Integrated Report

3 April 2022 – 1 April 2023

2023

mr price group limited

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Our Contents

QUICK ACCESS TO OUR CHAPTERS

Vision

To be the most valuable retailer in Africa

Purpose

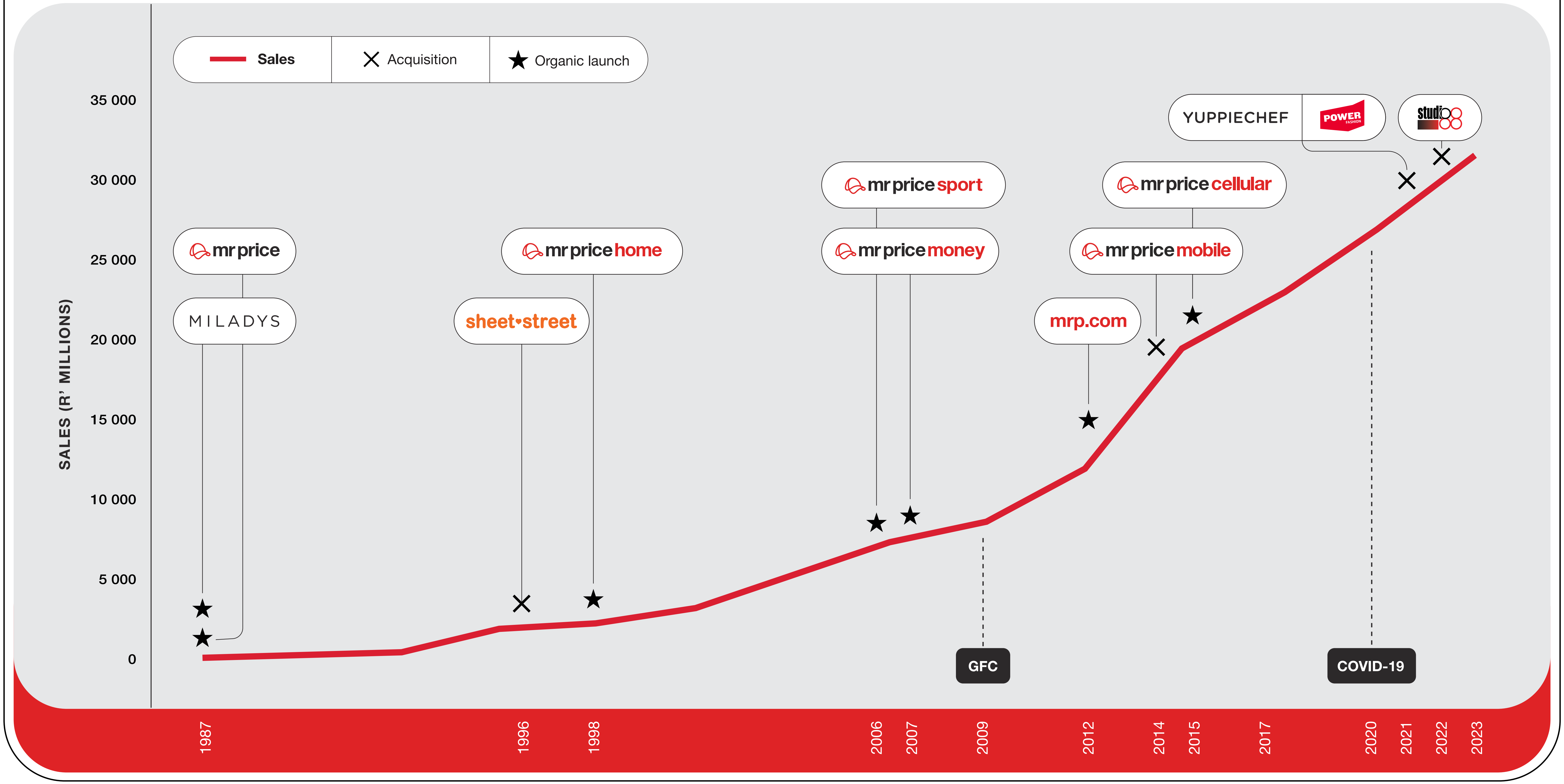
Your Value Champion

mr price group limited

A History of Building Brands

37 YEAR SALES CAGR

+17.5%



Our Integrated Report

Contents

CHAPTER 01

Our Integrated Report

FOR THE YEAR ENDED 1 APRIL 2023

Navigating our report

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We have pleasure in presenting the 2023 integrated report (this report) for Mr Price Group Limited and its subsidiaries (the 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 being Your Value Champion.

Your feedback

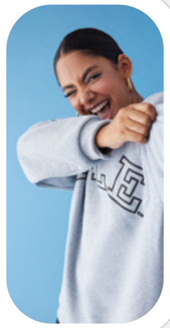
We value your feedback and encourage your input as we strive to continually improve our reporting. Feedback can be directed to: **klechman@mrpricegroup.com**

Our Reporting Suite

To support our commitment to holistic and comprehensive reporting, this report is supported by the following publications:

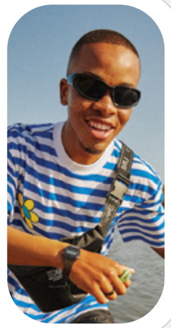
2023
Integrated Report
Details the group's integrated processes resulting in sustainable value creation for all stakeholders and outlines progress against strategy.

CONTENTS



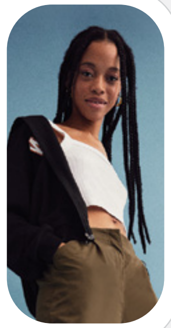
2023
Remuneration Report
Highlights the group's approach to fair, equitable and responsible remuneration and details its remuneration policy and implementation.

VIEW



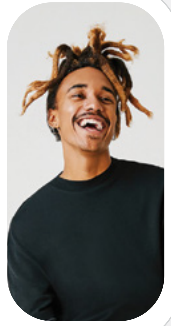
2023
Governance Report
Provides a comprehensive disclosure of the group's governance related matters including governance structure, processes and policies.

VIEW



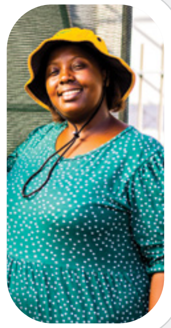
2023
Notice of AGM
Provides shareholders with supporting information for participation in the group's annual general meeting (AGM).

VIEW



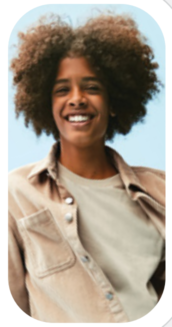
2023
Sustainability Report
Details the group's sustainability journey and achievements in the last financial year, and strategy to ensure a sustainable future.

VIEW



2023
Annual Financial Statements
Details the group's financial position and performance over the last financial year.

VIEW



OUR INTEGRATED REPORTING SUITE IS AVAILABLE AT WWW.MRPRICEGROUP.COM

Our Reporting Framework

Our reporting suite is in compliance with and has applied the following frameworks:

- International Integrated Reporting Framework (Integrated Reporting Framework)
- The Companies Act. No 71 of 2008, as amended (Companies Act)
- JSE Limited Listings Requirements
- King IV Report on Corporate Governance for South Africa 2016 (King IV™)*
- International Financial Reporting Standards (IFRS)

About Our Report

Our integrated reporting suite is developed to account for the information needs of the group's key stakeholders which include investors, shareholders, associates, suppliers, landlords, customers and community. The reporting suite details the group's business model, financial standing and performance, sustainability journey and achievements, governance processes and policies and remuneration policy and implementation, which combined work towards value creation for all our stakeholders.

Scope

This report provides a consolidated view of the group's performance for the 52-week period ended 1 April 2023. It includes the financial results of Mr Price Group Limited trading in South Africa, Botswana, Ghana, Lesotho, Namibia, eSwatini, Zambia and Kenya, as well as Mr Price Foundation, and income received from franchise operations trading elsewhere in Africa. It additionally includes the newly acquired operations of the Studio 88 Group which became effective on 4 October 2022.

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.

This report aligns with the requirements of the King IV™ and the International Reporting Framework ("Framework"). The Framework contains the six forms of capital that impact on value creation and diminution in a business. These comprise financial, manufactured, intellectual, human, social and relationship, and natural capital as outlined below.

The Framework requires organisations to report on the resources and relationships that it utilises or affects, and the critical interdependencies between them. The group is committed to integrated reporting and, as such, has adopted the Framework. In the **business model** on pages 65 - 66, we create value through the use of the six capitals. The group considers the trade-offs between the capitals when allocating capital resources and seeks to maximise positive outcomes.

Value Creation Through the Capitals

H **HUMAN**
The skill and experience vested in our associates that enables us to deliver our products and services and implement our strategy, creating value for our stakeholders.

I **INTELLECTUAL**
The intangibles that constitute our brand, product, processes, proprietary systems and service offerings which provide our strategic differentiation and competitive advantage.

M **MANUFACTURED**
The stores, warehousing, infrastructure and distribution network throughout Southern, East and West Africa, which enables us to source, import, deliver and sell our products and services.

F **FINANCIAL**
The group's pool of funds is predominately cash based (low gearing), generated from operations, interest income and funds reinvested.

S **SOCIAL AND RELATIONSHIP**
The key relationships cultivated with customers, suppliers, landlords, associates, shareholders, government and community.

N **NATURAL**
The natural resources used throughout our product and packaging supply chains, and in fixed capital formation.

Materiality

The board has approved a materiality framework which determines the process to identify **material matters** (refer to pages 97 - 106). Our report focuses on issues which the board and management believe are material to the group and could impact the group's ability to create and sustain value including the six capitals over the short, medium and long term. We have aimed to demonstrate the connectivity between these material matters and our business model, strategy, risks, key performance indicators, remuneration policies and prospects. The material matters are reviewed on an ongoing basis to ensure that they remain relevant and management assumes the responsibility for the approval of these material matters, which are then endorsed by the board.

All matters that are considered material to the business have been included in this report. These matters have been identified and prioritised after taking into consideration:

- Our business model, culture and values
- External factors that impact on the group's ability to create value in the short, medium and long term
- The retail industry cycle and its dependence on GDP, employment and credit growth
- 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
- South Africa's sovereign rating, political landscape and rule of law
- Volatility in key input cost drivers being commodities and exchange rates

Boundary

The boundary extends beyond the group to include the risks, opportunities and outcomes attributable to or 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 independent external auditor, Ernst & Young Inc. The disclosures within the **sustainability report** (pages 147 - 194) were verified by internal audit.

The board is satisfied with the level of assurance of the integrated report and does not believe that it should be subject to further external assurance. Any forecast financial information contained herein has not been reviewed and reported on by the group's external auditors, and has been produced with due diligence and care by management.

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**

Board Approval

The board approved this report on **30 June 2023**

The Audit and Compliance Committee has reviewed this report and recommended it to the board for approval. The board acknowledges its responsibility for ensuring the integrity of the 2023 integrated report and collectively applied its mind to the preparation process and reviewed and assessed the content of this report in accordance with the Framework.

The 2023 integrated report was approved by the board for release to stakeholders on **30 June 2023.**

Daisy Naidoo
INDEPENDENT, NON-EXECUTIVE DIRECTOR

Jane Canny
INDEPENDENT, NON-EXECUTIVE DIRECTOR

Keith Getz
NON-EXECUTIVE DIRECTOR

Lucia Swartz
INDEPENDENT, NON-EXECUTIVE DIRECTOR

Mark Blair
CHIEF EXECUTIVE OFFICER

Mark Bowman
LEAD INDEPENDENT, NON-EXECUTIVE DIRECTOR

Mark Stirton
CHIEF FINANCIAL OFFICER

Mmaboshadi Chauke
INDEPENDENT, NON-EXECUTIVE DIRECTOR

Neill Abrams
ALTERNATE DIRECTOR

Nigel Payne
CHAIRMAN

Steve Ellis
NON-EXECUTIVE DIRECTOR

Stewart Cohen
HONORARY CHAIRMAN

Value Creation Process

VISION

To be the most valuable retailer in Africa

HOW OUR REPORT DESCRIBES OUR VALUE CREATION PROCESS

Sustainable value creation relies on an evolving and sustainable business model through which the group is able to execute its strategy. This depends on the efficient utilisation of the six capitals in optimising business activities to create outcomes that meet the needs and expectations of our stakeholders. Fundamental to this process is the effective trade-offs made while maximising outputs to create stakeholder value and minimise the impact of waste on our communities. The group's strategy is influenced by its operating environment, its stakeholder engagement processes and the material matters, key risks and opportunities identified. Strong execution of the group's strategy is required in order for the group to deliver consistent financial returns and create long term, sustainable value for its stakeholders. This is guided by the group's robust governance framework and supported by King IV™ principles.

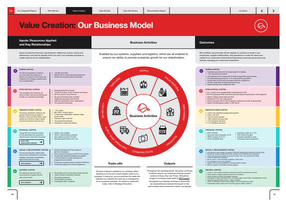
Guided by our Governance Framework

01

The Mr Price Way

The connection between the group's vision, purpose and its guiding values of passion, value and partnership.

View More



02

Value Creation through the Business Model

Value creation, preservation or erosion over time contributes to the increase, decrease or transformation of the group's capitals through its business activities and outputs.

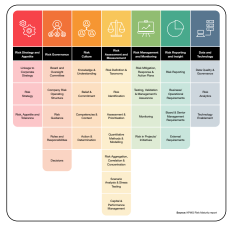
View More

03

Stakeholder Value Creation

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

View More



04

Risk Approach and Material Matters

The group's enterprise risk function identifies and develops mitigation activities and alerts executives to elevating risks beyond its appetite and tolerance to reduce impact on value creation. Material matters are the top-of-mind current and future challenges, risks and opportunities that have the most significant impact on the group's ability to enhance value to all stakeholders.

View More

05

Strategic Execution

The group's value creation is led by the successful development and execution of its strategy, which is measured against six key pillars.

View More

06

Performance and Results

Summary of performance demonstrating how the group's financial capital has been increased, utilised and transformed through its operating, financing and investing activities during the financial reporting period.

View More

Supported by King IV™ Principles

BUILDING A SUSTAINABLE BUSINESS MEASURED BY SUSTAINABLE DEVELOPMENT GOALS:

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

Who We Are

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CHAPTER 02

Your Value Champion

mr price group limited

Mr Price Way

VISION

To be the most valuable retailer in Africa

PURPOSE

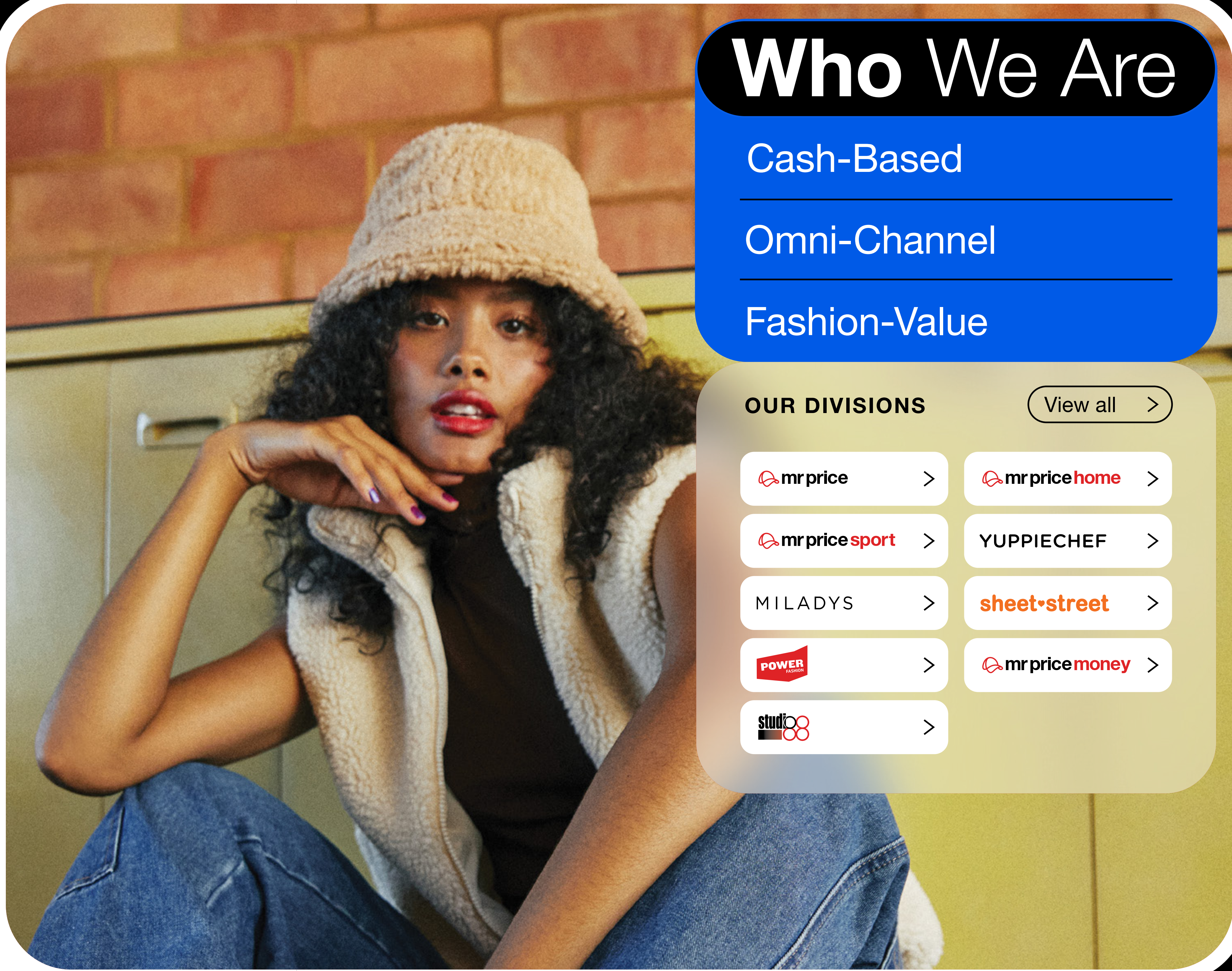
Your Value Champion

VALUES

Passion

Value

Partnership



Who We Are

Cash-Based

Omni-Channel

Fashion-Value

OUR DIVISIONS

View all

- mr price
- mr price home
- mr price sport
- YUPPIECHEF
- MILADYS
- sheet street
- POWER FASHION
- mr price money
- studio 88

ORGANISATIONAL OVERVIEW

Retail Sales & Other Income (RSOI)

R32.7bn

RSOI CONTRIBUTION

Apparel Segment	Home Segment	Financial Services & Telecoms
74.5%	19.2%	6.3%

2 702 stores | > 28 000 associates

South Africa	Africa
92.8%	7.2%

Where We Are

TOTAL OWNED STORES

2 702

Total gross traded area

1 132 662m^2

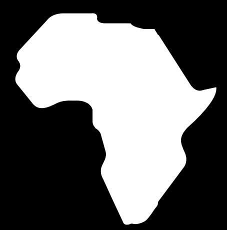
BY GEOGRAPHY

South Africa

2 487

Rest of Africa

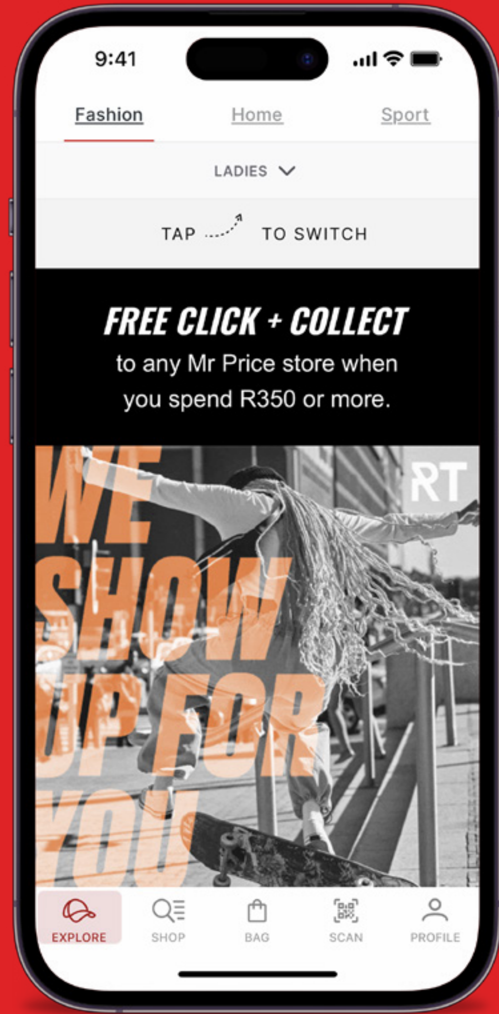
215



DIGITAL FOOTPRINT

2.5%

contribution to total retail sales



#1	ranked omni-channel fashion app in SA
66.8%	of Mr Price Apparel orders are click + collect
85.6%	of traffic driven by mobile

Why Mr Price

MARKET LEADERS IN FASHION-VALUE RETAIL

A business that aims to deliver the wanted item at great value and a satisfying all round experience.

Unrivalled long-term returns

The group is proud of its 37-year history of delivering shareholder value.

SEE PAGES 116 - 118

37-year HEPS CAGR: **18.7%**

37-year dividend CAGR: **20.0%**

Market leading metrics

Operating profit CAGR of 19.7% over 37 years indicates the stewardship of market leading metrics is an imperative built into the DNA of the group and continues to be central in its capital allocation decision making. As the group executes multiple growth opportunities, capital allocation becomes increasingly important to ensure the right investments are made and metrics are preserved.

Strong balance sheet

The group's strong balance sheet is the envy of the retail sector. Ungeared and with the highest return on capital employed (ROCE) over the last five years, it gives comfort in its ability to manage challenging retail environments and its agility to execute on new investments.

Defensive low-cost business model

Infrastructure fit for a value retailer. Every decision made every day must support its value roots. Mr Price Group has delivered the highest operating margin in South Africa over the last five years and has the lowest opex to sales ratio.

Omni-channel

- 2 702 stores
- Leading online platform in South Africa

Brand awareness

The Mr Price brand is one of the most loved and recognised across South Africa and was ranked by Kantar BrandZ as the #1 most valuable fashion apparel retailer in South Africa.

SEE PAGE 89

Cash-based business

A high contribution of 87.3% of sales are cash. The group's ability to generate cash is highlighted by its cash conversion ratio of 82.0%.

