatre of retail is an emerging trend globally. Our MRP Apparel Eastgate store was recently shortlisted as a finalist for 'store of the future' in the 2019 World Retail Awards.



### Regulatory environment

As noted in our prior report, the regulatory environment remains an ongoing challenge across the jurisdictions in which we trade.

The National Consumer Tribunal (NCT) ruled in favour of the group in the Miladys club fee matter and agreed with the group's view that the club fee is not a cost of credit. The National Credit Regulator (NCR) took the matter on appeal and at year end an appeal date was awaited. The group in consultation with its legal counsel remained optimistic the eventual outcome would be favourable. Pleasingly, the group received notification on 31 May 2019 that the NCR no longer wished to pursue the matter further and has withdrawn its referral to the NCT.

The National Credit Act (NCA) Amendment Bill (so-called "debt relief bill") has been passed and we await determination of its effective date. The bill impacts the ability of the group's MRP Money division to recover credit debt. The group has expressed its concern on the bill's debt intervention measures and the unconstitutional manner in which the bill was developed to the presidency, through the National Clothing Retail Forum.

Tax authorities continue to be aggressive across the countries in which we trade. As noted, the group's tax posture remains conservative, avoiding aggressive tax structuring schemes. The most significant matter remains the legal dispute with the South African Revenue Service (SARS) relating to the assessment raised on deductibility of bad debts and leasehold improvements incurred in the 2014 tax period.

### Retail environment

Retail is becoming one of the most disrupted industries globally. Trading platforms are converging and customer engagement is changing at breakneck speed. In this evolution, new insurgents, competing by using different economic and operating models, are challenging the perception of value. This disruption is extremely necessary for any industry to evolve.

**As a group we have a history of industry disruption which we will continue to pursue to create further differentiation in the markets and channels in which strive to compete.**

The convergence of bricks and clicks retailing has provided customers with a near seamless shopping experience and the balance of power has shifted from retailer to consumer. This is reinforced by the proliferation of mobile devices, social influencers and ethical awareness coupled with rising choice and this has forced traditional retailers to evolve quickly to the new rules of retail.

Many countries are becoming retail-led economies. In low growth cycles, retail spend is constrained, resulting in highly promotional environments. This has been the norm in South Africa over the past five years with average gross domestic product (GDP) growth between 1% and 2.5%. Large retail brands who have owned significant portions of their market for many years and satisfied their shareholders with solid returns, are finding their new competitors are supported by shareholders seemingly less obsessed with the bottom line. No better is it epitomised than the current battle between Amazon and Walmart.

Investors are valuing these pure-play digital businesses at significant multiples, effectively harvesting customer data as their core asset and using it to hone their curation of products, at ultra-thin or even negative operating margins. Only time will tell whether these valuations are sustainable or not.

**Capital allocation and clear trade-offs to support differentiation will be more important than ever.**

The group has identified that better organisation of underutilised resources is needed. Big data, together with supporting technologies will be vital to extracting actionable insights that will unlock margin gains in this competitive climate.

The group intends to responsibly leverage emerging technologies like Robotic Process Automation to reduce costly manual tasks within its business activities. Inventory selection by merchants will be enhanced by using modern retail platforms together with our proprietary predictive analytics algorithms. This will enhance management's ability to steer the organisation in a real-time manner, adjusting tact to ensure key performance indicators linked to strategy are achieved and key risks converted to opportunities.

### Accounting statement changes

The group applied both IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' using the modified retrospective approach, by recognising the cumulative effect of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and IAS 39 'Financial Instruments'.

The key impact of IFRS 9 is the new impairment model for financial assets, impacting the MRP Money division. This model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The group has

adopted the general impairment approach for retail debtors (R7m increase on opening balance of provision) and the simplified approach for mobile debtors (R4m increase on opening balance of provision). The combined deferred tax impact is an increase in deferred tax assets of R3m asset. Refer to the statement of changes in equity for the impact on opening retained income. Hedge accounting under IAS 39 was applied in previous financial periods therefore the transition to IFRS 9 has been applied prospectively and has had no impact on the comparative figures.

IFRS 15 key areas of impact are: changes in timing and amounts recognised in MRP Mobile contract revenue (R5m increase in opening balance of contract asset); the de-recognition of the groups credit note provision of R4m, replaced by a refund liability (R12m increase in opening balance) and related right of return asset (R7m increase in opening balance). The combined deferred tax impact is a R1m decrease in deferred tax assets. Refer to the statement of changes in equity for the impact on opening retained income.

### Outlook

The retail trading environment will continue to be challenging into the new financial period. Consumer demand needs to pick up before we see a meaningful tail wind develop across the sector. This can only come through swift and attractive economic policy-making that provides improved business confidence, stimulating much needed investment and job creation.

An uninterrupted electricity supply from Eskom is essential to ensure valuable trading hours are not lost. The US/ China trade wars are providing opportunities to secure excess production capacity at improved dollar pricing, but the ZAR/USD exchange rate volatility remains the biggest threat to retail inflation.

IFRS 16 "Leases Accounting" will become effective in FY2020 and will significantly affect the orientation of the group's statement of financial position and income statement. The group will apply the modified retrospective approach when implementing the standard. One renewal cycle will be used for the majority of leases in creating the right of use asset and corresponding lease liabilities which will significantly impact the statement of financial position. Operating profit before tax will be adversely affected by the resultant right of use depreciation and interest incurred on lease liabilities as detailed per note 2.2 in the annual financial statements.

The focus of the new leadership team in the upcoming period will be to explore and distil several organic and non-organic growth opportunities that exist for the group.

**Capital allocation will be applied to the most promising opportunities to ensure appropriate returns are achieved over the short, medium and long-term.**

Our fashion value model offering good quality merchandise at low prices remains a key differentiator for the group. FY2020 will be a year of further cementing our brand in the hearts and minds of new and existing customers, surprising and delighting them with outstanding value.



**Mark Stirton**

Chief financial officer





# Six Year Review



Principles:

4

5



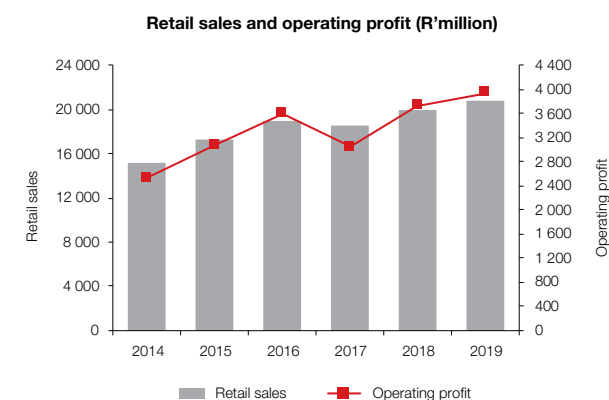
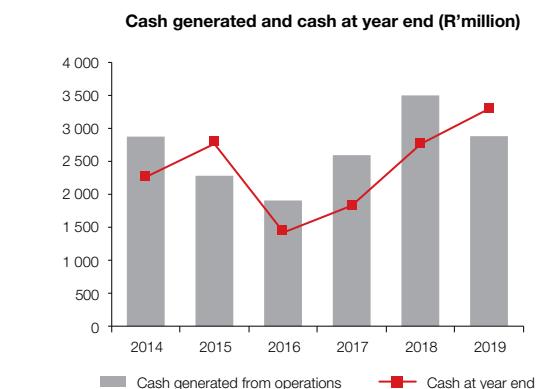
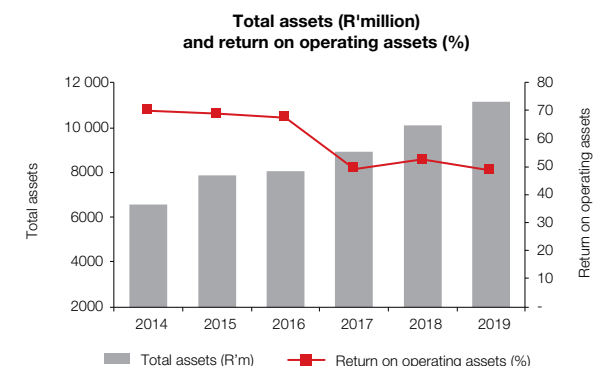
# Abridged statements of financial position, cash flows and income

R'm	33 year compound growth %	Five year compound growth %	2019	2018	2017	2016	2015	2014
<b>Statement of financial position</b>								
<b>Assets</b>								
Non-current assets			2 664	2 628	2 577	2 241	1 364	1 137
Property, plant and equipment			2 126	2 092	2 130	1 672	838	718
Other			538	536	447	569	526	419
Current assets			8 481	7 491	6 338	5 822	6 503	5 426
Inventories			2 692	2 215	2 102	2 168	1 741	1 403
Trade and other receivables			2 206	2 370	2 221	2 136	1 874	1 673
Reinsurance asset			304	146	129	99	124	98
Cash			3 275	2 756	1 823	1 419	2 764	2 252
Taxation			4	4	63	-	-	-
			11 145	10 119	8 915	8 063	7 867	6 563
<b>Equity and liabilities</b>								
Equity attributable to shareholders			8 682	7 455	6 729	5 620	5 021	3 922
Non-current liabilities			289	257	335	244	213	220
Current liabilities			2 174	2 407	1 851	2 199	2 633	2 421
Trade and other payables			1 920	2 115	1 744	2 105	2 116	1 982
Reinsurance liabilities			46	38	41	30	46	34
Other			208	254	66	64	471	405
			11 145	10 119	8 915	8 063	7 867	6 563
<b>Statement of cash flows</b>								
Cash flows from operating activities			2 857	3 502	2 574	1 906	2 264	2 862
Cash flows from investing activities			(451)	(455)	(809)	(1 153)	(456)	(381)
Cash flows from financing activities			(2 002)	(2 053)	(1 338)	(2 123)	(1 276)	(1 377)
Net increase/(decrease) in cash and cash equivalents			404	994	427	(1 370)	532	1 104
Cash and cash equivalents at beginning of the year			2 720	1 784	1 419	2 764	2 252	1 150
Exchange gains/(losses)			26	(58)	(62)	25	(20)	(2)
Cash and cash equivalents at end of the year			3 150	2 720	1 784	1 419	2 764	2 252
<b>Income Statement</b>								
Retail sales	18.3%	6.5%	20 877	19 994	18 575	19 038	17 285	15 227
Retail sales and other income	18.6%	7.2%	22 361	21 185	19 679	19 923	18 011	15 829
Profit from operating activities	21.5%	9.2%	3 938	3 732	3 048	3 603	3 076	2 537
Profit attributable to shareholders	24.4%	9.8%	2 982	2 781	2 263	2 645	2 293	1 868
Headline earnings attributable to shareholders	24.5%	9.9%	3 026	2 842	2 331	2 674	2 299	1 888

## Notes:

1. 2016 was a 53 week period..

2. The 33 year compound growth rates are calculated from the date of acquiring joint control in 1986.



# Stores and productivity measures

R'm	33 year compound growth %	Five year compound growth %	2019	2018	2017	2016	2015	2014
<b>Operating statistics</b>								
Depreciation as a % sales <sup>a</sup>			1.4%	1.4%	1.1%	1.0%	1.0%	1.1%
Employment costs as a % sales <sup>b</sup>			11.0%	11.1%	10.4%	10.2%	10.5%	11.2%
Occupancy costs as a % sales <sup>c</sup>			7.5%	7.6%	7.5%	7.1%	7.1%	7.2%
Total expenses as a % sales			29.2%	29.4%	28.3%	26.3%	27.5%	28.8%
<b>Number of stores by segment</b>								
Mr Price Apparel			512	481	470	458	438	404
Mr Price Sport			112	105	92	82	72	61
Miladys			214	207	202	198	196	191
<i>Total Apparel Stores</i>			838	793	764	738	706	656
Mr Price Home			179	171	168	163	166	158
Sheet Street			306	294	284	280	278	265
<i>Total Home stores</i>			485	465	452	443	444	423
Franchise			18	23	21	19	15	23
<b>Total group stores</b>	7.9%	4.0%	<b>1 341</b>	1 281	1 237	1 200	1 165	1 102
<b>FT associates <sup>d</sup></b>			<b>18 983</b>	18 536	17 822	17 956	17 098	18 104
<b>Trading area</b>								
- weighted average net m <sup>2</sup>			627 367	618 684	605 979	590 714	572 869	545 032
- closing average net m <sup>2</sup>	9.3%	2.7%	633 813	621 512	616 934	594 557	583 558	554 742
<b>Total sales (R'm)</b>	18.3%	6.5%	<b>20 877</b>	19 994	18 575	19 038	17 285	15 227
Comparable sales growth %			1.6	5.6	(3.6)	6.3	9.2	10.6
Retail selling price inflation %			5.1	1.7	10.7	7.0	7.7	9.7
Cash sales %			84.2	83.7	83.3	82.8	81.9	80.8
Credit sales %			15.8	16.3	16.7	17.2	18.1	19.2
Sales per store (R'm)			16	16	15	16	15	14
Sales per full time associates (Rand)			1 099 764	1 078 678	1 042 276	1 060 247	1 010 928	841 102
Sales density excluding sales to Franchise (Rand per weighted average net m <sup>2</sup> )			33 201	32 238	30 654	32 043	30 000	27 752

Notes:

1. 2016 was a 53 week period.

2. The 33 year compound growth rates are calculated from the date of acquiring joint control in 1986.

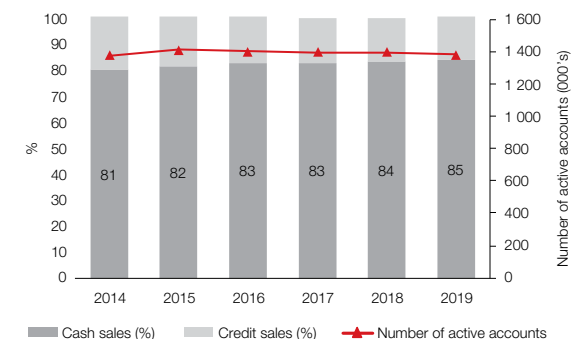
3. a Depreciation on property, plant and equipment only.

b Employment costs include salaries, wages &amp; 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.

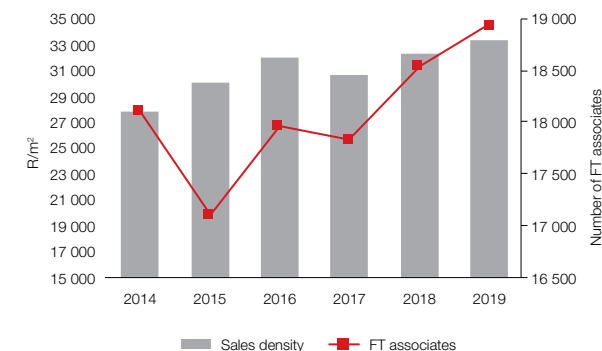
c Occupancy costs include land and building lease expenses, including straight line lease adjustments.

d FT: Full time. Prior to FY2015, the Full Time Equivalent (FTE) associate numbers were disclosed. In FY2015, this changed to disclosing Full Time (FT) associates.

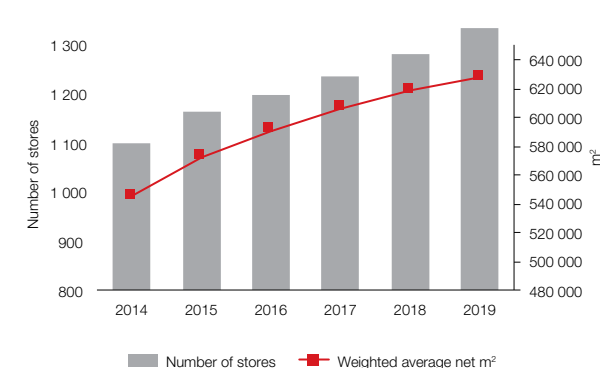
Credit sales and group number of active accounts



Sales density and number of FT associates



Number of stores and trading area





# Returns, profitability and share information

R'm	33 year compound growth %	Five year compound growth %	2019	2018	2017	2016	2015	2014
<b>Productivity ratios</b>								
Net asset turn			2.4	2.7	2.8	3.4	3.4	3.9
Gross margin (%)			42.9	43.3	38.8	40.6	41.1	41.5
Operating margin (%) *			17.6	17.6	15.5	18.1	17.1	16.0
EBITDA margin (%)			17.8	20.3	17.8	20.1	19.0	17.9
<b>Profitability and gearing ratios</b>								
Return on net worth (%)			34.3	37.3	33.6	47.1	45.7	47.6
Return on average shareholders equity (%)			37.5	40.1	37.8	50.3	51.4	52.2
Return on capital employed (%)			54.2	57.0	49.3	67.6	68.7	70.2
Return on operating assets (%)			48.7	52.5	49.3	67.6	68.7	70.2
<b>Solvency and liquidity ratios</b>								
Current ratio			3.9	3.1	3.4	2.6	2.5	2.2
Quick ratio			2.7	2.2	2.3	1.7	1.8	1.7
Inventory turn			5.0	5.4	5.3	5.8	6.5	6.8
Total liabilities to total shareholders equity			0.3	0.4	0.3	0.4	0.6	0.7
<b>Per share performance (cents)</b>								
Headline earnings	21.1%	8.8%	1 168.6	1 100.1	911.4	1 057.8	919.7	765.1
Diluted headline earnings	21.0%	9.8%	1 142.3	1 075.4	887.9	1 012.9	865.1	715.1
Dividends	22.5%	8.8%	736.2	693.1	667.0	667.0	580.0	482.0
Operating cash flow			1 103	1 355	1 006	754	906	1 160
Net worth			3 353	2 885	2 602	2 217	1 989	1 583
Dividend payout ratio (%)			63.0	63.0	73.2	63.1	63.1	63.0
<b>Stock exchange information</b>								
Number of shares in issue ('000)			259 588	258 982	258 589	253 530	252 449	247 763
Number of shares on which earnings based ('000)			258 922	258 375	255 793	252 786	249 990	246 726
Shares traded ('000)			317 866	426 089	427 817	325 342	186 184	221 496
Percentage of shares traded (%)			122.8	164.9	167.3	128.7	74.5	89.8
Earnings yield (%)			6.2	3.9	5.7	6.0	3.7	4.9
Dividend yield (%)			3.9	2.4	4.2	3.8	2.3	3.1
P:E ratio			16.2	25.9	17.5	16.8	27.4	20.4
Market capitalisation (R'm)			48 696	73 187	40 806	45 077	63 792	39 187
Share price (cents)								
- high			29 910	29 307	23 973	28 380	26 975	16 585
- low			18 050	14 395	13 000	14 126	15 301	11 353
- closing	23.3%	4.0%	18 952	28 500	15 990	17 769	25 196	15 601
Foreign shareholding at year end (%)			48.4	50.8	43.2	52.2	54.5	50.2

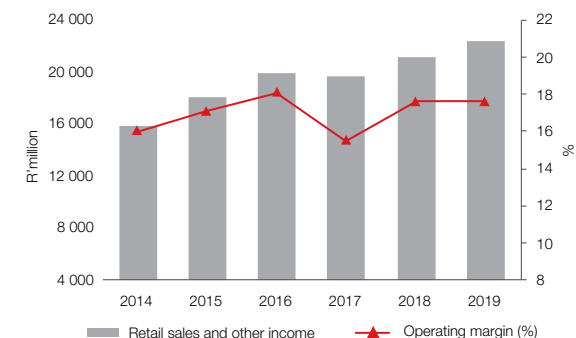
Notes:

1. 2016 is a 53 week period.

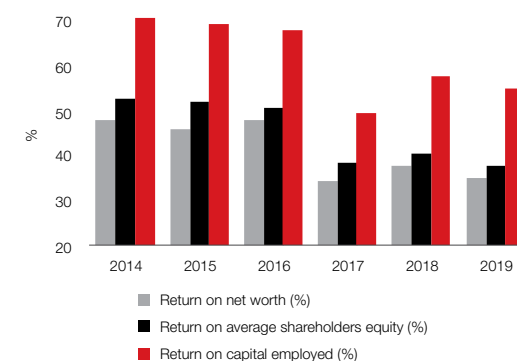
2. The 33 year compound growth rates are calculated from the date of acquiring joint control in 1986.

\* The basis of computing operating margin is calculated as operating profit/retail sales and other income.

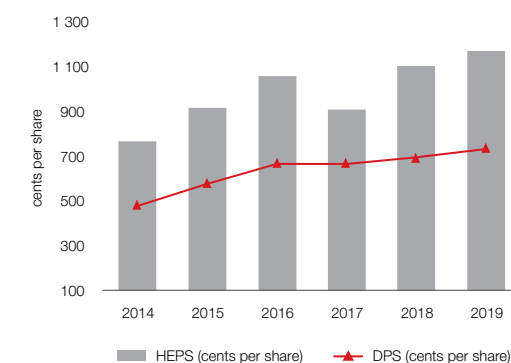
**Retail sales and other income and operating margin**



**Return on net worth, equity and capital**



**Headline earnings and dividend per share**



# Divisional Performance



Retail sales grew 3.1% (comparable sales up 0.1%) with a stronger H1 performance than H2. Sales growth exceeded that of Type D retailers per Stats SA for the period Apr '18- Mar '19 indicating market share gain. RSP inflation of 5.1% was a function of both mix and price. The number of units sold decreased to 147m. Weighted average space grew 3.4%, with new space growth of 3.9% achieved. Online sales grew 30.2% driven by strong social media engagement and over 25 million site visits to mrp.com. Stock build up in Q3 due to a pressurised retail environment resulted in Q4 markdowns and gross margin compression. Overheads were carefully managed enabling positive annual operating profit growth.

