






Enterprise Risk Management

The group embraces the philosophy that effective risk management contributes to achieving its goals and objectives by managing threats and taking advantage of opportunities. Risk management extends beyond a risk register and is integrated into and underpins the group's decision making processes. The group's enterprise risk management (ERM) processes are regularly reviewed allowing for increased capabilities and capacity, ensuring continuous improvement to risk management and the promotion of a positive risk culture within the business.

Translating ERM visions into everyday actions – A practical approach

Vision	Action	What this means	
 <p>ASSOCIATE EMPOWERMENT</p>	Associates feel empowered to raise events of concern and identify how things can be done more efficiently and effectively	Associates apply the risk management process as a means of identifying risks and developing threat plans to achieve desired outcomes	Associates are empowered and trusted to identify and raise risks to improve the way the group operates
 <p>COLLABORATIVE THINKING</p>	Reduced siloed thinking and increased cross management teams	Associates apply the risk escalation process to raise awareness with line management and at key governance forums. Risk management dashboards and exception reports are implemented	Associates are encouraged to collaborate widely when identifying and assessing a risk. Sharing risk assessments and making the assessments transparent and accessible is a must
 <p>IMPROVED RESPONSE TIMES</p>	Associates act quickly in response to risks through early notification thereby enabling a more agile business	Decision makers can respond more quickly when risks are escalated	A more responsive business as decisions can be made more quickly
 <p>INCREASED RESPONSIBILITY</p>	Behaviours are action orientated rather than compliance driven	The risk team forms a community of practice and supports the implementation of this framework through advice, training, coaching and support	Everyone has a responsibility to embrace risk management. The mechanisms provide support to associates
 <p>ASSESSMENT AND REPORTING TOOLS</p>	Decision making is enhanced by the use of up to date risk assessments	Associates use risk reporting to document evidence and analysis to underpin decisions required. Associates ensure that decisions are supported by documented risk assessments	Risk assessments and reporting tools are provided to help associates make better informed decisions

Risk Model

The risk model below is a visual representation of how the group thinks about, structures and manages risks. Its purpose is to enable the group to understand the relationships between risks across multiple divisions that reflect its core business. It is also used as a means to capture material risk exposures generated from different perspectives.

It allows the group to:

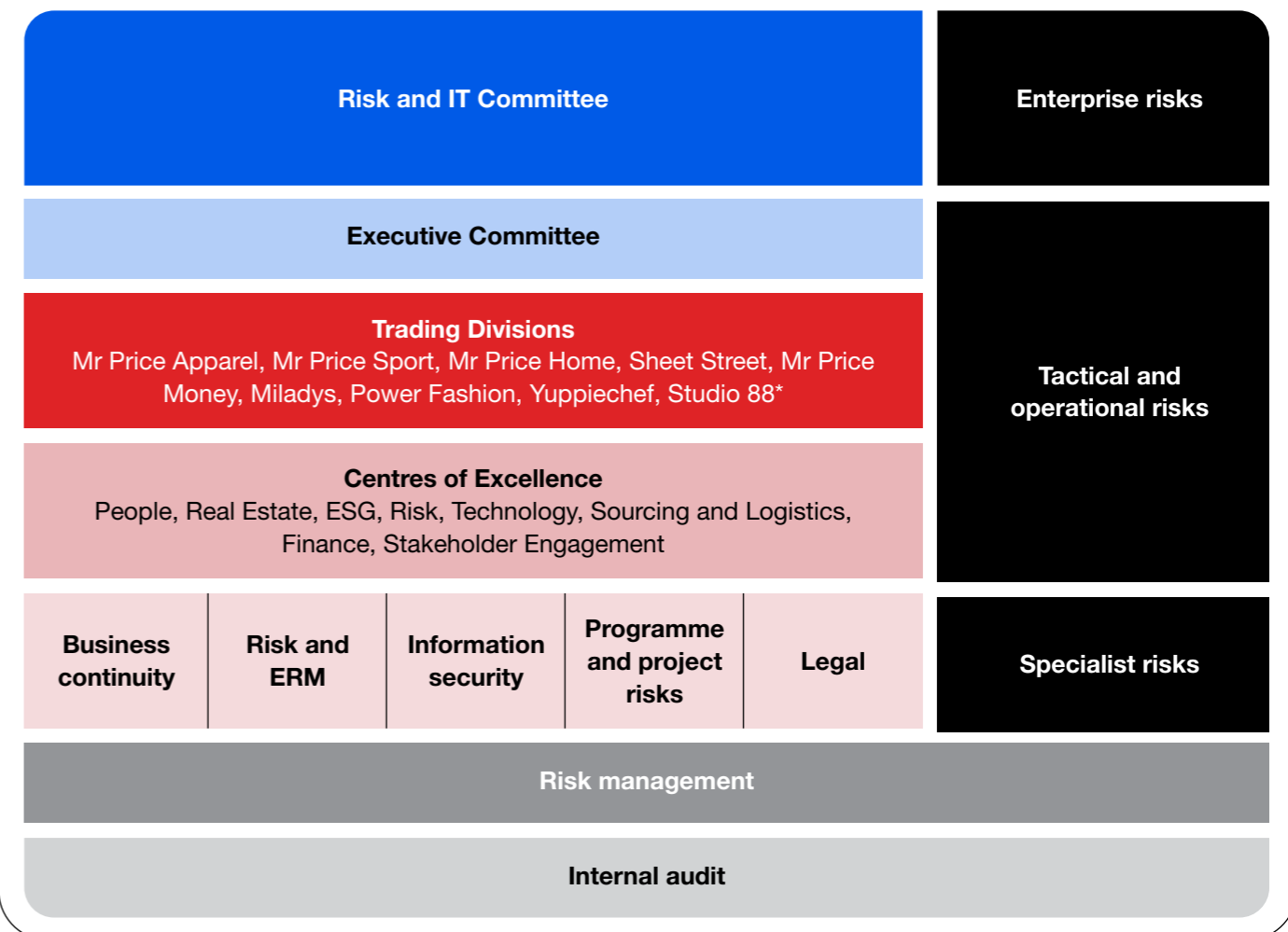
1. Ensure visibility of all risks to identify material risk exposures
2. Aggregate risk information and undertake an analysis of trends to develop insights and understand the changing risk profile
3. Provide a shared and consolidated view of risks as they emerge across the trading divisions and centres of excellence