SEE PAGE 112

Fashion value

Attract, delight and surprise our customers with value price points for differentiated fashion items, while servicing everyday basics merchandise at every day low prices

ESG leadership

- Only fashion-value retailer in the FTSE/JSE Responsible Investment Top 30 Index
- Recognised by MSCI as an ESG "Leader" with an AA rating
- Low risk rated by Morningstar Sustainalytics

- For further ESG insights SEE PAGE 47
- For further detail on governance structure and processes SEE PAGES 119 - 146

together we do good.

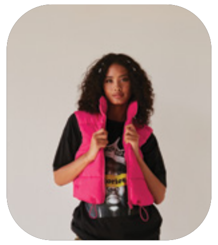
Stakeholder Engagement

The group's partnership value is taken seriously and it aims to be the leading retailer in engagement and delivery, recently being awarded the leading investor relations title in the consumer sector by Intellidex.

Our Divisions

Selling predominately private label merchandise, Mr Price Group's divisions provide customers with a diverse range of products, covering apparel, homeware, sportswear, financial and cellular services.

APPAREL



mr price

View

mr price sport

View

MILADYS

View

POWER FASHION

View

studio 88

View

% contribution to Retail Sales and Other Income **74.5%**

HOMEWARE

mr price home

View

YUPPIECHEF

View

sheet street

View

% contribution to Retail Sales and Other Income **19.2%**

FINANCIAL SERVICES & TELECOMS

mr price money

View

% contribution to Retail Sales and Other Income **6.3%**

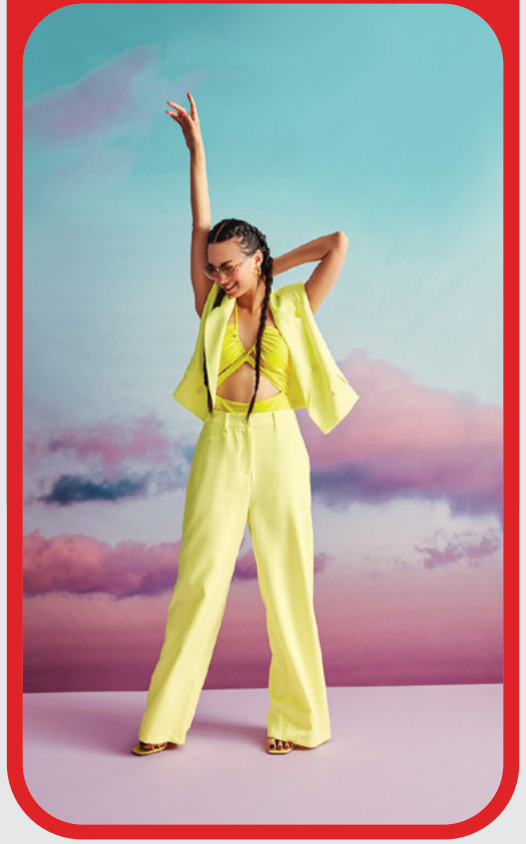
YOUR VALUE CHAMPION

APPAREL

mr price

Contribution

% GROUP RETAIL SALES AND OTHER INCOME



Who We Are

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

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

Where We Are

Stores

595

Average Store Size

721m²

Total Trading Area

428 909m²

Online WEBSITE | OUR APP | STORE TOUR

YOUR VALUE CHAMPION

Product Offering

Clothing, accessories, underwear, footwear and cosmetics.

Customer & Positioning

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

Sub brands

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

over 3.3m

FANS ACROSS OUR SOCIAL MEDIA PLATFORMS

APPAREL

mr price sport

Online

WEBSITE

OUR APP

STORE TOUR

YOUR VALUE CHAMPION

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

5.9%

Who We Are

Mr Price Sport makes an active, sport and outdoor lifestyle accessible to all of South Africa through its affordable sub brands below. Mr Price Sport's competitive pricing makes the brands accessible and a good fit for the budget-conscious consumer.

Maxed: Comprises equipment and apparel for fitness activities and key sport types.

Maxed Elite: Offers high-performance gear engineered to withstand intensive training and sport at the highest level.

Maxed Terrain: Encompasses everyday leisurewear, camping equipment and must-have outdoor gadgets.

Where We Are

Stores

169

Average Store Size

538m²

Total Trading Area

90 984m²

Product Offering

Sporting, outdoor and fitness ranges - all comprising footwear, apparel, equipment and accessories.

Customer & Positioning

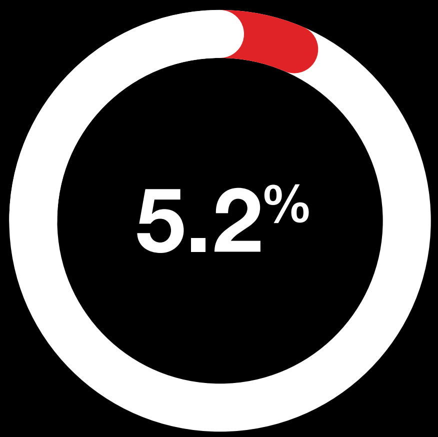
Our customer is the value-minded sports or outdoor enthusiast. With gear for infants, kiddies and adults, we aim to serve everyone who's fit, fun and forever young. Our value-focused, authentic sports offering appeals to the middle-to-upper-income earner.

Sub brands

maxed | maxed TERRAIN | maxed ELITE

Contribution

% GROUP RETAIL SALES AND OTHER INCOME



APPAREL

MILADYS

Online WEBSITE STORE TOUR

YOUR VALUE CHAMPION

Who We Are

We get women.

As a business, we employ over 1 500 women. And as women, we know what's important to our customers, so we interpret trends in a way that feels right for them.

From feminine dresses and versatile tops to good quality jeans that fit well and everything else a woman needs to build her wardrobe; all of our clothing is comfortable and carefully considered for real women.

Where We Are

Stores

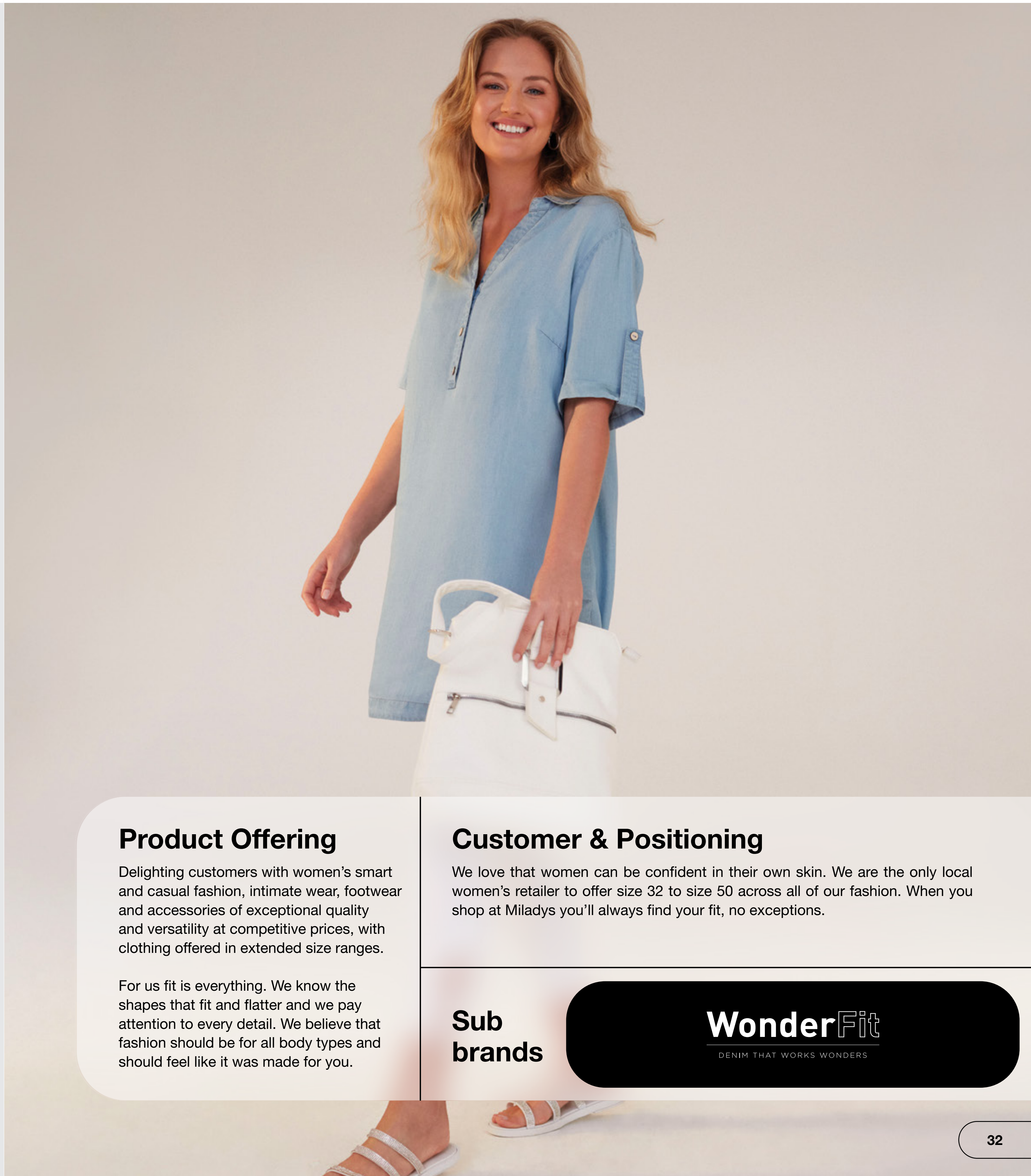
255

Average Store Size

295m^2

Total Trading Area

75 277m^2



Product Offering

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

For us fit is everything. We know the shapes that fit and flatter and we pay attention to every detail. We believe that fashion should be for all body types and should feel like it was made for you.

Customer & Positioning

We love that women can be confident in their own skin. We are the only local women's retailer to offer size 32 to size 50 across all of our fashion. When you shop at Miladys you'll always find your fit, no exceptions.

Sub brands

WonderFit
DENIM THAT WORKS WONDERS

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

6.6%

APPAREL

POWER FASHION

Online WEBSITE

YOUR VALUE CHAMPION

Who We Are

Power Fashion is a low priced fashion retailer, serving the needs of the whole household.

Located in the heart of our communities, the Power Fashion team works hard to deliver a product offering and shopping experience that delights our price-focused customer.

Where We Are

Stores

262

Average Store Size

362m²

Total Trading Area

94 937m²

Product Offering

Power Fashion:	Clothing, accessories, babywear, schoolwear, footwear, underwear, cosmetics.
Power Cell:	Mobile devices and accessories, value added services including airtime, data, electricity, DStv and bus ticketing.

Customer & Positioning

Power Fashion serves local communities throughout South Africa, Eswatini and Lesotho. We serve our purpose of helping people feel good about themselves, by working hard to deliver low priced fashion, directly to the people who need it most.

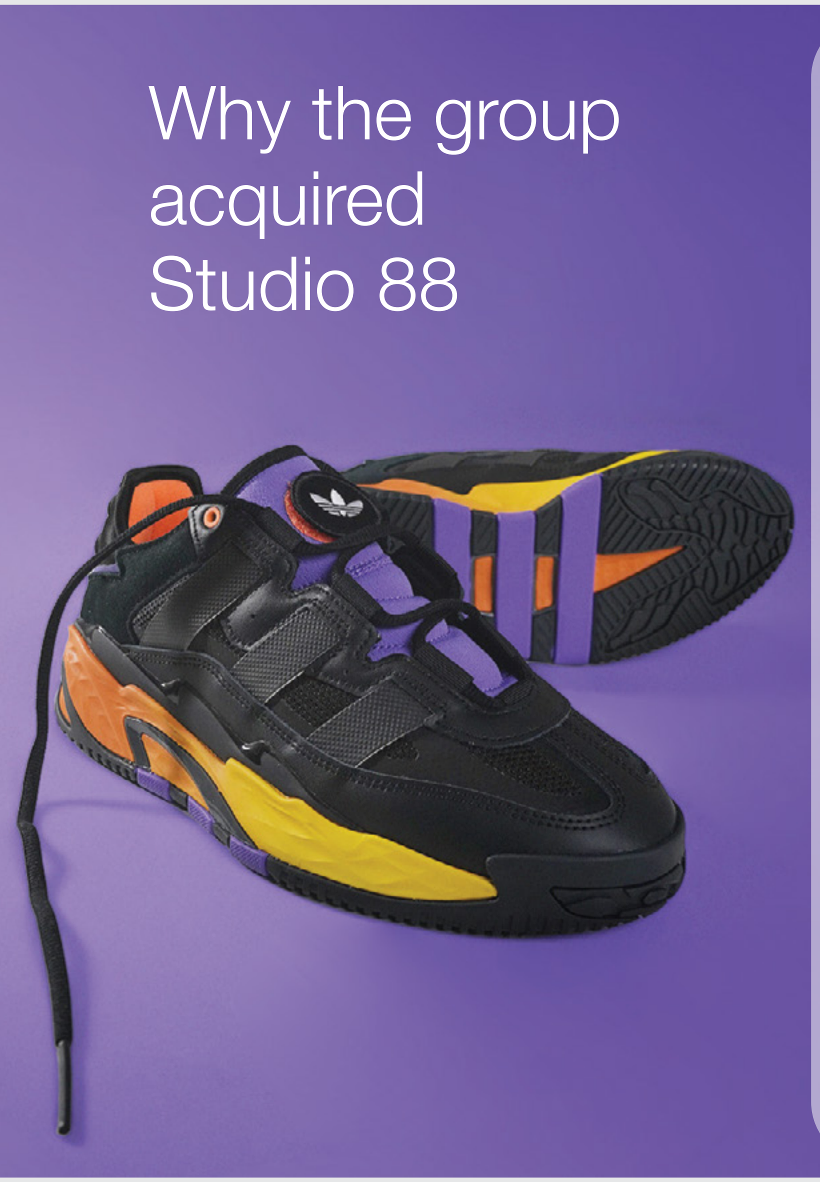
Sub brands

Power CELL

Studio 88

WELCOME TO THE GROUP

Why the group acquired Studio 88



The group's strategy is continuously informed by extensive research of the South African retail sector, enabling the identification of clear opportunities for both organic and acquisitive growth. The group's under-representation in the aspirational value segment within the apparel sector was highlighted as an attractive investment area.

The brands offered by the Studio 88 Group were found to not compete with Mr Price's existing customer and product positioning and, combined, would deliver on the group's strategic intent to capitalise on the aspirational value segment.

About Studio 88

The Studio 88 Group is the largest independent retailer of branded leisure, lifestyle and sporting apparel and footwear in South Africa. It is a founder-led business, which has operated in Southern Africa since 2001. It is a highly cash generative business operating on a cash-only basis, which contributes to its value positioning.

The Studio 88 Group has remained focused on consumers who make aspirational fashion choices, with a merchandise range comprising a mix of international brands, some of which are under exclusive license agreements, and private label ranges. The business operates through more than 800 stores, predominantly based in South Africa, positioned in central business districts, regional malls and rural high streets, and via its e-commerce platforms.

APPAREL

Studio 88 | Side Step | John Craig | Skipper Bar

Online | WEBSITE

YOUR VALUE CHAMPION

Who We Are

Studio 88 Group is South Africa's largest branded fashion clothing and footwear retailer. We make it our business to bring you the latest trends in sneakers, footwear and clothing at competitive prices.

We operate through a group of store formats which service different customer needs and products: Studio 88, Skipper Bar, Side Step, John Craig and Specialty which includes Aeronautica Militare, Paul & Shark and DMD Linea Italiana.

Stand out and be seen with Studio 88.

Where We Are

Stores

825

Average Store Size

238m²

Total Trading Area

196 730m²

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

Product Offering

Branded clothing, footwear, football supporters' gear and smart casual wear.

Customer & Positioning

Studio 88 Group has broad appeal to aspirational and trend conscious (predominantly male) customers across a wide range of age profiles and affordability levels.

Brands housed

Vans, The North Face, Sergio Tacchini, Superga, Side Step, ellesse, adidas, adidas, Levi's, Forcefield, Puma, Jordan, asics, Converse, Ewing, John Craig Skipper Bar, Volkswagen, Grey Wolf, FILA, le coq sportif, Nautic Spirit, Jockey, Nike

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

HOMEWARE

mr price home

Online

WEBSITE

OUR APP

STORE TOUR

YOUR VALUE CHAMPION

Who We Are

Mr Price Home's purpose is to make beautiful homes affordable and accessible to all homeware shoppers. We inspire by always showing up with something new ... new colours, new trends, new looks, new prints, new patterns and new displays.

We don't give our customers rules for interior design and decor, we give them tools to help create a home, a room, a space which reflects who they are, and what is important to them. We're passionate about creating and showcasing beautiful interiors which provide our customers with inspiration and ideas for their homes, while at the same time making choices that demonstrate our commitment to our people and our planet.

Where We Are

Stores

216

Average Store Size

799m^2

Total Trading Area

172 614m^2

Product Offering

Home textiles, decor, accessories, kitchen, dining, furniture and kids merchandise.

Sub brands

kidshome

PREMIUMRANGE

Customer & Positioning

Mr Price Home customers are aged 21 onwards, who love to express who they are and what is important to them through their homes.

From small apartments or shared living spaces, to large and luxurious homes, we appeal to a broad spectrum of consumers obsessed with the fact that there really is no place like home.

Design and decor is a passion and a pleasure for them and while they are fanatically trend aware, they are also value-minded, making Mr Price Home their first choice for homeware and furniture.

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

1.4%

HOMEWARE

YUPPIECHEF

Online

WEBSITE

STORE TOUR

YOUR VALUE CHAMPION

Who We Are

At Yuppiechef we believe that using the right product for the right task can make everyone's day a little better. Mornings are more rewarding if they start with crafting a perfect cup of coffee. Meal prep is more satisfying when armed with a chef's knife that balances beautifully in your hand. And there's peace to be found when collapsing into crisp bed linen at the end of a too-long day. We're always hunting out exciting new kitchen and home finds locally and internationally, looking to inspire ourselves and our customers, and growing our ranges. From knives, appliances and hard-to-find ingredients, to bedding, rugs and furniture, we've sourced and tested the best quality we can find, from brands and makers that we love.

Where We Are

Stores

14

Average Store Size

322m²

Total Trading Area

4 511m²

Product Offering

Kitchen, small appliances, table and barware, bed and bath, furniture and decor, outdoor and specialist food and drink.

Sub brands

YUPPIECHEF

HUMBLE + MASH

Jimmy Public

Sagenwolf

Customer & Positioning

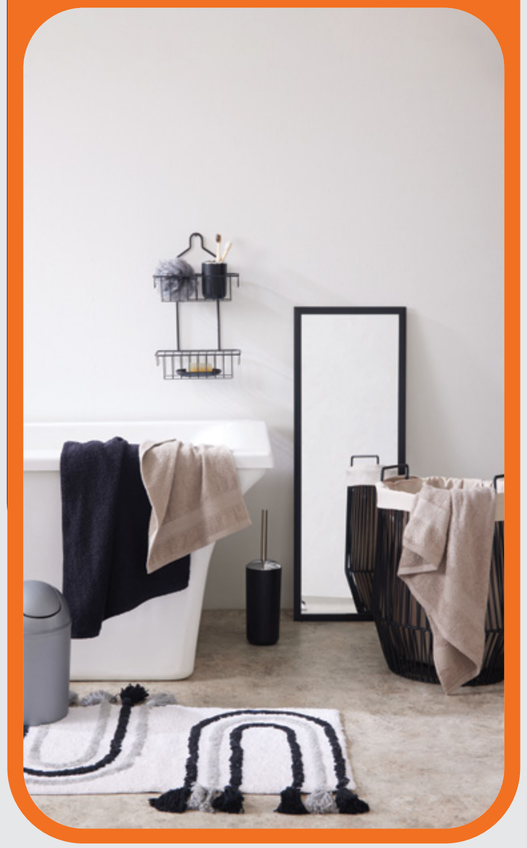
Yuppiechef's customers are those who know they deserve something more than average, and appreciate quality and detail. They are foodies who consider their love for coffee or wine or a good braai as one of their hobbies, who are constantly learning and expanding their skills and collection of tools, and who love the status they get from owning the newest and the best.

They are homemakers who show their love for their families by feeding them well. They are entertainers who take pride in how they present their kitchen and home to others. They are gift givers who appreciate the extra care and attention that a gift from Yuppiechef shows. Demographically they're most likely to be women in high-income households, aged 25 to 55.

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

5.1%



HOMEWARE

sheet•street

Online

WEBSITE

STORE TOUR

YOUR VALUE CHAMPION

Who We Are

Always there for you!

At Sheet Street we strive to be Your Value Champion in home textiles, offering a wide range of tasteful, affordable and wanted homeware products at exceptional value; allowing our customers to create the home they love and are proud of on a budget they can afford.

Where We Are

Stores

354

Average Store Size

192m^2

Total Trading Area

68 091m^2

Product Offering

A range of affordable home textile and decor products for bedroom, living room, bathroom, kitchen and dining room at exceptional value.

Customer & Positioning

Middle income consumers, family focused and responsible, looking to co-ordinate their homes tastefully and responsibly.

Contribution

% GROUP RETAIL SALES AND OTHER INCOME

6.3%

FINANCIAL SERVICES & TELECOMS

mr price money

Who We Are

We're all about providing convenient credit, insurance and cellular offerings to our highly engaged customers.

Our vision is to provide innovative and valuable ways of shopping and connecting for all our customers.

mr price money

Our aim is to offer customers a wallet filled with different payment types that will keep them on-trend and on-budget. Our six- or 12-month store card offering and lay-by facility enable customers to access our fashion, home and sportswear when they want it. We also reward customers for doing what they love - shopping on account with Insiders. Here, customers get extra benefits like free airtime, WhatsApp data bundles, shopping vouchers and more! What it comes down to, is creating a shopping experience that's meaningful and possible for everyone.

mr price insurance

What matters to our customers, matters to us. Our relevant and affordable insurance products are there to help put peace of mind within their reach and help settle their outstanding balances in the event of death, disability, retrenchment, or to replace their cellular devices in the event of theft, loss or damage, as well as a funeral plan and road accident cover.

mr price cellular

Mr Price Cellular is the go-to destination for deal-seeking, tech-savvy customers whose way of life is keeping connected. We do it by offering value and creating an experience. We've got it all - devices, packages, data and airtime across networks as well as our very own Mr Price Mobile (mobile virtual network operator).

Where We Are

Stores

12

Online WEBSITE

YOUR VALUE CHAMPION

Product Offering

Value, always! We deliver it through payment solutions that are relevant to our customers, insurance products that matter, all while keeping customers connected through a variety of cellular products at the best price in the market.

Customer & Positioning

Just like us, our customers love the Mr Price Group retail brands. They love fashion and finding great value. With a bit of help from us, they shop a combination of credit, lay-by cash and other tender types while being tech-savvy and staying connected via their smartphone devices.