Retail sales - including franchise (R'm)
Comparable sales growth (%)
Retail selling price inflation (%)
Units sold (million)
Number of stores
Trading area - weighted ave net m <sup>2</sup>
Sales density (rand/weighted ave net m <sup>2</sup> )

2019	2018	% change
<b>12 574</b>	12 192	3.1
<b>0.1</b>	8.9	
<b>5.1</b>	2.3	
<b>147.1</b>	148.5	(1.0)
<b>512</b>	481	
<b>320 410</b>	309 887	3.4
<b>39 092</b>	39 200	(0.3)



A positive recovery from the division with sales growth up 9.7% (comparable sales up 6.4%). Non-comparable product introductions and existing product extensions contributed to performance with double digit sales growth in H2. RSP inflation of 5.0% and unit growth of 5.4% enabled a strong top line performance. Non-comparable sales were driven by weighted average space growth of 2.5% while the ongoing rationalisation of non-productive space continued. Online sales grew 43.8%. Lower markdowns drove GP% gains and annual double digit operating profit growth was achieved.

2019	2018	% change
<b>1 544</b>	1 408	9.7
<b>6.4</b>	(4.5)	
<b>5.0</b>	0.7	
<b>13.4</b>	12.7	5.4
<b>112</b>	105	
<b>64 212</b>	63 833	0.6
<b>24 047</b>	22 050	9.1



Miladys delivered 4.1% retail sales growth (comparable sales up 3.1%) with H1 performance being better than H2. Strong non-apparel performance in H2 was offset by weaker apparel performance in a highly promotional environment. RSP inflation of 1.3% was lower than the prior year due to lower input prices. Weighted average space declined 1.1% as non-productive space was rationalised. Sales densities improved by 5.2% as a result of more efficient use of space. Annual GP% improved and double digit operating profit growth was delivered.

2019	2018	% change
<b>1 462</b>	1 405	4.1
<b>3.1</b>	8.2	
<b>1.3</b>	9.2	
<b>7.3</b>	7.1	3.3
<b>214</b>	207	
<b>60 233</b>	60 233	(1.1)
<b>24 265</b>	23 074	5.2



## mrphome

Retail sales were up 7.2% (comparable sales up 4.5%). New trialists from premium competitors increased, supporting trade. High contribution departments recovered strongly from the prior year. RSP inflation of 6.6% was due to lower markdowns and product mix. Online sales continue to deliver strong growth, up 34.8%. Ongoing space rationalisation aided sales densities improving 9.3%. Lower markdowns drove gross margin percentage gains, while the top line sales recovery and well managed costs created operating leverage, delivering double digit operating profit growth.

	2019	2018	% change
Retail sales - including franchise (R'm)	<b>3 687</b>	3 442	7.1
Comparable sales growth (%)	<b>4.5</b>	(0.9)	
Retail selling price inflation (%)	<b>6.6</b>	0.1	
Units sold (million)	<b>34.0</b>	33.6	1.4
Number of stores	<b>179</b>	171	
Trading area - weighted ave net m <sup>2</sup>	<b>130 783</b>	133 246	(1.8)
Sales density (rand/weighted ave net m <sup>2</sup> )	<b>28 196</b>	25 795	9.3

## sheet•street

Retail sales were up 4.0% off a base of 3.9% with consistent growth levels across H1 and H2. This is a good result for the division whose customer segment (low to mid LSM) is more sensitive to economic pressure. Low RSP inflation stimulated marginal unit sales growth of 2.7%. Trading densities are the second highest in the group, growing 2.2%. Annual GP% improved, with overhead growth ahead of sales growth impacting operating profit leverage. Operating margins maintained on prior year.

	2019	2018	% change
Retail sales - including franchise (R'm)	<b>1 610</b>	1 548	4.0
Comparable sales growth (%)	<b>1.6</b>	2.3	
Retail selling price inflation (%)	<b>2.1</b>	2.0	
Units sold (million)	<b>18.1</b>	17.7	2.7
Number of stores	<b>306</b>	294	
Trading area - weighted ave net m <sup>2</sup>	<b>51 730</b>	50 843	1.7
Sales density (rand/weighted ave net m <sup>2</sup> )	<b>31 120</b>	30 454	2.2

## mrpmoney

Financial services revenue (Credit and Insurance) grew 4.9%. Credit sales rose 2.2%, led by growth in the Home segment and MRP Sport while MRP Apparel and Miladys reported credit sale declines. A deteriorating credit landscape with new accounts three months in arrears increasing in the industry, resulted in the group tightening the credit risk scorecard. Subsequently, the new account approval rate slowed as account applications grew at a faster rate than approvals. The debtors book declined 0.4% with the number of active accounts down on the prior year. Despite increasing, the NBD: book at 7.3% remains well below the impairment provision of 8.9%. The insurance business reduced the number of policies sold to one customer to mitigate affordability concerns which impacted sales performance. Increased regulations and employee accreditation impacted profit. At the beginning of FY2020 a full sales team was in place.

Cellular and Mobile collectively grew at 62.1%. MRP Mobile reported solid growth over the year (double digit in H2). The minority interest of the MVNO was acquired by the group in FY2018, which has increased sales momentum as billings and upgrades are now managed internally. The Cellular offering is now available in kiosks located in 216 stores across four divisions, all of which reported double digit comparable sales growth. Profits within the cellular and mobile business grew strongly.

	2019	2018	% change
Gross trade debtors (R'm)	<b>2 119</b>	2 134	(0.7)
Total active accounts	<b>1 381 265</b>	1 396 635	(1.1)
Average balance (Rand)	<b>1 534</b>	1 527	0.4
% of debtors able to purchase on credit	<b>89.7</b>	89.2	+50bps
Retail sales analysis:			
- Cash (%)	<b>84.2</b>	83.7	+50bps
- Credit (%)	<b>15.8</b>	16.3	-50bps
Net bad debt (net of recoveries) % of debtors	<b>7.3</b>	5.9	+140bps
Impairment provision % of debtors	<b>8.9</b>	7.7	+820bps

Gross trade receivables per division (R'000)	mrp	mrpHome	mrpSport	Miladys	Sheet Street	Total 2019	Total 2018
6 months	473 266	69 064	12 255	54 715	34 304	<b>643 604</b>	627 268
12 months	964 436	113 769	28 152	259 088	82 300	<b>1 447 746</b>	1 476 059
24 months		27 595				<b>27 595</b>	30 335
	1 437 702	210 428	40 407	313 803	116 604	<b>2 118 945</b>	2 133 662



How We Govern

# Chairman's Report



Principles: 3 4 5

On behalf of the board, I am privileged to report to our shareholders, our associates, customers, business partners and all our other stakeholders that the Mr Price Group is in good shape, having generated a 37.5% return on equity this year. This resilience in an economy constrained by low growth, high unemployment and escalating administered prices was achieved through focusing on our customers, doing the basics well and continuing to adapt to the changing nature of retail.





The 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 values of Passion, Value and Partnership.

A significant transition during the year was occasioned by the retirement of Stuart Bird as CEO after nine very successful years in this role. Stuart led the group during a period of significant growth, built on the foundations laid by his predecessors Stewart Cohen, Laurie Chiappini and Alastair McArthur. After a rigorous process the board appointed Mark Blair as CEO and endorsed Mark's decisions to appoint Mark Stirton as chief financial officer, Nicci Lyne as chief retail officer and Arn de Haas as chief operating officer. A number of new leaders were appointed within the operating divisions. This depth of leadership talent is the platform upon which our future success is being built.

The MRP Foundation continues to make a meaningful and sustained impact in the lives of young South Africans via our investment in over 30 early childhood development centres, our education initiatives which are being expanded to a target of 200 schools, and our JumpStart training and job creation programmes. These programmes are funded by the group, our employees and customers, and are increasingly being delivered in partnership with other companies, foundations and individual benefactors. Education, job creation, entrepreneurship and sustainable businesses are the foundations of a successful society. We are proud of these achievements, indeed they are part of our DNA.

Good corporate governance and transparency underpin the Mr Price Group and will continue to do so going forward. I am profoundly grateful to my colleagues on the board for their commitment to the group and for the sound judgement they bring to our deliberations. The management team has a culture of transparency, accountability and discipline built over many years, attributable in large measure to everyone having an ownership stake in the business. If there is anyone who believes we have not lived up to the high ethical standards we have set for ourselves I invite you to contact me personally and in confidence.

We continue to seek a balance of new and experienced board members, and welcomed Mmaboshadi Chauke to the board during the year. We said farewell and thank you to Myles Ruck at the 2018 AGM after a decade of valuable service on the board. Mark Bowman was appointed as chairman of the Remuneration Committee, a role in which he has significant expertise and experience.

The group is well managed by a talented and passionate leadership team. Even while overcoming today's challenges, they have embarked on a strategic refresh in order to position the company to take advantage of tomorrow's opportunities. We have a proven business model, disciplined and conservative financial management and a robust balance sheet that provides a springboard for further growth, organic and acquisitive, both locally and internationally.

Despite a challenging economy, and political and policy uncertainties internationally and in South Africa, the board remains confident in the future of the group's ability to remain a leading performer in the retail sector.

**Nigel Payne**  
Chair of the Board

“Good corporate governance and transparency underpin the Mr Price Group and will continue to do so going forward.”






# Board Report

 **Principles:** 1 5 6 7 8 9 10 11 12 16

Good corporate governance is key to 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	Stakeholders	Material Matters
		
Governance Outcomes	Sustainable Development Goals	
<ul style="list-style-type: none"> <li>Ethical culture</li> <li>Good performance</li> <li>Effective control</li> <li>Legitimacy</li> </ul>		

## Leadership

The board of directors (board) recognises ethical and effective leadership is the starting point of good corporate governance. The group (from leadership to store associates, both individually and collectively) should do the right thing to enable delivery of appropriate outputs to those on whom its operations have an impact. The group understands good governance is aspirational and practices must be continuously monitored, adapted and improved. Critically, governance practices must be aligned to and enable value creation through the achievement of group strategy, formulated in the context of the group's guiding principles. More detail on the group's strategy can be found in the Group Strategy, Material Matters & Key Risks section on pages 24 to 33.

The board is bound by a formal mandate that highlights collectively and individually, board members are expected to conduct themselves with integrity, competence, responsibility, accountability, fairness and transparency. This is reaffirmed in director letters of appointment and they are contractually required to act accordingly. The beliefs of Passion, Value and Partnership (as detailed on page 9) 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 assessment of each director and the board includes whether or not the they have lived the Mr Price beliefs in delivering the group's value creation. The group's governance framework is depicted on page 51.

### The key focus areas and main board activities for the reporting period were:

- Giving effect to the CEO succession plan with the retirement of Stuart Bird, subsequent appointment of Mark Blair, previous CFO, and the consequent appointment of Mark Stirton, previous group corporate finance director, as CFO, effective 1 January 2019
- Supporting the incoming CEO in forming a new executive leadership structure, including a chief retail officer and chief operating officer
- Supported management in the trading division leadership changes that resulted due to gaps created by the internal appointments made to fill the new leadership roles
- Undertaking the biennial board and committee performance assessment process

The board is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year and has provided relevant information to stakeholders to satisfy the King IV disclosure requirements.



# Board of Directors



**Stewart Cohen**  
Honorary Chairman

Age: 74 | Appointed: March 1989  
Qualifications: BCom, LLB, MBA  
Key Skills: Retail, finance, risk, human resources, marketing, sustainability, strategy



**Nigel Payne**  
Chairman

Age: 59 | Appointed: August 2007  
Qualifications: CA (SA), MBL  
Other directorships include: The Bidvest Group Ltd, Vukile Property Fund Ltd, BSi Steel Ltd, Strate (Pty) Ltd, Alexander Forbes Holdings Ltd, Bidcorp Ltd.  
Key skills: Finance, risk, financial services, strategy



**Mark Blair**  
Chief Executive Officer

Age: 53 | Appointed: March 2006  
Qualifications: CA (SA)  
Key skills: Finance, governance, risk, human resources, sustainability, financial services, strategy



**Mark Stirton**  
Chief Financial Officer

Age: 39 | Appointed: January 2019  
Qualifications: CA (SA), FCMA, CGMA  
Key Skills: Finance, governance, risk, human resources, IT, financial services, strategy



**Mark Bowman**  
**Lead independent<sup>1</sup>, non-executive director**

Age: 53 | 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



**Mmaboshadi Chauke**  
**Independent, non-executive director**

Age: 39 | Appointed: November 2018  
Qualifications: CA (SA) | Other directorships include: The Small Enterprise Foundation, Mamor Investments (Pty) Ltd  
Key Skills: Finance, risk, human resources, financial services, strategy



**Keith Getz | Non-executive director**

Age: 63 | Appointed: May 2005  
Qualifications: BProc, LLM  
Other directorships include: Cape Union Mart Group (Pty) Ltd, Spur International Ltd, Strate (Pty) Ltd, Trematon Capital Investments Ltd  
Key Skills: Governance, strategy



**Bobby Johnston**  
**Independent<sup>2</sup>, non-executive director**

Age: 70 | Appointed: February 1998  
Qualifications: CA (SA) | Other directorships include: Eljay Financial Services (Pty) Ltd  
Key Skills: Finance, governance, risk, sustainability



**Maud Motanyane-Welch**  
**Independent, non-executive director**

Age: 67 | Appointed: September 2008  
Qualifications: Diploma Library Science, WPI fellow  
Other directorships include: Kagiso Media Ltd, Jet Education Trust, Dynamic Recovery Services (Pty) Ltd  
Key Skills: Marketing, sustainability



**Daisy Naidoo**  
**Independent, non-executive director**

Age: 47 | Appointed: May 2012  
Qualifications: CA (SA), MCom (Tax)  
Other directorships include: Anglo American Platinum Ltd, Hudaco Industries Ltd, Strate (Pty) Ltd, ABSA Group Ltd  
Key Skills: Finance, governance, risk, financial services, strategy



**Brenda Niehaus**  
**Independent, non-executive director**

Age: 58 | Appointed: February 2018  
Qualifications: Advanced Management Programme (Harvard)  
Other directorships include: Standard Bank (Mauritius)  
Key Skills: Risk, human resources, IT, strategy



**Neill Abrams**  
**Alternate director**

Age: 54 | Appointed: August 2010 | Qualifications: BA, LLB, LLM (Cambridge) | Other directorships include: Ocado Group Plc, Marie Claire Beauty Ltd  
Key Skills: Governance, risk, sustainability, international





**Steve Ellis**  
**Alternate executive director**

Age: 57 | Appointed: May 2005  
Qualifications: CA (SA)  
Key Skills: Risk, retail, strategy

1. Lead independent as at 30 May 2019.

2. Lead independent until 30 May 2019.

## 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. The board has intentionally not published an application register and has rather integrated the application of King IV and other governance practices throughout the report. The specific disclosures relevant to this report are denoted by the  icon. In addition, the number of the related governance principles is referenced in the  icon at the start of each section of the report.

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, as recommended in relation to principle 9, is not applied. Instead, the board mandate provides the board will consider biennially whether an externally facilitated process should be adopted. In accordance with the mandate and ahead of the performance evaluation process conducted during the fourth quarter of the reporting period (as more fully described on page 55), the board considered engaging an external service provider to facilitate the evaluation. However, the board concluded the internal process managed by the outgoing lead independent director (LID) is robust, honest, adds incredible value and is preferable, especially as the board is in a transitional phase.

The board believes the risk and technology and information governance principles (principles 11 and 12) are applied. However, due to the increase in instances of big business data breaches, the ongoing opportunities to improve risks relating to information security continue to receive focus. For further detail see the report of the Risk & IT Committee, which has oversight of this area, on pages 60 to 63.

The following additional governance documents are located on the group's website: [www.mrpriecgroup.com](http://www.mrpriecgroup.com)

- board mandate
- committee mandates
- policy for the appointment of directors
- policy for the promotion of gender and ethnicity diversity on the board
- outline of board and management committees
- internal audit mandate
- internal audit annual assurance statement
- IT divisional board mandate
- code of conduct



# Governance Framework

## Diagram Key



Delegation of Authority



Reporting Obligation



Assurance

## Reporting Lines

CEO

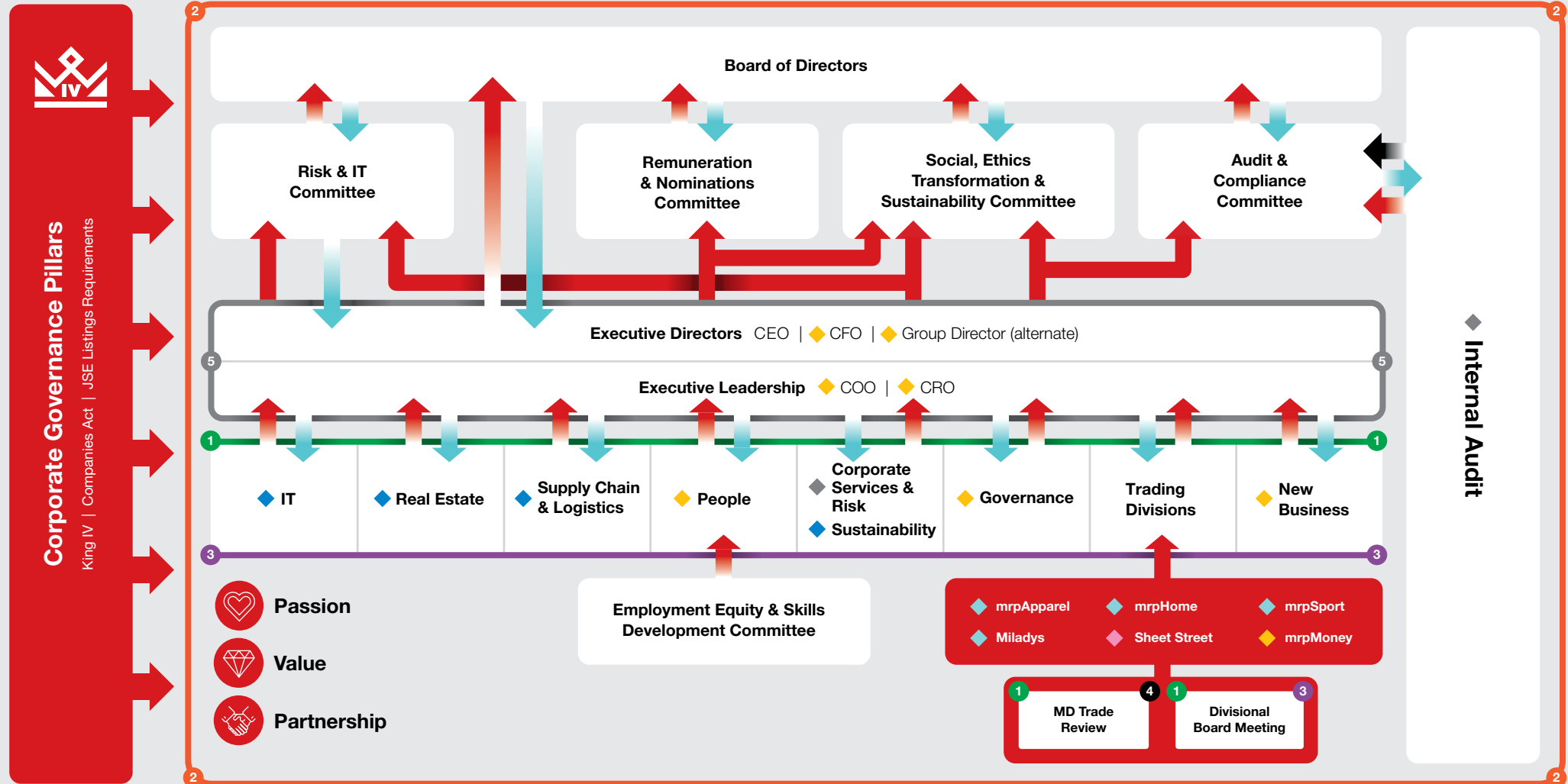
CFO

COO

CRO

mrpHome

## Stakeholders



1 Details of attendees at these meetings are included in the board and management committees document on the website: [www.mrpriecgroup.com](http://www.mrpriecgroup.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



## Board composition

### Key changes:

- Myles Ruck, independent non-executive director, retired by rotation 29 August 2018
- Mmaboshadi Chauke, appointed as independent non-executive director, 21 November 2018
- Stuart Bird, retired as chief executive officer 31 December 2018 and as executive director 31 March 2019
- Mark Blair, previous chief financial officer, appointed as chief executive officer 1 January 2019
- Mark Stirton, appointed as chief financial officer, 1 January 2019 and
- Mark Bowman, appointed lead independent director, in Bobby Johnston's stead, 30 May 2019

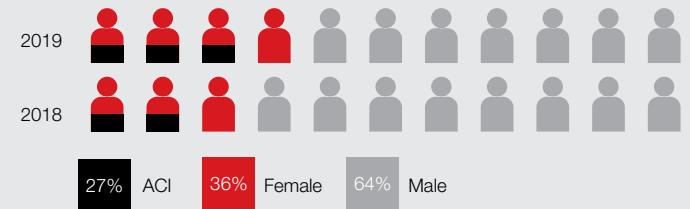
The board is the custodian of corporate governance across the group and responsible for creating value through good governance practices aligned with the group's beliefs. The group's philosophy is to maintain a vibrant board that challenges management's strategies and evaluates performance against established 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's composition reflects the appropriate mix of both retail and functional skills necessary to fulfil its governance obligations, as well as diversity in age, race, gender, culture and experience. This cultivates robust debate on key issues and ultimately leads to improved decision-making. The board has achieved its initial voluntary gender diversity target of 30% female representation as contained in its policy for promoting gender and ethnicity diversity on the board. However, through the remuneration and nominations committee (Remnomco) and as part of its refresh, the board continues to seek to appoint additional directors with appropriate skills and in furtherance of achieving the initial voluntary ethnicity diversity target of 30% ACI representation.