Group Performance

FY2023

Share Price

R144

Source: Refinitiv Eikon

Market Cap

R37.0bn

Source: JSE quarterly index

Return On Equity

24.8%

Operating Margin

15.1%

#1 Ranked investor relations in consumer services

INTELLIDEX

#1 Ranked most valuable fashion apparel retailer in SA

KANTAR MILLWARD BROWN BRANDZ

Ungeared balance sheet

Net debt to EBITDA - lowest in sector

82.0%

Cash conversion ratio

Retail sales and other income	R32.7bn
South Africa as a % of total sales	92.8%
Cash sales as a % of total sales	87.3%

Omni-channel

2.5% online contribution to total sales

Units sold

283m

Increase in new weighted average space

17.6%

Total new stores

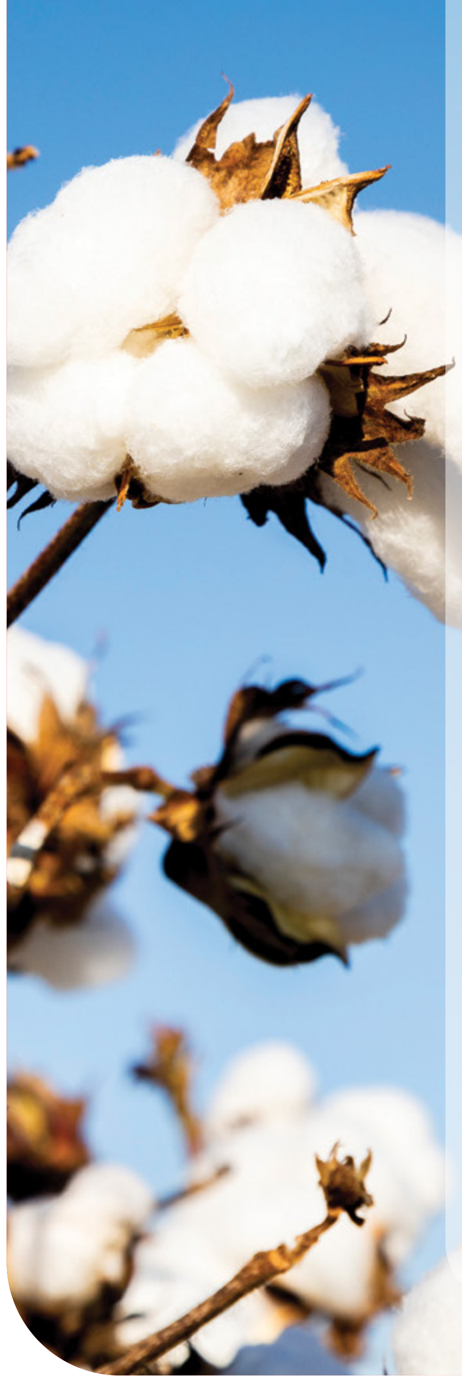
222

Sustainability Performance

Member of
Proudly South African

FY2023

VIEW MORE



Social

R23m donated to mr price foundation

758k items of clothing donated

3 543 previously unemployed youth employed by the group through JumpStart

97.6% tier 1 and 2 factory visibility

79.0% increase in digital learning hours by associates

Economic

Only fashion-value retailer included in **FTSE/JSE Responsible Investment Top 30 Index**

~ 35 000 jobs supported in local value chain

106.8m units procured locally

~ R5bn spent on RSA procured products

R31.2m invested in support of small and medium black-owned suppliers

Environmental

35.8m plastic shopping bags removed from circulation

40.6m products contain sustainable materials

100% of the distribution centre's water supply is harvested from rainwater

70.0% PV solar roof coverage at the distribution centre

1.6 tons of cardboard boxes recycled at the distribution centre

Sustainability Approach

The sustainability pillar of the group strategy is centred on the group's desire to be recognised as a relevant, ethical and sustainable company. The group believes strongly that environmental, social and governance (ESG) factors play a key role in protecting and influencing the other group strategic pillars and that its brand reputation, its ability to attract and retain key talent and investment, and building a sustainable value chain will positively impact the socio-economic landscape. The activities under the sustainability strategy are thus intentionally focused on interconnected areas to contribute towards the achievement of the most relevant United Nations' Sustainable Development Goals (SDGs) and secure a sustainable future for the business.

The group's broader sustainability activities are well entrenched across its business operations and the group is pleased that its focused efforts to improve measurement and disclosure of the impact of these activities through ESG indicators has been independently acknowledged by the group's continued inclusion on the FTSE/JSE Responsible Investment Top 30 Index and being recognised by MSCI as a "leader" in ESG, achieving an AA rating. Also, Morningstar Sustainalytics rated the group as "low" ESG risk and included the business in its list of 2023 Top-Rated ESG Companies, only one of two South African retailers to be recognised. On the social element, which, in the group's view, is the most relevant as a South African business, a "high quality" score was achieved from ISS. These achievements are proof that the group's activities are delivering impact in a relevant and meaningful way, and that a value retailer can achieve sustainability whilst living the purpose of being 'your value champion'.

ISS SUSTAINALYTICS MSCI

Sustainability Strategy

The group's value of partnership is at the centre of the sustainability strategy. By collaborating with key partners and stakeholders, environmental, social and economic value is created, enabled and protected for all stakeholders in a sustainable way. The phrase "Together We Do Good" reflects the group's sustainability purpose and is the guiding principle that informs core sustainability areas of focus and reflects the importance of achieving positive impacts through business operations.

The group's sustainability strategy is focused on material sustainability issues which have the most significant impact on its apparel and homeware retail operations in South Africa and across Africa. The three strategic sustainability pillars to deliver the purpose of "Together We Do Good" are environmental, social and economic. The sustainability framework (see image on the right) provides a visual representation of these pillars, the related objectives and the material SDGs to which these relate. In setting the strategy, the group considers the double materiality of social, environmental and economic risks and opportunities and incorporates all key elements of responsible corporate citizenship (workplace, economy, society, environment) as part of its sustainability strategy.

Under the environmental pillar, the primary objectives are to preserve natural resources and reduce and stabilise environmental impact. The main social objectives are associate wellbeing and development, quality education, youth development and social development in the value chain. The key economic objective is economic value chain development.

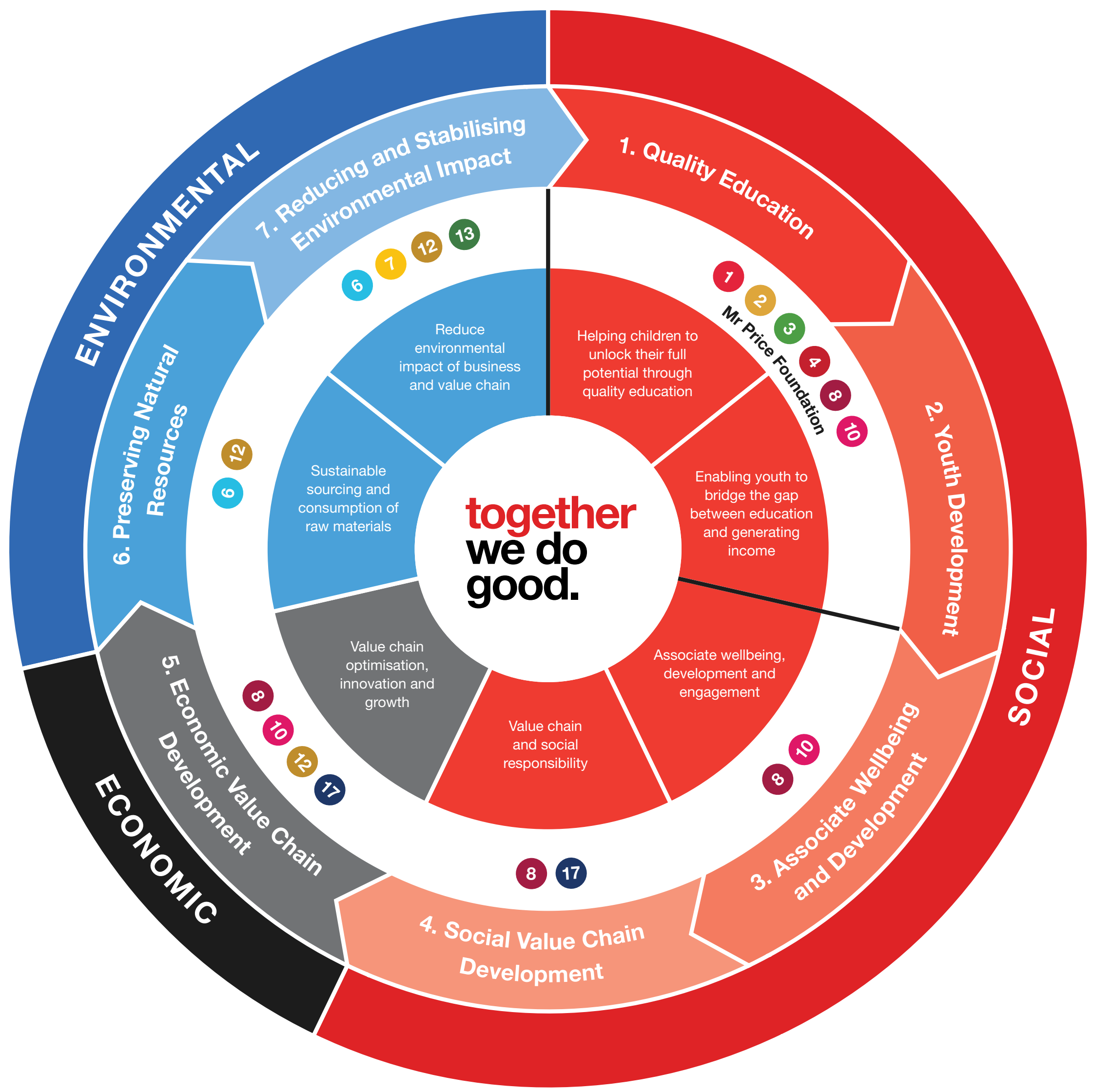
During the period under review, the group's ESG Centre of Excellence (comprising the functional areas of governance and sustainability), refined its approach to ensure its functional strategy is appropriately focused to deliver the Together We Do Good purpose through real impacts and additionality. The SDGs and the ESG disclosure themes in terms of the JSE's 2022 disclosure guidance documents were plotted on a materiality matrix defined by (i) relevance to apparel and homeware retail generally, and (ii) importance to the Mr Price business and vision having regard to impact and financial materiality. This process identified the group's sustainability priorities and confirmed that the strategic pillars, objectives and activities to deliver these are correctly focused to deliver impact.

together we do good.

Sustainability Strategy

SUSTAINABILITY STRATEGY PILLARS:

Environmental | Social | Economic



The primary SDGs which the group considers material and aims to impact directly are:

6 CLEAN WATER AND SANITATION · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 17 PARTNERSHIPS FOR THE GOALS

The primary SDGs which Mr Price Foundation considers material and aims to impact directly are:

1 NO POVERTY · 2 ZERO HUNGER · 3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

To access pages mentioned in the tables, see sustainability report.

MR PRICE GROUP'S PRIMARY SDGs

SDG	The operations of Mr Price Group had the following direct impact on the SDGs
6 CLEAN WATER AND SANITATION	• 1.3 million units of products made using less water through cleaner production methods • 29.9 million units sourced comprising sustainable cotton and forestry standards contributing to sustainable management of water See page 184 for further detail.
7 AFFORDABLE AND CLEAN ENERGY	• Investment in renewable energy technology at the distribution centre (DC) (70.0% roof coverage) and head office sites • 184 381 units sourced were made using energy saving technologies See pages 184 and 190 for further detail.
8 DECENT WORK AND ECONOMIC GROWTH	• Increased procurement in South Africa contributed to growth of 19.4% sustaining approximately 35 000 jobs See pages 153 - 154, 178 and 180 for further detail.
10 REDUCED INEQUALITIES	• The group's employment of 99% ACI associates and its investment in the development of previously disadvantaged groups aims to assist in the reduction of inequalities within South Africa • R31.2 million issued in loans to six black-owned small and medium suppliers to assist in raw material procurement at preferential rates resulting in sales growth of 19.5% and 9% increase in employment See pages 176 - 178 and 182 for further detail.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• 40.6 million units sourced from sustainable raw materials, products made with more responsible manufacturing practices and cleaner production methods • 35.8 million single-use plastic shopper bags removed from circulation See pages 186 - 188 for further detail.
13 CLIMATE ACTION	• Since 2014 the group has reduced its carbon footprint by 33.0% • Undertaken risk and scenario planning, and the development of a climate change framework, strategy and reduction targets are underway See pages 183 and 189 for further detail.
17 PARTNERSHIPS FOR THE GOALS	• Group works with 14 membership organisations and five NPOs • The group is signatory to key initiatives to promote a collective approach to achieving SDGs See page 152 for further detail.

MR PRICE GROUP'S SECONDARY SDGs

SDG	The operations of Mr Price Group had the following indirect impact on the SDGs
3 GOOD HEALTH AND WELL-BEING	• By prioritising health and safety compliance among suppliers, the group indirectly impacted the health and safety of workers and achieved a 92.6% critical health and safety factory compliance See pages 170 - 171 for further detail.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Through its commitment to increase local production in South Africa, the group works with key suppliers to increase capacity and capability by investing in technology and infrastructure that will enable growth and foster innovation See pages 179 - 182 for further detail.
14 LIFE BELOW WATER	• By recycling 43.0% of waste (head office) and removing 35.8 million single-use plastic shopper bags, the group indirectly reduced plastic pollution supporting the conservation of marine systems See pages 185 and 193 for further detail.
15 LIFE ON LAND	• By promoting reduction in paper usage at stores, recycling 43.0% of waste at head office and responsibly sourced paper and cardboard procurement, where possible, the group supports sustainable management of forests and the reduction of virgin paper • By promoting the use of sustainably grown raw materials in its products, the group helps to prevent biodiversity loss See pages 184 and 192 for further detail.

MR PRICE FOUNDATION'S PRIMARY SDGs

SDG	The activities of Mr Price Foundation had the following direct impact on the SDGs
1 NO POVERTY	• 62 401 learners from low income communities directly benefit from the foundation's education programmes • 4 330 youth employed from the JumpStart programme See page 157 - 159 for further detail.
2 ZERO HUNGER	• HandPicked programme directly impacts the lives of 30 agripreneurs and homegrowers and their families • Over 1.0 tons of fresh produce harvested from HandPicked hubs See pages 157 and 159 - 160 for further detail
3 GOOD HEALTH AND WELL-BEING	• Growers from Mr Price Foundation's HandPicked programme, and their families, have access to better nutrition through fresh produce See pages 159 - 160 for further detail.
4 QUALITY EDUCATION	• 62 401 learners receive quality education at 97 schools supported by Mr Price Foundation • The foundation funded interventions that support 484 members of school management and leadership with capacity building and mentoring programmes and 1 800 educators through training, mentorship and peer collaboration See pages 157 - 158 for further detail.
8 DECENT WORK AND ECONOMIC GROWTH	• Mr Price Foundation developed industry skills of over 4 933 previously unemployed youth of which 3 543 were employed by the group and a further 787 by programme partners and elsewhere See pages 157 and 159 for further detail.
10 REDUCED INEQUALITIES	• Mr Price Foundation prioritizes interventions that benefit children and youth from previously disadvantaged and low-income communities See pages 157 - 160 for further detail.

ESG Obligations and Disclosure

The reporting frameworks which are taken into consideration, to inform and guide the group's disclosure of sustainability activities are:

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Sustainable Development Goals (SDG) Disclosure Recommendations
- FTSE Russell's ESG Scores and data model indicators
- JSE Sustainability and Climate Disclosure Guidance documents
- Sustainability Accounting Standards Board
- Task Force on Climate-related Financial Disclosures (TCFD)
- Value Reporting Foundation's Integrated Reporting Framework

The group has a clear roadmap over the next few years to increase measurement and reporting on indicators, which are both relevant and material to its operations and stakeholders, and align to the frameworks against which we disclose. The group is also monitoring disclosure developments following the formation of the International Sustainability Standards Board (ISSB) announced at COP26 in November 2021. Other areas of progress that the group is observing include the Taskforce on Nature-related Financial Disclosures.

Key Sustainability Activities

Key strategic sustainability activities during the year include:

- Conducting a gap analysis to identify key ESG indicators for reporting in line with the JSE's Disclosure Guidance documents
- Assessing the risks and potential scenarios of climate change impact on the business and developing a plan to mitigate these (aligned to TCFD requirements)
- Developing a scope 3 baseline that forms the basis of establishing targets for carbon emission reductions (in addition to scope 1 and 2)
- Assessing the availability and commercial viability of key sustainable materials and establishing an action plan to increase sustainable material content in products sourced by trading divisions
- Conducting a baseline assessment on all packaging items and establishing targets to reduce, reuse and recycle packaging
- Establishing a South African supplier development cluster to support the strategic development of key suppliers for in-season trading
- Integrating sustainability measurement and objectives (as appropriate) for Yuppiechef and Power Fashion
- Developing annual divisional and group targets (key performance indicators) that support key strategic sustainability objectives and ongoing monitoring and reporting of progress against targets
- Setting defined ESG scorecard measures which comprise 20% of executive and divisional director conditional rights under the long-term incentive plan (refer to pages 208 - 209 of the remuneration report)
- Hosting the group's first investor engagement session outlining key ESG activities with specific focus on social activities
- Acquisition of Studio 88, which includes the group's first vertically integrated apparel manufacturing operation
- Specific loan support to six black-owned suppliers (see page 181 of the sustainability report) for Argento Trading case study)

Notable outcomes from operational activities for the reporting period include:

- 106.8 million units manufactured in South Africa with a spend of R5 billion supporting over 35 000 jobs
- R31.2 million invested in supporting small black-owned companies
- A further 35.8 million single-use shopper bags removed from circulation
- 40.6 million products contain a sustainable material attribute
- 100% of Hammarsdale DC's water supplied from harvested rainwater
- 70.0% solar PV roof coverage at the DC
- 1.6 tons of cardboard boxes recycled at the DC
- 758 336 items of clothing donated to support 1 042 entrepreneurs
- No material ethics matters reported
- R22 million invested in youth development through Mr Price Foundation
- 4 330 job placements through the JumpStart programme (Mr Price Group, programme partners and elsewhere)
- R9.7 million invested in providing quality foundational education through Mr Price Foundation's EduRise programme
- 92.6% of factories are critical health and safety compliant

For performance against key FY2023 sustainability targets, refer to the sustainability performance table on pages 153 - 154 of the sustainability report.

Refer to page 149 of the sustainability report for future focus areas.

Value Creation

Contents

CHAPTER 03

Your Value Champion

mr price group limited

Operating Environment

The retail environment and the state of the consumer is significantly impacted by the stability of global and domestic markets.

Ongoing global volatility and uncertainty has produced a challenging operating environment for Mr Price Group and its stakeholders. Despite the difficult economic conditions, the group's unique fashion-value model creates the resilience needed that enables it to turn adversity into opportunity.

Global Economy

During the 2023 financial year, the challenging operating environment was attributed to global uncertainty and instability which is forecast to continue through the 2024 financial year. This volatile environment is largely due to geopolitical tensions, trade disputes and regulatory changes. These factors have increased pressure on already elevated inflation rates, challenging central banks across global markets as they endeavoured to counter inflation and bring relief to heightened household financial constraint.

Trading conditions are expected to remain challenging through 2023 and 2024 for consumers and businesses. The IMF outlook on global growth remains pessimistic and is expected to decrease to 2.9% in 2023 from an already low 3.4% in 2022. The IMF predicts a decline in global inflation to 6.6% in 2023 and 4.3% in 2024, a significant relief from the 8.8% observed in 2022, but elevated in comparison to pre-pandemic levels of 3.5%. Inflation is expected to peak in 2023, and only then is the road back to a full recovery, with sustainable growth and stable prices anticipated.

South African Economy

Similarly to the global environment, South Africa has experienced a year of many challenges that has added pressure to an already fragile economy. Inflation in the country rose outside of the South African Reserve Bank's (SARB) target and reached a high of 7.8% in 2022. To counter this, interest rates rose 350bps over the reporting period. Further hampering economic growth in the country is the energy crisis and resultant loadshedding (power blackouts) by the state-owned utility as it struggles to meet electricity demand off the aging and deteriorating coal-based infrastructure. This has had a material impact on businesses in the country, adding unforeseen costs to business operations through backup power and alternate energy solutions. The fragility and uncertainty of the power grid has negatively impacted real GDP growth, falling from 4.9% in 2021 to 2.0% in 2022. SARB's forecast for 2023 is muted at 0.2% as the frequency and quantum of loadshedding is anticipated to increase through the year.

South African Retail

The retail sector in South Africa has battled many challenges since the pandemic, including the civil unrest in July 2021, severe flooding in KwaZulu-Natal in 2022 and the significant increase in loadshedding through the latter half of 2022. The landscape has changed fundamentally post pandemic as competition has intensified, digital adoption has increased and ESG has grown in importance to shareholders and customers. The following key trends have been most prominent, and the group has strategically responded as outlined below.

Key factors impacting the group and its stakeholders

COMPETITIVE LANDSCAPE

REFER MATERIAL MATTERS PG 100

Issue

- Consolidated retail market post pandemic with heightened M&A activity
- Increased competition in the value segment as retailers try and capitalise on the 'mass market' at a time when customers are seeking value
- More independent retailers competing in the homeware segment following the emergence of the global homeware trend post pandemic
- Online only entrants and general rise in e-commerce proliferation due to increased digital adoption by consumers

Strategic response GROWTH

- Executed growth pillar
  - Acquired Studio 88 Group
  - Ongoing integration of newly acquired businesses
  - Opened 222 new stores
  - Tested new innovation and concepts: Mr Price Baby
  - Gained 70bps market share of Type D retailers (Stats SA)
  - Continued research and new organic business concepts in development
- Preserved and protected core business through disciplined execution of competitive response plans

LOADSHEDDING

REFER MATERIAL MATTERS PG 98

Issue

- 318 000 trading hours lost
- Associated impacts of loadshedding (disruption and inconvenience) negatively influenced shopping behaviour
- R965m lost in group turnover
- Additional costs incurred for diesel and security

Strategic response BRAND PROMISE · TECHNOLOGY & INNOVATION

- Executed brand promise and technology pillar
  - Capex of approximately R220m allocated to backup power installation across the group
  - 78% backup power coverage by end of March 2023, 100% by June 2023
  - Extended backup power duration to handle higher stages of loadshedding
  - Increased lighting levels across store base to improve customer experience
  - Reduced base load electricity demand by accelerating lighting retrofit programme
  - Limited risk of disruption at DC and head office facilities

Key factors impacting the group and its stakeholders CONTINUED

CONSUMER CONSTRAINT

REFER MATERIAL MATTERS PG 100

Issue

- Average inflation of 6.7% was driven by significant price increases of food and utilities, increasing their share of consumers' wallet
- Interest rates increased 350bps over the period which increased the cost of borrowing
- The FNB/BER Consumer Confidence Index dropped to -23 index points (Q1 2023) from -8 (Q4 2022)
- The Momentum-Unisa Consumer Financial Vulnerability Index reported a deterioration of 3.5 points since Q4 2022
- Real wage growth in Q4 2022 of -3.3% indicates that the rising cost of living has outpaced the increases in household earnings

Strategic response BRAND PROMISE

- Executed brand promise pillar and delivered on Every Day Low Price model
  - No. 1 ranked most valuable fashion value apparel retailer according to Kantar BrandZ
  - Mr Price Apparel and Mr Price Home have the highest brand equity in their respective segments
  - Most shopped retailer with 4.6 million shoppers (Marketing All Product Survey (MAPS) 2022 Retail Report))
  - Proved defensive nature with most number of shoppers in the highest and second most number of shoppers in the lowest income groups (MAPS 2022 Retail Report)
  - Executed on strategic value proposition: price, quality, fashionability, customer experience and convenience

TECHNOLOGICAL INNOVATION AND DIGITAL TRANSFORMATION

Issue

- Increased adoption of digital channels by customers post pandemic
- Rise in the number of online channels and pureplay e-commerce offerings
- Growing requirements for smarter use of data through artificial intelligence (AI) and robotic process automation (RPA)
- Rise in cyber security threats and greater need for robust controls to mitigate this

Strategic response TECHNOLOGY & INNOVATION

- Executed technology pillar
- Mr Price Apparel ranked no. 1 omni-channel fashion app in SA
  - First to market and established online channels that created a holistic omni-channel shopping experience for customers
  - Expansive store network facilitated a strong omni-channel offering and defensive positioning against pureplay competition
  - Mr Price Advance analytics team continues to mature and provide the group with more effective use of data, driving deeper insights and improved decision making
  - Robust cyber security crisis response committee formed and prepared for growing risks
  - Implemented of Oracle Enterprise Resource Planning (ERP) system to de-risk legacy technology and provide a more stable platform to facilitate scale

ESG

Issue

- Increased global appetite for ESG investments
- Alignment of global reporting frameworks as ESG performance is typically measured by external rating systems
- Increase in shareholder demand for disclosure and measurable outcomes of ESG
- Growing customer awareness and expectations for sustainability practices in corporate business models

Strategic response SUSTAINABILITY

- Executed sustainability pillar
  - Acknowledged as an ESG leader and achieved an AA rating from MSCI
  - Achieved a 'low risk' rating from Morningstar Sustainalytics
  - Hosted inaugural ESG engagement session with investors
  - ESG scorecard reports retrospective disclosure on long-term targets
  - ESG performance influences senior management long-term incentive scheme

Business Activities

VIEW MORE

The group's business activities are enabled by its systems, suppliers and logistics, and are all focused on providing sustainable growth for the group's stakeholders. Decision making is guided by the group's strategic pillars enabling it to focus on what matters most to the business. In doing so, the group can optimise the trade-offs between its capitals **(refer to page 11)** that arise as a consequence of business activities. The outcomes of the group's business activities include the internal and external consequences for its stakeholders and resources, acknowledging that these can be positive or negative, and collectively result in the value that the group creates over time.

People

CAPITALS: H, I, F, S

STRATEGIC PILLARS

- **Passionate**
- **Energised organisational culture**
- **Partners who act as business owners**

At the heart of the business is the group's highly passionate and committed people.

Share schemes and an incentive remuneration philosophy encourage them to act as owners and participate in the group's success.

Value Proposal

CAPITALS: H, I, F

STRATEGIC PILLARS

- **Best price for quality and fashion offered**
- **Every Day Low Prices**
- **The way the group serves the business, stakeholders and each other**

The group retails differentiated private label assortments, supported by homegrown sub brands, as well as selected branded product that are dominant in the wanted fashion items of the season.

By remaining a cash-driven retailer and having a high cash conversion, the group can fund future growth without incurring debt.

Communication

CAPITALS: H, M, F, S

STRATEGIC PILLARS

- **Positional**
- **Promotional**
- **Aligned to brand personality**

Product presentation, together with its visual support material, provides customers with a consistently clear offering of what the brand stands for.

Transparent and frequent communication with all stakeholders across various internal and external channels, supports the group's value of Partnership.

Supply Chain Operations

CAPITALS: H, I, M, F, S, N

STRATEGIC PILLARS

- **Warehousing**
- **Distribution centres**
- **Transportation**

Supply chain operations have been developed with the core focus being placed on customers to ensure that product is shipped, fulfilled, distributed and delivered to the right place, at the right time and at the right cost.

This includes getting product to stores and fulfilling online orders to customers' preferred delivery location. The division is committed to continuously evaluate, innovate and upgrade technology and processes, ensuring sustained gains in operational efficiency.

Merchandise

CAPITALS: H, I, M, F, S, N

STRATEGIC PILLARS

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

The group satisfies its customers' needs for fashionable items through specialist trend teams and thorough research. International retailers and local and international street styles offer inspiration and opportunities to stay in touch with what customers will be wearing.

The merchandise teams identify key commercial looks for their customers with test programmes managing business risks.

Operations

CAPITALS: H, I, M, F, S, N

STRATEGIC PILLARS

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

The group retails apparel, homeware and sportswear through physical stores and online channels. Retail operations are located primarily in South Africa, with a presence in several other African markets.

The group builds stores at a cost aligned to its value model while delivering an appealing store experience to customers. The group's e-commerce platform and mobile app provide strategic channels to interact with customers and continues to increase in importance.

Technology

CAPITALS: H, I, M, F, S, N

STRATEGIC PILLARS

- **Customer-centric solution design**
- **Critical enabler for all business processes**
- **Central to innovation and automation**

The technology (systems) division provides agile and innovative solutions to enable the effective execution of omni-channel business processes and the delivery of strategic projects, to ultimately assist the group in achieving its strategic vision.

Suppliers

CAPITALS: I, S, N

STRATEGIC PILLARS

- **Strategic supplier partnerships provide flexibility**
- **High volume resourcing**
- **Ability to shift supply base dynamically**

The group builds strategic partnerships with key suppliers to enable it to add value to its customers' lives. The group continues to focus on enhancing its sustainable competitive value chain. The group interacts with suppliers according to high professional and ethical standards and its suppliers are expected to comply with the group's code of conduct.

The group sources its merchandise from both local (RSA and Africa) and international suppliers. The local supplier base accounts for 37.8% of total group merchandise spend.

Value Creation An Integrated Business Model

Strategic Execution

The group achieves its strategic objectives through the successful development and execution of a series of strategies. These strategies are underpinned by sound financial, information and operating systems, as well as people and governance processes.

The group delivers on these strategies through action plans and projects, which are implemented and refined each year.

VIEW MORE

STAKEHOLDER ENGAGEMENT	PEOPLE	GROWTH	BRAND PROMISE	TECHNOLOGY AND INNOVATION	SUSTAINABILITY

The Capitals of Value Creation

Value creation, preservation or erosion over time contributes to the increase, decrease or transformation of the group's capitals through its business activities and outputs.

The group is always guided by its business model, through good and bad times, which directs its consistent focus on long-term value creation.

VIEW MORE

STAKEHOLDER ENGAGEMENT	PEOPLE	GROWTH	BRAND PROMISE	TECHNOLOGY AND INNOVATION	SUSTAINABILITY
H I M F S N	H I F S	H I M F	H I M F S	H I M F	H I M F S N

Stakeholders

The group's ability to create value for its shareholders is inextricably linked to the value created for its customers and employees, as well as other stakeholders including suppliers, shareholders, regulators, landlords, governments and the broader society in which it trades, as illustrated in the accompanying value-creation model.

VIEW MORE

Capitals	
H HUMAN	F FINANCIAL
I INTELLECTUAL	N NATURAL
M MANUFACTURED	S SOCIAL & RELATIONSHIP

Stakeholders

SHAREHOLDERS | CUSTOMERS | ASSOCIATES | SUPPLIERS | GOVERNMENT & COMMUNITY | LANDLORDS

Value Creation Our Business Model

Inputs: Resources Applied & Key Relationships

Inputs include the financial, manufactured, intellectual, human, social and relationship, and natural capitals which the group uses in its business activities to create value for all its stakeholders.

Business Activities

Enabled by the group's systems, suppliers, landlords and logistics, to ensure its ability to provide sustained growth for its stakeholders.

Outcomes

The group mindfully uses and trades off the capitals to continue to invest in its employees, supplier and landlord relationships, and operations to meet the wants and needs of its customers while entrenching strong corporate governance and actively managing its costs and investments.

Inputs

H — HUMAN CAPITAL

The skill and experience vested in the group's associates that enable it to deliver its products and services and implement its strategy, creating value for its stakeholders.

- > 28 000 associates
- R61.5m spent on learning and development
- R3.2bn remuneration paid to associates
- 314 associates identified as high performance candidates
- Succession planning maturity to ensure resilient pipeline of talent

I — INTELLECTUAL CAPITAL

The intangibles that constitute the group's brand, product and service offering and provide its competitive advantage.

- Established Mr Price brands and trademarks
- The Mr Price Way: Vision, Purpose and Values
- Mr Price fashion-value formula
- 37 years of historical data available
- Organically developed new brands
- Internally developed custom applications
- Three acquired businesses

M — MANUFACTURED CAPITAL

The stores, distribution network and general infrastructure throughout Southern, East and West Africa, which enables it to procure, import, deliver and sell its products and services.

- 2 702 stores
- 1 132 662m² of gross space
- E-commerce capabilities: websites, apps, social media
- Trading in eight countries
- Three acquired businesses
- Four distribution centres and depots

F — FINANCIAL CAPITAL

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

- R4.6bn cash available (opening)
- R3.0bn credit facilities unutilised
- Capital expenditure of R0.9bn
- Working capital programme with suppliers

S — SOCIAL & RELATIONSHIP CAPITAL

The key and long-term relationships that the group has cultivated with customers, suppliers, associates, shareholders, government and community.

- R23m donated by Mr Price Group to Mr Price Foundation
- R14.81m external donations to Mr Price Foundation
- 37-year track record with landlords and suppliers
- 4 933 participants in skills development programmes through Mr Price Foundation's JumpStart programme
- Combined corporate social investment of R38.5m
- Introduced supply chain finance programme

N — NATURAL CAPITAL

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

- Latest energy sources and products
- Carbon footprint reduction initiatives
- Recycling programme
- Clothing donations to Clothing Box and Taking Care of Business
- Sustainable cotton initiatives
- Sustainable materials used in products

Business Activities

Trade-offs

Decision making is guided by the group's strategic pillars enabling it to focus on what matters most to its business. In doing so, the group can optimise the trade-offs between its capitals that arise as a consequence of its business activities. For detail on trade-offs made, refer to **Strategic Execution** on pg 85.

Outputs

Throughout the reporting period, the group continued to deliver value to its customers through wanted product at Every Day Low Prices. The group actively sought to minimise waste (refer to **sustainability report** on pages 147 - 194) throughout its business activities to ensure that it conscientiously reduced the impact on the communities and environment in which it operates.

Outcomes

H — HUMAN CAPITAL

- Upskilled associates and increased pipeline of leaders
- ACI appointments increased 84% to 98% of head office appointments
- ACI associates accounted for 96% of head office promotions
- Continuation of HiPo and succession planning programme
- 24 706 associates accessed online learning
- 441 844 digital learning hours

I — INTELLECTUAL CAPITAL

- No.1 ranked most valuable fashion apparel brand in SA
- Mr Price Apparel and Mr Price Home have the highest brand equity in their segments
- Gained 70bps market share of Type D retailers per Stats SA
- 4.6m customers, highest in sector (MAPS 2022)
- Mr Price Apparel ranked #1 omni-channel fashion app in SA

M — MANUFACTURED CAPITAL

- 17.6% new weighted average space growth
- 283m units sold
- 222 new stores opened and 778 acquired
- 125.7m website and app visits
- 2.2m Instagram followers
- 4.3m Facebook followers
- 269 000 Twitter followers
- 103 000 TikTok followers
- Net Promoter Score (NPS): 71.3%

F — FINANCIAL CAPITAL

- ROE of 24.8%
- Net Asset Value increased 15.6%
- Revenue increase of 17.0%
- R2.2bn dividends paid
- Operating margin of 15.1%
- Cash conversion ratio of 82.0%
- Acquired Studio 88 Group, the largest independent retailer of branded leisure, lifestyle and sporting apparel and footwear in South Africa

S — SOCIAL & RELATIONSHIP CAPITAL

- Only fashion-value retailer included in FTSE/JSE Responsible Investment Top 30 Index
- 97 primary schools supported, 62 401 learners and 1 829 educators impacted
- 106.8m units sourced from RSA, totalling R4.9bn
- 4 330 JumpStarters employed
- 97.6% of tier 1 and 2 factories mapped in value chain
- R31.2m invested in small and medium black-owned suppliers

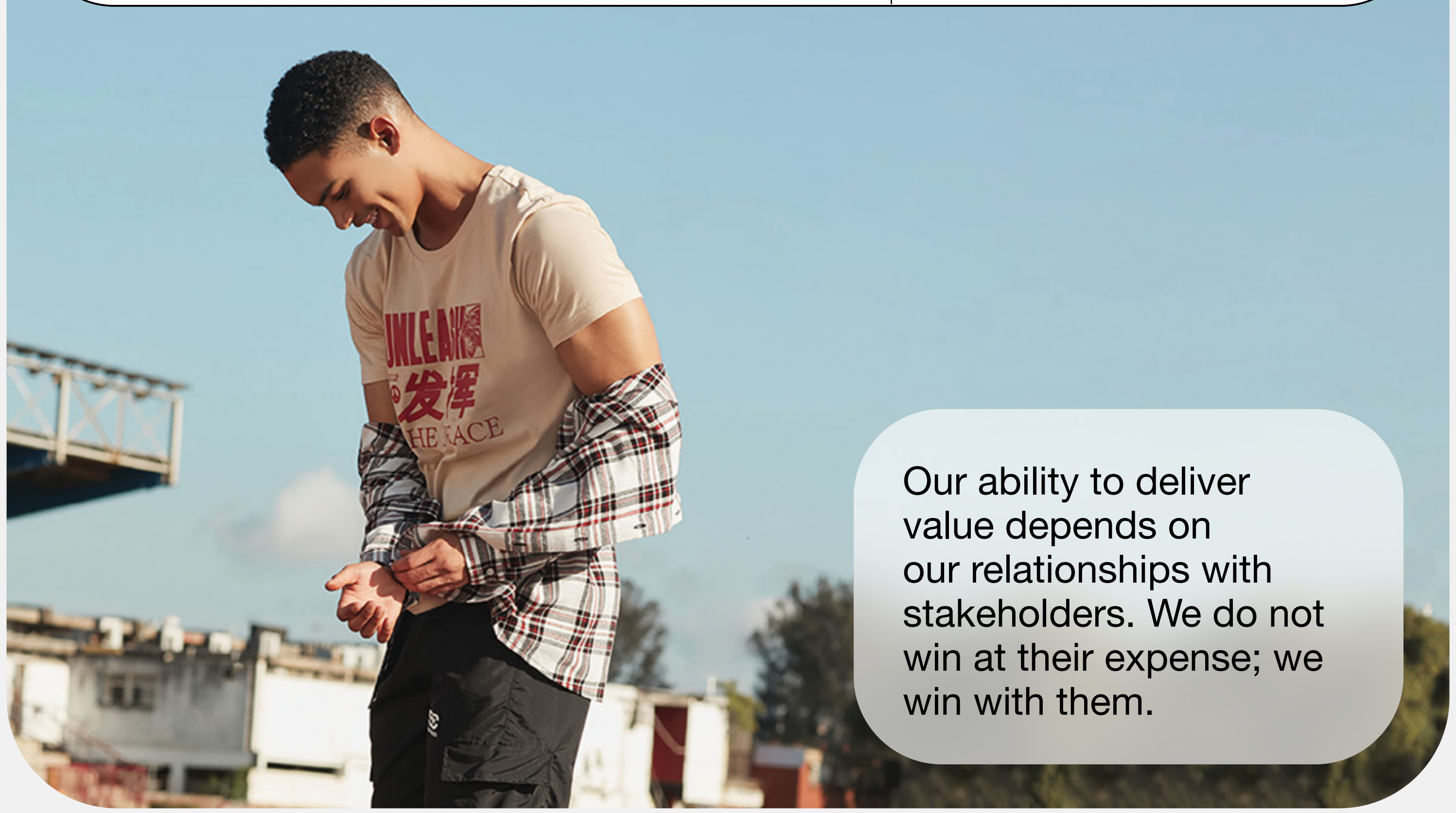
N — NATURAL CAPITAL

- Scope 1 and 2 carbon emissions reduced by 5.8% over the last five years
- 35.8m plastic shopping bags removed from circulation
- 40.6m products contain sustainable materials
- Renewable energy contributes 19.7% of energy usage at head office and distribution centre
- Paperless administration saved 2 418km of paper
- 100% of distribution centre's water supply is from harvested rain water
- Sustainable cotton made up 12.0% of the group's cotton products

Stakeholder Value Creation

Stakeholder Engagement

VIEW MORE



Our ability to deliver value depends on our relationships with stakeholders. We do not win at their expense; we win with them.

The Role of Stakeholder Engagement

The group does not operate in isolation but is sustainably interlinked to a wide group of key stakeholders. The ability to deliver value depends on these relationships and the contributions and activities of all stakeholders. By providing for their needs and meeting their expectations, value is created for stakeholders and the group itself.

The group's approach to effective stakeholder engagement is ultimately guided by understanding its impact within society. Success of the group is linked to thriving communities and a healthy environment, which necessitates a transformative approach to create shared and sustainable value for all stakeholders.

Stakeholder engagement is one of the group's six strategic pillars, which aims to promote and protect the group's reputation and acts as the overarching custodian of the brand.

The pillar's strategy is focused on ensuring that the group continues to differentiate itself, and it has set the objective for stakeholder relationships to be based on the true spirit of partnership and aims to be ranked as the leading retailer in 'engagement and delivery'.

In support of the group's vision to be the most valuable retailer in Africa, the stakeholder engagement pillar remains focused on how each stakeholder contributes to this value. Every engagement must contribute to building a relationship that creates value for the group and its stakeholders.

The pillar's vision is focused on positioning the group as the most sought-after partner in every stakeholder category and is driven by the purpose of building value-creating relationships through best-in-class engagement.

Objectives

- Execution of the stakeholder engagement strategy, with focus on:
  - Continual assessment of stakeholder needs and improvement of existing plans to better perform in areas that are prioritised and adopted
  - Annual assessments on progress in meeting the needs of and creating value for stakeholders
- Be recognised by stakeholders as having the best two-way communication in the industry

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

KEY FOCUS FY2023

- Delivery of strategic communications with all stakeholders, reinforcing the group's vision and purpose, and ensuring transparent and collaborative engagement across all stakeholders
- Increased communication between senior management and key stakeholders, allowing for greater connectivity and accessibility to the group's 'centre'
- Executed on key strategic annual engagements such as annual landlord day, divisional supplier days, and hosted the inaugural Investors ESG engagement
- Established baseline engagement scores for associates, suppliers, landlords and investors
- Analysis of feedback from engagement surveys (associates, suppliers, landlords and investors) identified key areas for improvement and continued execution of activities that have delivered value amongst stakeholders
- Investor roadshows (local and international)

FUTURE KEY FOCUS

- Continued execution of stakeholder engagement strategy through focused engagement with all stakeholders
- Monitor progress on areas identified for improvement during FY2023 across all stakeholder groups

INTELLIDEX INVESTOR RELATIONS AWARDS TOP RATED CONSUMER SERVICES BUSINESS AWARDS

The group was rated in the Intellidex Top Investor Relations awards across the Johannesburg Stock Exchange as follows:

#1 investor relations in consumer services up from 3rd in FY2022

#6 on the JSE up from 9th in FY2022

Our Stakeholder Universe

Key elements of the group's strategy are the improved understanding of and collaboration with stakeholders, and response to their needs and expectations. Frequent and transparent communication with stakeholders supports the goal of sustainable value creation and is key to managing challenges and opportunities linked to business activities. The continuous evaluation of relationships with each stakeholder group allows for the development of specific relationship strategies, and to establish the objectives and communication channels to be used. The quality of relationships with each stakeholder is assessed on both their performance and feedback given to the group. The group is committed to continue to live out its value of Partnership and improve the quality of these relationships.

The group's key stakeholders have been identified based on level of influence on the group's operations, the group's impact on them and extent of collaboration. The manner, level, and extent of engagements by the group are driven by the influence, interests, expectations and concerns of individual stakeholder groups.

SHAREHOLDERS

CUSTOMERS

ASSOCIATES

SUPPLIERS

GOVERNMENT & COMMUNITY

LANDLORDS

Stakeholder Engagement Surveys

The group initiated formal engagement surveys during FY2022 – FY2023, with the aim to annually assess the health of relationships with its key stakeholders. Survey results will inform strategic engagement throughout the year, highlighting key areas of improvement and will enable the continued execution of activities that have added value to existing relationships.

Surveys were targeted at individual stakeholder groups – investors, suppliers, landlords and associates, and the group's overall engagement score was 3.2 out of 4 (80.8%). Further insights and scores for individual stakeholders are unpacked on pages 71 -72 and 74 - 76.