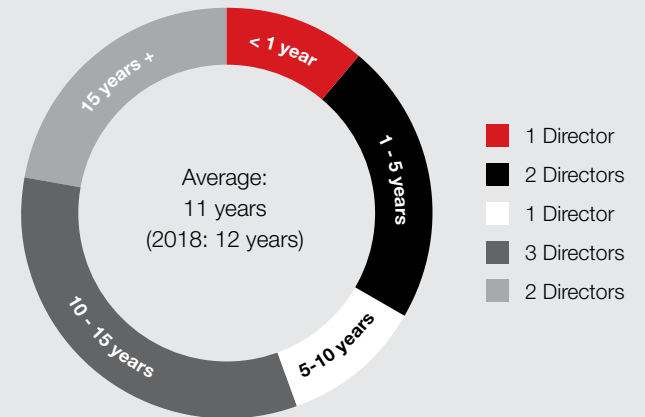


## Board diversity

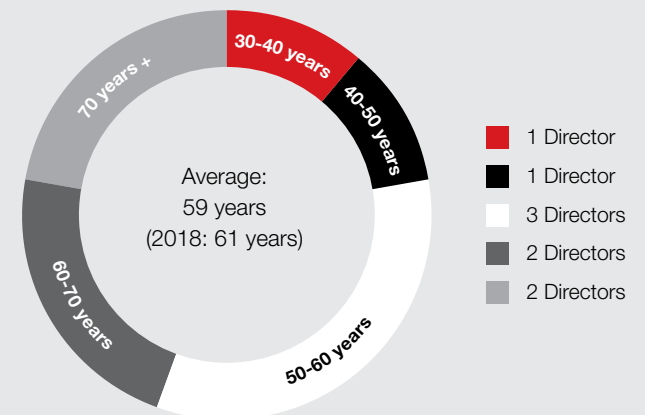
### Board composition



### Non-executive director tenure



### Non-executive director age





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 recognises a number of its directors have served the group for some time and there is a need for a refresh to provide new perspectives and insights. A board refresh and succession plan has been in place since 2017 with the intention of retiring one director and appointing one new director each year for the next three years. This approach, which may result in a slightly larger board in the short-term, ensures there is board continuity and stability while allowing new directors time to settle in. As part of this refresh plan, Myles Ruck retired by rotation in August 2018 and Mmaboshadi Chauke was appointed in November 2018 to supplement the board's audit and financial skills. A formal induction programme is in place for all new non-executive directors to ensure their seamless integration into the group and fulfilment of their duties and responsibilities.

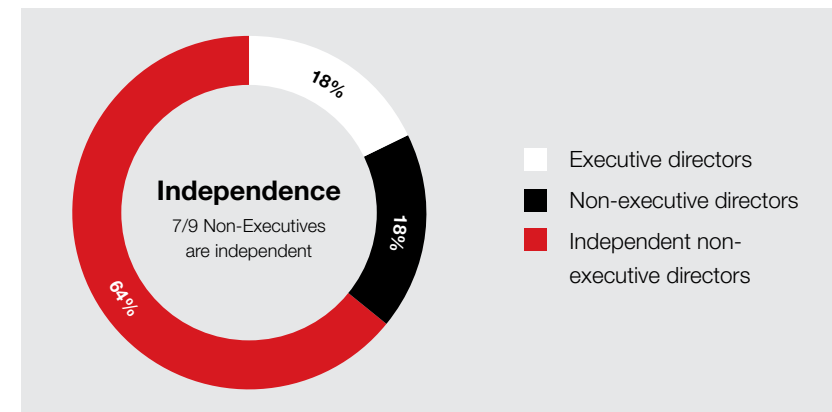
After 11 years serving as chief executive officer and a total of 25 years contribution to the group, Stuart Bird retired as chief executive officer. As per the executive director succession plan and following a thorough selection process facilitated by Remnomco, the board appointed Mark Blair, previous chief financial officer, as the chief executive officer from 1 January 2019. Following his appointment, and after a further Remnomco-facilitated recruitment process, Mark Stirton, the group's previous corporate finance director, was appointed chief financial officer from 1 January 2019. The board is pleased that through the extensive executive and divisional management changes in the financial period all key skills have been retained and redeployed to further create value.

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, Remnomco recommends directors for re-election based on their attendance of board meetings, participation and value-add and board balance of skills. Stewart Cohen, Keith Getz and Mark Bowman are due to retire by rotation at the 2019 AGM.

As recommended by Remnomco, the board fully supports the re-election of these directors. It is fortunate to have the business 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 during the board's transitional refresh phase and to support the group's executive leadership in their new roles. Also, exposure to Stewart's extensive operational retail knowledge and experience is an important part of new director induction.

Non-executive director fees and executive remuneration are disclosed in the Remnomco report on 74 to 81.

## Director independence



Each year, facilitated by the LID on behalf of Remnomco, 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 has again classified Stewart Cohen as not independent due to his material holding in the group's shares and 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.

## Board chair

The board considers its chair Nigel Payne to be independent. In addition Mark Bowman, who was appointed in Bobby Johnston's stead, effective 30 May 2019, 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; committee 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 in relation to dealings in shares. The chair must approve any director share dealings and these are disclosed in terms of the JSE Listings Requirements. 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

To ensure maximum value creation, 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, these 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

### Key changes:

- Mark Bowman appointed member of Remnomco 29 May 2018 and subsequently committee chair on 29 August 2018
- Myles Ruck retired from Remnomco and ACC 29 August 2018
- Mmaboshadi Chauke appointed member of ACC 21 November 2018
- Mark Blair appointed member of SETS 1 January 2019
- Mark Stirton appointed member of RITC 1 April 2019

The board has delegated particular roles and responsibilities to standing board committees to assist with the effective discharge of its duties. Notwithstanding, 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 FY2019 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. The March/April meeting includes a separate and focused consideration of group and division strategies for approval, while a separate corporate governance meeting is held in November to deal with governance matters. 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.

Committee membership and attendance								
	Name	Board	AGM	Special Corporate Governance	Audit & Compliance	Remuneration & Nominations (Remnomco)*	Risk & IT (RITC)*	Social, Ethics, Transformation & Sustainability (SETS)*
EXECUTIVE	Stuart Bird <sup>1</sup>	3/3	1/1	1/1			3/3	3/3
	Mark Blair	4/4	1/1	1/1			4/4	1/1 <sup>2</sup>
	Mark Stirton <sup>3</sup>	1/1	N/A	N/A			1/1	
NON-EXECUTIVE	Stewart Cohen	4/4	1/1	0/1 <sup>4</sup>				
	Keith Getz	4/4	1/1	1/1		4/4		4/4
INDEPENDENT NON-EXECUTIVE	Nigel Payne	4/4	1/1	1/1		4/4	4/4	
	Bobby Johnston	4/4	1/1	1/1	4/4	4/4		
	Mark Bowman <sup>5</sup>	4/4	1/1	0/1 <sup>6</sup>	4/4	4/4 <sup>7</sup>		
	Mmaboshadi Chauke <sup>8</sup>	1/1	N/A	N/A	1/1			
	Maud Motanyane-Welch	4/4	1/1	1/1				4/4
	Daisy Naidoo	4/4	1/1	1/1	4/4		4/4	4/4
	Brenda Niehaus	3/4 <sup>9</sup>	1/1	1/1			3/4 <sup>9</sup>	
	Myles Ruck <sup>10</sup>	2/2	1/1	1/1	2/2	2/2		
ALTERNATE <sup>11</sup>	Neill Abrams <sup>12</sup>	1/4	0/1	0/1				
	Steve Ellis	4/4	1/1	1/1			4/4	

1. Retired as CEO 31 December 2018 and executive director 31 March 2019.
2. Appointed 1 January 2019.
3. Appointed 1 January 2019.
4. Did not attend the November 2018 special corporate governance meeting but did attend the board meeting.
5. Appointed LID in Bobby Johnston's stead 30 May 2019.
6. Did not attend the November 2018 special corporate governance meeting but did attend the board, Remnomco and ACC meetings.
7. Appointed 29 May 2018 and assumed position as committee chair 29 August 2018.
8. Appointed 21 November 2018.
9. Was unable to attend the May 2018 meetings as indicated at the time of her appointment to the board.
10. Retired by rotation 29 August 2018.
11. Alternate directors are not required to attend each meeting.
12. UK resident.

\*The leadership team, being the chief operating officer and chief retail 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.mpricsgroup.com](http://www.mpricsgroup.com)). The chief operating officer and chief retail officer are also permanent invitees to the board meetings. This creates transparency and facilitates robust discussions enabling 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 outgoing 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 during the reporting period by means of questionnaires and interviews. The scope of the assessments covers governance requirements such as conduct of board and committee meetings, people factors including composition and interactions with management, and business specific issues relating to strategic direction and matters material to the group. After considering whether an externally facilitated evaluation process should be adopted, the board concluded the internal process is robust, honest and adds incredible value that improves its performance and effectiveness, and is preferable, especially as the board is in a transitional phase and due to the changes in executive leadership.

Comprehensive feedback and steps for improvement documents were tabled at the May 2019 meetings. Overall, the board, its committees and members function efficiently and discharge their responsibilities as the group's custodians of corporate governance. The specific items needing action are in the process of being addressed and progress will be reported to the board and committees every alternate meeting. The board regularly considers and discusses its performance and ways to enhance its functioning through the detailed assessment process and the biannual review of progress made on the steps for improvement.

Annually Remnomco, 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. Due to the recent appointment of Mark Blair and Mark Stirton in these respective roles, a review of their performance will be conducted in March 2020.

### Delegation to management

Authority to implement and execute approved strategy is devolved sequentially as depicted in the governance framework on page 51 and formally to management through the group 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 revised and supplemented during FY2019, and will be revised further to define the authority of the new leadership roles.

### Chief executive officer

The chief executive officer and chief financial officer collectively exercise the executive control over and management of the group and its trading and support services. The outgoing and incoming chief executive officers had no professional commitments outside the group for the period. The outgoing and incoming chief executive officers did not have a fixed-term contract, but have a notice period of six months as stipulated in their engagement letters. Succession planning for the outgoing chief executive officer was in place and was affected with the appointment of Mark Blair as incoming chief executive officer. Emergency succession and succession 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 April 2019 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 on an arms-length basis.



# Audit & Compliance Committee Report

 Principles: 8 13 15

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

Capitals	Stakeholders	Business Activities
		
Governance Outcomes	Material Matters	
<ul style="list-style-type: none"><li>• Good performance</li><li>• Effective control</li></ul>	 	
Sustainable Development Goals		



## 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 to the following functions: internal and external audit, finance and compliance. The committee mandate is published on the group's website: [www.mrpricegroup.com](http://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 49 and 54.

The committee provides independent oversight of the effectiveness of the group's assurance and compliance functions and services, 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 control, 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, and
- Provide oversight of the external and internal audit functions and appointments

### The key areas of focus for the reporting period were:

- Conducting the suitability assessment of the external auditor and audit partner
- Monitoring the interpretation and impact of IFRS 9, 15 and 16
- Overseeing ongoing regulatory, tax, legal and regulatory compliance matters
- Following Mark Blair's appointment as CEO, the selection and appointment of Mark Stirton as CFO appointed 1 January 2019

The committee is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year, including duties in terms of the Companies Act, JSE Listing Requirements and King IV.

## Combined assurance

The committee oversees that the assurance arrangements in place are effective. The combined assurance model comprises management, the internal audit function and external audit services. The committee is satisfied 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.

### Management and reporting

The committee confirmed its approval of the appointment of Mark Stirton as CFO, as considered and recommended before Remnomco as a consequence of Mark Blair assuming the position of CEO effective 1 January 2019. Having given due consideration during the CFO selection process, the committee is of the view that Mark Stirton possesses the appropriate expertise and experience to meet his responsibilities and that the group's finance function incorporates the necessary expertise, resources and experience to adequately and effectively carry out its responsibilities.

The committee believes the group has appropriate financial reporting procedures and is satisfied 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 the 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, assessment of impairments and assumptions used, going concern assumption, quality of earnings and adoption of new IFRS standards and disclosures. The committee also considered the impact of the JSE report on proactive monitoring of annual financial statements. Based on supporting information presented by the external auditors including financial analysis, prior history and best practice, the committee is satisfied these matters were adequately addressed.

Materiality limits set by the committee in the prior period were reviewed for appropriateness in line with the group's approved materiality framework. The committee is satisfied with the level of reporting by management on qualifying significant items over the period.

## External audit

Ernst & Young Inc (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 EY is independent of the group. In reaching this conclusion, the committee considered the following (i) the designated partner, Vinodhan Pillay, was assigned to the group audit in FY2016, (ii) the group has a clearly defined and strictly followed non-audit services policy; (iii) the extent of non-audit services is immaterial and is continuously monitored, with no excessive, unusual or unnecessary engagements noted.

The committee believes the group received a high quality external audit taking into account the standard of audit planning and scope of activities performed, reliance on work performed by other audit firms and the internal audit function, the audit team assigned to the audit, EY's independence, its relationship with stakeholders, and understanding of the business and the extent of non-audit services provided. EY met with the committee prior to the approval of this report to discuss matters of importance to the auditor and the committee regarding the group's annual financial statements (as detailed under the "Management and reporting" heading), commentary thereon and general affairs.

The committee has considered the documents submitted by EY as part of the committee's suitability assessment of EY and Vinodhan Pillay in terms of the JSE Listing Requirements. On the basis of the assessment and the high quality of audit, the committee recommends to the board and shareholders that EY be re-appointed as the external auditors and Vinodhan Pillay as the designated auditor for the current financial year (FY2020). The resolution for the re-appointment of EY as the group's external auditors is on page 155 of the Notice of AGM.

As noted in the prior period, the group has considered the requirements of mandatory audit firm rotation as prescribed by IRBA effective 1 April 2023 and has discussed EY's tenure in light of these changes. The committee remains committed to rotating external auditors from FY2021 provided such decision serves the best interests of the business. FY2020 will be used to assess the capabilities and suitability of qualifying audit firms to enable a smooth transition post such intended change.



## Internal audit

## Annual Internal Audit Assurance Statement

Internal audit are satisfied that governance, risk and controls evaluated were generally adequate and appropriate to provide reasonable assurance that key risks are being managed at acceptable levels.



## Internal audit at a glance

**Independence**

- Appropriate organizational positioning – functional reporting to the committee and administratively to the CFO
- The committee approves the appointment (and removal), contract and remuneration of the chief audit executive
- Independent of all operational functions
- Unrestricted access to all areas within the group

**Approach**

- Risk-based audit plan for FY2019 aligned to group strategic risks
- Responsive to shifts in the internal and external environment
- Challenged risk, control and governance in the group
- Provided real-time assurance through the introduction of digital assurance
- Collaborated with assurance partners to reduce duplication of assurance
- Aligned to professional standards, Code of Ethics of the Institute of Internal Auditors and King IV principles

**Resources**

- Qualified, experienced and trained
- Co-sourced when required



## FY2019 strategic focus

**Operations**

Digitised the assurance processes relating to cash risks and identification of potential breakdowns/enhancements, fraud indicators or poor disciplines

**Supply chain optimisation**

Focused on the design adequacy of the distribution centre and merchandise processes as well as provided assurance on inventory accuracy across the supply chain

**Value chain**

Advised the group on key business processes, supplier engagement & development, value chain optimisation, people development, responsible sourcing and monitoring through analytics

**Information security**

Improved focus on providing assurance on the group's information security posture

**Retail modernisation**

Provided project assurance to contribute towards improving and optimising the core retail capabilities across the group

## FY2019 outcomes

**Tone at the top**

Divisional management tone and response to reported weaknesses and recommended improvements remained positive

**Governance**

Governance, risk and controls were generally adequate. Executive management and the board required, encouraged and monitored quality and continuous improvement in the group's governance, risk management and controls

**Risk management**

Confirmation of the adequacy of risk management structures, systems and processes to identify, assess and mitigate key emerging internal and external risks and to support the achievement of the group's strategic goals

**Internal control**

The control environment remains reliable across the group. No matters of material fraud identified

## Compliance

The board, which is ultimately responsible for compliance, has delegated its responsibility to the committee to assist in discharging its obligation to monitor compliance with applicable laws, regulations and adopted non-binding rules, codes and standards. The committee is responsible for setting the direction on how compliance is managed, through approval of the group's compliance framework and policy, and exercises ongoing oversight of compliance governance. The committee delegates the implementation and execution of effective compliance management to the group's senior management, as first line of defence.

During the reporting period a dedicated group compliance officer was appointed to manage and oversee the group compliance function for the group, which was previously managed by the group legal and compliance officer. Due to the highly regulated nature of the group's credit and insurance business, there is a dedicated compliance function within the group's MRP Money division, which has a dotted reporting line to the group compliance function. Compliance is managed within other trading and support divisions as part of existing roles as appropriate. The primary role of the group's compliance function is to assist the board, senior management and associates in fulfilling their responsibility to comply with applicable compliance obligations through the provision of compliance risk management services. The regulatory landscape is constantly changing and the group compliance function monitors regulatory changes which includes legislation in jurisdictions outside South Africa where the group has operations. The group compliance function acts as the second line of defence with the internal and external audit functions as the third line of defence.

Annually, the group's regulatory universe is reviewed, and approved by the committee, and responsibility for legislation is delegated to senior management. Significant group and divisional compliance risks, trends and mitigation measures are monitored by the group compliance function and formally reported to senior management at quarterly governance 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 the committee. On an annual basis, senior management and the group compliance officer provide compliance management assurance to the committee in

respect of their delegated areas of responsibility through the legal assurance process.

In late May 2019 the National Credit Regulator withdrew its referral to the National Credit Tribunal for an alleged breach of the National Credit Act (NCA) relating to the club product fee charged by the group's Miladys division. The SARS assessment objections and appeal, previously disclosed, is ongoing (these matters are covered in the CFO's report on page 38). During the course of the year and in respect of different stores in different regions, the Department of Labour (DoL) issued various compliance notices regarding alleged non-compliance with the sectorial determination for "store associate" rates of pay. The group is disputing the compliance notices as the DoL has misinterpreted the retail roles as defined and does not take benefits into account when calculating store associate rate of pay. The group does however acknowledge that store associates have a greater need for cash and may require greater flexibility in their remuneration structure, so is considering different pay structures. Apart from these alleged non-compliances, there was no material or repeated non-compliance with the group's statutory obligations during the reporting period and no regulatory (including environmental) penalties, sanctions or fines.

### The key areas of focus for the reporting period were:

- Making progress towards Payment Card Industry (PCI) and General Data Protection Regulations (GDPR) compliance (further detail can be found on page 63 of the RITC report)
- Understanding the impact of the NCA Amendment Bill and preparing for implementation
- B-BBEE compliance (see page 90 of the SETS report) and
- Engaging with the Botswana Ministry of Industry, Trade and Investment regarding a trading licence exemption

### Future areas of focus are:

- A general review of the group's compliance framework and policy
- Compliance training to further entrench a culture of compliance
- Achieving PCI and GDPR compliance
- Implementing the NCA amendments, if enacted and
- Favorably resolving the regulatory disputes highlighted above



# Risk & IT Committee Report



Principles: 8 11 12

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





## 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](http://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 49 and 54.

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 24 to 33). With systems as a core component of the group's operations, the committee is also responsible for overseeing IT operations are a strategic enabler which support both the group's current and future business activities. To fulfil its role, the committee oversees management's implementation and execution of risk control, including insurance cover and business resilience, and IT control, as well as the three lines of defence, in conjunction with the ACC which oversees financial controls and reporting risk. An IT specialist committee member, Brenda Niehaus (whose experience and qualifications are detailed in the board report on page 49), monitors and provides input, but does not make any decisions, on material IT projects, attends certain IT project steering committees and provides ad hoc guidance on general IT governance matters.

The key areas of focus for the FY2019 reporting period and planned areas of future focus are detailed on the following pages.