STAKEHOLDER ENGAGEMENT

Shareholders

VALUE CREATION Sustainable and quality earnings growth and capital returns

Account for the ownership of 257 million shares | **93%** institutional | **7%** retail | Shareholding base is well balanced between local and offshore, 60.9% South Africa vs 39.1% international

Our engagement strategy

Frequent and consistent engagement that prioritises transparency, honesty and accessibility for all shareholders, through the following:

- Transparent and timeous disclosure of the group's performance, investments and strategy through interim and annual results presentations, SENS announcements and trading updates
- Consistent and frequent communication with investors and analysts through one-on-one meetings, attendance at investor conferences, and group-led investor roadshows
- Timeous updates of company information through email and calls, and ease of access to relevant company information via a dedicated investor relations **website** page
- Targeted investor engagements such as pre-AGM meetings on proposed resolutions, and biennial investor ESG engagement sessions

Relationship quality and achievements

The group continued to strengthen its relations with the investor community, and remains focused on the foundations of trust, mutual benefit and understanding. Listed below are key indicators of the relationship quality:

- Intellidex Top Investor Relations Awards:
  o #1 investor relations in consumer services, improvement from 3rd place in FY2022
  o #6 on the JSE, improvement from 9th place in FY2022
- Investors' engagement survey:
  o Engagement score: 2.9 out of 4 (72.3%)
  o Key wins:
  - Reception and understanding of group's vision and strategy
  - Quality of results presentations and annual integrated report
- Top quadrant metrics in retail sector
- 238 investor and analyst engagements through meetings and conference calls

Key issues

IMPACT OF LOADSHEDDING

During FY2023 the group lost 318 000 trading hours, which resulted in shopping disruption and inconvenience that negatively impacted customer demand

TECHNOLOGY & INNOVATION
BRAND PROMISE

- The group initiated its backup power installation plan which aimed to increase the number of stores with backup power from 58% in September 2022 to 100% by June 2023
- Installation also focused on extending the duration of backup power to manage higher levels of loadshedding and retain lighting levels to improve customer shopping experience
- Reduced base load lighting demand at stores ensuring the acceleration of the lighting retrofit programme

CHALLENGING MACRO ENVIRONMENT AND CONSTRAINED CONSUMERS

The rise in inflation, interest rates and slower wage growth constrained consumer income which drove a shift in discretionary spend to compensate for the rising cost of living

BRAND PROMISE

- The group places an ongoing emphasis on "value" focusing not only on price but also quality, fashion, convenience and experience
- Executed its Every Day Low Price model to create value for customers
- Strategic acquisitions made
- Ongoing focus on sustaining market leading metrics

ORACLE ERP IMPLEMENTATION

The system implementation during April – May 2022 negatively impacted the group's ability to execute certain trading functions

TECHNOLOGY & INNOVATION

- The negative material impact was swiftly identified early in FY2023 and was assigned the right business oversight by senior management which enabled effective project completion in March 2023
- Compromised unique ability to trade in season & execute merchandise processes
- The strategic objective of the project is to de-risk the business and enable a robust platform for long-term growth

BOARD

Composition, independence, tenure and skills

SUSTAINABILITY

- Since 2018, there has been ongoing board succession with a focus on tenure and independence. Key changes between 2018 and 2022 are highlighted below:

Changes	Non-executive directors	Executive directors
Retirements	4	1
Resignations	1	0
Appointments	4	1
Promotions	0	1
Transitioned from alternate to non-executive director	1	1

- Key focus areas for skills improvement include retail and audit
- Further board refresh activities effective during FY2024 were announced on 19 June 2023
- Engagement with top 25 shareholders prior to AGM on board composition, independence, tenure and skills

INCREASING ESG DISCLOSURE

Recognition of ongoing disclosure improvement

STAKEHOLDER ENGAGEMENT
SUSTAINABILITY

- The group has implemented an ESG scorecard and retrospective reporting on ESG performance. The scorecard accounts for a fifth of the long-term incentives of senior management
- During FY2023, the group hosted its inaugural Investor ESG engagement which focused on highlighting the group's achievements in the areas of environmental, social and governance. Further, the session provided greater detail on the group's supply chain and partnership approach with its suppliers

EFFECTIVE REMUNERATION

Remuneration policy implementation

PEOPLE

- The group achieved a vote in favour of its remuneration policy of 78.1% and facilitated rigorous shareholder engagement regarding its implementation policy which provided sufficient comfort to shareholders

STRATEGIC PILLAR

Customers

VALUE CREATION

Surprise and delight customers with the wanted item at great value and a satisfying all-round experience

No.1 ranked most valuable fashion value apparel retailer	Mr Price Apparel and Mr Price Home have the highest brand equity in their respective segments	Mr Price Apparel is the most shopped retailer in SA

Our engagement strategy

- Understanding customer needs and concerns through traditional and interactive social media marketing, live chat feedback on e-commerce sites, customer surveys and call centres
- Promotion of products and services through advertising campaigns, competitions, club publications and store account brochures

Relationship quality and achievements

- Divisional brand equity scores
- Social media following:
  - Instagram: 2.2m
  - Facebook fans: 4.3m
  - Twitter: 269 000
  - TikTok: 103 000
- Website visits across the business: 125.7m
- R3.0m donated by customers to Mr Price Foundation
- Net Promoter Score (NPS): 71.3%

Key issues

IMPACT OF LOADSHEDDING

The increased frequency and quantum of loadshedding compromised shopping experience

TECHNOLOGY & INNOVATION | BRAND PROMISE

Refer issue one on page 71.

CASH CONSTRAINT AND CREDIT ACCESSIBILITY

A material increase in new credit account applications

BRAND PROMISE

As a predominantly cash-based retailer the group remained true to its conservative credit granting approach, limiting account approvals to customers who met its strict credit criteria. Despite this, credit sales out-performed cash sales, however the group's bad debt ratio remains low relative to the industry and well within its impairment provision level.

CONVENIENCE & SATISFACTION

The high inflation environment amplified pressure on consumers cost of commuting to shopping centres

GROWTH | BRAND PROMISE

The group broadened its store network by an additional 222 stores, a significant increase relative to the group's 10-year history of 85 new stores. This ensured that the group's differentiated fashion merchandise was within closer proximity of its customers. Additionally, the group leveraged its established online channel and its widespread store network to make merchandise available to customers through direct delivery or via click + collect methods.

STRATEGIC PILLAR

Associates

VALUE CREATION

Share in the success of the business through market-related compensation and benefits, training, development and wellness programmes, long-term career growth opportunities, regular engagement with management on performance and areas of improvement, vibrant and positive work environment

> 28 000 associates employed	Best Talent Acquisition Team in SA as awarded by LinkedIn

Our engagement strategy

- Induction programmes for new associates provides a basis for understanding the group's DNA and its values of Passion, Value and Partnership
- Consistent and frequent communication with management focused on performance reviews and career development
- Training and development programmes for the upskilling of associates
- Wellness programmes and events allowing associates to prioritise personal wellness
- The use of relevant and current digital platforms to share updates with associates
- Annual events, engagement surveys and incentive programmes

Relationship quality and achievements

Associate satisfaction is evaluated on the following:

- Associates' engagement survey:
  - Engagement score: 3.28 out of 4 (82.0%)
  - Key wins:
    77% of associates feel engaged, far exceeding international benchmarks (15% for global workforce)

CAREER DEVELOPMENT AND PROGRESSION

The changing nature of work and the expectations placed on employers continues to encourage the group to innovate in its development of its people

PEOPLE

The group is dedicated to the growth of all associates. Its learning and development team work continuously with associates to craft training and development programmes that align their needs and requirements. Further, the group's connect sessions encourage associates to think about their future goals, needs and support required for career growth. The sessions allow associates to connect with their leaders and gain their insight and support on their growth aspirations.

TALENT ACQUISITION AND RETENTION

Consolidation of the retail sector in South Africa and the additional pressure caused by emigration has intensified the war for talent

PEOPLE

The group has worked hard at its talent acquisition strategy and as a result was voted best in South Africa (LinkedIn). Additionally, the group regularly reviews its remuneration philosophy and implementation at all levels of the business to ensure its market competitiveness.

ASSOCIATE WELLNESS

Recognition that the events of the last few years (pandemic, civil unrest and flooding) particularly as a KwaZulu-Natal-based business requires associate's wellness needs to be prioritised

PEOPLE

- Dedicated wellness team that actively manages programmes across many functional areas addressing associates' wellbeing.
- Frequent digital communication through dedicated channels allows for associates to remain informed during times of crisis, celebrate victories, stay updated on business developments and remain connected to senior management throughout the year.

STRATEGIC PILLAR

Suppliers

VALUE CREATION Partner with suppliers to build quality and sustainable win-win commercial relationships

> 800 active suppliers	Southern African: 63% Foreign: 37%	Approximately 35 000 people currently employed in the group's supply chain

Our engagement strategy

- Increased understanding of the group's vision, strategy and business updates through the hosting of divisional annual supplier days and sharing of biannual business updates
- Ongoing supplier engagement and development through supplier grading and performance metrics, supplier workshops and focus groups, monthly meetings, factory visits and audits, and industry body engagement

Relationship quality and achievements

The group evaluates supplier partnerships through surveys and performance metrics:

- Suppliers' engagement survey:
  - Engagement score: 3.28 out of 4 (82.0%)
  - Key wins:
    - o Respectful working relationship and awareness of requirements
    - o The group lives up to its values of Passion, Value and Partnership
    - o Ease of communication with and responsiveness of the group
- Supplier grading which focuses on delivery on-time and in-full delivery performance

Key issues

INCREASED CLARITY ON PERFORMANCE METRICS

Improving performance on time and in full delivery metrics is a win-win outcome for both the group and suppliers

SUSTAINABILITY

The group's suppliers are graded on performance that is primarily measured on delivery on-time and delivery in-full (OTIF). The group's merchants regularly discuss in-season performance with suppliers and communicate gradings. The group's suppliers increased their OTIF performance for FY2023 to 81.4%.

GROUP'S STRATEGY, VISION AND PURPOSE

Supplier understanding and alignment to the group's strategy is key to facilitating better outcomes

STAKEHOLDER ENGAGEMENT

Annual divisional supplier days have been key engagement points for senior management to increase suppliers' understanding of the group's strategy, vision and purpose. Further, the introduction of biannual business updates provides suppliers with timeous updates on group performance, strategy and growth plans.

INVENTORY MANAGEMENT AND IMPLICATIONS ON ORDERS

Instability created by macro-economic factors, loadshedding and ERP implementation impacted the group's orders placed with suppliers relative to its original plan

TECHNOLOGY & INNOVATION | SUSTAINABILITY

The group is highly focused on its inventory management and the associated impact on its market-leading stock turn. Accuracy and inventory forecasting will be supported by the implementation of the ERP system and greater focus by merchandise teams. Suppliers play a crucial role in ensuring the effective flow of stock into the group's network.

Landlords

VALUE CREATION Partner with landlords to build quality and sustainable win-win commercial relationships

2 702 stores across the group	414 leases renewed

Our engagement strategy

- Host annual landlord day, which serves as a key engagement point focused on sharing the group's vision, strategy and business updates
- Sharing of biannual business updates
- Daily operational engagement through dedicated group real estate team
- Engage landlords with a group approach to leverage scale and scope

Relationship quality and achievements

The group evaluates landlord partnerships through surveys and performance metrics:

- Landlords' engagement survey:
  - Engagement score: 3.41 out of 4 (85.3%)
  - Key wins:
    - o The group's strategy has been well received, and landlords understand their contribution to the strategy
    - o The group and its landlords have a win-win commercial relationship
    - o The group sticks to its commitments
- Rental escalations and reversions as a measure of commercial partnership
- Group sites remain highly desired by landlords

SPACE AVAILABILITY WITHIN SA RETAIL REAL ESTATE

The competition for good real estate space has intensified since the pandemic and presents an opportunity to facilitate the group's growth strategy

GROWTH

The group's new weighted average space growth of 17.6% reflects its strategic intent to invest in meaningful store growth across SA. Its acquired businesses and expansion of core business provides an opportunity to position itself in a highly contested real estate landscape.

RENTAL ESCALATIONS AND REVERSIONS

The retail sector has experienced meaningful rental reversions over the past few years and the group aims to secure the best possible commercial contracts for its trading space

GROWTH

The group seeks to continue achieving rental reversions as experienced by the retail sector at large, and its ability to attract high footfall positions it to negotiate appropriate escalations.

STRATEGIC ALIGNMENT

Understanding the group's strategy and alignment with its plans is key to landlord partners benefiting from the high footfall the group attracts through its trading divisions

STAKEHOLDER ENGAGEMENT

The group has further developed the communications of its strategic plans through increased executive level engagement by dedicated group landlord days and strategic updates in the form of digital business updates.

STRATEGIC PILLAR

Government & Community

VALUE CREATION

Group activities are aligned to positively contribute to the achievement of the sustainable development goals, national priorities, the Retail-CTFL Master Plan 2030, reduced environmental impact, commitment to transformation and job creation, and fulfilment of legislative requirements

Founding signatory of the Retail-CTFL Master Plan 2030	Only fashion-value retailer included in the FTSE/JSE Responsible Top 30 Index	R23m donated to Mr Price Foundation

Our engagement strategy

- Engagement with industry bodies and government with focused task teams
- Contribution-paying member of various organisations
- Donor to multiple non-profit bodies
- Partnerships and programmes implemented by Mr Price Foundation that focus on youth, social and skills development

Key issues

YOUTH UNEMPLOYMENT AND SKILLS DEVELOPMENT

Unemployment remains a key structural issue in South Africa and a primary reason for muted GDP growth and persistent poverty

SUSTAINABILITY

In FY2023 the group donated R23m to Mr Price Foundation which through its JumpStart programme focuses on the development of local manufacturing and retail skills for South African youth, upskilling them for placement in formal employment.

LOCAL PROCUREMENT

Supporting local manufacturing while continuing to deliver value to customers is a key balance that the group continues to strive to get right

SUSTAINABILITY

The group is a founding signatory of the Retail-CTFL Master Plan 2030 and remains committed to increasing local procurement and the development of South Africa's retail sector. Further, the group has been instrumental in the development of an integrated South African cotton value chain. The group has achieved over 100 million units sourced from South Africa and continues to develop local capabilities for sustainable materials.

SOUTH AFRICAN RETAIL SECTOR

The retail sector is a key contributor to economic growth and employment in South Africa and the group strives to play its part in preserving its health

STAKEHOLDER ENGAGEMENT | SUSTAINABILITY

The group's CEO serves as the chairperson for the National Clothing Retail Federation (NCRF) which represents the interests of clothing retailers in South Africa and focuses on and addresses matters that impact the sustainability of retailers and suppliers, ensuring that retailers can provide value products to its consumers.

STRATEGIC PILLAR

How We Did

Contents

CHAPTER 04

Your Value Champion

mr price group limited

INTRODUCING

CEO's Report

> "Now is not the time for despair – we are involved in the re-building of RSA, we have a great business, a strategy that is clear, and most importantly, the best people and culture."

QUICK LINKS

Strategy and Performance
Enterprise Risk Management
Material Matters

Mark Blair - CEO

Dear Stakeholders,

Last year I concluded my report by stating that we would continue to keep our eyes on the long game, while navigating the short-term bumps as best as possible. We had a strong performance in FY2022, growing headline earnings per share by 25.9%, and then followed that up with 10.6% growth for the first half of the current (FY2023) financial year.

Unfortunately, H2 was much tougher for the retail sector, with materially elevated levels of power outages, and higher inflation and interest rates creating strain in the economy. This forced consumers to prioritise spending even further. Our core value-minded customer was impacted far more than the upper income group, as evidenced by increased spending on groceries, fuel and takeaway food.

We started the second half with only 37% of our traditional stores (56% including acquisitions) with backup power which impacted festive trading, when there were very high levels of loadshedding. We accelerated our investment into backup power solutions and closed the period with installations in 78% of our stores, with the remainder to be completed by end June 2023. Loadshedding cost the group an estimated R1bn in lost sales. However, we witnessed an improvement in sales performance as stores received backup power.

This 'messy' environment generally meant that sales forecasts were not achieved, resulting in many retailers having to aggressively manage inventory levels which created a highly promotional trading environment. These factors prevailed for the full H2 period, negatively impacting results, particularly over peak festive season trade.

Running concurrently to these challenges, we closed out our multi-year ERP system conversion programme. Implementations of this nature are extremely complex, both from a technical and a process point of view, and in our case created disruption in our core merchandise functions, impacting trade and hence our results. Thanks to the total commitment of the implementation and user teams, the project was successfully closed-out by year end, a significant achievement in our retail modernisation journey.

Despite a most challenging environment, we are a resilient, motivated team, and can still see many opportunities, within our existing businesses and in the market. Good companies don't keep still, but they also know when to push, and when to pause and consolidate. This will be a year of the latter. To create the necessary capacity for leadership to focus on the execution of our various businesses, and to maintain a clear view of our future, the group's executive committee was expanded. Experienced sectoral heads were appointed from within, with the primary goals of improving like-for-like store sales and extracting efficiencies across the group.

We welcomed the Studio 88 Group of companies into our fold in October 2022, when we acquired 70% of the business. This was a strategic investment into a new market segment for us – an aspirational customer that shops for well-priced branded merchandise. We are excited by the opportunities this brings, and by the strength of the management team that partnered with us. We are also pleased with the integration of our two other recent acquisitions. Since acquiring Power Fashion we have added 88 stores to bring their total store number to 262 and a re-energised merchandise team are demonstrating the exciting potential of this chain. Yuppiechef, while a smaller business, has added 7 stores since the acquisition and there is a long list of potential locations to build this brand into a true omni-channel national retailer. As anticipated, these acquisitions were earnings accretive to the group.

We are continually evaluating our capital allocation framework and are pleased to report that our investment into new stores is delivering good returns. Given the retail climate and the limited availability of good trading locations, we have pulled back on budgeted store openings slightly in the new year, and allocated capex in line with historical performance. We have also raised our ROCE threshold to ensure that only highly attractive opportunities are approved.

We completed the test of baby and kidswear concepts last year and have evolved a new model which combines babywear and kidswear into a Mr Price Kids model which we plan to roll out rapidly in the coming years. These stores will typically be located near high volume Mr Price apparel stores and will allow us to create space in those stores for better presentation of adult apparel, while giving the customer an expanded assortment of kidswear in Mr Price Kids stores. The tests suggest that Mr Price Kids could be a another highly successful chain under the Mr Price brand.

During COVID-19, home improvement sales grew rapidly and attracted several new competitors into this space where we previously had a dominant share for several years. Given that many products are readily comparable this put pressure on sales and profits in our home businesses. We are adjusting our business models to the new, more competitive environment and remain confident that both Mr Price Home and Sheet Street will continue to be important growth and profit vehicles in our future.

Given our focus on comparative store sales and profit growth, the opportunities identified above, and ensuring the recent acquisitions deliver as expected, we have not pursued any other material acquisitions.

I am proud of our reputation of being a good corporate citizen, and our interaction with and support from our stakeholders. This view is backed up by our stakeholder engagement reviews, where our ratings are ahead of our competitors. We also achieved a #1 ranking for investor relations in the consumer sector, and 6th overall on the JSE. We are aware of our social responsibility, and employed over 28 000 associates at year end, procured R4.9bn or 106m units locally, and are making a real difference by 4 330 previously unemployed youth being employed through the Mr Price Foundation's JumpStart Programme. We are also the only fashion value retailer included in the FTSE/JSE Responsible Investment Top 30 Index.

Certain of our executives and non-executives are actively involved in various business and industry groups, at local and central government levels, to assist in bringing about positive change so desperately needed. We will fund these endeavours – both withtime and financially - as we fight for a brighter future for all South Africans and help guide government to create the right environment for people and business to prosper. As always, our robust strategic planning process will evaluate changes in the landscapes where we trade, and, if necessary, react thereto.

Unfortunately, the trading circumstances detailed earlier are expected to continue throughout H1 in FY2024, however we should start to see a momentum swing from September – power outages will be in the base, inventory levels should be at desired levels, and hopefully inflation and interest rates start abating. We have a strong debt-free balance sheet, are confident of our cash-based business model and ability to execute our plans in the absence of the internal disruption we experienced in FY2023.

I wish to express my gratitude to all the wonderful people in the Mr Price family. Times are difficult, but cycles are not permanent. We have an experienced team, including our board of directors, who have seen cycles come and go. Now is not the time for despair – we are involved in the re-building of RSA, we have a great business, a strategy that is clear, and most importantly, the best people and culture. This is a combination that many envy, and a foundation that you can rely on to go about your daily activities with confidence. Thank you!

Mark Blair
Chief executive officer

YOUR VALUE CHAMPION

Strategy and Performance

VISION

To be the most valuable retailer in Africa

The 2023 financial year was the second year of executing the new group strategy, vision and purpose as shared with stakeholders at the start of the 2022 financial year.

While the core principles, objectives, and six strategic pillars remain unchanged, the dramatic change in the group's operating environment as the year progressed, meant that certain strategic priorities became more critical and gained greater focus and resources. Trade-offs made are discussed on pages 87 - 92.

The operating environment is discussed in detail on pages 57 to 60 and the risks and material matters can be found on pages 93 to 106.

The group operates in a dynamic, fast-paced, and competitive environment requiring it to remain agile and calibrate its approach in response to changes in the operating environment. The group's strategic approach to performance, delivery and performance management includes a detailed process of setting and measuring short-, medium- and long-term results to drive focus, energy and resource allocation.

In April 2022 the group announced that it would acquire 70% of the shareholding in the Studio 88 Group of Companies (refer pages 35 - 36). The deal became effective on 4 October of 2022 and marked the third acquisition for the group in as many years. A key concern for all stakeholders was executive management's capacity to drive consistent delivery in the group's core business while ensuring that acquired businesses were appropriately integrated and delivered on expectations.

Addressing this became a key strategic priority for the CEO and CFO. Strategy needed to inform structure which inturn informed the necessary organisational design to ensure that the group is positioned for sustained growth and excellence in execution. The first stage of the project was executed in the second half of the year and has seen the group formally establish an executive committee and reduce the CEO's direct reports by 50%.

SUPPORTED BY

Six Strategic Pillars

- STAKEHOLDER ENGAGEMENT
- PEOPLE
- GROWTH
- BRAND PROMISE
- TECHNOLOGY AND INNOVATION
- SUSTAINABILITY

VIEW MORE

The Strategy and Growth Function

The group director of strategy and growth reports directly to the CEO. The strategy function supports strategy development, planning, execution and measurement. The function's main responsibilities include:

- Research, identification and business case development of new growth vehicles, whether these be organic or acquisitive opportunities
- M&A activity
- Managing the strategic planning process and ensuring alignment between group and divisional strategic activities
- Performance measurements via the quarterly KPI process, progress reporting and intervention to ensure consistent delivery of key strategic initiatives

Growth Framework

EXISTING BUSINESS

Comparable growth	Non-comparable growth	Focus on efficiencies and retail insights
Sustainable comparable growth is key to achieving the group's long term vision	This will build off a strong existing base, introducing innovation and accessing new/under-served customer bases	Comparable and non-comparable growth will require further investment in supply chain, technology, people and real estate

Drive sales | **Drive profitability**

NEW BUSINESS

Concept considerations: research to inform capital allocation

- Level of earnings accretion
- Immediate access to new customer or merchandise segment
- Retention of existing management reduces group distraction
- Consider appropriate integration
- Regulatory approvals

- Excellent opportunity to leverage internal skills and capability
- Ability to differentiate by launching unique and in-demand concepts
- Strategy function to expand
- Shape of profits (short term losses vs size of opportunity longer term)

Concept segment considerations: research to inform capital allocation

Disciplined execution of multiple growth vehicles

Growth strategy and Performance

For the 2023 financial year the group remained focused on growing profitable market share in Southern Africa choosing not to introduce the distraction of unknown international markets while local opportunities were exploited and maximized.