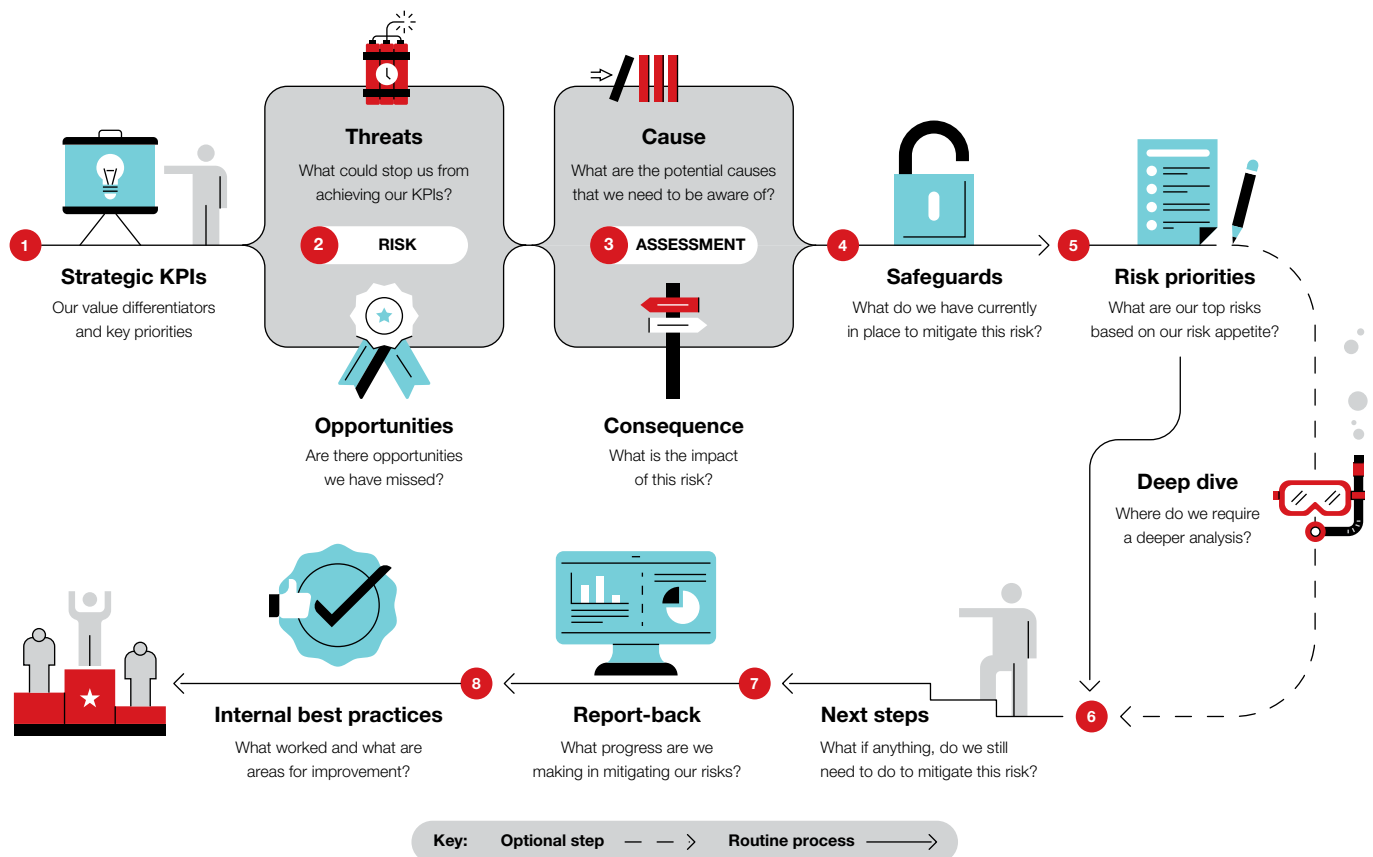
The committee is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year.

## Risk governance

Enterprise risk management (ERM) is a continuous, proactive and dynamic process. It involves associates at every level and requires the application of a portfolio view of risk across the business. By embedding ERM techniques into every day practices, the future proofing of the business is enhanced as the ability to identify events that could affect strategic objectives is improved and relevant response plans developed in ways that are consistent with the strategy.

# Enterprise Risk Management

**Eight steps** to future proofing our business



Risk appetite is a fundamental concept that provides the context for strategy setting, entrepreneurial behaviour and the pursuit of objectives. The risk appetite is reviewed annually to ensure that decision-making is consistent with group strategy, business resilience is improved and sustainable value is created for key stakeholders.

### The key areas of focus for the reporting period were:

- Review and approval of enhancements to the risk policy, ERM process, business resilience management (BRM) policy and framework, and the combined assurance plan
- Quarterly consideration of key organisational risks and management's proposed mitigations approved in line with the group's risk appetite
- Conducting deep dives into supply chain business resilience, and cyber risk

The group identified key threats and opportunities that could impact on the accomplishment of the group's strategic objectives. Both internal and external threats were considered and appropriate mitigation plans were developed based on the risk severity level and the approved risk appetite. Potential emerging risks were identified and considered as part of the strategic risk assessment process. Key emerging risks pertaining to changing customer needs, digital disruption and competitor activity were identified and were incorporated into strategic response plans as necessary. The key risks are articulated in the Strategy, Material Matters And Key Risks section on pages 32 to 33.

Further actions have been identified and are being implemented to mitigate risks outside the approved appetite. During the year the group's distribution centre experienced a four day work stoppage due to a labour dispute. The dispute was swiftly and amicably resolved, and was well managed in accordance with the group's business resilience plan. Notwithstanding the minimal business impact, a deep dive was subsequently conducted into supply chain risk and the learnings from the event were incorporated into the supply chain BRM plan. No other undue, unexpected or unusual risks materialised during the year.

The ERM process is assessed as part of internal audit's routine audit plan. The combined assurance plan is being improved to ensure pre-emptive monitoring and assurance of risks and controls related to the top threats and opportunities.

### Future areas of focus are:

- Enhancements to the risk response plans for major threats and opportunities
- Embedding a robust project risk management framework
- Continued deep dives into key and emerging risks and opportunities
- Migration to dedicated risk software
- Testing of documented business resilience plans and IT disaster recovery plans

The committee is satisfied that the systems and processes in place to govern and manage risk, which are being thoughtfully matured, are adequate and that management generally executed its risk management responsibilities satisfactorily.

### Information and technology governance

The mrpIT function is responsible for establishing and maintaining effective internal controls to meet the governance objectives as follows:

- Strategic alignment: Focus on ensuring the link between business outcomes and IT plans; maintaining and validating the IT value proposition; and aligning IT operations with business operations
- Value delivery: Execute the value proposition throughout the service and delivery cycle, ensuring that IT delivers the promised benefits against the strategy, concentrating on optimising costs and proving the intrinsic value of IT
- Resource management: Optimal investment in, and the proper management of, critical IT resources: applications, information, infrastructure and people
- Risk management: Creating IT risk awareness, understanding of compliance requirements and transparency surrounding the significant risks to the group, as well as planning for risk mitigation and action plans
- Performance measurement: Track and monitor strategy implementation, project completion, resource usage, process performance and service delivery

To meet the governance objectives, the division has in place the following governance structures:



The key IT governance activities of the above structures were prioritised based on the key enablers and components of strategy delivery and enablement of day to day business activities. Overall, the IT governance standards are aligned to the group governance frameworks and apply the principles in King IV and COBIT.

**The key areas of focus for the reporting period were:**

- IT strategic project prioritisation
- Stage gate delivery of the retail modernisation project incorporating merchandise planning and retail ERP
- Delivery and close out of the distribution centre project
- Roll out of the “mrp” mobile application
- Deployment of CRM functionality
- Cyber security and identifying opportunities to improve the group's IT security posture and
- Working towards achieving payment card industry (PCI) compliance by the required date

For the 2019 financial year there were no major IT incidents or IT security breaches, and while various IT policies were updated and improved, there was no material change in the group's IT policy. The IT projects were supported by capital investments as part of the approved IT budget. Due to an Oracle version upgrade and the implementation of a new planning solution, a portion of the historic implementation costs of the group's proposed ERP and planning solutions have been impaired. This disclosure is included in the annual financial statements on page 115.

The internal audit function plays a key role in monitoring the effectiveness of managing IT risk. Areas of audit focus for the year included project risk management of IT strategic projects and information security. 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 improve risks relating to information security and IT project management.

**The future areas of future focus are:**

- Continuously improving the IT security posture and further de-risking the operating environment
- Delivering enhanced core retail systems as priority projects to enable strategy and future-proof the group
- Achieving PCI compliance
- Leveraging existing investments in business intelligence and CRM to drive insights for enhanced operational decision making
- Exploring opportunities in digital capability innovation to create capacity for key IT resources

Further details of the impact of IT projects on the delivery of the group's strategy is in the Strategy, Material Matters and Key Risks section on pages 27 and 33.





# Remuneration & Nominations Committee Report



Principles:

3

8

14

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



## Role

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](http://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 49 and 54.

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, retained and motivated. In addition, the committee oversees the composition and performance of the board and its committees.

### The key areas of focus for the reporting period were:

- Implementing CEO and CFO succession plans (as detailed on page 55 of the board report)
- Supporting management in affecting various senior structural and leadership changes
- The ongoing board refresh and the identification and appointment of suitable directors (details of director changes can be found in the board report on page 55)
- Overseeing the implementation of improved job evaluation and benchmarking structures to monitor pay equity
- Engaging with and responding to shareholder remuneration questions (further detail is provided on page 66 of this report) and
- Considering and approving a malus and clawback policy



The committee is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year and that the remuneration philosophy achieved its stated objectives.

### The committee's remuneration report is structured as follows:

• Background statement	Page 65
• Remuneration policy	Page 67-72
• Remuneration policy implementation report	Page 73-81

## Background statement

### Letter from committee chair

Our strategic competitive advantage with regards to people has been built on our strong culture. People who are driven by passion, guided by value and committed to partnership have enabled our success as an organisation. Our remuneration structures are designed to support this entrepreneurial culture and to stimulate and incentivise high performance. We aim to create partnerships with our associates in their journey of continued growth through market related base pay and benefits, attractive performance driven short term (bonuses), long term (share scheme) incentives, recognition and retention programs. The core objective of our remuneration policy is to attract, retain and motivate top retail talent to deliver superior results. The historical 33-year compound earnings (21.1%) and dividend (22.5%) growths and our record of key staff retention over the years, provide tangible evidence that our values and approach to remuneration have delivered on this objective. 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. Our Partners Share Scheme, details of which are on page 77 of this report, provide evidence of the ability of all to share in the success of the business. Total dividends received by the associates participating in this scheme amount to R187 million since inception. Further, in the context of overall employee remuneration, the group has introduced an internal mechanism for monitoring racial and gender equity across all levels (details are on page 73).



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 potential threat of a loss of key staff to competitors locally and internationally
- 32 064 forfeitable shares vesting in the FY2020 reporting period did not achieve the required annual average HEPS growth targets of 14.2%, and thus lapsed. These shares had a 5-year vesting period.

The committee and the group encourages and appreciates feedback from shareholders on remuneration matters. Issues raised are tabled at committee meetings and considered when reviewing policy, implementation of policy and remuneration disclosure. The remuneration policy and implementation reports are both subject to an annual non-binding shareholder advisory vote at the AGM. This meeting is attended by the committee chair, who is available to answer questions regarding the remuneration policy, its implementation and the committee's activities. To the extent that 25% or more votes are cast against ordinary resolutions 7 and 8, dissenting shareholders will be invited to engage with the committee to discuss their concerns. Details of such engagement will be announced as per the JSE Listings Requirements, if necessary. At the 2018 AGM, we received a non-binding advisory vote of 86% (79% if we exclude B ordinary shares) in favour of our remuneration policy and implementation report. This was a substantial improvement on the 2017 AGM remuneration policy vote of 65.3% in favour.

Prior to the 2018 AGM, we contacted or attempted to contact our larger shareholders (those holding 1% or more) whose aggregate shareholding comprised approximately 52% of the total issued shares of the group. In addition, we communicated with two large proxy advisers who had issued recommendations as to how (in their opinion) shareholders should vote. There was positive feedback to the enhancements we made to the exercise periods and performance hurdles for the various share option schemes, and additional disclosure in the 2018 integrated report. Key items concerning remuneration raised by those contacted were:

- **Lack of disclosure around strategic KPI targets and measurement**

Additional disclosure has now been included on pages 69, 74 to 75.

- **HEPS being the only measure for LTI's**

The committee has debated this extensively and feel this is the best measure to appropriately balance the welfare of all interested stakeholders in a transparent and integrated manner.

- **The lack of a Malus and Clawback policy**

A new policy impacting Short Term Incentives (STIs) has been implemented. This policy will be enhanced to include a clawback provision on shares and options that have been exercised (subject to share trust rule amendments) in the new financial year. The current share trust rules do make provision to prevent the vesting of shares or exercising of share options due to poor personal performance.

- **Remuneration mix is significantly skewed towards variable pay**

The group has 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. At the same time our guaranteed pay packages are aimed at the median of our chosen comparator group – placing a lesser burden on the group's fixed staff costs in years of underperformance, provided (as tangibly proven in FY2017) we are rigid in applying the formula for payment of variable incentives. It makes sense to us to reward generously when the group (and the shareholders) experience successful years, and to contain our fixed cost commitment to reasonable levels (to the benefit of shareholders particularly) in years of poor performance.

Executive remuneration is benchmarked against our peer group on Total Guaranteed Pay (TGP), STIs, Long Term Incentives (LTIs) and Total Cost of Employment (TCE) to objectively assess whether our remuneration is fair, appropriate and responsible.

- **Exercise of LTIs following Black Friday which may give an indication of trade during December**

The group has consistently applied a stringent closed period calendar for the trading of shares. The annual cycle of share awards is such that most awards vest towards the end of November after the half-year results closed period. This is followed by a short open period and associates usually exercise these vested shares, so there is always increased in trading of shares by associates over this period.

**Future areas of focus are:**

- Migrating all associates to a cost-to-company remuneration basis;
- Enhancements to the malus and clawback policy to include a clawback provision on shares and options that have been exercised (subject to share trust rule amendments);
- Enhanced STI structures (including KPIs); and
- Enhanced personal performance targets and measurement.

We trust that the above gives you some appreciation of the group's commitment to a sustainable, fair and responsible remuneration policy which satisfies the requirements of all our stakeholders and that we can count on your continued constructive support.

**Mark Bowman**

Committee Chairman





## 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 business 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 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.

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).

External service providers assist the committee from time to time and, where this involves remuneration, appropriate benchmarking comparatives are made. Benchmarking is a robust indicator of fairness although not the sole determinant. Other important factors include experience, level of responsibility, scarcity of skills and personal performance.



## Guaranteed remuneration policy

				Executive Directors	Divisional Directors	Passion	Value	Partnership
Remuneration Components (What?)	Who?	Purpose (Why?)	Mechanics (How?)					
Total Guaranteed Package (TGP)	All Associates	To offer competitive market related basic salaries that attract and retain high-calibre associates capable of crafting and executing the business strategy	Remuneration is reviewed annually on 1 April taking into consideration: <ul style="list-style-type: none"> <li>• Job content and grades</li> <li>• Internal equity</li> <li>• External competition</li> <li>• Consumer price inflation and</li> <li>• Individual competence and performance</li> </ul>	Total remuneration is benchmarked and aligned biennially to the median of a customised comparator group of JSE listed companies selected using established principles and clear criteria.	Total remuneration is benchmarked and aligned annually to the national and/or retail market median depending on functional area.			
	Permanent Associates	To ensure the financial, mental and physical well-being of our associates and their dependents	Defined Contribution (DC) Scheme: Retirement fund contributions are calculated as a percentage of annual guaranteed remuneration and includes risk and funeral benefits	<p>The survey was last performed in November 2018 by PwC Research Services (Pty) Ltd and included the following 17 companies in the peer group:</p> <ul style="list-style-type: none"> <li>• <b>Sector:</b> <ul style="list-style-type: none"> <li>- Clicks Group Ltd</li> <li>- Massmart Holdings</li> <li>- Pick n Pay Stores Ltd</li> <li>- Shoprite Holdings Ltd</li> <li>- The Foschini Group Ltd</li> <li>- Truworths International Ltd</li> <li>- Woolworths Holdings Ltd</li> </ul> </li> <li>• <b>Market Capitalisation:</b> <ul style="list-style-type: none"> <li>- Bid Corporation Ltd</li> <li>- Dis-Chem Pharmacies Ltd</li> <li>- Imperial Holdings Ltd</li> <li>- Life Healthcare Group Holdings</li> <li>- PSG Group Ltd</li> <li>- The Spar Group Ltd</li> <li>- Tiger Brands Ltd</li> </ul> </li> <li>• <b>Growth:</b> <ul style="list-style-type: none"> <li>- Aspen Pharmacare Holdings</li> <li>- Capitec Bank</li> <li>- Remgro Ltd</li> </ul> </li> </ul>	<p>The group subscribes and submits data to the annual PwC REM channel remuneration survey which is used as the data source for South Africa.</p>			
		Medical Aid Contributions	Medical Aid and Gap Cover: Voluntary membership is offered to associates on the plan of their choice					
	Role Specific (where appropriate)	To provide a relevant and market-competitive suite of benefits which add value and enable our associates	Dedicated financial wellness and medical aid consultants assist our associates to achieve what matters most to them at each life-stage					
			Car Allowance, Cell Phone Allowance (where applicable)					
			Use of company car; petrol/fuel card; staff discount (where applicable)	In years when a customised benchmark report is not compiled, executive 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 remuneration in the context of overall employee remuneration and those at the lower-end of the pay scale.				
	Permanent Associates	To promote retention and reward associate loyalty	Payable annually in December and calculated as a percentage of monthly basic salary based on length of service	Calculated based on an associate's permanent service as follows: <ul style="list-style-type: none"> <li>• one year's service: 20%</li> <li>• two years' service: 40%</li> <li>• three years' service: 60%</li> <li>• four years' service: 80%</li> <li>• 10 years' service: 100%</li> </ul>				

## Short term incentive policy

Remuneration Components (What?)		Purpose (Why?)	Mechanics (How?)	Executive Directors		Divisional Directors				Passion	Value	Partnership				
Short Term Incentives (STI)	<b>Performance Bonus</b>  The aim is to ensure that a strong relationship exists between strategy, targets and remuneration thus enabling sustainable value creation.  Although challenging targets supporting the group's strategic pillars are set, the scheme is potentially generous and attainable to:  • Encourage the achievement of targets that can be directly influenced by superior performance  • Avoid the group being exposed to undue risk as a result of an associate's behaviour	All Associates	To motivate and reward associates for the achievement of the group's short-term performance in areas 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 & 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 percentage of annual basic salary.  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 April in cash.											
			Group Strategic Pillars	Measures	CEO and CFO <sup>2</sup>		Executive Director		Trading Divisions		Service Divisions					
					Target	Max	Target	Max	Target	Max	Target	Max				
			Growth	<b>Executive Directors:</b> HEPS Growth & ROE <b>Service Directors:</b> Combined Operating Profit <b>Trading Directors:</b> Divisional Operating Profit	25%	83%	13%	42%	25%	67%	13%	33%				
			Achievement of strategic KPIs			8%	17%	21%	42%	8%	17%	21%				50%
			Personal Performance <sup>1</sup> <i>Determined via individual &amp; peer reviews considering leadership, innovation, effort and teamwork.</i>			50%	100%	8%	17%	8%	17%	8%				17%
Total (as a percentage of annual basic salary)			83%	200%	42%	100%	42%	100%	42%	100%						