The key components of the group's growth strategy are

- Comparable store sales growth
- Non-comparable growth (new stores and new categories within existing divisions)
- Launching new concepts
- Acquiring new businesses

For the year under review, the group concluded the acquisition of the 70% shareholding in the Studio 88 group, while progressing the integration of Power Fashion and Yuppiechef. The group launched a test of the Mr Price Baby concept, the results of which have informed the direction of this key strategic growth lever for the short and medium term. The divisions continue to open new stores, innovate and test new product and categories. The group's investment criteria into future growth opportunities will be led by the executive investment committee's capital allocation framework and the group's disciplined financial approach to maintain top quartile metrics in the sector.

Growth

CAPITALS: I, F, H, M

STAKEHOLDERS

OBJECTIVE

To be the top performer in total shareholder returns in the retail sector

PERFORMANCE RATING

Key results

- Sector leading sales growth (relative to Stats SA and peers) and increased market share
- Consistently achieve top quartile earnings growth
- Capital allocation policies consistently applied
- Capital allocated to high yielding and diversified growth opportunities
- Increased PE Ratio (maintain premium PE rating in the sector)
- Predictable and consistent dividend policy

Trade-offs

- Continual trade-off of choosing highest impact and strongest return growth vehicles
- Stronger focus on integration of acquisitions rather than further acquisition/launch of organic growth vehicles

Progress

- Retail Sales increased 18.0%
- Online contribution 2.5%
- Market share increased 70bps (Stats SA))
- Capital allocated to higher yielding acquisitions
- R583m capital allocated to store capex
- Paid R2.2bn in dividends
- Key financial metrics:
  - ROE: 24.8%
  - ROA: 12.5%
  - Cash conversion: 82.0%
  - Stock turn: 3.4x

People Strategy and Performance

The group cannot achieve its vision without attracting, developing and retaining the best talent pool in the retail industry. The group has a unique and special culture that was reinforced this year via the relaunch of its Dreams and Beliefs programme. The group's associates showed their grit and resilience once again, navigating the ERP challenges, a weaker macro environment and the resultant impact of unprecedented levels of loadshedding.

As the group continues to execute the strategy, it will be increasingly important to ensure that the correct structures and capabilities are created to manage the complexities of growth, launching new divisions, and integrating acquisitions. Trading divisions' managing directors will continue to execute the strategies as agreed for each of their divisions, leveraging the centralised thought leadership that exists in the group's Centres of Excellence.

SUSTAINABILITY REPORT >
REMUNERATION REPORT >

People

CAPITALS: I, F, H, S

STAKEHOLDERS

OBJECTIVE

The group's energised environment and unique culture drive performance and position the group as the most sought-after retail employer

PERFORMANCE RATING

Key results

- Dreams and Beliefs training rolled out to all associates
- Organisational design conceptualized, agreed and implemented
- Strong organisational health and no material breaches of code of conduct
- A transformed and relevant South African business - improved employment equity score
- Talent is engaged, developed and retained

Trade-offs

- Delayed Oracle HCM project to ensure full alignment to needs of business
- During the CPO's first year the strategic project list was reprioritised resulting in trade-off on scale, investment and scope of projects to align to the new People strategy. This includes a delay in the greater group and leadership DNA project

Progress

- Reinforced vision, mission and strategy while relaunching Dreams and Beliefs project
- Engagement survey continued for second year
- Organisational health dashboard developed and cascaded through the business, measuring performance across key strategic people metrics
- First stage of organisational design project finalised and executed
- Achieved employment equity targets:
  - 31% top management
  - 34% senior management
  - 60% professionally qualified

Brand Promise Strategy and Performance

The group's brand promise and purpose remain – Your Value Champion. The objective of this pillar is to grow brand value by surprising and delighting the group's customers with the wanted item at great value and a satisfying all-round experience. Historically its interpretation of value (Price + Fashion + Quality) was very focused on price.

This is increasingly true for the Power Fashion customer for example. While the group strives to be the value champion for all its customers, the group's interpretation of value has been updated to include convenience and experience.

As customers will move up and down the value spectrum over their shopping and economic lifetime, the group needs to remember that for some customers price will drive their decision-making, while for others, their equation is weighted toward fashion, quality, experience, or convenience.

Brand Promise

CAPITALS

I F H M S

STAKEHOLDERS

OBJECTIVE

Grow brand value by surprising and delighting customers with the wanted item at great value and a satisfying all-round experience

PERFORMANCE RATING

Key results

- The group has a clear understanding of its customers and their needs
- Increase market share growth to 20% by 2027
- Increased brand equity scores in all divisions
- Improved ranking in BrandZ Most Valuable South African Brands from 21st to 15th by 2027
- Frontline performance is measured and drives continual improvement in appropriate customer experience

Trade-offs

- Choose to redirect capital from revamp programme to investment in backup power solutions for stores
- CRM programme deferred further due to ERP implementation and ensuring successful re-platforming to Magento 2
- Continue to look for cost effective single source of divisional brand equity scoring

Progress

- Market share increased 70bps (Stats SA)
- Increased markdown activity due to challenging trading environment
- Group NPS score: 71.3%
- Kantar BrandZ survey – No.1 most valuable fashion apparel retailer
- Mr Price Apparel ranked #1 omni-channel fashion app in SA
- Continued success of the one store card despite tighter credit granting criteria
- Social media stats:
  - 125.7m website visits
  - 2.2m Instagram followers
  - 4.3m Facebook Fans
  - 269 000 Twitter followers
  - 103 000 TikTok followers

Technology Strategy and Performance

It is pleasing to have the new ERP in place as it was a key milestone in the group's technology and innovation roadmap. The group will continue to focus on de-risking the technology portfolio as it moves away from legacy systems. In the medium- to long-term the technology spend will be weighted toward innovation as the group continues to deliver market-leading customer-facing technologies and grows its position as a leading omni-channel retailer.

The approach remains one of researching and adopting the trends that are aligned to achieving the vision. This will see continued investment in business intelligence and data analytics to support data driven decision making and further investment in robotic process automation (RPA), machine learning and AI technologies.

The war for scarce talent is expected to continue in the technology space and as such the technology and innovation pillar relies heavily on the successful execution of the people strategy.

Technology & Innovation

CAPITALS

I F H M

STAKEHOLDERS

OBJECTIVE

Entrench group culture and differentiation by leading with technology and innovation

PERFORMANCE RATING

Key results

- Strong, agile, secure platforms and systems to support group strategic needs
- Transition technology focus from infrastructure and applications to innovation
- Become a technology-enabled, insight driven business
- Retail innovation drives business sustainability, reduces costs and supports delivery of strategic growth initiatives

Trade-offs

- FY2023 saw resource dedication to the successful implementation of the ERP and related change management

Progress

- Roadmap in place to ensure strategic needs can be met and acquisitions can be integrated at an appropriate pace
- Spent R154m on IT systems
- ERP implementation closed March 2023
- Modernisation programme in place and can be accelerated post closing of the ERP
- Mr Price Advance team improved data visualisation, augmented processes with robotic process automation, aided decision making by machine learning and artificial intelligence

Stakeholder Engagement Strategy and Performance

The stakeholder engagement strategy aims to promote and protect the group's reputation and acts as the overarching custodian of the brand.

The pillar's strategy is focused on ensuring that the group continues to differentiate itself, and it has set the objective for stakeholder relationships to be based on the true spirit of partnership and aims to be ranked as the leading retailer in 'engagement and delivery'.

STAKEHOLDER ENGAGEMENT >

Stakeholder Engagement

CAPITALS: I F N H M S

STAKEHOLDERS

OBJECTIVE

Stakeholder relationships are based on the true spirit of partnership and the group is ranked as the leading retailer in 'engagement and delivery'

PERFORMANCE RATING

Key results

- Established a centralised stakeholder engagement function
- Developed a more formal stakeholder engagement strategy
- Assessed stakeholder needs and developed plans to improve performance where necessary
- Conducted annual assessments on progress in meeting the needs of and creating value for stakeholders
- Be recognised by stakeholders as having the best communication in the industry

Trade-offs

- Delayed additional investment in internal communication tools while ensuring ERP was successfully bedded down
- Integration of acquisitions will be aligned with the above deferral process

Progress

- Continued execution of stakeholder engagement strategy, including integration of newly acquired businesses where practical and affordable
- Baseline survey scores established across associates, suppliers, landlords and investors
- Re-commenced in-person investor meetings locally and offshore and hosted supplier, landlord and ESG engagement sessions
- Ranked by Intellidex as top rated investor relations in the consumer services sector
- The group's overall engagement score was 3.2 out of 4 (80.8%)

Sustainability Strategy and Performance

The group strongly believes that the ESG strategy plays a key role in protecting and influencing its brand reputation, its ability to attract and retain key talent and investors, and that building a sustainable value chain will positively impact the socio-economic landscape.

The final pillar of the strategy is centered on the desire to be recognised by stakeholders as a relevant, ethical and sustainable company. See SETS report for further information

SUSTAINABILITY REPORT > SUSTAINABILITY APPROACH >

Sustainability

CAPITALS: I F N H M S

STAKEHOLDERS

OBJECTIVE

To be recognised by stakeholders as a relevant, ethical and sustainable proudly South African company

PERFORMANCE RATING

Key results

- Continued Inclusion in FTSE/JSE Responsible Investment Top 30 Index
- Environmental strategy executed and scorecard improved annually
- Social strategy executed and scorecard improved annually
- Governance strategy executed and scorecard improved annually

Trade-offs

- The group continually balances its sustainability journey while protecting against remaining Your Value Champion
- Integration of acquired businesses into the group's sustainability approach and practices will continue at an appropriate pace and cost

Progress

- Recognised as ESG leader and achieved AA rating from MSCI
- Achieved "low risk" ESG rating from Morningstar Sustainalytics R23m donated to the Mr Price Foundation
- 97.6% tier 1 and tier 2 factory visibility
- Reduction of 35.8m single-use plastic shopping bags
- 40.6m products sold contain sustainable materials
- 100% of the DC's water supply harvested from rainwater
- Only fashion-value retailer included in FTS/ JSE Responsible Investment Top 30 Index
- 106.8m units locally procured

Enterprise Risk Management

Philosophy, Approach and Structure

The group embraces the philosophy that effective risk management contributes to achieving its goals and objectives by managing threats and taking advantage of opportunities.

Enterprise risk management (ERM) frameworks and processes are embedded in all decisions throughout the organisation. These processes are designed with the intention to promote risk taking in a responsible manner so that organisational goals can be achieved with higher degrees of confidence.

Key risks facing the group are continually identified through a dynamic risk assessment that not only identifies risks in terms of impact and likelihood, but further emphasises the connectedness and aggregated impact of each key risk. Movements of each risk, aggregated impacts and the identification of emerging events are reported and assessed on a quarterly basis by executive management and the Risk and IT Committee.

The board is ultimately accountable for effective risk management, agreeing the key risks, including emerging risks facing the group and ensuring these are successfully managed. The group's philosophy of autonomy and freedom empowers leaders to identify, evaluate and manage the risks faced on an ongoing basis.

In tandem with the annual strategy process, each division also performs annual risk assessments which consider materiality, risk controls and specific local risks relevant to the segments in which they operate.

ERM processes and outcomes are guided, overseen and reported on by the group risk director.

KEY AREAS OF FOCUS

Risk Strategy

In building the group's ERM capabilities, much time and effort has gone into developing required, fit for purpose, simplified processes and supporting frameworks. The desired levels of risk maturity and improved capabilities have been achieved, but with the group's growth aspirations comes risk commensurate with the desired level of growth. To this extent, a medium- to long-term ERM strategy was finalised during the year. The strategy sets out to achieve the following key objectives:

- Increased consistency in applying the framework across the group
- Reduced time between identifying risks and management response
- Increased number of complex risks analysed and resolved by treatment plans
- Increased use of formal risk management techniques prior to major decision making
- Reduced number of issues over time

Divisional Risk Assessments

Risk assessments were formally carried out for all divisions with aggregated results on the movement of the risks reported through the divisional risk committees.

These assessments were performed through an interactive process with each divisional leadership team. The assessments were strengthened through an understanding of each division's risk profile and insights, which were facilitated by the group risk director.

Business Resilience

The group continues to appreciate that while it cannot predict the next crisis, it can improve preparedness. Enhancing resilience plans and conducting simulation tests in response to black swan events in the last year has undoubtedly improved the overall resilience of the group.

The group's resilience and preparedness continue to improve with every potential threat of social unrest across its operations. A crisis response and recovery plan to prepare for extended stages of loadshedding and a possible collapse of the national or provincial energy grid has also recently been completed.

ERM Maturity

Significant effort has been made over the last three years to adopt robust processes and to continuously improve risk management capabilities. As previously reported, the journey towards achieving this imperative began in July 2020 when a risk maturity assessment was performed.

This aimed to improve understanding of the group's current risk maturity level through a scoring mechanism and actions required to achieve the desired state. All committed actions required to achieve the desired level of maturity have been completed and independently assured, except for the technology enablement of the process, as the group evaluates its wider prioritised investments in IT.

The results of the group's maturity journey are plotted against the KPMG risk maturity framework. This considers seven key ERM life-cycle elements with sub-elements as illustrated below:

Risk Strategy and Appetite	Risk Governance	Risk Culture	Risk Assessment and Measurement	Risk Management and Monitoring	Risk Reporting and Insight	Data and Technology
Linkage to Corporate Strategy	Board and Oversight Committee	Knowledge & Understanding	Risk Definition & Taxonomy	Risk Mitigation, Response & Action Plans	Risk Reporting	Data Quality & Governance
Risk Strategy	Company Risk Operating Structure	Belief & Commitment	Risk Identification	Testing, Validation & Management's Assurance	Business/ Operational Requirements	Risk Analytics
Risk, Appetite and Tolerance	Risk Guidance	Competencies & Context	Assessment & Prioritisation	Monitoring	Board & Senior Management Requirements	Technology Enablement
	Roles and Responsibilities	Action & Determination	Quantitative Methods & Modelling	Risk in Projects/ Initiatives	External Requirements	
	Decisions		Risk Aggregation, Correlation & Concentration			
			Scenario Analysis & Stress Testing			
			Capital & Performance Management			

Source: KPMG Risk Maturity report

Integrated Assurance

The group's integrated assurance model, as illustrated below, has simultaneously matured as part of the group's ERM strategy. The three lines of defence approach clarifies roles and accountabilities, enhancing the understanding of risk management and control.

The model highlights the levels of risk management oversight needed in the group. Ultimately, when these three lines have been properly structured, the business has an increased probability of being effectively managed.

BOARD OF DIRECTORS
Risk & IT Committee

01	02	03
First line of defence	**Second line of defence**	**Third line of defence**
Operating controls	Risk management	Internal audit
Direct control and monitoring by management	Governance and compliance	External audit Other assurance providers
Risk ownership	**Governance and compliance**	**Other assurance providers**

RISK

Risk ownership is handled by front line managers who have day-to-day ownership and management of their risks.	Risk control is a management and oversight function that owns aspects of the risk process. Second-line functions develop, implement and modify risk and internal control processes. In the group this would include risk management and potentially other functions such as governance and compliance.	Risk assurance provides independent confirmation to senior management and the board that the first and second lines' efforts are consistent with expectations. This mostly includes the internal audit function. The main difference between this third line of defence and the first two, is its high level of organisational independence.

Insurance Recoveries

Insurance is viewed as a risk transfer tool that falls directly within the scope of ERM. A significant amount of focus was placed in the last financial year on renewal processes to ensure adequate cover on various risk classes, based on a globally changing risk profile and the cover that was available in the insurance market.

In addition, significant effort was spent in finalising the business interruption claim arising from the July 2021 civil unrest. The claim could only be assessed in its entirety at the end of the 12-month period of cover (June 2022).

Material Matters

FOCUS AREAS AND MITIGATION

While the group is able to absorb stress and thrive in adverse circumstances, it has and will undoubtedly continue to face risks in its quest for growth.

Risks do not materialise in isolation and this has been especially evident over the last year. When risks materialise, they trigger other risks (contagion impacts) thereby elevating the network of key risks impacting the group's objectives. The group operated in an environment that presented multiple risks, both internally and externally.

These challenges and interconnected impacts are sometimes beyond the group's risk appetite and tolerance levels. They are therefore deemed to be material matters that require careful consideration in all key decisions.

These material matters, risks, other contagion impacts (some of which have been previously highlighted) and the group's responses are summarised on the next page and onwards.

South African Trading Environment

VIEW MORE

South African economy

The state of South Africa's economy and resultant direct and indirect impacts have exacerbated over the reporting period. Discretionary consumer spend, especially in the apparel and homeware categories has been impacted by the adverse trading environment, a weakening currency against the dollar, increasing fuel prices, interest rate hikes and record high inflation levels.

Further, the cost of doing business in South Africa continues to escalate with increased investments in alternate power, security, insurance, transport and regulatory compliance, all of which impacts the value positioning of the group.

Energy crisis

Loadshedding in the last year, particularly during the peak trading period of December 2022 and January 2023, reduced trading times and impacted shopping behaviour during power outages. This has negatively impacted the group's performance, with an estimated loss of 318 000 trading hours and R965m in lost sales.

A national collapse of the energy grid was once classified as a potential black swan event, but now features as a possibility on the group's risk radar. The group, through its crisis management planning, has taken the necessary precautions in preparation for such an eventuality, but also acknowledges that no amount of risk mitigation can surmount the impact of a national energy grid collapse.

STRATEGIC PILLAR

Brand Promise

GROUP STRATEGIC RISK THEME

The risk that adverse political action, poor state owned entity performance, social unrest, declining economic conditions and onerous legislative requirements impacts growth imperatives

Interconnected potential risks/impacts

- Concentration of risk due to focus and size of South African operations
- Constrained consumer spend
- Volatility of ZAR potentially impacting the value model
- Credit collection due to low disposable income
- Increased competition due to discounting by competitors
- Discontinuation of government COVID-19 social relief grant

Response

- Enhanced business resilience through the group's:
  - o Robust business model
  - o Market positioning
  - o Brand loyalty
  - o Primarily fashion value differentiation
  - o Every Day Low Pricing
  - o Progress towards diversification of customer segments through acquisitions and category extensions or reductions
  - o Cash-based and less reliant on credit
- Government engagement
- Treasury policy
- Alternate power plans
- Continually assess markets, customer segements and product categories

Talent Attraction and Retention

VIEW MORE

The group understands that the achievement of its goals is highly dependent on a disciplined and experienced team with retail acumen, technology and leadership skills that promotes entrepreneurship.

The enticing of skills from global retailers has elevated this risk of losing key skills. The civil unrest experienced in KwaZulu-Natal, the epicentre of the group's head office and distribution centre operations, has increased the risk of emigration and semi-emigration. Post the unrest, the group has seen an increased interest or desire by associates to leave KwaZulu-Natal.

The shortage and resultant cost of local, retail-specific skills, fuelled by a local and international war of talent and skills, poses a risk to all South African retailers. This is heightened by the location of the group's support centres in KwaZulu-Natal and is hence deemed a continued material matter.

STRATEGIC PILLAR

People

GROUP STRATEGIC RISK THEME

The risk that the inability to attract and retain key skills impacts the group's capacity to execute its strategy

Interconnected potential risks/impacts

- Skills shortage
- Competition to attract and retain specific skills
- Inability to respond to the new retail landscape
- Low growth environment impacting structure and limiting career progression
- Loss of homegrown talent
- Impact on leadership succession
- Appropriateness of retention mechanisms in a new retail landscape
- Remote talent management
- Cost of required skills impacting the value model
- Overworked associates impacting mental health, more especially key decision makers

Response

- New long-term incentive and short-term incentive schemes in third year of operation
- Wellness programmes
- Flexible working arrangements
- Attractive business with stability and large growth opportunities
- Infusion of new talent with new acquisitions
- Identification and nurturing of high potential associates

Competitor Landscape and Changing Shopping Behaviour

VIEW MORE

The group has experienced market share headwinds due to several factors such as the shift by competitors into the value segment through aggressive store rollouts and higher markdowns.

The rapid change in consumer fashion, driven by the availability of online global real-time trends on both local and international platforms, requires agility ahead of competitors in understanding and responding to customer demands. Rapid store rollouts by competitors has increased demand for quality retail space and further elevating the competitor landscape risks.

The accelerated ongoing change, more particularly the impact on the retail value segment relative to previous years, has accentuated this material matter.

STRATEGIC PILLAR

Growth

GROUP STRATEGIC RISK THEME

The risk that actions of competitors or new entrants to the market threaten the group's competitive advantage

Interconnected potential risks/impacts

- Crowded value segment
- Inability to respond to "freshness" offered by global competitors
- Inability to maintain leading metrics
- Leadership agility
- Inability to innovate
- Loss of group's entrepreneurial strength

Response

- Growth strategy executed organically and acquisitively
- Financial resilience and differentiation with strength of balance sheet
- Diversified targeted customer segment
- The strength and value of the brand
- Strong retail skills in the value retailing segment

Brand Reputation

VIEW MORE

The group accepts that every associate directly or indirectly carries the reputation of the group's brand and it is not always possible to control every interaction of an associate. This being either in their personal capacity or while representing the group's business, and thereby posing an ongoing risk of brand damage.

The group aspires towards the prevention of an incident at all costs. It accepts that there are scenarios that are beyond its control as all partners carry the group's reputation in their interactions, thereby rendering the risk of brand disrepute as a material matter.

STRATEGIC PILLAR

Stakeholder Engagement

Brand Promise

GROUP STRATEGIC RISK THEME

The risk that associates, or parties with whom the company transacts, conduct themselves in a manner that damages the reputation its image

Interconnected potential risks/impacts

- Enhanced consumer and social awareness
- Speed of information transfer via social media

Response

- Group code of conduct
- Faircall whistleblowing facility available to all associates and partners
- Ethics awareness and training
- Social media screening
- Social media policies
- Escalation guidelines
- Group communication function

Supply Chain

VIEW MORE

Logistics

The group has previously experienced severe supply chain disruptions due to prior pandemic effects (both locally and globally), port disruptions, container and shipping constraints. As previously reported, the N3 corridor is a key distribution route for the group in South Africa and is at constant risk of disruption and threat. Good progress has been made in the last year to manage concentration risks associated with the group's largest distribution centre (DC) in Hammarsdale.

The large degree of uncertainty in the external environment elevates the risk of future disruption to the movement of the group's merchandise, both globally and locally. This renders logistics to be a material matter.

STRATEGIC PILLAR

Sustainability

GROUP STRATEGIC RISK THEME

The risk of an inefficient, ineffective and unreliable supply chain that will result in poor inventory management that will impact the group's competitive advantage

Sourcing

The increased cost of doing business in all aspects of the value chain continues to escalate and is at unprecedented levels. Increased costs associated with product manufacturing, shipping and delivery, raw materials, security, compliance, insurance and skills threaten the group's ability to offer affordable merchandise to customers.

STRATEGIC PILLAR

Growth

GROUP STRATEGIC RISK THEME

The risk of an inefficient, ineffective and unreliable supply chain that will result in poor inventory management that will impact the group's competitive advantage

Interconnected potential risks/impacts

- Impact of increased input costs on price value offering
- Failure of key suppliers to meet order obligations
- Stock availability
- Disruptions in movement of stock from source to store
- Port service levels and reliability

Response

- Alternative DC facilities
- Enhanced security mechanisms at key strategic and concentrated locations
- Resourcing strategy in the fourth year of execution, thereby reducing over-reliance on territories or key suppliers
- Responsible sourcing incorporated into the resourcing strategy
- Partnerships and collaboration with suppliers
- Increased lead times to allow for response strategies
- Quick response strategies
- Strategic supplier partnerships/building feedback loops/collaboration
- Supplier performance measurement and visibility of production cycles
- Procurement of locally manufactured products to increase agility and flexibility

Systems and Technology

VIEW MORE

The group's technology risk profile continues to improve. The group has made excellent progress in IT disaster recovery resilience and is on an ongoing and accelerated path of improving its cyber security maturity.

The year saw the culmination in the implementation of Oracle, the group's enterprise resource planning (ERP) system. This plays a significant role in addressing the systems risk capability required to deliver future growth aspirations. Significant, unanticipated challenges were encountered during the implementation and the group has recognised the impacts to be beyond originally anticipated levels.

As previously reported, the group further recognises that systems are constantly at risk of damage and interruption relating to the increase in power outages, related telecommunication failures and ongoing elevated cyber security risks. Any form of sustained interruption to the information systems will have an adverse impact on the group.

The group's reliance on systems to ensure business continuity and enable future growth will therefore always be deemed a material matter.

STRATEGIC PILLAR

Technology & Innovation

GROUP STRATEGIC RISK THEME

The risk that technology systems lack capability and capacity to support operations and future growth

Interconnected potential risks/impacts

- Information security
- Reliance on information generated to base key decisions
- Compliance (data privacy, POPIA)
- Business interruption
- National or provincial electricity grid failure
- Failure to keep pace with technological advances that will enhance business value model

Response

- Execution of the group's information security roadmap and cyber insurance
- Continue to replace legacy solutions with simplified modern platforms
- Data governance principles
- Improved and robust IT disaster recovery, including cloud-based solutions and off-site storage as well as a diverse geographical store network
- Digital transformation by leveraging data and digital asset investment as well as automation

Risk Adjusted Approach to the Group's Strategy

VIEW MORE

The changing external environment and customer behaviours continue to challenge the group's strategic response at the right time. While the group is proud of its growth strategy, it also accepts the need for ongoing adjustments based on a rapidly changing trading landscape. The extent of volatility and uncertainty fuelled by competitor entrances to the value segment (especially over the last year) challenges the group's strategic responses and choices, rendering it a material matter to the group.

STRATEGIC PILLAR

Growth

GROUP STRATEGIC RISK THEME

The risk that the lack of a clearly articulated or poorly executed strategy will result in the group's inability to achieved desired growth

Interconnected potential risks/impacts

- Overreaction/Underreaction to changes in the strategic landscape
- Inability to identify forces of change
- Diversionary efforts
- Incorrect decision making
- Investment in non-value adding activities

Response

- Alignment of group's strategic priorities clearly disseminated into the trading divisions and Centres of Excellence
- Key performance indicators (KPIs) ensure execution with absolute clarity driven by individual targets
- Quarterly assessments of KPI progress for all divisions and timely responses

Transformation and Diversity

VIEW MORE

The group acknowledges that the slow rate of transformation and diversity, in line with the local and national demographics of South Africa, poses a significant risk to employment equity (EE) targets. The group continues to make strides to address this risk and there have been positive shifts in African, Coloured and Indian (ACI) appointments. A unified transformation strategy supported by structures that drive the achievement of the transformation targets, has been finalised over the last year.

STRATEGIC PILLAR

People

GROUP STRATEGIC RISK THEME

The risk that slow pace of transformation will result in adverse reputational and commercial damage and hinder the group's DEI strategy

Interconnected potential risks/impacts

- Slow rate of EE and gender transformation at senior and professional qualified levels

Response

- The group's EE plan
- Transformation strategy
- Transformation committee
- Transformation targets
- KPI measurables
- Transformation manager

Leadership and Organisational Agility

VIEW MORE

Leadership, organisational agility and competencies required to enable growth are perceived as a risk. This risk is constantly being reduced through various behavioural changes and more deliberate interventions such as the definition of the group's leadership DNA. The speed of change and the world of VUCA (volatility, uncertainty, complexity and ambiguity) in which the group operates, requires capabilities of leaders that extend far beyond historical expectations. The shortage of skills (material matter no.3) amplifies this expectation and is therefore recognised as a material matter facing the group.

STRATEGIC PILLAR

People

GROUP STRATEGIC RISK THEME

The risk that leadership behaviour and resultant impact on the organisational health, impacts the group's ability to achieve its goals

Interconnected potential risks/impacts

- Resistance to change
- Entrenched thinking and inability to adapt to evolving needs
- Inappropriate organisational design

Response

- Infusion of new leadership thinking through acquisitions and external appointments
- Revised organisational design
- Lateral transfers of leadership teams
- Various leadership and mentorship programmes

Culture and Values

VIEW MORE

The group takes pride in its culture and the values lived by all associates, in the execution of its objectives. The overall health of the organisation is critical to success. This health is supported by a strong culture that engenders the correct behaviours. The group's culture and the potential impact of its success is therefore viewed as a material matter.

STRATEGIC PILLAR

People

GROUP STRATEGIC RISK THEME

The risk that culture and behaviours do not engender the right values and behaviours to protect the group's organisational health

Interconnected potential risks/impacts

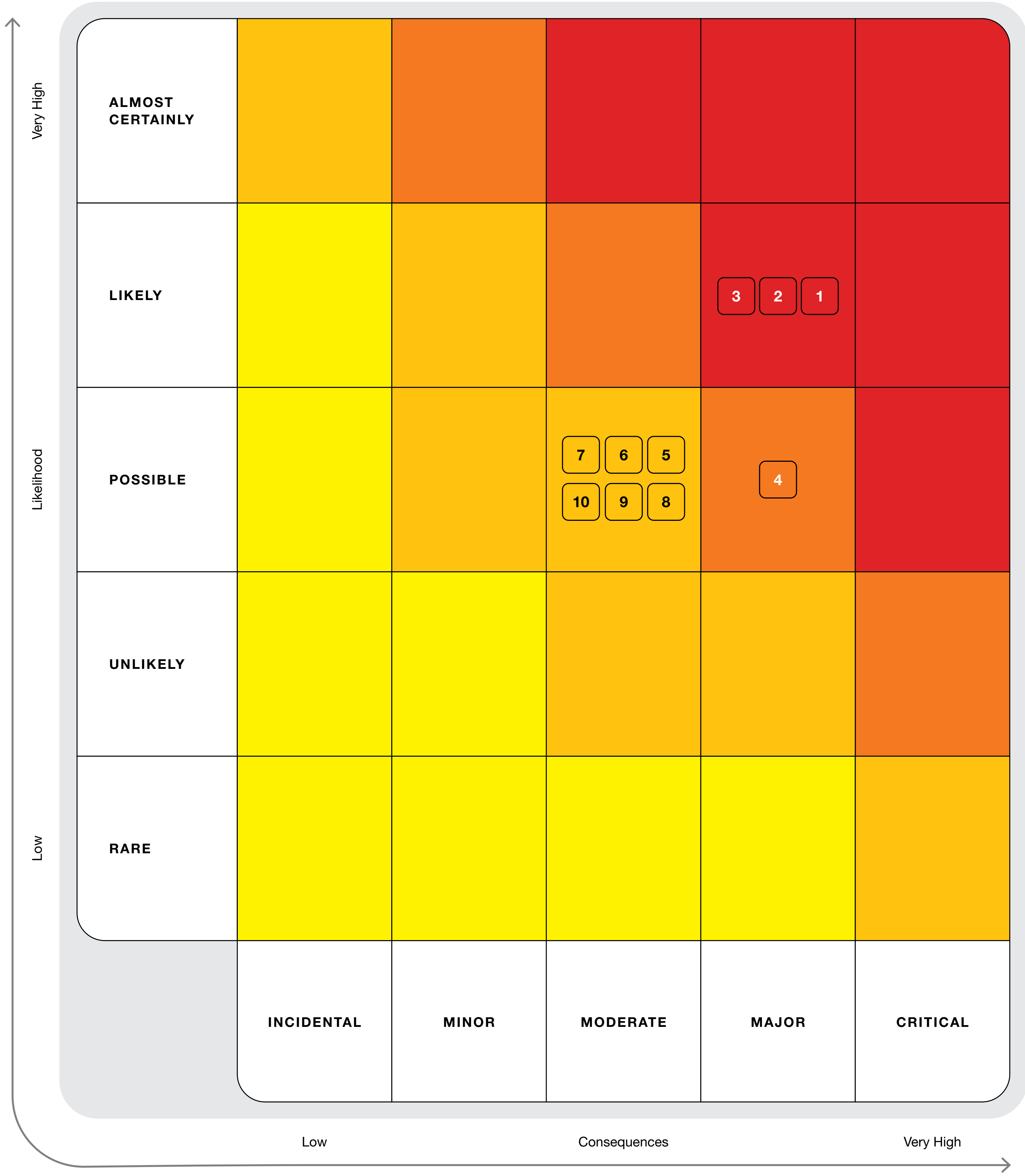
- Loss of entrepreneurial mindset
- Dilution of culture
- Reputation risks
- Agility

Response

- Organisational health assessments
- Adaptability/Constant improvement of values
- DNA project activation and implementation
- New group vision, purpose and strategy
- Mandatory induction programmes for associates

Risk Profile

The group's risk profile is illustrated on the following risk matrix that assesses the risks on a residual basis (after risk mitigation and consequences both from a qualitative and quantitative basis). The matrix is utilised as a mechanism to assess risks that impact the group's ability to achieve its strategic objectives. Detailed descriptions exist for each rating to enable consistent application throughout the organisation.



Material Matters/ Risk Themes		Risk Identified	Risk Movement Since Prior Year
01	South African trading environment	The risk that adverse political actions, social unrest, deterioration of economic conditions and onerous legislative requirements impacts the group's growth imperatives.	Elevated
02	Talent attraction and retention	The risk that the group's inability to attract and retain key skills impacts its ability to execute its strategy.	Unchanged
03	Competitor landscape and changing shopping behaviour	The risk that actions of competitors or new entrants to the market threaten the group's competitive advantage.	Elevated
04	Brand reputation	The risk that the group's associates, or parties with whom it transacts, conduct themselves in a manner that damages the reputation of the group's image.	Reduced
05	Supply chain	The risk of an inefficient, ineffective and unreliable supply chain that will result in poor inventory management that will impact the group's competitive advantage.	Unchanged
06	Systems and technology	The risk that the group's IT systems lack capability and capacity to support operations and future growth.	Reduced
07	Risk adjusted approach to the group's strategy	The risk that the lack of a clearly articulated growth strategy will result in the group's inability to achieve desired growth.	Unchanged
08	Transformation and diversity	The risk that the group's slow pace of transformation will result in adverse reputational and commercial damage.	Unchanged
09	Leadership and organisational agility	The risk that leadership behaviour and resultant impact on the organisational health, impacts the group's ability to achieve its goals.	Unchanged
10	Culture and values	The risk that the group's culture and behaviours do not engender the right values and organisational health.	Unchanged

INTRODUCING

CFO's Report

> The Studio 88 acquisition has added an exciting vertical to the group's retail portfolio, capturing a fast-growing piece of the apparel sector in which it is underrepresented.

Mark Stirton - CFO

Situational Analysis

Looking back over this financial period, the group has weathered tough global and local macro conditions together with a material internal disruption brought about by the change to its core retail system.

External factors

The retail landscape in South Africa over the financial year was fiercely contested by local retailers amidst an economic environment which was tumultuous both globally and locally as noted in our **operating environment** section (refer to page 57). New apparel and homeware retail challengers emerged, combined with the resurgence of older retail names who carry strong brand equity in the hearts and minds of South African consumers. Inflation remained sticky, hovering outside the Reserve Bank's target range for the year, impacting consumers' ability to spend on durable goods and services. Food and fuel inflation was double digit throughout the period, causing consumers to trade off this rise in costs against spending on more discretionary items. Credit granting aided retail sales over the period for most retailers; this does however create a very cyclical trend impacting on results. The group remained a predominately cash-based retailer which constrained some of the available market growth, as it placed a ceiling on its own credit granting to ensure it acted in line with its historical prudent approach to this channel. There has been high demand for retail credit, highlighted by the National Credit Regulator's Consumer Credit Market Report Q4 2022. The report states that credit applications are more than 30% above pre-pandemic peak levels. The group's strict policy relating to credit granting has proven to serve us well over the long run, providing less risk to margins and allowing the group to maintain its everyday low price positioning. Despite this stance, the group experienced elevated bad debt write offs and lower collections over the financial period.

Loadshedding has had a material effect on South Africa. Retailers and landlords were ill-equipped to deal with the sudden and dramatic rise in lost trading hours due to constant electricity disruption, which resulted in the majority of the group's stores being closed over these hours. The group started to feel the full effects of loadshedding in September 2022 when it spiked abruptly, resulting in the same number of hours lost in this one month surpassing the whole of 2021 hours combined. This continued into the group's key high summer trading period, materially impacting trading hours and the group's performance. The group's traditional businesses (excluding Power Fashion, Yuppiechef and Studio 88 which had over 90% backup power) were not able to deal with this dramatic escalation in lost trade, despite accelerated plans to rollout backup power in September 2022. The result was that only approximately 40% of this store base had backup power in December 2022. This issue combined with the operational challenges stemming from the ERP system change, created a perfect storm for the group which led to it not achieving its own internal targets and the market's expectation.

The exchange rate (rand/dollar primarily) plays a key factor in the group's ability to manage input inflation. Despite its mature treasury practices and the use of various instruments to moderate the effects of exchange rate volatility on merchandise cost prices, the group experienced double-digit exchange rate inflation. The group has a diversified sourcing strategy with a close to even split between local (South Africa and other proximity markets) and foreign merchandise procurement. Despite local procurement being charged in rands, their cost base was affected by significant loadshedding creating disruption to production, exchange rate impact on raw materials and rising wage growth which outstripped inflation despite less units being produced.

Internal factors

A technology modernisation milestone achieved was on 1 April 2022 when the group went live with its new Oracle Enterprise Resource Planning (ERP) solution. This level of system change on a legacy organisation of Mr Price's size is considered by some to be the equivalent of performing open heart surgery. It lived up to that description. Despite the numerous challenges faced by various teams, the group managed to navigate through all the major stabilisation issues in under 12 months, which was deemed a good outcome by our implementation partners based on experience with legacy system conversions. The investment in the ERP solution aimed to significantly derisk the group's aging and unstable legacy homegrown system architecture, allowing it to re-platform the business for its desired growth.

The gravity of such a disruption is only truly felt post the go live date, despite following all the advice and learnings from prior projects. The broad reaching effects of this scale of change on an organisation's people, processes and complementing systems is often only visible with the efflux of time. The ERP system took longer than anticipated to stabilise. This resulted in abnormal levels of distraction for the group's buyers and planners who were not able to perform key tactical trade actions with the degree of confidence and ease required in a highly competitive retail environment. This impacted the quality and speed of decision making, a core strength of Mr Price's business model, and inventory management was compromised. Equally the finance community had to grapple with various system adjustments that were required over the stabilisation period to accurately report financial results, which diverted our key commercial leadership's focus away from trade during the period.

With this level of system change, the group's assurance providers played a critical role over the period in independently reviewing the functioning of vital controls over material balances across the group. KPMG internal audit issued an acceptable control environment rating for the period, with the majority of the areas audited and reviewed displaying acceptable and good control ratings. Owing to the initial ERP implementation challenges experienced in April 2022 (which extended for most of the financial period), reconciliation controls over stock and payables balances did not operate as designed. KPMG therefore rated these areas as weak. The group is confident that the finance community took reasonable steps, applied their minds, and exercised sufficient management supervision over the period to ensure the financial balances over these areas fairly presented at year end. Further comfort was gained through our external audit partners who performed greater substantive procedures and did extensive system testing over these areas due to their materiality. The group is satisfied that it has unpacked these two financial control areas and have developed a robust plan to amend processes and systems to ensure it obtains its targeted rating in FY2024.

Studio 88 Acquisition

The finalisation of the acquisition of 70% of the Studio 88 Group of Companies, effective from 4 October 2022, was a big milestone for the group. This acquisition has added an exciting vertical to the group's retail portfolio, capturing a fast-growing piece of the apparel sector in which it is underrepresented.

Studio 88 management remain focused and excited about the combined efforts this acquisition brings. The transition into the group has been without event. The Studio 88 group's annual financial performance is weighted heavily to the group's second half which provided material support to the group. Commentary below includes Studio 88 unless otherwise noted.

Financial Commentary

Summarised income statement

Financial summary		FY2023	FY2022	% Change
Revenue	R'm	**32 853**	28 083	17.0
GP%	%	**39.5**	41.0	-150bps
EBITDA margin	%	**22.2**	24.7	-250bps
Profit from operating activities	R'm	**4 920**	4 946	-0.5
Group operating margin	%	**15.1**	17.7	-260bps
Profit attributable to shareholders	R'm	**3 115**	3 347	-6.9
Headline earnings per share	cents	**1 205.7**	1 282.1	-6.0
Diluted headline earnings per share	cents	**1 178.4**	1 254.0	-6.0

As noted in the situational analysis, the group's results were heavily impacted by elevated loadshedding, heightened competitor promotional activity and its new ERP system. The group's diluted headline earnings per share decreased 6.0% to 1 178.4 cents. The first half diluted headline earnings per share increased 10.8%, however the full impact of the material factors noted, impacted heavily on the second half which declined 15.1%. The second half was supported by the welcomed inclusion of Studio 88 which helped underpin a very tough second six months' trade for the group. Studio 88 performed within expectations for the first six months, which is their strongest trading period in their financial year, but was also not immune to the externalities facing the broader group and industry. Studio 88 operating profit contribution in H1 FY2024 will be materially lower than the H2 contribution, in line with the traditional seasonal rhythm of their trading patterns which centres on festive season trade. Recently acquired Power Fashion continues to expand its footprint from 174 stores at acquisition to 262 stores at the end of FY2023. This is in line with the strategy to increase scale to capture market share, increase merchandise buying opportunities and dilute its fixed cost base. The civil unrest in FY2022 affected this business significantly and impacted projections. Yuppiechef continues to make good progress against its growth path with an increase in weighted average space of 162.8%, taking their footprint to 14 retail stores, expanding into new higher margin product areas, all enhancing its existing omni-channel platform strengths.

Retail sales and other income increased to R32.7 billion, up 17.2% on the prior period. Retail sales increased by 18.0% to R31.5 billion. Comparable retail sales decreased 3.4% and reflects the tough trading conditions of the core Mr Price Group. Retail selling price inflation was 15.0% (excluding Studio 88 at 4.3%) impacted by the higher-priced Studio 88 merchandise price points. The group always aims to maintain its value price positioning, however it was forced to clear stock in response to the factors noted which resulted in elevated markdowns and negatively impacted margins.

Positive weighted average space growth of 16.9% (5.7% excluding Studio 88) was achieved. The introduction of Studio 88 has taken the group's store base to 2 702 stores, adding significant scale to its retail footprint and placing it as a top five tenant among listed real estate investment trusts (REITs) in terms of square meters occupied. Retail sales from the group's online channel increased 3.2% (2.5% of group retail sales) as customers shifted their shopping behaviour back into malls in line with the global market trend. The group continues to invest in its leading position across this strategic channel, cognisant of the rising presence of pure play retailers and their potential disruptive effects.

The group continues to trade solely in Africa with its primary market focus being South Africa contributing 92.8% to total retail sales.

Cash sales grew 19.7% for the period contributing 87.3% to retail sales in line with the group's business model of being a predominately cash-based retailer. Credit sales grew 8.3%, driven primarily by existing account holders spending more. As economic conditions tightened, higher net bad debt write-offs in line with the market trend have been incurred, particularly among customers booked in the last 12 months.

Other income declined 1.0% impacted by higher insurance receipts in the base. This performance was aided by growth in interest and admin fees earned on the group's retail debtors of 24.2%, as it saw robust demand for its credit offering in line with the market, despite a rising interest cycle threatening to temper credit lending. The group recognised early signs of distress in its credit book in its first half and tightened its credit scorecard in response. This decision impeded credit sales growth which saw credit applications demand increase 30.9% on last year. Approvals rates on new applications were down 1 010 basis points to 23.0% as scorecard changes took effect. This has proven to be the correct decision despite the temptation to release credit, as bad debt write-offs increased 29.4%, impacting group overhead growth despite the net bad debt to book increasing to 8.4% (FY2022: 6.0%), the group is adequately provided for with an impairment provision of 10.0%. The group credit book continues to outperform the market as reported by Principa Face of Credit Report, with a good (<1month) to bad book (>2months) ratio of 8.0 compared to the market's 3.8.

Group gross margin of 39.5% was down 150 basis points on the prior period due to higher than planned markdowns experienced from disrupted trade and the inclusion of Studio 88 at lower margins. Merchandise margins decreased to 40.3% and the telecoms segment margin was up 200 basis points to 19.3% as improved scale and contract negotiations with networks gained traction.

The group's total overheads grew 21.2%. Excluding Studio 88, selling and administration overheads were contained at 6.7% despite the core business's space growth of 5.7% noted above. The group's pay for performance model aided cost containment, with low variable pay remuneration rewarded in the period. This is a noteworthy achievement when one considers that CPI averaged over 7% for FY2023. Rental negotiations have become increasingly challenging post pandemic as landlords have experienced strong demand for space. This has tempered rental reversions towards the end of the second half.