## Long term incentive policy (continued)

Remuneration Components (What?)		(Who?)	Purpose (Why?)	Mechanics (How?)	Executive Directors	Divisional Directors	Passio	Value	Partne										
Long Term Incentives (LTI)	Shares	<b>Partners Share Scheme:</b> <ul style="list-style-type: none"><li>Awarded once following a year of permanent service</li><li>Vesting at retirement or death</li><li>Participants receive dividends on the shares from the award date</li></ul>	< Salary Threshold	Associates thinking and acting like business owners regarding group performance leads (and has led) to a substantial transfer of wealth to all levels of associates over the life of the schemes - providing them with increased financial security when they eventually retire from the group.	<b># Shares or options awarded:</b>  <div>(AGR x FACTOR) SHARE PRICE</div> Where: <table><tr><td>AGR</td><td>Annual guaranteed remuneration</td></tr><tr><td>Factor</td><td>A percentage specific to each respective scheme</td></tr><tr><td>Share Price</td><td>The lower of the 30-day VWAP or the closing price the day prior to the award</td></tr></table> <b>Exercise Period:</b>  The exercise period for all awards allocated effective from Nov 2018 is two years.	AGR	Annual guaranteed remuneration	Factor	A percentage specific to each respective scheme	Share Price	The lower of the 30-day VWAP or the closing price the day prior to the award	In other companies, long-term incentives are typically reserved for group executives. In our case executive directors' interests are only 12.91% of total routine long-term incentive awards.  The group's partnership approach has resulted in 16 677 associates participating in the various share schemes in operation at year-end (refer page 77).  Given South Africa's socio-economic environment we believe our unique inclusive approach to share ownership enables the best possible outcomes and imbues good corporate citizenship.  Further information regarding the group's share schemes can be found on the website:  <a href="https://www.mrpricegroup.com/MrPriceGroupCorporate/media/mrpgcorp/SiteAssets/2018/MRP_AIR18_GroupShareSchemes_2.pdf">https://www.mrpricegroup.com/MrPriceGroupCorporate/media/mrpgcorp/SiteAssets/2018/MRP_AIR18_GroupShareSchemes_2.pdf</a>							
	AGR	Annual guaranteed remuneration																	
	Factor	A percentage specific to each respective scheme																	
	Share Price	The lower of the 30-day VWAP or the closing price the day prior to the award																	
	Share Options	<b>General Staff Share Scheme:</b> <ul style="list-style-type: none"><li>Awarded once for every year of completed permanent service</li><li>Vesting after five years if HEPS related hurdles are achieved</li></ul>	> Salary Threshold	In this way, those responsible for contributing to the group's success become partners in the business and are rewarded for sustained high performance.															
		<b>Senior Management Share Scheme:</b> <ul style="list-style-type: none"><li>Awarded once for every year of completed permanent service</li><li>Vesting after five years if HEPS related hurdles are achieved</li></ul>	Senior Management																
		<b>Executive and Executive Director Share Scheme:</b> <ul style="list-style-type: none"><li>Awarded once for every year of completed permanent service</li><li>Vesting after five years if HEPS related hurdles are achieved</li></ul> <p>A strong relationship exists between strategy, targets and remuneration thus enabling sustainable value creation for shareholders over the long-term</p> <p>In exceptional circumstances, where supported by Remnomco, the board may authorise non-routine LTI awards</p>	Executive & Divisional Directors	To offer an attractive long-term incentive scheme that motivates and retains executives critical to achieving the long-term performance goals contained in the group's strategy.	The exercise period for all awards allocated effective from Nov 2018 is two years.  Awards allocated prior to November 2018 have a 90-day exercise period for associates and five years for executives.	The base face values of total LTIs, offered as a percentage of annual guaranteed remuneration, are as follows (percentage dependent on the role and level of responsibility): <table><tr><th></th><th>CEO</th><th>CFO*</th><th>ED</th><th>Divisional Directors</th></tr><tr><td>%</td><td>354%</td><td>311%</td><td>150%</td><td>100% - 250%</td></tr></table> Bonus awards are offered equal to 10% of total awards based on personal shareholding in the group. The value of shares held at qualifying date annually must be at least equal to three times annual guaranteed remuneration. The high minimum shareholding requirements for executive directors is aligned to the ownership culture of the group.  *A factor of 250% will be applicable to the new CFO from and including the November 2019 award.		CEO	CFO*	ED	Divisional Directors	%	354%	311%	150%	100% - 250%			
				CEO	CFO*	ED	Divisional Directors												
		%		354%	311%	150%	100% - 250%												
		<b>Performance Conditions:</b>  For awards allocated prior to November 2018 an average HEPS growth of CPI + 1% over the vesting period must be achieved.  The board has approved a new hurdle structure for executives specifically effective from November 2018.				<b>Performance Conditions (Applicable to all Executives)</b>													
<b>CAGR Structure (Nov 18)</b>				Vests		Forfeited													
HEPS growth < CPI+1%				0%		100%													
HEPS growth ≥ CPI+1%				33%		67%													
HEPS growth ≥ CPI+2%				66%		34%													
HEPS growth ≥ CPI+3%				100%		0%													
HEPS growth ≥ CPI+10%				125%		0%													
HEPS growth ≥ CPI+15%				150%		0%													

No single participant's interest in routinely awarded long-term incentive plans exceeds 0.4% of the issued share capital (refer page 76).



Options are not awarded to or exercised by key personnel in the executive director share schemes during closed periods and the re-pricing of options is not permitted. Executive share scheme participants may exercise their options during closed periods subject to adhering to strict criteria prior to entering the closed period. 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.

The group's advisors, PwC, recommended the implementation of a Forfeitable Share Plan (FSP) as the vast majority of companies surveyed had more than one type of long-term incentive scheme operating in parallel. In the event of options being 'out-the-money', FSPs offer more certainty to the participant as the value is in the share that vests, not growth on strike price, as is the case with options. From a group perspective, FSPs are attractive as shares result in a lower number of instruments than options thus reducing carrying costs.

Remuneration Components (What?)		(Who?)	Purpose (Why?)	Mechanics (How?)	Executive Directors	Divisional Directors	Passion	Value	Partnership		
Long Term Incentives (LTI)	Forfeitable Shares	Executive & Divisional Directors	<b>Executive Forfeitable Share Plan (EFSP):</b> <ul style="list-style-type: none"><li>Free shares are awarded for every year of completed permanent service.</li><li>Vesting occurs after five years if employment and HEPS related hurdles are achieved and must be exercised immediately</li><li>Participants receive dividends on the restricted shares from the award date</li><li>The shares acquired by the group to fully satisfy these obligations are held by an institutional third party</li></ul>	To support the attraction, motivation and retention of executives while continuing to align their interests with that of shareholders.	FSP awards are calculated as a percentage of the associate's annual share option award and account for approximately 15% of the total annual long-term incentive.  50% of the award is linked to continued employment and the balance linked to performance conditions.	For EFSP performance awards allocated up to and including November 2015, the HEPS hurdle was linked to the group's 5-year strategy (refer pages 76, 78 and 79).					
						For EFSP performance awards allocated effective from November 2016, the board approved a new hurdle structure as follows:					
						<b>Performance Conditions (Applicable to all Executives)</b>					
						CAGR Structure (Nov 18)				Vests	Forfeited
						HEPS growth < CPI+1%				0%	100%
						HEPS growth ≥ CPI+1%				20%	80%
						HEPS growth ≥ CPI+2%				40%	60%
						HEPS growth ≥ CPI+3%				60%	40%
						HEPS growth ≥ CPI+4%				80%	20%
						HEPS growth ≥ CPI+5%				100%	0%
			<b>Group Forfeitable Share Plan (GFSP):</b> <ul style="list-style-type: none"><li>Participants receive a once-off award of free shares which vest in full after five years based on continued employment</li><li>Participants receive dividends on the restricted shares from grant date</li><li>The shares acquired by the group to fully satisfy these obligations are held by an institutional third party</li></ul>	To retain the services of executives who are central to the group's growth strategy.  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.	Award of shares equivalent to between two and three times annual guaranteed remuneration depending on the executive's position.	The scheme currently has a total of three participants including the CFO. The current CEO received a once-off GFSP award during his tenure as CFO which vested in FY2019 (refer page 78). The group director is subject to previous restraint agreements.					
						The performance conditions relate to associates entering into a restraint and retention agreement, which:					
						<ul style="list-style-type: none"><li>requires them to be employed by the group for a period of five years from grant date and</li><li>precludes them from joining a competitor for a period of two years should they leave the group.</li></ul>					

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.

Total LTI award obligations represent 5.6% of share capital, which has reduced substantially over time as a result of the change to the award formula (refer graph on page 77).

The committee believes that it is not appropriate to include shares allocated under the Partners Share Scheme, which effectively operates as the group's B-BBEE scheme, in this overall participation total. Excluding this scheme, the total number of shares committed under the various routine equity incentive schemes equates to 4.1% of the issued share capital (refer page 77).

### Vesting conditions – general disclosure

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 board exercises its discretion and permits the retention of any or all of 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 board, on the recommendation of 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 board 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. Generally, no accelerated vesting of share options is permitted in any LTI scheme. Acceleration, in part, is permitted under the rules of the GFSP due to the restrictive conditions agreed to by both parties.

### 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 FY2019 and prescribes 3 years after the award of any STI.

Following on a written recommendation from the committee, the board may act to adjust (malus) or recover (clawback) awards, where substantiated by the committees, 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

Although the various share trust rules currently allow the board on recommendation from the committee to prevent share awards from vesting, it is the intent of the committee to further extend this malus and clawback policy in the next financial year to LTI awards. This implementation will require adjustments to the share trust rules.

### Non-executive directors (NEDS)

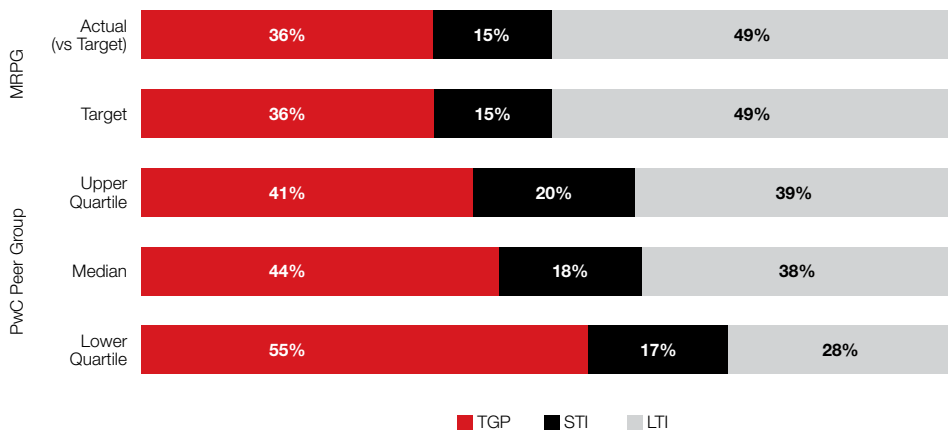
Remuneration Components (What?)	(Who?)	Purpose (Why?)	Mechanics (How?)	Opportunity & Limits	Performance Conditions	Passion	Value	Partnership
<b>Emoluments</b>  Fees are related to the skills, experience and time commitment to fulfil the respective requirements of the board and committees.  The group 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 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 3 years. Shareholders vote for their re-appointment at the AGM.  NEDs are not eligible for performance/STI or LTI awards.	Non-Executive Directors	To offer market related fees that attract and retain high calibre NEDs	Fees, exclusive of VAT, are proposed by management and detailed in the notice of meeting set out in the annual results booklet for approval at the forthcoming AGM. Fees are paid monthly in cash.  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 neither receive short-term incentives nor do they participate in long-term incentive 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 Research Services (Pty) 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 a NEDs fee in the event of non-performance, specifically non-attendance.			



## Remuneration implementation report

In accordance with the group's remuneration philosophy, superior performance is generously rewarded through incentive structures that ultimately manifests in the desired shape of the total remuneration structures.

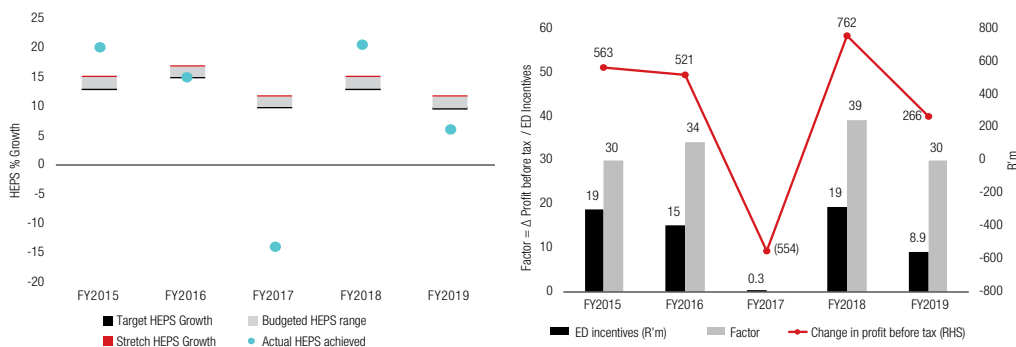
As FY2019 is a benchmark year, an analysis conducted comparing our total remuneration mix to the PwC custom peer group indicates a larger portion of our executive remuneration is variable and thus "at risk" compared to our peers – ensuring a strong alignment between company performance and remuneration.



## The link between company performance and incentives

Historical HEPS Growth	FY2015	FY2016	FY2017	FY2018	FY2019
Actual HEPS reported (cents)	920	1058	911	1100	1168
Actual HEPS growth (%)	20.2	15.0	(13.8)	20.7	6.2
Headline CPI for the year (%)	4.0	6.3	6.1	3.8	4.7
Real HEPS growth achieved (%)	16.2	8.7	(19.9)	16.9	1.5
% of HEPS based incentive achieved	100	33	0	100	11

\*denotes a 53-week trading period



## Annual salary review overview

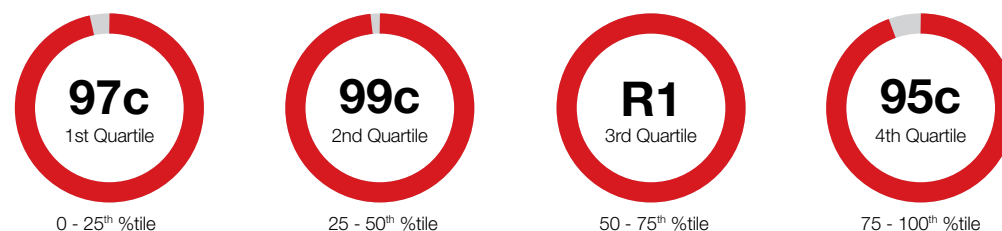
Guided by CPI and retail remuneration market data, the group awarded an overall annual increase of 5.5% across all levels of associates in April 2019.

The group focuses on gender, race, role and CEO to average employee remuneration to ensure internal equity across the organisation.

Due to recent changes in our top management structure, the PwC custom peer group benchmarks were used to align the new appointments to the market median in keeping with the group's remuneration philosophy.

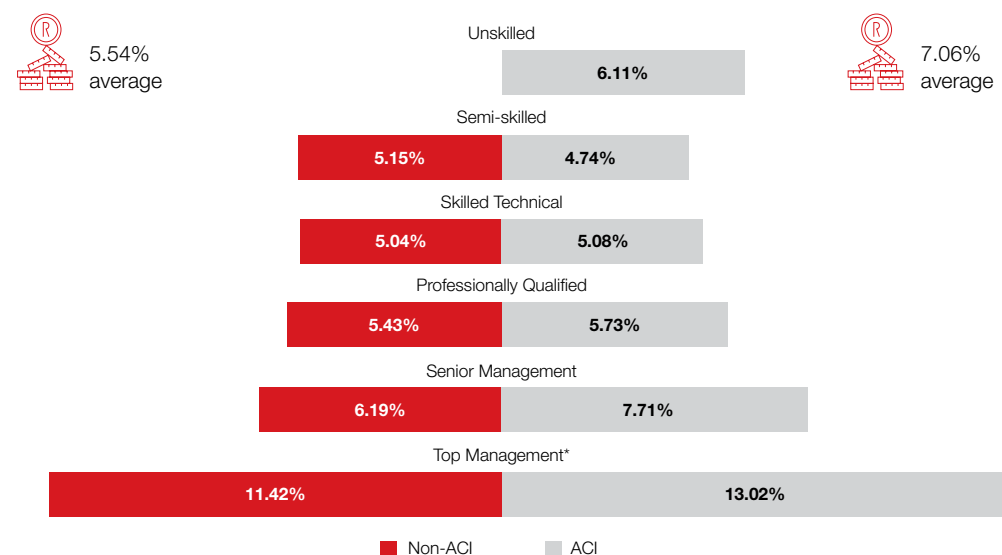
The new CEO and CFO remuneration were effective on appointment at 1 January 2019 and the group director received a 5% increase for FY2020 effective 1 April 2019.

## Female to male basic salary ratio for MRPG head office



On average across all quartiles, females earn 98c for every R1 earned by their male counterparts. These ratios are monitored continuously in the context of our pay bands.

## Average increases by race and occupational level across MRPG



\*The above average increases at Top Management level was due to the changes and internal promotions in senior leadership during FY2019

Summary and analysis of executive director's remuneration

Total single figure remuneration

Continuing with the approach adopted in FY2018, the remuneration framework is presented on a total single figure basis as recommended by King IV.

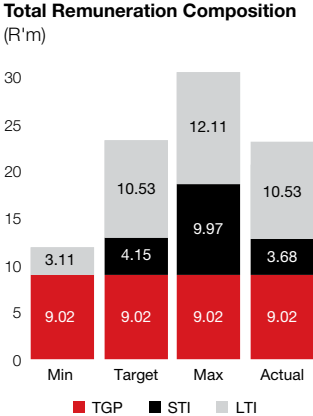
Stuart Bird Total Remuneration (R'000)	FY2019	FY2018
	CEO	
	1 Apr 18 - 31 Mar 19 (12 months)	1 Apr 17 - 31 Mar 18 (12 months)
Annual Basic Salary (ABS)	6 648	6 183
Retirement Fund Contribution	1 353	1 281
Medical Aid Contribution	206	215
Guaranteed Cash Allowances	-	-
Fringe Benefits	261	241
Loyalty Bonus	554	523
<b>Total Guaranteed Package (TGP)</b>	<b>9 021</b>	<b>8 442</b>
Performance Bonus	3 678	10 755
<b>Short Term Incentives (STI)</b>	<b>3 678</b>	<b>10 755</b>
Dividends (FSP Plans)	1 122	1 404
Share & Share Option Valuation <sup>1</sup>	9 404	9 023
<b>Long Term Incentives (LTI)</b>	<b>10 526</b>	<b>10 427</b>
<b>Total Remuneration</b>	<b>23 225</b>	<b>29 624</b>

1. Refer to page 76 for further detail on the valuation of Shares & Share Option awards.

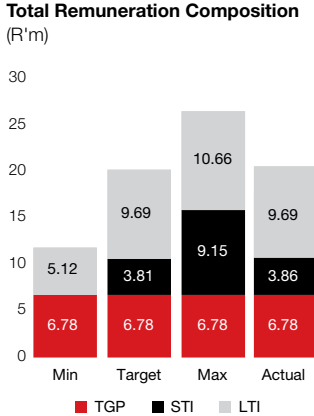
Mark Blair Total Remuneration (R'000)	FY2019			FY2018
	CEO	CFO	CEO & CFO	CFO
	1 Jan 19 - 31 Mar 19 (3 months)	1 Apr 18 - 31 Dec 18 (9 months)	1 Apr 18 - 31 Mar 19 (12 months)	1 Apr 17 - 31 Mar 18 (12 months)
Annual Basic Salary (ABS)	1 425	3 148	4 573	3 904
Retirement Fund Contribution	305	678	983	850
Medical Aid Contribution	45	122	167	154
Guaranteed Cash Allowances	95	229	324	288
Fringe Benefits	124	258	382	342
Loyalty Bonus	-	350	350	330
<b>Total Guaranteed Package (TGP)</b>	<b>1 993</b>	<b>4 785</b>	<b>6 779</b>	<b>5 869</b>
Performance Bonus	1 857	2 004	3 862	6 792
<b>Short Term Incentives (STI)</b>	<b>1 857</b>	<b>2 004</b>	<b>3 862</b>	<b>6 792</b>
Dividends (FSP Plans)	-	767	767	905
Share & Share Option Valuation <sup>1</sup>	3 204	5 713	8 918	5 450
<b>Long Term Incentives (LTI)</b>	<b>3 204</b>	<b>6 481</b>	<b>9 685</b>	<b>6 355</b>
<b>Total Remuneration</b>	<b>7 055</b>	<b>13 271</b>	<b>20 326</b>	<b>19 015</b>

1. Refer to page 76 for further detail on the valuation of Shares & Share Option awards.

Performance Bonus Calculation				CEO
Performance Measures	% of ABS			ABS
	Target	Max	Actual	6 648
Financial (HEPs & ROE)	25%	83%	16.7%	1 108
Strategic KPIs	8%	17%	13.7%	908
Personal	50%	100%	25.0%	1 662
<b>Total</b>	<b>83%</b>	<b>200%</b>	<b>55.3%</b>	<b>3 678</b>



Performance Bonus Calculation				CEO	CFO
Performance Measures	% of ABS			ABS	ABS
	Target	Max	Actual	5 700	4 198
Financial (HEPs & ROE)	25%	83%	16.7%	238	525
Strategic KPIs	8%	17%	13.7%	195	430
Personal	50%	100%	CFO: 33% CEO: 100%	1 425	1 049
<b>Total</b>	<b>83%</b>	<b>200%</b>	<b>102.1%</b>	<b>1 857</b>	<b>2 004</b>



Commentary

Stuart Bird, who has been chief executive officer ("CEO") of the group since August 2010 and an executive director since September 2006, retired as CEO on 31 December 2018 and as an executive director at the end of March 2019. The board allocated his STI with consideration for the period during which he served as CEO. His LTIs were awarded as part of the routine November share option & FSP awards.

Commentary

After a thorough succession process the board has appointed Mark Blair, previously CFO, as the CEO effective 1 January 2019. Mark Blair's STI was allocated proportionately for the 9 month period during which he served as CFO and the 3 month period during which he served as CEO, successfully leading the organisation through the change in leadership. His LTIs include the routine November awards which he received as CFO and the corresponding share option & EFSP awards allocated in-line with his appointment as CEO - as disclosed on the SENS on 27 February 2019.

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

### Total single figure remuneration

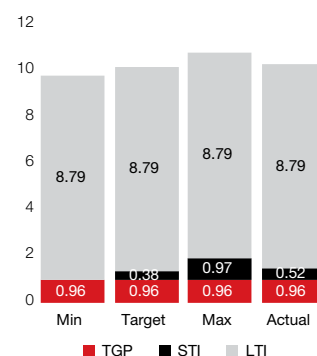
Continuing with the approach adopted in FY2018, the remuneration framework is presented on a total single figure basis as recommended by King IV.