Profit from operations decreased 0.5% to R4.9 billion, with pressure exerted on operating margins which declined 260 basis points to 15.1% as poor operating leverage was experienced due to the factors noted above and the material inclusion of Studio 88, which has a lower margin structure than the core business. The group's interest earned on cash reserves declined in line with the R3.6 billion outflow for the purchase of 70% equity stake in Studio 88. The corporate tax rate changes effective in FY2023 aided the group's reduced tax obligation with the effective tax rate for the year being 26.7% (FY2022: 27.6%).

Profit after tax decreased 3.6% to R3.2 billion, or R3.1 billion after the deduction of minority interests. A marginal decrease in weighted average number of shares of 0.2% resulted in earnings per share decreasing 6.8% for the period.

Segment analysis

The group is organised and managed in three core trading segments: Apparel, Homeware, and Financial Services and Telecoms.

		Apparel	Homeware	Financial Services and Telecoms
RSOI	R'm	24 250	6 256	2 042
RSOI (Ex Studio 88)	R'm	20 006	6 256	2 042
RSOI growth	%	24.6	-3.8	9.9
RSOI growth (Ex Studio 88)	%	2.8	-3.8	9.9
Operating profit	R'm	3 848	859	488
Operating profit growth	%	4.6	-35.9	-7.1

In line with the group's stated strategy to diminish its reliance on its core business, its three recent acquisitions have diversified the group into new market and customer segments not previously penetrated. The introduction of Studio 88 into the apparel segment in FY2023 has changed the group's portfolio mix where apparel is now 74.5% (FY2022: 69.9%) of the group's retail sales and other income (RSOI) with homeware contributing 19.2% (FY2022: 23.4%) and financial services and telecoms 6.3% (FY2022: 6.7%).

The apparel segment RSOI increased 24.6% off a strong base of 30.9% growth. Operating profit grew 4.6% at 15.9% operating margin.

The homeware segment fared poorly off a strong RSOI base of 15.6% growth in the prior period, declining 3.8% in FY2023 due to heightened competition threatening the group's dominant market share position. Strategic plans to regain lost market share are in motion, however the segment will remain constrained due to its discretionary nature.

The financial services and telecoms segment produced an acceptable RSOI growth of 9.9%, also off a firm base of 22.1%, however elevated bad debts weighed heavily on operating profits, declining 7.1%.

Statement Of Financial Position

R'm	1 April 2023	2 April 2022
Non Current Assets	**17 003**	11 296
Current Assets	**11 778**	11 381
Inventories	**7 321**	3 956
Trade and other receivables	**2 733**	2 551
Cash and cash equivalents	**1 442**	4 612
Other assets	**282**	262
Total Assets	**28 781**	22 677
Shareholders equity	**13 928**	12 056
Total Liabilities	**14 853**	10 621
Total equity and liabilities	**28 781**	22 677

The group's balance sheet has changed shape over the past two financial periods with the introduction of three acquisitions funded through existing cash reserves. This has enabled the group to remain free of long-term debt funding. Despite the cash and cash equivalents balance declining due to the investment in Studio 88 of R3.6 billion, the group closed with cash and cash equivalents of R1.4 billion in FY2023. A continual assessment at each reporting period is performed over the intangible assets and goodwill raised on these acquisitions to ensure sufficient headroom.

The group allocated R945 million in capex over the period, 61.7% of which went to store development activities. Despite the tough trading results, new stores for most of the divisions produced returns on investment of more than 35%. A continual assessment of capital allocation in this climate is necessary to ensure the group remains agile to threats and opportunities. Through its banking partners it has adequate borrowing facilities should it require them on a short- or longer-term basis. Inventory increased 85.1% (18.6% excluding Studio 88), adequately provided by the impairment provision of 8.1% (FY2022: 6.7%). The increase in inventory was driven by lost trading hours due to loadshedding, a higher exchange rate which impacted input costs and gross space growth of 28.0%. Inventory turn (excluding stock on the water) was lower than last year at 3.9 times. A heavier inventory carry and the introduction of Studio 88 (whose inventory turn is slower than the core Mr Price Group) impacted this ratio. It is anticipated that inventory levels will normalise in FY2024.

Trade receivables increased 7.1%, primarily due to growth in the group's retail credit book which reported a credit sales increase of 8.3%.

Trade payables increased 68.5% due to the Studio 88 inclusion and the continued successful rollout of the group's supply chain finance programme across its supply base. This initiative has yielded over R900 million in capital with significant room to grow further, positively assisting cash conversion targets.

R'm	FY2023	FY2022
Cash balance at the beginning of the year	**4 612**	4 949
Cash inflow from operating activities	**5 940**	4 807
Cash outflow from investing activities	**(4 270)**	(925)
Cash outflow from financing activities	**(4 841)**	(4 207)
Foreign exchange gain/(loss)	**1**	(12)
Cash balance at end of year	**1 442**	4 612

The group's cash conversion ratio was 82.0% (FY2022: 69.9%), with free cash flow conversion at 70.4% (FY2022: 60.0%).

Net asset value increased 15.5% to R13.9 billion. The group's solvency ratio is 1.9 and its current and quick ratios closed at 1.6 and 0.6 respectively, further reinforcing the strength of the group's balance sheet. Return on equity at 24.8% remains high relative to the sector, however it was impacted by the inclusion of Studio 88 whose capital structure is heavier than the traditional group balance sheet. Capital optimisation is a key opportunity area which was identified in due diligence across all three of the group's recent acquisitions, all of which are in the process of improving according to their individual growth plans.

Outlook

The group remains focused on its long-term objectives while remaining fiscally responsible in a weakening global and South African macro environment, which continues to supress business and consumer confidence levels. These constrained conditions should provide support for the group's everyday low-price merchandise promise, attracting shoppers at the higher income levels who will shop down in hard times. Further to this, we are confident that the strategic acquisition of Power Fashion, which aims to service the price-value conscious customer, will enable the group to capture the trading down by customers who are looking for bargain fashion prices.

The retail conditions are expected to remain challenging, particularly for the first half of FY2024. The toll that unreliable power supply is having on the South African economy remains the country's biggest threat to productivity and civil stability. Loadshedding is expected to hit new highs in winter 2023, which will introduce another blow to the continuity of retail shopping habits. The group's material investment in backup power of over R220 million will enable it to combat loadshedding to a stage 8 level; beyond this the group will need to scale its current solutions. Our corporate posture as a result remains reserved. We intend to allocate capital of R1.2 billion this financial period. The group's current performance is regarded as transitory not structural, warranting us to continue our investment into new stores which produce market-leading returns far in excess of the cost of capital. This strategy will remain fluid in response to current market conditions.

The key focus areas for FY2024 from a fiscal management perspective will be:

- Cash conversion is a top priority aided by improved working capital days
- Ensuring we achieve positive operating leverage in our trading divisions
- Combating the effects of inflation on our value model through additional hedging strategies
- Improved research into the South African consumer landscape to improve sales calls
- Re-engineering costs through extracting synergies across the group
- Building up cash reserves to ensure sufficient head room is built to absorb costs and seize possible opportunities

As previously communicated through SENS announcements, the group's current external audit firm, Ernst and Young Inc, will transition to Deloitte Inc in FY2024. Work has been done to ensure that this transition will be a smooth one. Changes of this nature do create interpretation differences on accounting standards between audit firms. All parties are currently engaged to understand whether technical differences exist and if so, how they can be resolved.

All efforts are being made to minimise this risk. The parties are working through with best endeavours to align in order to avoid changes to the financial statement in FY2024.

Mark Stirton
Chief financial officer

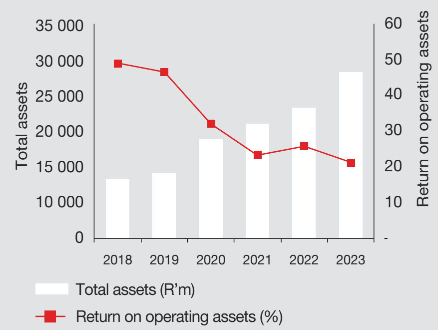
Six-Year Review

Abridged statements of financial position, cash flows and income

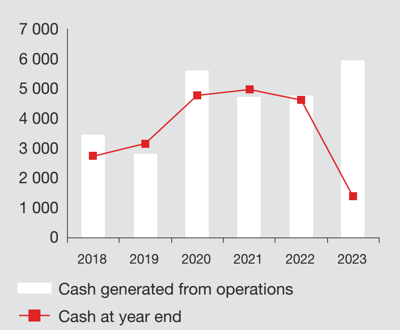
R'm	37 year compound growth %	Five year compound growth %	2023	2022	2021	2020	2019	2018
Statement of financial position								
Assets								
Non-current assets			**17 003**	11 296	9 288	6 950	2 664	2 628
Property, plant and equipment			**3 598**	2 518	2 236	2 137	2 126	2 092
Right-of-use assets			**7 737**	6 315	5 000	4 202	-	-
Other			**5 668**	2 463	2 052	611	538	536
Current assets			**11 778**	11 381	10 587	10 244	8 481	7 491
Inventories			**7 321**	3 956	3 298	2 719	2 692	2 215
Trade and other receivables			**2 733**	2 551	2 155	2 268	2 179	2 370
Re-insurance asset			**219**	190	154	182	304	146
Cash			**1 442**	4 612	4 949	4 726	3 275	2 756
Derivative financial instruments			**51**	64	24	342	27	-
Taxation			**12**	8	7	7	4	4
			28 781	22 677	19 875	17 194	11 145	10 119
Equity and liabilities								
Equity attributable to shareholders			**13 014**	12 056	10 838	9 428	8 682	7 455
NCI			**914**					
Non-current liabilities			**7 466**	6 002	4 800	4 032	289	257
Lease liability			**7 028**	5951	4 776	4 014	-	-
Other non-current liabilities			**438**	51	24	18	289	257
Current liabilities			**7 387**	4 619	4 237	3 734	2 174	2 407
Trade and other payables			**4 877**	2 895	2 542	2 136	1 920	2 115
Lease liability			**2 093**	1 460	1 164	1 027	-	-
Re-insurance liabilities			**44**	43	45	46	46	38
Other			**373**	221	486	525	208	254
			28 781	22 677	19 875	17 194	11 145	10 119
Statement of cash flows								
Net cash inflows from operating activities			**5 940**	4 807	4 767	5 661	2 857	3 502
Net cash outflows from investing activities			**(4 270)**	(925)	(1 945)	(472)	(451)	(455)
Net cash outflows from financing activities			**(4 841)**	(4 207)	(2 550)	(3 655)	(2 002)	(2 053)
Net increase/(decrease) in cash and cash equivalents			**(3 171)**	(325)	272	1 534	404	994
Cash and cash equivalents at beginning of the year			**4 612**	4 949	4 726	3 150	2 720	1 784
Exchange (losses)/gains			**1**	(12)	(49)	42	26	(58)
Cash and cash equivalents at end of the year			**1 442**	4 612	4 949	4 726	3 150	2 720
Income statement								
Retail sales	17.5%	9.5%	**31 498**	26 683	21 690	21 686	20 850	19 994
Retail sales and other income	17.6%	9.0%	**32 668**	27 865	22 553	22 707	22 334	21 185
Profit from operating activities	19.7%	5.7%	**4 920**	4 946	3 864	3 979	3 965	3 732
Profit attributable to shareholders	21.7%	2.3%	**3 115**	3 347	2 648	2 704	2 982	2 781
Headline earnings attributable to shareholders	21.7%	1.8%	**3 102**	3 305	2 762	2 716	3 026	2 842

Notes:
1. 2021 was 53 week period
2. The 37 year compound growth rates are calculated from the date of acquiring joint control in 1986
3. FY2019 and FY2020 income statements were re-presented for discontinued operations

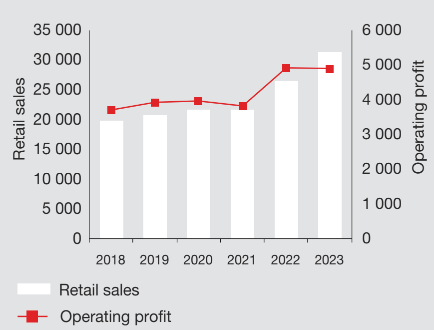
Total assets (R'million) and return on operating assets (%)



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



Retail sales and operating profit (R'million)



Stores and Productivity Measures

R'm	37 year compound growth %	Five year compound growth %	2023	2022	2021	2020	2019	2018
Operating statistics								
Depreciation as a % sales [a]			**1.1%**	1.2%	1.5%	1.5%	1.4%	1.4%
Employment costs as a % sales [b]			**10.8%**	11.0%	10.3%	10.7%	11.0%	11.1%
Occupancy costs as a % sales [c]			**7.9%**	7.9%	7.9%	8.1%	7.5%	7.6%
Total expenses as a % sales [d]			**29.4%**	28.6%	30.6%	29.4%	29.2%	29.4%
Number of stores by segment								
Mr Price Apparel			**595**	558	538	532	512	481
Mr Price Sport			**169**	157	136	124	112	105
Power Fashion			**262**	209				
Studio 88			**825**					
Miladys			**255**	251	239	232	214	207
Total Apparel Stores			**2 106**	1 175	912	888	838	793
Mr Price Home			**216**	205	183	177	179	171
Yuppiechef			**14**	7				
Sheet Street			**354**	333	322	313	306	294
Total Home stores			**584**	545	505	490	485	465
Mr Price Cellular			**12**	1				
Total Cellular stores			**12**	1				
Franchise			**8**	8	8	9	18	23
Total group stores	9.0%	16.2%	**2 710**	1 729	1 426	1 387	1 341	1 281
FT associates [e]			**20 767**	20 443	17 831	17 986	18 983	18 536
Trading area								
- weighted average net m²			**857 853**	733 569	651 875	641 246	627 367	618 684
- closing average net m²	9.5%	9.1%	**962 763**	752 044	657 763	649 700	633 813	621 512
Total sales (R'm)	17.5%	9.5%	**31 498**	26 683	21 690	21 686	20 850	19 994
Traditional comparable sales growth %			**(3.37)**	14.1	-5.1	-1.4	1.6	5.6
Retail selling price inflation %			**15.05**	(6.4)	5.3	1.4	5.1	1.7
Cash sales %			**87.26**	86.1	86.4	84.3	84.2	83.7
Credit sales %			**12.74**	13.9	13.6	15.7	15.8	16.3
Sales per store (R'm)			**12**	16	15	16	16	16
Sales per full time associates (Rand) [f]			**1 516 733**	1 305 227	1 216 396	1 205 739	1 098 361	1 078 678
Sales density excluding sales to Franchise (Rand per weighted average net m²)			**36 678**	36 316	31 346	32 958	33 201	32 238

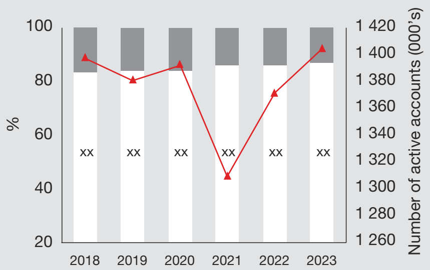
Notes:
1. 2021 was 53 week period
2. The 37 year compound growth rates are calculated from the date of acquiring joint control in 1986
a Depreciation on property, plant and equipment only
b Employment costs include salaries, wages & other benefits, share based payments, restraint of trade expenses, defined contribution pension fund expense, defined benefit pension fund net expense and post retirement medical aid benefits
c Occupancy costs include depreciation on right of use asset and interest on lease liability from FY2020. Occupancy costs include land and building lease expenses, including straight line lease adjustments prior to 2020
d From FY2020, total expenses includes interest on lease liability
e FT: Full time

Returns, Profitability and Share Information

R'm	37 year compound growth %	Five year compound growth %	2023	2022	2021	2020	2019	2018
Productivity ratios								
Net asset turn			**2.2**	2.2	2.0	2.3	2.4	2.7
Gross margin (%)			**39.2**	40.7	42.6	40.7	42.9	43.3
Operating margin (%) [3]			**15.1**	17.7	17.1	17.5	17.8	17.6
EBITDA margin (%)			**23.0**	25.8	25.5	25.9	20.7	20.3
Profitability and gearing ratios								
Return on net worth (%)			**23.9**	27.8	24.4	28.7	34.3	37.3
Return on average equity (%) [5,6]			**24.8**	29.2	26.1	29.9	37.0	39.2
Return on capital employed (%) [5,7]			**23.1**	27.3	24.7	34.4	49.1	52.6
Return on operating assets (%) [8]			**51.0**	74.6	63.5	66.7	76.0	74.6
Solvency and liquidity ratios								
Current ratio			**1.6**	2.5	2.5	2.6	3.9	3.1
Quick ratio			**0.6**	1.6	1.7	1.9	2.7	2.2
Inventory turn			**3.4**	4.4	4.2	4.8	5.0	5.4
Total liabilities to total shareholders equity			**1.1**	0.9	0.8	0.8	0.3	0.4
Per share performance (cents)								
Headline earnings	18.7%	1.9%	**1 205.7**	1 282.1	1 067.9	1 047.0	1 168.6	1 100.1
Diluted headline earnings	18.6%	1.8%	**1 178.4**	1 254.0	1 049.0	1 029.4	1 142.3	1 075.4
Dividends	20.0%	1.8%	**759.6**	807.3	672.8	311.4	736.2	693.1
Operating cash flow			**2 308.8**	1 898.2	1 843.0	2 182	1 103	1 355
Net worth			**5 415.0**	4 686.2	4 199.7	3 636	3 345	2 885
Dividend payout ratio (%)			**63.0**	63.0	63.0	29.7	63.0	63.0
Stock exchange information								
Number of shares in issue ('000)			**257 194**	257 264	258 067	259 309	259 588	258 982
Number of shares on which earnings based ('000)			**257 274**	257 778	258 671	259 419	258 922	258 375
Shares traded ('000)			**287 613**	282 496	361 695	392 932	317 866	426 089
Percentage of shares traded (%)			**111.8**	109.6	139.8	151.5	122.8	164.9
Earnings yield (%)			**8.4**	5.9	5.4	8.8	6.2	3.9
Dividend yield (%)			**5.3**	3.7	3.4	2.6	3.9	2.4
P:E ratio			**11.9**	16.6	19.3	11.0	16.2	25.9
Market capitalisation (R'm)			**37 029**	55 475	50 672	31 008	48 696	73 187
Share price (cents)								
- high			**22 575**	24 498	19 811	25 001	29 910	29 307
- low			**13 450**	18 066	11 092	10 374	18 050	14 395
- closing	19.6%	-12.7%	**14 420**	21 599	19 798	11 848	18 952	28 500
Foreign shareholding at year end (%)			**45.6**	41.0	44.4	51.5	48.4	50.7

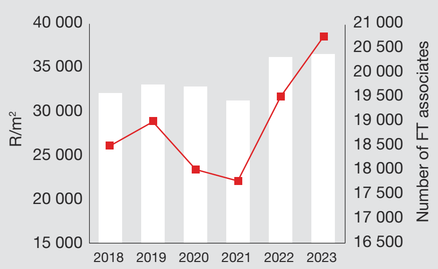
Notes:
1. 2021 was 53 week period
2. The 37 year compound growth rates are calculated from the date of acquiring joint control in 1986
3. Operating margin calculated as operating profit/retail sales and other income
4. Market capitalisation is calculated based on number of shares in issue and closing share price
5. Return on average equity, return on capital employed and return on operating assets were redefined in current year
6. Calculated as net profit over total equity
7. EBIT over capital employed (total equity and interest bearing loans)
8. Calculated as EBIT less rent paid plus depreciation on ROUA over total assets excluding goodwill and cash less payables

Credit sales and group number of active accounts



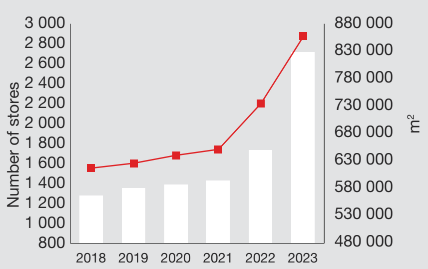
Cash sales (%)
Credit sales (%)
Number of active accounts

Sales density and number of FT associates



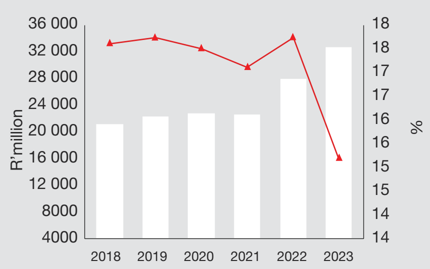
Sales density
FT associates

Number of stores and trading area



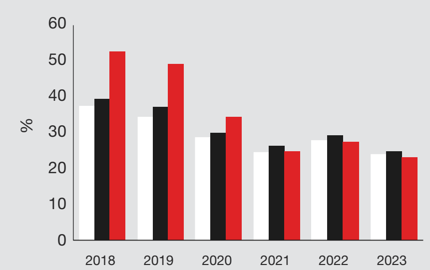
Number of stores
Weighted average net m²

Retail sales and other income and operating margin



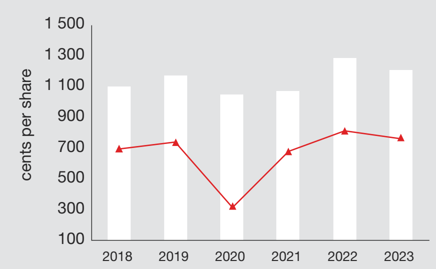
Retail sales and other income
Operating margin (%)

Return on net worth equity and capital



Return on net worth (%)
Return on average equity (%)
Return on capital employed (%)

Headline earnings and dividend per share



HEPS (cents per share)
DPS (cents per share)

mr price group limited

Administration and Contact Details

	Address	Phone	Fax	Websites
Corporate Mr Price Apparel Mr Price Home Mr Price Sport Sheet Street Mr Price Foundation	Upper level, North Concourse, 65 Masabalala Yengwa Avenue, Durban, 4001 Private Bag X04, Snell Parade, Durban, 4074	031 310 8000 031 310 8638 031 310 8809 031 310 8545 031 310 8300 031 310 8242	031 304 3725 031 304 3358 031 328 4138 031 306 9347 031 310 8317 031 328 4609	mrpricegroup.com mrp.com mrp.com/ng mrphome.com mrpricesport.com sheetstreet.co.za mrpricefoundation.org
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Mr Price Money Mr Price Mobile	380 Dr Pixley KaSeme Street, Durban, 4001 PO Box 4996, Durban, 4000	031 367 3311 0800 000 430	031 306 0164	mrpmoney.co.za mrpmobile.com
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Customer Care		0800 212 535		
Account Services		0861 066 639		

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Domicile and Country of Incorporation

Republic of South Africa

Sponsor

Investec Bank Limited

Registration Number

1933/004418/06

Independent Auditors

F2023 Ernst & Young Inc
F2024 Deloitte and Touche