Mark Stirton <sup>1</sup> Total Remuneration (R'000)	FY2019		
	CFO		
	1 Jan 19 - 31 Mar 19 (3 months)		
Annual Basic Salary (ABS)	647		
Retirement Fund Contribution	143		
Medical Aid Contribution	43		
Guaranteed Cash Allowances	52		
Fringe Benefits	72		
Loyalty Bonus	-		
<b>Total Guaranteed Package (TGP)</b>	<b>957</b>		
Performance Bonus	520		
<b>Short Term Incentives (STI)</b>	<b>520</b>		
Dividends (FSP Plans)	-	GFSP	EFSP
Share & Share Option Valuation <sup>2</sup>	8 795	7 983	812
<b>Long Term Incentives (LTI)</b>	<b>8 795</b>		
<b>Total Remuneration</b>	<b>10 271</b>		

1. Due to the appointment during the course of the current reporting period, all remuneration incurred before appointment has been excluded.  
2. Refer to page 76 for further detail on the valuation of Shares & Share Option awards.

Performance Bonus Calculation				CFO
Performance Measures	% of ABS			ABS
	Target	Max	Actual	2 589
Financial (HEPs & ROE)	25%	83%	16.7%	108
Strategic KPIs	8%	17%	13.7%	88
Personal	25%	50%	50.0%	324
<b>Total</b>	<b>58%</b>	<b>150%</b>	<b>80.3%</b>	<b>520</b>

Total Remuneration Composition (R'm)



#### Commentary

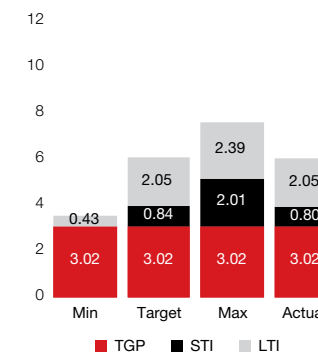
Mark Stirton was appointed as CFO effective 1 January 2019 to coincide with Mark Blair's appointment as CEO. The board allocated his STI proportionately for the 3 month period during which he served as CFO. In line with the group's LTI policy he was allocated share option, EFSP and GFSP awards upon his appointment as CFO - as disclosed on the SENS on 27 February 2019. Mark Stirton is the only executive director (ED) to receive a GFSP reward as this is a once-off allocation which the other EDs have already received during their tenure.

Steve Ellis Total Remuneration (R'000)	FY2019	FY2018
	Group Director	
	1 Apr 18 - 31 Mar 19 (12 months)	1 Apr 17 - 31 Mar 18 (12 months)
Annual Basic Salary (ABS)	2 012	1 871
Retirement Fund Contribution	454	427
Medical Aid Contribution	167	154
Guaranteed Cash Allowances	172	162
Fringe Benefits	214	185
Loyalty Bonus	-	158
<b>Total Guaranteed Package (TGP)</b>	<b>3 019</b>	<b>2 957</b>
Performance Bonus	796	2 142
<b>Short Term Incentives (STI)</b>	<b>796</b>	<b>2 142</b>
Dividends (FSP Plans)	150	120
Share & Share Option Valuation <sup>1</sup>	1 898	1 774
<b>Long Term Incentives (LTI)</b>	<b>2 049</b>	<b>1 893</b>
<b>Total Remuneration</b>	<b>5 864</b>	<b>6 992</b>

1. Refer to page 76 for further detail on the valuation of Shares & Share Option awards.

Performance Bonus Calculation				GD
Performance Measures	% of ABS			ABS
	Target	Max	Actual	2 012
Financial (HEPs & ROE)	13%	42%	8.3%	168
Strategic KPIs	21%	42%	14.6%	293
Personal	8%	17%	16.7%	335
<b>Total</b>	<b>42%</b>	<b>100%</b>	<b>39.6%</b>	<b>796</b>

Total Remuneration Composition (R'm)



#### Commentary

Steve Ellis' STI and LTI were awarded for the full 12 month period during which he served as group director.



### LTIs disclosed in 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 employee, are disclosed in the relevant reporting period in which the awards are made.

HEPS CAGR												
FY2019	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	Required for vesting	Achieved	% of Award vesting	LTIs Receivable / Awarded at Fair Value (IFRS2 <sup>1</sup> , market value <sup>2</sup> ) - R'000				
Award Type								SI Bird	MM Blair	MJ Stirton	SA Ellis	Total
Share Options	Performance Related	29-Nov-14	29-Nov-19	FY2019	5.9%	8.8%	100.0%	7 421	4 560	-	1 618	13 599
EFSP	Performance Related	29-Nov-14	29-Nov-19	FY2019	14.2%	8.8%	0.0%	-	-	-	-	0
EFSP	Employment Related	22-Nov-18	22-Nov-23	FY2023	n/a	n/a	n/a	1 984	1 153	-	280	3 417
EFSP	Employment Related	20-Feb-19	20-Feb-24	FY2023	n/a	n/a	n/a	-	3 204	812	-	4 016
GFSP <sup>3</sup>	Employment Related	20-Feb-19	20-Feb-24	FY2023	n/a	n/a	n/a	-	-	7 983	-	7 983
<b>Total Excluding Dividends</b>								<b>9 404</b>	<b>8 918</b>	<b>8 795</b>	<b>1 898</b>	<b>29 015</b>
Dividends								1 122	767	-	150	2 040
<b>Total</b>								<b>10 526</b>	<b>9 685</b>	<b>8 795</b>	<b>2 049</b>	<b>31 055</b>

HEPS CAGR												
FY2018	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	Required for vesting	Achieved	% of Award vesting	LTIs Receivable / Awarded at Fair Value (IFRS2 <sup>1</sup> , market value <sup>2</sup> ) - R'000				
Award Type								SI Bird	MM Blair	MJ Stirton	SA Ellis	Total
Share Options	Performance Related	29-Nov-13	29-Nov-18	FY2018	6.3%	11.6%	100.0%	6 717	4 115	-	1 450	12 282
EFSP	Performance Related	29-Nov-13	29-Nov-18	FY2018	14.8%	11.6%	0.0%	-	-	-	-	-
EFSP	Employment Related	28-Nov-17	28-Nov-22	FY2022	n/a	n/a	n/a	2 306	1 336	-	323	3 965
<b>Total Excluding Dividends</b>								<b>9 023</b>	<b>5 450</b>	<b>-</b>	<b>1 774</b>	<b>16 247</b>
Dividends								1 404	905	-	120	2 428
<b>Total</b>								<b>10 427</b>	<b>6 355</b>	<b>-</b>	<b>1 893</b>	<b>18 674</b>

1. IFRS 2 value actuarial valuation (refer page 80).

2. Fair Value determined using current reporting period year end closing share price (refer pages 78 to 79).

3. The GFSP award was a once-off award made to the incoming CFO upon his appointment.

### LTIs vested and exercised during the reporting period

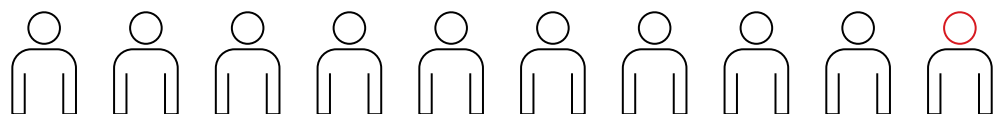
HEPS CAGR												
FY2019	Vesting Condition	Award Date	Vesting Date	Performance Measurement Years	Required for vesting	Achieved	% of Award vesting	Gains on options exercised & shares vested - R'000				
Award Type								SI Bird	MM Blair	MJ Stirton	SA Ellis	Total
Share Options	Performance Related	29-Nov-13	29-Nov-18	FY2018	6.3%	11.6%	100.0%	10 776	6 601	-	2 327	19 703
EFSP	Employment Related	29-Nov-13	29-Nov-18	FY2018	n/a	n/a	n/a	2 658	1 628	-	574	4 860
GFSP	Employment Related	29-Nov-13	29-Nov-18	FY2018	n/a	n/a	n/a	24 817	17 303	-	-	42 120
<b>Total</b>								<b>38 251</b>	<b>25 532</b>	<b>-</b>	<b>2 901</b>	<b>10 776</b>

ED Participation In Awarded LTIs (Closing Balances)	SI Bird	MM Blair	MJ Stirton <sup>1</sup>	SA Ellis
Mr Price Senior Management Share Trust (Options)	-	-	13 230	-
Mr Price Executive Share Trust (Options)	-	-	47 644	-
Mr Price Executive Director Share Trust (Options)	835 526	671 087	46 518	93 534
Mr Price Executive Forfeitable Share Plan (excl GFSP)	105 780	95 515	13 064	15 411
<b>Total</b>	<b>941 306</b>	<b>766 602</b>	<b>120 456</b>	<b>108 945</b>
% of share capital (ords & B ords)	0.36%	0.29%	0.05%	0.04%

1. '% of share capital' is calculated using total share awards received (inclusive of awards prior to CFO appointment).

## Value creation through partnership

Total Options and Shares Obligation	Number of Participants	Number of Options/Shares	
		Total	Lapsed
Partners Share Trust	13 897	4 119 899	
General Staff Share Trust	2 437	3 570 140	
Senior Management Share Trust	255	2 942 320	
Executive Share Trust	39	1 897 822	
Executive Director Share Trust	6	1 756 950	
Executive Forfeitable Share Plan	40	540 073	32 064
Group Forfeitable Share Plan	3	111 977	
<b>Total</b>	<b>16 677</b>	<b>14 939 181</b>	<b>32 064</b>



**13 897 participants**

# ACI Ownership

in the Partner Share Scheme is

# 98%

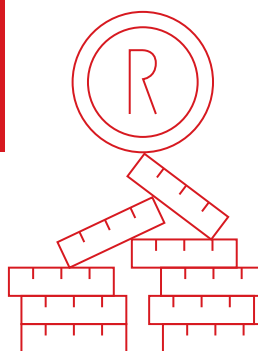


With an individual average value of

**R72 212** per associate



## Partner share trust dividends



**R187 million**

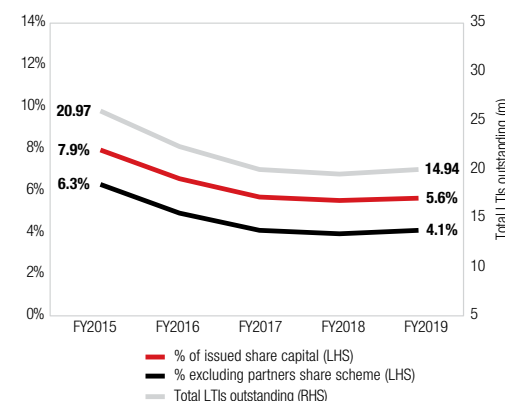
paid out in dividends since the inception of the scheme

**R22 million**

paid out in dividends during the last year

**R1 648**

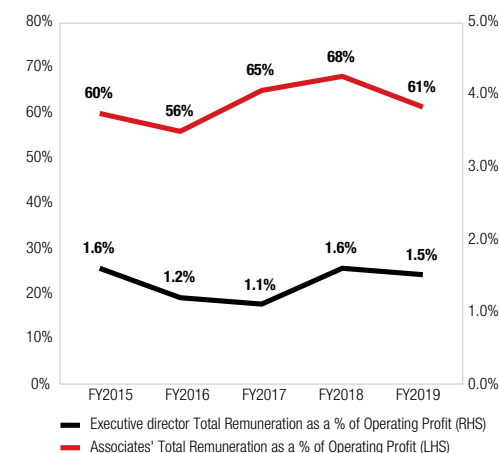
average total dividend received per associate on this scheme during FY2019



## LTIs outstanding versus issued share capital



## Remuneration as a % of operating profit



**Details of the interest of executive directors in long term incentives**

(Shares - Forfeitable Share Plans)

Executive Director	Position Held	Date of Award	Shares held at the beginning of the year	Shares awarded and accepted	Shares vested during the year	Share price at award date	Face Value (R'000)	Fair Value (R'000) <sup>3</sup>	Vesting / Exercise Date	HEPS CAGR% required for vesting <sup>4</sup>	Shares lapsed during the year	Shares held at end of the year
Mark Blair												
Mr Price Group Executive FSP (EFSP)												
EFSP Employment	CFO	29-Nov-13	6 334	-	6 334	R 156	-	-	29-Nov-18	-	-	-
EFSP Performance	CFO	29-Nov-13	-	-	Note 5	R 156	-	-	29-Nov-18	-	-	-
EFSP Employment	CFO	29-Nov-14	5 121	-	-	R 223	1 140	971	29-Nov-19	-	-	5 121
EFSP Performance	CFO	29-Nov-14	5 121	-	-	R 223	1 140	-	29-Nov-19	14.2%	5 121	-
EFSP Performance	CFO	22-Nov-15	5 967	-	-	R 200	1 193	1 131	22-Nov-20	-	-	5 967
EFSP Employment	CFO	25-Nov-15	5 967	-	-	R 200	1 193	1 131	25-Nov-20	14.3%	-	5 967
EFSP Employment	CFO	22-Nov-16	9 191	-	-	R 138	1 268	1 742	22-Nov-21	-	-	9 191
EFSP Performance	CFO	22-Nov-16	9 191	-	-	R 138	1 268	1 742	22-Nov-21	Note 2	-	9 191
EFSP Employment	CFO	28-Nov-17	7 047	-	-	R 188	1 327	1 336	28-Nov-22	-	-	7 047
EFSP Performance	CFO	28-Nov-17	7 047	-	-	R 188	1 327	1 336	28-Nov-22	Note 2	-	7 047
EFSP Employment	CFO	22-Nov-18	-	6 084	-	R 232	1 410	1 153	22-Nov-23	-	-	6 084
EFSP Performance	CFO	22-Nov-18	-	6 084	-	R 232	1 410	1 153	22-Nov-23	Note 2	-	6 084
EFSP Employment	CEO	20-Feb-19	-	16 908	-	R 210	3 548	3 204	20-Feb-24	-	-	16 908
EFSP Performance	CEO	20-Feb-19	-	16 908	-	R 210	3 548	3 204	20-Feb-24	Note 2	-	16 908
Mr Price Group FSP (GFSP)												
GFSP	CFO	29-Nov-13	67 315	-	67 315	R 156	-	-	29-Nov-18	-	-	-
			128 301	45 984	73 649	19 774		18 102			5 121	95 515
Stuart Bird												
Mr Price Group Executive FSP (EFSP)												
EFSP Employment	CEO	29-Nov-13	10 341	-	10 341	R 156	-	-	29-Nov-18	-	-	-
EFSP Performance	CEO	29-Nov-13	-	-	Note 5	R 156	-	-	29-Nov-18	-	-	-
EFSP Employment	CEO	29-Nov-14	8 334	-	-	R 223	1 855	1 579	29-Nov-19	-	-	8 334
EFSP Performance	CEO	29-Nov-14	8 334	-	-	R 223	1 855	-	29-Nov-19	14.2%	8 334	-
EFSP Employment	CEO	25-Nov-15	10 173	-	-	R 200	2 035	1 928	25-Nov-20	-	-	10 173
EFSP Performance	CEO	22-Nov-15	10 173	-	-	R 200	2 035	1 928	22-Nov-20	14.3%	-	10 173
EFSP Employment	CEO	22-Nov-16	15 917	-	-	R 138	2 197	3 017	22-Nov-21	-	-	15 917
EFSP Performance	CEO	22-Nov-16	15 917	-	-	R 138	2 197	3 017	22-Nov-21	Note 2	-	15 917
EFSP Employment	CEO	28-Nov-17	12 167	-	-	R 188	2 292	2 306	28-Nov-22	-	-	12 167
EFSP Performance	CEO	28-Nov-17	12 167	-	-	R 188	2 292	2 306	28-Nov-22	Note 2	-	12 167
EFSP Employment	CEO	22-Nov-18	-	10 466	-	R 232	2 426	1 984	22-Nov-23	-	-	10 466
EFSP Performance	CEO	22-Nov-18	-	10 466	-	R 232	2 426	1 984	22-Nov-23	Note 2	-	10 466
Mr Price Group FSP (GFSP)												
GFSP	CEO	29-Nov-13	96 546	-	96 546	R 156	-	-	29-Nov-18	-	-	-
			200 069	20 932	106 887	21 608		20 047			8 334	105 780

1. Once off award on appointment as CFO.

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 of R189.52.

4. HEPS CAGR % achieved was 8.8%.

5. Shares lapsed during previous financial year.



**Details of the interest of executive directors in long term incentives (continued)**

(Shares - Forfeitable Share Plans)

Executive Director	Position Held	Date of Award	Shares held at the beginning of the year	Shares awarded and accepted	Shares vested during the year	Share price at award date	Face Value (R'000)	Fair Value (R'000) <sup>3</sup>	Vesting / Exercise Date	HEPS CAGR% required for vesting <sup>4</sup>	Shares lapsed during the year	Shares held at end of the year
<b>Mark Stirton</b>												
<b>Mr Price Group Executive FSP (EFSP)</b>												
EFSP Employment	Fin. Director	22-Nov-16	785	-	-	R 138	108	149	22-Nov-21	-	-	785
EFSP Performance	Fin. Director	22-Nov-16	785	-	-	R 138	108	149	22-Nov-21	Note 2	-	785
EFSP Employment	Fin. Director	28-Nov-17	663	-	-	R 188	125	126	28-Nov-22	-	-	663
EFSP Performance	Fin. Director	28-Nov-17	663	-	-	R 188	125	126	28-Nov-22	Note 2	-	663
EFSP Employment	Fin. Director	22-Nov-18	800	-	-	R 232	185	152	22-Nov-23	-	-	800
EFSP Performance	Fin. Director	22-Nov-18	800	-	-	R 232	185	152	22-Nov-23	Note 2	-	800
EFSP Employment	CFO	20-Feb-19	-	4 284	-	R 210	899	812	20-Feb-24	-	-	4 284
EFSP Performance	CFO	20-Feb-19	-	4 284	-	R 210	899	812	20-Feb-24	Note 2	-	4 284
<b>Mr Price Group FSP (GFSP)</b>												
GFSP <sup>1</sup>	CFO	20-Feb-19	-	42 121	-	R 210	8 838	7 983	20-Feb-24	-	-	42 121
			<b>4 496</b>	<b>50 689</b>			<b>11 473</b>	<b>10 459</b>			<b>-</b>	<b>55 185</b>
<b>Steve Ellis</b>												
<b>Mr Price Group Executive FSP (EFSP)</b>												
EFSP Employment	Group Director	29-Nov-13	2 233	-	2 233	R 156	-	-	29-Nov-18	-	-	-
EFSP Performance	Group Director	29-Nov-13	-	-	Note 5	R 156	-	-	29-Nov-18	-	-	-
EFSP Employment	Group Director	29-Nov-14	1 817	-	-	R 223	404	344	29-Nov-19	-	-	1 817
EFSP Performance	Group Director	29-Nov-14	1 817	-	-	R 223	404	-	29-Nov-19	14.2%	1 817	-
EFSP Employment	Group Director	25-Nov-15	1 423	-	-	R 200	285	270	25-Nov-20	-	-	1 423
EFSP Performance	Group Director	22-Nov-15	1 423	-	-	R 200	285	270	22-Nov-20	14.3%	-	1 423
EFSP Employment	Group Director	22-Nov-16	2 190	-	-	R 138	302	415	22-Nov-21	-	-	2 190
EFSP Performance	Group Director	22-Nov-16	2 190	-	-	R 138	302	415	22-Nov-21	Note 2	-	2 190
EFSP Employment	Group Director	28-Nov-17	1 706	-	-	R 188	321	323	28-Nov-22	-	-	1 706
EFSP Performance	Group Director	28-Nov-17	1 706	-	-	R 188	321	323	28-Nov-22	Note 2	-	1 706
EFSP Employment	Group Director	22-Nov-18	-	1 478	-	R 232	343	280	22-Nov-23	-	-	1 478
EFSP Performance	Group Director	22-Nov-18	-	1 478	-	R 232	343	280	22-Nov-23	Note 2	-	1 478
			<b>16 505</b>	<b>2 956</b>	<b>2 233</b>		<b>3 310</b>	<b>2 921</b>			<b>1 817</b>	<b>15 411</b>

1. Once off award on appointment as CFO.

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 of R189.52.

4. HEPS CAGR % achieved was 8.8%.

5. Shares lapsed during previous financial year.

**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	Options / Shares held at the beginning of the year	Options / Shares awarded and accepted	Options exercised during the year	Option price of award	Gain on options exercised during the year (R'000)	Options / Shares held at end of year	Face value of options and shares (R'000)	Fair value of options <sup>2</sup> and shares (R'000) <sup>3,4</sup>	Vesting date	Expiry date for exercise
<b>Share Options</b>												
<b>Mark Blair</b>	CFO	22-Nov-13	68 770	-	68 770	R 152	6 601	-	10 449	-	22-Nov-18	22-Nov-23
	CFO	22-Nov-14	55 608	-	-	R 223	-	55 608	12 378	4 560	22-Nov-19	22-Nov-24
	CFO	22-Nov-15	64 784	-	-	R 200	-	64 784	12 957	3 905	22-Nov-20	22-Nov-25
	CFO <sup>1</sup>	22-Nov-16	224 539	-	-	R 138	-	224 539	30 986	10 825	22-Nov-21	22-Nov-26
	CFO	28-Nov-17	76 510	-	-	R 188	-	76 510	14 412	5 917	28-Nov-22	28-Nov-27
	CFO	22-Nov-18	-	66 058	-	R 232	-	66 058	15 312	6 503	22-Nov-23	22-Nov-25
<b>Total Options</b>			<b>490 211</b>	<b>249 646</b>	<b>68 770</b>		<b>6 601</b>	<b>671 087</b>	<b>135 017</b>	<b>45 356</b>		
<b>Total Shares</b>			<b>128 301</b>	<b>45 984</b>	<b>73 649</b>		-	<b>95 515</b>	<b>19 774</b>	<b>18 102</b>		
<b>Total M Blair</b>			<b>618 512</b>	<b>295 630</b>	<b>142 419</b>		<b>6 601</b>	<b>766 602</b>	<b>154 792</b>	<b>63 458</b>		
<b>Stuart Bird</b>	CEO	22-Nov-13	112 271	-	112 271	R 152	10 776	-	17 058	-	22-Nov-18	22-Nov-23
	CEO	22-Nov-14	90 486	-	-	R 223	-	90 486	20 142	7 421	22-Nov-19	22-Nov-24
	CEO	22-Nov-15	110 459	-	-	R 200	-	110 459	22 093	6 657	22-Nov-20	22-Nov-25
	CEO <sup>1</sup>	22-Nov-16	388 845	-	-	R 138	-	388 845	53 661	18 746	22-Nov-21	22-Nov-26
	CEO	28-Nov-17	132 102	-	-	R 188	-	132 102	24 884	10 215	28-Nov-22	28-Nov-27
	CEO	22-Nov-18	-	113 634	-	R 232	-	113 634	26 339	11 186	22-Nov-23	22-Nov-25
<b>Total Options</b>			<b>834 163</b>	<b>113 634</b>	<b>112 271</b>		<b>10 776</b>	<b>835 526</b>	<b>164 177</b>	<b>54 226</b>		
<b>Total Shares</b>			<b>200 069</b>	<b>20 932</b>	<b>106 887</b>		-	<b>105 780</b>	<b>21 608</b>	<b>20 047</b>		
<b>Total S Bird</b>			<b>1 034 232</b>	<b>134 566</b>	<b>219 158</b>		<b>10 776</b>	<b>941 306</b>	<b>185 786</b>	<b>74 273</b>		
<b>Mark Stirton</b>	Fin. Director	17-Jun-14	5 441	-	-	R 170	-	5 441	9 22	446	17-Jun-19	17-Jun-24
	Fin. Director	22-Nov-15	7 789	-	-	R 200	-	7 789	1 558	469	22-Nov-20	22-Nov-25
	Fin. Director	22-Nov-16	18 523	-	-	R 138	-	18 523	2 556	893	22-Nov-21	22-Nov-26
	Fin. Director	28-Nov-17	7 204	-	-	R 188	-	7 204	1 357	557	28-Nov-22	28-Nov-27
	Fin. Director	22-Nov-18	-	8 687	-	R 232	-	8 687	2 014	855	22-Nov-23	22-Nov-28
	CFO	20-Feb-19	-	46 518	-	R 210	-	46 518	9 761	3 458	20-Feb-24	19-Feb-26
<b>Total Options</b>			<b>38 957</b>	<b>55 205</b>	-		-	<b>94 162</b>	<b>18 168</b>	<b>6 679</b>		
<b>Total Shares</b>			-	<b>50 689</b>				<b>55 185</b>	<b>11 473</b>	<b>10 459</b>		
<b>Total M Stirton</b>			<b>38 957</b>	<b>105 894</b>	-		-	<b>149 347</b>	<b>29 641</b>	<b>17 137</b>		
<b>Steve Ellis</b>	Group Director	22-Nov-13	24 242	-	24 242	R 152	2 327	-	3 683	-	22-Nov-19	22-Nov-24
	Group Director	22-Nov-14	19 733	-	-	R 223	-	19 733	4 393	1 618	22-Nov-19	22-Nov-24
	Group Director	22-Nov-15	15 448	-	-	R 200	-	15 448	3 090	931	22-Nov-20	22-Nov-25
	Group Director	22-Nov-16	23 782	-	-	R 138	-	23 782	3 282	1 147	22-Nov-21	22-Nov-26
	Group Director	28-Nov-17	18 520	-	-	R 188	-	18 520	3 489	1 432	28-Nov-22	28-Nov-27
	Group Director	22-Nov-18	-	16 051	-	R 232	-	16 051	3 720	1 580	22-Nov-23	22-Nov-25
<b>Total Options</b>			<b>101 725</b>	<b>16 051</b>	<b>24 242</b>		<b>2 327</b>	<b>93 534</b>	<b>21 657</b>	<b>6 708</b>		
<b>Total Shares</b>			<b>16 505</b>	<b>2 956</b>	<b>2 233</b>		-	<b>15 411</b>	<b>3 310</b>	<b>2 921</b>		
<b>Total S Ellis</b>			<b>118 230</b>	<b>19 007</b>	<b>26 475</b>		<b>2 327</b>	<b>108 945</b>	<b>24 967</b>	<b>9 629</b>		
<b>Total Options</b>			<b>1 465 056</b>	<b>434 536</b>	<b>205 283</b>	-	<b>19 703</b>	<b>1 694 309</b>	<b>339 019</b>	<b>112 968</b>		
<b>Total Shares</b>			<b>344 875</b>	<b>120 561</b>	<b>182 769</b>	-	-	<b>271 891</b>	<b>56 167</b>	<b>51 529</b>		
<b>Total All Executive Directors</b>			<b>1 809 931</b>	<b>555 097</b>	<b>388 052</b>	-	<b>19 703</b>	<b>1 966 200</b>	<b>395 186</b>	<b>164 497</b>		

1. Includes retention awards.

2. IFRS 2 Fair Value Actuarial Valuation.

3. Fair Value determined using the year-end closing share price of R189.52.

4. Refer to pages 78 to 79 for details of forfeitable shares.

## Non-executive directors

Non-executive director fee increases of 6% (excl. VAT) for the 2019 financial year (effective 1 April 2018) were guided by CPI and aligned to the increase awarded to the majority of associates, divisional executives and executive directors.

With respect to the 2020 financial year (effective 1 April 2019), non-executive director fee increases were based on the custom benchmark survey conducted by PWC.

The majority of non-executive director emoluments fell within the tolerance bands at a total individual level and thus received fee increases of 5.5% (excl. VAT), guided by CPI and aligned to the increases awarded to head office associates, divisional executives and executive directors.

An above average increase was awarded to the Audit & Compliance Committee Chairman in order to align her remuneration to the peer group median in keeping with the group's long standing remuneration philosophy.

The shareholder resolution for the approval of non-executive director remuneration is in the AGM notice on page 155.

## Total emoluments for the year (Rand)

	Benchmark Title	Actual FY2019	% Annual fee increase*	Proposed FY2020
SB Cohen	Hon Chair	745 800	5.5%	786 819
NG Payne <sup>1</sup>	Chairman	1 491 600	5.5%	1 573 638
M Bowman <sup>4</sup>	LID	642 427	14.6%	796 402
MR Johnston <sup>6</sup>	Director	676 725	-3.8%	650 953
M Chauke <sup>2</sup>	Director	184 436	5.5%	534 463
K Getz	Director	618 725	5.5%	652 755
M Motanyane-Welch	Director	465 400	5.5%	490 997
D Naidoo	Director	815 050	8.9%	887 209
B Niehaus <sup>3</sup>	Director	639 250	5.5%	674 409
MJD Ruck <sup>5</sup>	Director	289 656	-	-
<b>Total</b>		<b>6 569 069</b>	<b>6.4%</b>	<b>7 077 294</b>

1. The board chairman's fee is an all-inclusive fee which includes committee membership.

2. M Chauke was appointed to the board effective 21 November 2018. Actual amounts displayed take into account the proportioned length of service.

3. The FY2019 Risk and IT fee for BJ Niehaus comprises the annual committee fee and an additional fee of R150 000-00 in respect of the added IT governance oversight responsibilities delegated to her by the board and committee.

4. M Bowman was appointed to Remnomco as a member and chairman on 29 May 2018 and 30 August 2018 respectively. Actual amounts displayed take into account the proportioned length of service.

5. MJD Ruck retired from the board effective 29 August 2018. Actual amounts displayed take into account the proportioned length of service.

6. MR Johnston is replaced by M Bowman as Lead Independent Director effective from 30 May 2019.

\* M Chauke's FY2020 fees are calculated by applying a 5.5% increase to the FY2019 main board member fee of 369 950.

\* M Bowman's FY2020 fees are calculated by applying a 5.5% increase to FY2019 Remnomco Chairman position of 188 575 and accounting for his appointment to LID in FY2020.

## Proposed non-executive director emoluments for FY2020

Main Board	Current	% Annual fee increase	New
	Actual FY2019		Proposed FY2020
Honorary Chairman	745 800	5.5%	786 819
Chairman	1 491 600	5.5%	1 573 638
Lead Independent Director	441 600	5.5%	465 888
Director	369 950	5.5%	390 297
<b>REMNMCO</b>			
Chairman	188 575	5.5%	198 947
Member	98 475	5.5%	103 891
<b>SETS</b>			
Chairman	150 300	5.5%	158 567
Member	95 450	5.5%	100 700
<b>Audit &amp; Compliance</b>			
Chairman	230 350	17.4%	270 350
Member	136 650	5.5%	144 166
<b>Risk &amp; IT</b>			
Member	119 300	5.5%	125 862
IT Specialist*	269 300	5.5%	284 112

\*The FY2019 additional fee of R150 000 in respect of added IT governance oversight responsibilities has been increased by 5.5% for FY2020 to R158 250.





# Social, Ethics, Transformation & Sustainability Committee Report

 Principles: 1 2 3 8 13 16

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



# Together We Do Good

The group's Together We Do Good sustainability journey continued in this year, with the following key interventions in the divisions:

## MRP Foundation:

**62** Early Childhood Development Centres in Hammarisdale and QwaQwa

**98** New primary MRP Foundation schools onboarded in 2019

**2 890** JumpStarters employed in 2019



**93.2%**

of associates promoted are from previously disadvantaged backgrounds

**ABSA Supplier Development award finalist:**



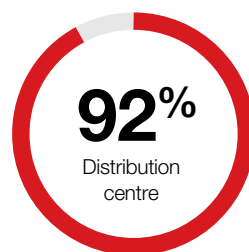
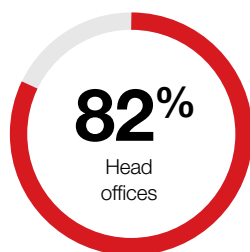
Cotton Programme

## Paperless administration

saved 2687km of paper



## Recycling rates:

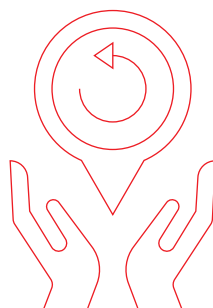


**1 561 tons**

of recycled plastic used as cushion inners

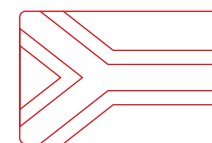
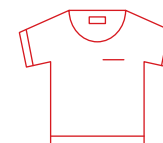
**24 tons**

of plastic packaging removed from duvet covers



**R9.5 billion**

worth of merchandise (83.6m units at retail cost) sourced from RSA suppliers in the 2018 calendar year. Local procurement represents 34.5% of total input units.



## B-BBEE

**Level 1** MRP Foundation

**Level 7** Group

**638** suppliers with active Supply Ethical Data Exchange (Sedex) membership

At least

**111 642**

workers involved in manufacturing product for the Group

**39 629**

workers involved in manufacturing product for the group in RSA factories



**Ethical Trading Initiative:**



Improver status maintained

**1 033**

new permanent jobs created in the group

**97.7%**

of new hirers are from previously disadvantaged backgrounds

**The Clothing Bank donation summary:**

Units





## 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](http://www.mrpricegroup.com). The committee members, their qualification and experience, number of meetings held and attendance at meetings is detailed in the board report on pages 49 and 54.

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, sustainable development and stakeholder relationships. It reviews and monitors the transformation and environmental practices and ensures the group creates shared value in the achievement of its vision and strategy in a responsible and ethical manner.

The group's desire to be a responsible corporate citizen is reflected in its purpose, which is to offer value to customers that in turn allows the unlocking of worth to partners (associates and suppliers) and meaningful contribution to communities and the environment in which it operates. The group believes unlocking worth to partners has a multiplier effect on customers and facilitates further sales and growth opportunities - doing good business now facilitates doing better business in future. The creation of shared value is enabled by incorporating social and environmental imperatives into the group's business strategy and ways of working (including group culture). This ensures these imperatives receive the required focus and resources and become integrated into the day-to-day business operations.

Further details on the group's vision, purpose and values can be found on page 9 of the report and the group's strategy is on pages 24 to 29.

### The key areas of focus for the reporting period were:

- B-BBEE and transformation with specific focus on preferential procurement and employment equity progress as well as remuneration fairness
- Consideration of the combined business and supplier code of conduct
- Environmental activations around reducing packaging with specific focus on single-use plastic
- Monitoring responsible sourcing and the corporate social investment carried out through MRP Foundation

The committee is satisfied it has fulfilled its responsibilities in accordance with its mandate for the 2019 financial year. The committee chair will be available at the AGM to answer questions relating to the committee's statutory obligations.



### What does sustainability mean to us

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



# Social

## Our customers

Customers are the focus of the group's purpose. Customer health and safety and consumer protection form part of compliance management for which the trading divisions are responsible. The customers' voices are valuable ones to which the group pays special attention.

A working committee has been established to execute the agreed communication plan that delivers the group's sustainability messaging to key stakeholders including customers. The objective of the committee is to ensure alignment and consistency of the messaging under the "Together We Do Good" banner across all relevant channels and media to drive awareness with identified stakeholders.

Customers continue to be engaged daily, both informally and formally, through various channels including social media, traditional marketing, customer call centre, interaction with store associates and participation in customer surveys. The group continues to strive to manage complaints effectively and efficiently, and the number of complaints referred by customers to the Consumer Goods and Services Ombud (CGSO) remains minimal.



## Our people

The group's dream is to see every associate deeply and personally connected to the vision and purpose and inspired to achieve way beyond what they thought possible. A youthful, happy and energetic work environment, unhindered by hierarchies and corporate bureaucracy where everyone is free to be their true self and diversity is celebrated. A high-performing organisation where everyone feels and acts like owners - leaving others wondering how.

Central to the group's values is to reward high performance and instil a culture of celebration and recognition. The group incentivises and rewards generously for exceptional performance, strongly encouraging the achievement of personal goals. Well-defined incentive targets are set annually with performance discussions conducted as required during the year. All associates within the Southern African Customs Union region are invited to participate in the group share or share option schemes after fulfilling the specific employment tenure requirements of that scheme. As these employees are part-owners in the group and we refer to them as partners or associates. Further details are contained in the remuneration report on page 77 and on the group's website.

The group uses every opportunity to celebrate team or personal achievements and reinforce the spirit of performance. Group results are presented to associates bi-annually. A highlight is the award of the group Running Man statue 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 is awarded to associates who have delivered exceptional performance or innovation during the year, thereby setting new standards and becoming role models.

### Associate 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.

### Associate development

#### Talent acquisition

Developing and retaining home-grown talent is a strategy that has served the group well and will continue to be the core focus. However, sourcing the right retail skills externally is increasingly important and the group constantly searches for and attracts top talent through the ability to offer an outstanding training ground for career retailers, a compelling working experience and the promise of exciting future company growth.

New associates attend induction programmes introducing their job-specific requirements and the group uses this opportunity to introduce the core values and benefits of belonging to our exciting working environment.

The stringent pre-employment assessments for store and key positions, including numeracy and behavioural attributes, ensure the required skill levels are maintained across the group.

## Talent management

The group offers outstanding career opportunities and associates are actively 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 the pool of retail talent across the group.

Close working relationships between managers and associates are valued and personal growth and career development is discussed with each associate annually. Line managers are responsible for ensuring these discussions result in meaningful development plans.

Succession planning in all divisions is actively monitored and a group succession plan is maintained to ensure the constant availability of high-quality managers and executives across the group. The recent internal senior promotions are a testimony to the strength and depth of the talent within our succession pipeline.

## Talent development

Recognising that attracting, developing and retaining world-class retailers is critical to our competitiveness and long-term sustainability, we strive to improve the quality and delivery of training in these critical areas through the MRP Academy. The academy's success is founded on specialist learning and development programme managers working closely with the faculty of internal subject matter experts who are instrumental in developing and facilitating business-focused learning interventions. These are delivered through instructor-led, e-learning and on-the-job interventions. With improvements in processes, systems and technologies, extensive training is conducted on new ways of working.

Our well-entrenched trainee buyer and planner programmes ensure a solid pipeline of critical merchant skills and a consistency of competence across the group. New trainee programmes for IT, location planners, store managers and logistics have been introduced in these critical areas.

Learnerships remain a critical part of the development strategy as they build the talent pipeline and give associates opportunities to gain a formal qualification. There were 458 associates registered on learnerships during the last financial year, 99% of whom were from previously disadvantaged backgrounds.

Key achievements per year	2019	2018	2017	2016
Investment in learning and development	<b>R40 821 945</b>	R36 654 735	R37 288 003	R34 783 011
Total annual number of hours allocated to learning	<b>202 077</b>	218 388	200 623	232 437
Average learning and development days per person	<b>1.3</b>	1.4	1.4	1.8
Previously disadvantaged individuals as a percentage of total participants in learning and development	<b>95%</b>	95%	95%	94%
Females as a percentage of total participants in learning and development	<b>69%</b>	72%	74%	73%
Previously disadvantaged associates as a percentage of total of associates trained through e-learning	<b>99%</b>	98%	97%	97%
Previously disadvantaged associates as a percentage of associates on learnerships	<b>99%</b>	97%	92%	93%

## Leadership development

The group recognises and rewards leadership innovation and leaders are encouraged to be forward-thinking in their approach while also building high-performing teams with positive and constructive attitudes. An entrepreneurial mindset is encouraged among managers as the foundation of the group's success as a progressive retailer and employer.

The group partners with credible training professionals and business schools, locally and internationally, to design and facilitate internal leadership programmes catering for peer group needs within the demands of our busy day-to-day working environments. The focus of the senior leadership development programme (LEAD) has been to equip the leaders with transformational people skills. The following leaders have attended LEAD thus far:

- LEAD Succession: 47 delegates in FY2019 and 44 delegates in FY2018
- LEAD People: 17 delegates (All senior People Leaders)
- LEAD Exec: 79 delegates (All senior leaders including the CEO)

The productive relationship with the Wholesale and Retail Sector Education and Training Authority (SETA) has led to numerous managers being selected for the SETA's International Leadership Development Programme and Retail Management Development Programme.

## Employee relations

Treating all associates fairly is at the heart of the company's values. The group is committed to a workplace free from discrimination, compliant with relevant labour laws and centred on open communication channels between managers and associates. This ensures workplace grievances are avoided or speedily resolved. The group is an active member of the National Retail Association which facilitates representation to the National Economic Development and Labour Council (Nedlac) and participation in discussions of national interest.

## Wellness

Group wellness initiatives, facilitated through our wellness forum, provide associates with access to services promoting individual health and well-being including financial wellness.

## Health and safety

Safe working practices are encouraged throughout our businesses. In the year under review no major associate or customer incidents were reported.

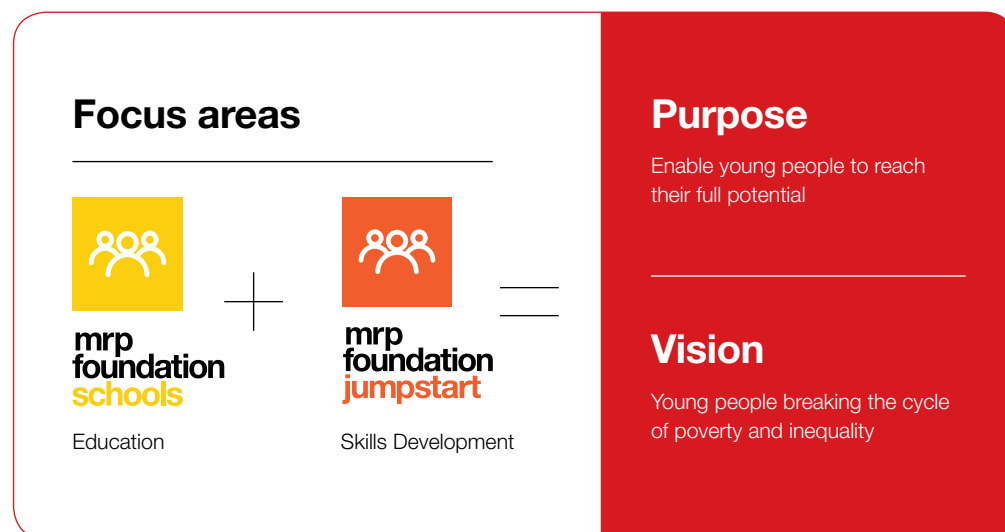


## Our communities

The group reinvests 1% of net profit after tax from its South African operations into the community through donations to MRP Foundation. The foundation is a registered non-profit organisation (with public benefit organisation status) established to focus on South Africa's youth development. Further details on the activities of MRP Foundation can be found at [www.mrpfoundation.org](http://www.mrpfoundation.org).

### What makes MRP Foundation different?

MRP Foundation attempts to find strategic solutions to positively impact the South African socio-economic landscape through implementing programmes that benefit children and youth. To achieve this, the MRP Foundation works with like-minded organisations that connect strongly on purpose. The programmes attempt to address systemic challenges while being realistic in delivery through the on-the-ground approach to implementation.



Key achievements of MRP Foundation	2019	2018	2017	2016	2015
% previously disadvantaged individuals participating in programmes	99%	99%	100%	100%	100%
Number of learners who have benefited from MRP Foundation school programmes (pa)	96 495	50 409	36 395	65 236	60 727
Number of young adults who have benefited from MRP Foundation JumpStart programmes	4 820	4 210	4 913	3 687	3 697
% JumpStart programme participants placed into jobs within 6 months	60%	45%	41%	49%	60%



**Educational environments where learner potential is unlocked.**

The holistic programme aims to cultivate education environments where children can learn effectively, supported by confident teachers in schools striving for excellence. The programme focuses on four key areas, namely school leadership and management, educator development, learner development and parent and community involvement.

Although, school performance and improvements to the education system remain the responsibility of the relevant school districts, the MRP Foundation Schools programme assists by establishing good practice examples with which the districts and provinces can engage.

The priority for this year was to identify and select additional primary schools for the further roll-out of the holistic schools programme. Twenty primary schools from QwaQwa, Hammarisdale, Tongaat, Soweto and eighteen from the Western Cape were selected after engagements with the respective district representatives. Formal commitments around the programme requirements were attained from the school principals.

### Achievement in FY2019

Progress indicators	QwaQwa	Soweto	Hammarisdale	Tongaat	Western Cape (Mitchell's Plain)
District Engagement	√	√	√	√	√
New Schools Selected	20	20	20	20	18
Principal On-boarding and Capacity Workshops	√	√	√	√	√
Principal Community of Practice Formed	√	√	√	√	√
School MOU Signed	√	√	√	√	√
LO Educators Capacity Workshops	√	√	√	√	√
2019 School Timetable incl. Physical Education	√	√	√	√	√

The focus for the year ahead is to successfully complete the implementation of year one of the five year model, which is aimed at building leadership capacity and educator content knowledge across all 98 schools in addition to the monitoring thereof.

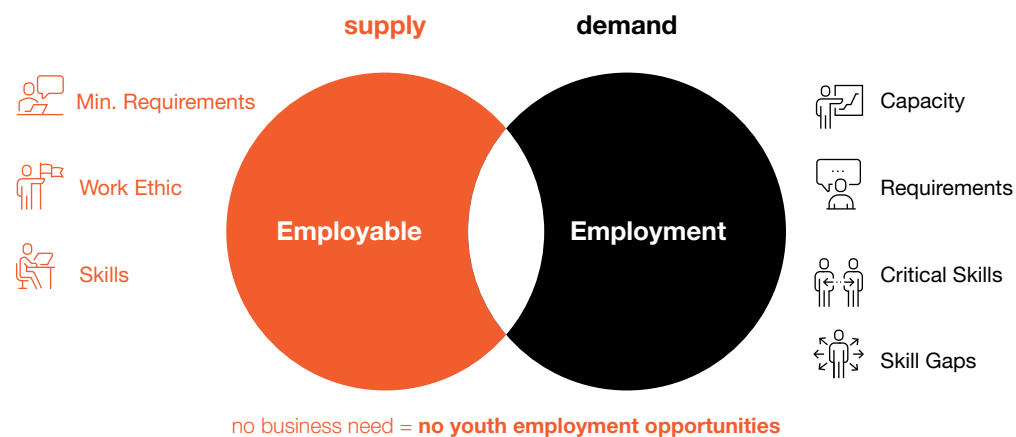




Skills development for  
unemployed youth.

Through demand-driven development, the work readiness programmes develop the skills of unemployed youth to bridge the gap between education and the requirements of the working world. By working closely with industry and through one-on-one partnerships with employer partners, JumpStarters are linked to career opportunities in retail and supply chain industries.

The diagram below reflects how demand from the group and other third party employer partners is matched to the supply of suitable JumpStart candidates for a career in the retail and supply chain industry.



Success is measured by how many people are employed, not trained, and the programme strives to achieve even higher employment rates after graduation. Programmes provide both employer partners and learners with a dynamic and versatile delivery of learning, specifically informed by and tailored to the demands of the industry.

Independent research carried out on the outcomes of the JumpStart Retail entry level programme, in terms of candidate personal development and perceived self-efficacy as well as suitability for employment in entry-level positions within retail, revealed the value of the JumpStart programme was recognised as JumpStarters are hired before other applicants. In addition, the life skills content was relevant to its audience and addressed the needs of young people from disadvantaged backgrounds looking for entry-level employment opportunities. The challenges remain similar to those reflected in the broader South African job market including inadequate English communication skills. This will be a focus area factored into the FY2020 plans. To attract youth to career opportunities in retail and its supply chains, greater attention will also be applied to communicating of these career opportunities to youth.

## Achievements in FY2019

# 4 664

JumpStarters completed work experience in Jump Start Retail entry level positions

**60%** Employment rate in retailers

# 76

JumpStarters completed the manufacturing programme

**99%** Employment rate in local manufacturers

# 17

JumpStarters completed the Professional Retailers programme

**88%** Employment rate retailers

# 7

JumpStarters completed the Pre-Production programme

**57%** Employed by suppliers

**43%** Self-employed





# Ethics



Living the group's long-standing beliefs of Passion, Value, Partnership, in every action every day, is the foundation of ethical behaviour and leadership throughout the group. They are part of the day-to-day activities of all associates from the chairman and the board (thus setting the tone at the top) to all store associates. These beliefs are a key input of the group's business model and influence strategy formulation and are the personality of the group. Further detail on the beliefs can be found on page 9. More information on ethical leadership is set out in the board report on pages 48 to 55.

Ethics is governed by the board and through delegation to the committee. In turn, the management of ethics is delegated by the committee to management. The group's approach to ethics is formalised in the group's Code of Conduct applicable to associates, directors, suppliers, service providers and persons acting on behalf of or representing the group. During the year, the standalone supplier Code of Conduct and the business Code of Conduct were consolidated into a single Code of Conduct to emphasise the alignment between what we expect of our business partners and associates.

The ethics officer monitors general ethics compliance and is supported by internal audit and external professional advisors where necessary. The group has an active whistleblowers' hotline for reporting fraudulent activity and behaviour contrary to the Code of Conduct. Matters reported through this channel are investigated and appropriate remedial action taken. Annually a declaration of compliance with the Code of Conduct is undertaken across the business, focusing on executive and senior management as well as associates who engage with and have the ability to influence relationships with suppliers or professional advisors. The outcome is reported to the committee and the Audit and Compliance committee (as part of its compliance oversight role) and any concerns investigated by the ethics officer and internal audit. This year the declaration was extended to include the board of directors. For the reporting period, no material ethical risks or issues were noted. Insignificant findings were dealt with by management as appropriate.

There is high level and frequent reporting on ethics to management through the quarterly governance and internal audit divisional board meetings attended by senior management of the trading and support service divisions, as well as to the board through the committee. This reporting includes statistics and trends regarding ethics issues reported to the fraud hotline, ethics feedback from group culture surveys, results of the annual Code of Conduct declarations and other material ethics issues.

## **The key areas of focus for the reporting period were:**

- Certification and appointment of a new ethics officer following the previous ethics officer's departure from the group
- Rolling out initiatives to increase awareness of the whistleblowers' hotline and the confidential and protected nature of the disclosures
- Publishing anti-bribery and corruption guidelines to provide guidance to associates on how to avoid or appropriately deal with requests for bribes and corrupt activity, particularly when travelling

## **Future areas of focus are:**

- Conducting an updated ethics risk assessment (ERA) given the leadership changes and adjusting the ethics framework as necessary
- Finalising the ethics strategy following the ERA
- Furthering whistleblower hotline awareness and
- Improving the ethics content of associate induction and training material





# Transformation

## B-BBEE

The group is committed to the spirit of transformation and achieved a final B-BBEE status of level 7 at the recent FY2019 verification.

An increased level of engagement took place with the local supplier base around meeting the requirements of the revised codes, contributing to an increase in the preferential procurement points, which positively impacted the level improvement. Preferential procurement continues as a focus area for the resource teams across the group with the objective to increase the level of supplier B-BBEE compliance, and therefore the preferential procurement score.

Element	Weighting Points	Points FY2018	Points FY2019
Ownership	25	12.62	12.24
Management control (includes employment equity)	19	5.49	5.98
Skills development	25	16.91	13.94
Enterprise and supplier development (includes preferential procurement)	40	18.88	21.97
Socio-economic development	5	4.87	4.58
<b>Total Points</b>	<b>114</b>	<b>58.77</b>	58.71
Compliance level achieved		Level 7	Level 7
Final B-BBEE status		Level 8	Level 7

## Ownership

The comprehensive analysis of the group's shareholding down to the individual shareholder level contributed to the points achieved under this element. Further points are attained as associates have the opportunity to share in the success of the business by participating in the Partners Share Scheme. Refer to the remuneration report on page 77 for additional information. The group's international shareholding of 48.4% does not attract B-BBEE ownership points.

## Enterprise and supplier development (includes preferential procurement)

### Supplier development

The group applies due diligence processes to ensure all 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 reigniting the local cotton-growing industry. Further



information on this programme to increase the economic wealth of black cotton farmers; the number of jobs created and improved cotton farming standards can be found on page 93.

### Enterprise development

The partnership with The Clothing Bank (TCB) now has a strong five-year history and continues to be a successful story of economic empowerment and win-win 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 amount of merchandise donated to TCB has increased significantly and now exceeds 1.7 million units since the inception in 2014. During the reporting period, over 929 entrepreneurs were supported by TCB's programme.

### Preferential procurement

Increased levels of B-BBEE compliance from South African suppliers remains a focus area. In addition, there is ongoing focus on finding suitable local manufacturing capacity, capability and competency to produce the required merchandise and address the need for local production. The efforts to support the local supply base are reported under the Value Chain section of this report. The group sourced 83.6 million units (worth R9.5 billion at retail cost) from South African suppliers during 2018.

### Socio-economic development

The group's strategic partnership with MRP Foundation provides young people with relevant work experience and skills, through JumpStart. Further information on MRP Foundation programmes can be found on pages 87-88.

### Management control and skills development (includes 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 top and senior management representation and critical and core positions across the group, meets regularly to discuss progress towards employment equity goals; identify and recommend steps to overcome barriers to affirmative action and ensure adherence to relevant legislation.

The group is in the second year of the 2018–2020 employment equity plan and progressing well towards achieving the 2020 target.

The group also participated in an unemployed learnership programme for 187 black disabled youth, in total, to facilitate skills development and hope for these young people in their bid to secure employment.

### Total workforce profile - March 2019

Occupational	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Occupational Levels											
Top management	1	-	1	10	-	-	-	4	-	-	16
Senior management	4	1	7	36	1	3	5	37	1	2	97
Professionally qualified	44	15	65	119	45	25	69	157	5	6	550
Skilled technical	703	156	180	98	2 073	693	355	366	7	12	4 643
Semi-skilled	2 840	354	115	20	7 750	1 379	333	79	9	21	12 900
Unskilled	32	1	1	-	63	2	-	-	-	-	99
<b>Total Permanent</b>	<b>3 624</b>	<b>527</b>	<b>369</b>	<b>283</b>	<b>9 932</b>	<b>2 102</b>	<b>762</b>	<b>643</b>	<b>22</b>	<b>41</b>	<b>18 305</b>
Temporary employees	68	9	4	1	185	25	7	1	-	-	300
<b>Grand Total</b>	<b>3 692</b>	<b>536</b>	<b>373</b>	<b>284</b>	<b>10 117</b>	<b>2 127</b>	<b>769</b>	<b>644</b>	<b>22</b>	<b>41</b>	<b>18 605</b>
ACI as % of total	Male			94%	Female			95%	Total		95%

### Disabled workforce profile - March 2019

Occupational	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Occupational Levels											
Top management	-	-	-	-	-	-	-	-	-	-	-
Senior management	-	-	-	-	-	-	-	-	-	-	-
Professionally qualified	-	-	-	1	-	-	-	-	-	-	1
Skilled technical	1	-	1	2	7	2	2	3	-	-	18
Semi-skilled	6	-	-	-	4	1	-	-	-	-	11
Unskilled	27	1	1	-	33	1	-	-	-	-	63
<b>Total Permanent</b>	<b>34</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>44</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>93</b>
Temporary employees	1	-	-	-	1	-	-	-	-	-	2
<b>Grand Total</b>	<b>35</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>45</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>95</b>
ACI as % of total	Male			93%	Female			94%	Total		94%



# Sustainability

## Value chain

The objectives of the value chain are to:

- Protect the value proposition through efficient and effective processes that enable an appropriate balance between price and quality
- Partner with suppliers to strengthen the ability to react to merchandise opportunities and customer demand through strong manufacturing capability that delivers good performance and
- Apply responsible sourcing and manufacturing practices by striving to reduce the environmental footprint and have a positive impact on the lives of factory workers

Key focus areas were efficient and effective sourcing and procurement practices and systems; partnerships with key suppliers to enable improved performance, development and alignment of skills and expertise of merchants and suppliers to build a more competitive and sustainable supply chain.

A new and improved Supplier Grading Tool categorises suppliers based on strengths and aligning sourcing decisions to strengths was developed and implemented. The tool creates the opportunity to identify which suppliers can be developed further to improve the grading category.

## Responsible sourcing

Responsible sourcing aims to instil transparent and ethical practices in the value chain. This means the people and environment within which production sites operate are respected and trade relations comply with national and international regulations and codes of good practice. To promote this, the group has committed to get visibility of manufacturing sites producing the products and to monitor and guide suppliers to ensure business practices and processes are ethical, compliant and respect the rights of workers and the environment within which they operate.

During this year, an abbreviated version of the group's Responsible Sourcing Framework and Implementation Guide was developed and shared with suppliers to instil the required standards at production sites. The group's Code of Conduct can be accessed on the website.

## Due diligence

The group's supplier on-boarding process was adapted to ensure new suppliers and manufacturing sites are subject to a due-diligence assessment aligned to the group's values and standards. The group's policy states no orders may be raised unless suppliers have satisfied the requirements of the due-diligence assessment including mandatory factory social audits and technical audits and/or capability assessments where necessary.

## Monitoring and capacity building

Activity	SADEC	ASIA
Social compliance audits	102	50
Technical (capacity and capability) audits	-	25
Number of workers in assessed factories	23 856	11 991
Whistleblower investigations	2	-
Supplier workshops	5	-

The group's whistleblower platform serves to create a channel of engagement for all stakeholders enabling anonymous feedback to be provided. During the year, two reports of worker grievances from production sites were investigated and corrective action plans were implemented. The relevant trading divisions are monitoring these plans and morale and productivity have improved at the sites.

The group tested a Factory Worker Reporting Tool to overcome barriers during social audit interviews. By using mobile technology of the Wider Direct Worker Reporting Tool, anonymous insights from 1 867 workers in 26 South African factories were gathered during this year, providing valuable insights on worker concerns. This information was shared with our suppliers and feedback provided to workers.

## Purchasing practices

Regular training is provided to merchant teams to ensure responsible buying practices are understood and applied. The group uses licenced training material aligned to the principles of the Ethical Trade Initiative (ETI) Base Code.

## Responsible consumption

The group aims to increase the use of sustainable raw materials and recyclable content in product and packaging and to reduce and/or reuse post-industrial and post-consumer textile waste. The group is implementing a number of interventions to utilise sustainable raw materials and is participating in various forums and industry discussions to unlock these opportunities at scale.

## South African Cotton Cluster

The group is the founding retail member of the SACC and committed not only to developing a secure raw material supply, but to also stimulate growth of cotton production among small-scale cotton farmers in South Africa. Through the work of the SACC, South African cotton lint production has increased from 6 245 tons in 2013/14 to 37 950 tons in 2018/19.

As part of the group's commitment to the growth of local cotton production, R3.9m in interest-free input loans was provided to 263 small-scale cotton farmers in 2018/19 who produced 552 tons of cotton lint flowing into locally produced T-shirts, towels and other products sold in our stores.

The knowledge gained through working with the cluster has encouraged the group to explore the procurement of sustainable cotton products beyond South Africa.

## Supplier development

The group has adopted a model supporting suppliers to achieve objectives like a stronger manufacturing capability; speed to market; improved delivery reliability; ethical supply and a lighter environmental footprint.

In FY2019 the group worked with eight key suppliers across trading divisions to assess adherence to lean manufacturing best practice and provide training to reduce production waste. In the year ahead, the focus is on each division compiling a supplier development strategy for direct supplier development.







## Environment

The group’s environmental commitment is routed in its purpose to add value to customers’ lives and worth to partners’ lives, while caring for the communities and environments in which we operate. This, together with the Sustainable Development Goals, forms the framework guiding the environmental values, commitments and partnerships. Understanding the impact on natural capital, as well as responding to that impact, is an ongoing journey. The primary environmental impacts occur in supply chains upstream of the retail store operations (with textile manufacturing and dyeing), while secondary impacts occur downstream when consumers interact with the products sold.

Retail environmental initiatives are focused on energy, fuel, water and waste targets. Packaging has become a new focus area given recent legal compliance requirements as well as increasing internal efficiency and better plastic consumption.

### Refuse, reduce, reuse, recycle

The group is committed to the global waste hierarchy of refuse, reduce, reuse and recycle.

A cross-sectional working group had been created to address packaging in the business. Internal and external engagement is ongoing with various stakeholder groups.

Recycling achieved	FY2017	FY2018	FY2019
Head Office	87%	79%	82%
Distribution centre	98%*	92%	92%

\*previous distribution centre (DC)

### Climate change

Climate change affects the retail industry throughout the value chain and 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. While climate change poses a serious risk to the way we do business and the communities in which we operate, there are opportunities for the group and our partners. Through this committee, the United Nations Global Compact 10 Principles are monitored, including Principle 8 which states businesses should undertake initiatives to promote greater environmental responsibility.

### Carbon footprint

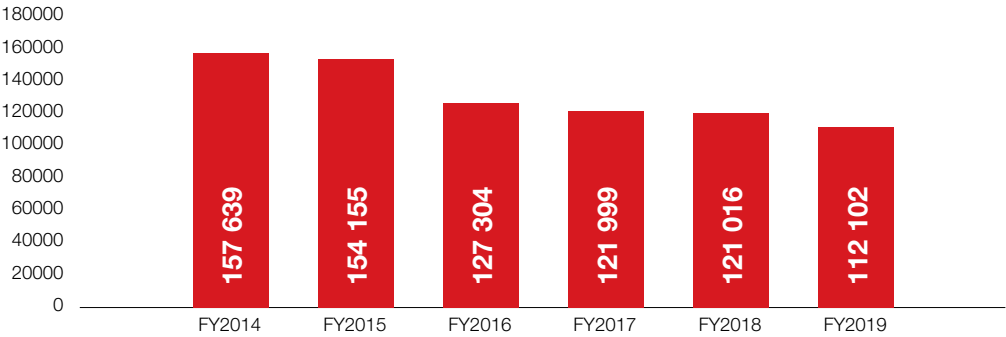
Ongoing monitoring of store-level energy use is implemented to drive the behavioural change required to reduce energy usage.

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

The group has invested in roof-top solar photovoltaic (PV) systems at the head office and Hammarsdale DC. Both units run successfully and have generated 1 591 250 kWh since inception.

The group's South African carbon footprint (tons of CO<sub>2</sub>e) based on Scope 1 and Scope 2 emissions, including stores, head offices and DC.

Mr Price Group carbon footprint scope 1 and 2



The FY2019 emissions have been influenced by the following:

- Change in the emission factor from 0.99 in 2018 to 0.97 in 2019
- Electricity load-shedding across the country.

Energy

Site	FY2018		FY2019	
	% of building's energy derived from solar	kWh	% of building's energy derived from solar	kWh
MRPG head office roof one	27.98	112 197	30.83	116 141
MRPG head office roof two	17.55	179 545	18.81	180 018
Hammarsdale DC	6.57	273 508	6.86	262 830
Total	10.12	565 249	10.82	558 989

Water

Water is a significantly impacted resource, both in South Africa and globally. The group's greatest water impacts are in its value chain, both upstream and downstream. The production processes of the clothing and textile industry have a substantial impact on water. Once the group has completed the mapping of its supply chains, it will be possible to measure the water footprint. Downstream, the consumer impacts water through interacting with the product. It is acknowledged increased awareness, at a customer level, can reduce water impacts. The group's direct water consumption is measured at head office locations.

Other activities

Through the shift to paperless administration at store level and the introduction of e-docket services, the group saved 2 687km of paper in FY2019 - the equivalent of driving from head office to the Mossel Bay store and back. Since inception, over 7 071km of paper has been saved.









 **mr pricegrouplimited**