How is the risk model structured?

The model is built around four perspectives that define and design the group's risk approach. It is a structured, consistent and continuous process that addresses:

1. Enterprise risks: Critical risks of strategic importance that have the potential to impact the group's ability to achieve its imperatives
2. Tactical risks: Risks identified by divisional executives as part of delivering their annual business plans
3. Operational risks: Risks identified in the delivery of common operational areas
4. Specialist risks: Technical risks unique to a business context and environment

Integration of risk management



*ERM implementation in progress

The board is ultimately accountable for effective risk management and agreeing on key risks which is inclusive of emerging risks facing the group and ensuring that these are successfully managed. In addition, the group's philosophy of autonomy and freedom empowers its leaders to identify, evaluate and manage the risks faced on an ongoing basis through a structured approach. ERM processes and outcomes are guided, overseen and reported on by the group risk director.

Key Areas of Focus

Risk Strategy

As previously reported, in developing the group's ERM capabilities much time and effort has gone into developing fit for purpose, simplified processes and supporting frameworks. The desired levels of risk maturity and improved capabilities have been achieved in 2023. However, it was recognised that with the group's growth aspirations comes risk commensurate with the level of desired growth. To this extent, a medium- to long-term ERM strategy was finalised in 2023. Action taken in support of the key strategic objectives include:

Increased consistency in the framework's application across the group through:

- Provision of a groupwide ERM framework
- Risk training at all levels
- Empowered risk representation across all trading divisions and centres of excellence
- Integration of risk induction modules into strategy training
- Maintenance of the risk maturity score
- Reduced time between risk identification and management responses
- Embedded escalation processes
- A new organisational structure that facilitates quicker responses
- Revised delegation of authority
- Direct and indirect reporting to executive directors and Risk and IT Committee

Increased number of complex risks analysed and resolved by treatment plans through:

- Focused resilience plans for unprecedented risks such as a national electricity grid failure
- Robust cybersecurity treatment plans
- Global supply chain risk deep dives
- Global and local election risk impact analysis
- Increased use of formal risk management techniques to inform key decisions
- The use of key risk indicators
- The use of improved risk assessment methodologies
- Integration of risk into strategy process
- The use of a risk movement analysis

Reduced number of issues over time through:

- Fewer or less significant operational incidents
- Improvement in system uptimes
- Improved information security posture

- Improved trading performance
- Improvement in market share

Business resilience

The primary objective of the group's business resilience imperative is to proactively identify potential impacts on business operations that may be caused by an adverse or disastrous event that could result in a major interruption to business activities or threaten the group's reputation, and to minimise the effects of such an event/s.

Emergency and crisis response

The overall resilience of the group continues to improve. Significant effort has been expended to develop reliable and tested plans for emergency response and crisis management. This is further supported by the selection of appropriate mitigating strategies designed to enable speedy resumption of operational activities, in an organised manner, following the occurrence of an undesirable event.

Disruption and crisis scenarios response plans have been developed for:

- Supply chain disruptions
- Electricity grid collapse
- Fire
- Water outages
- Cyber attacks
- Social unrest
- Road blockages

Insurance

Insurance is viewed as a risk transfer tool that falls directly within the scope of ERM. Every year significant focus is placed on the renewal processes to ensure adequate cover on various risk classes, based on a globally changing risk profile and cover that was available in the insurance market. The group's insurance purchasing philosophy is based on the following objectives:

- To protect the business against low frequency but high severity losses such as natural disasters, by purchasing insurance from financially sound insurance markets with a minimum rating of A from one of the approved international credit rating agencies
- To maintain long-term sustainable relationships with key insurance markets
- To manage high frequency but low severity predictable losses to secure deductible levels, and not pass such risks to insurers
- To apply a premium allocation model that allocates group insurance premiums equitably among the group's individual operations, taking into account declared sums insured/values, claims experience, risk rating and other factors agreed from time to time
- That all operations must participate in all group insurance programmes



YOUR VALUE CHAMPION YOUR VALUE
CHAMPION

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A crisis is defined as any event that renders a business facility inoperable or unusable so that it interferes with the organisation's ability to deliver essential business services or an event that threatens the group's reputation.

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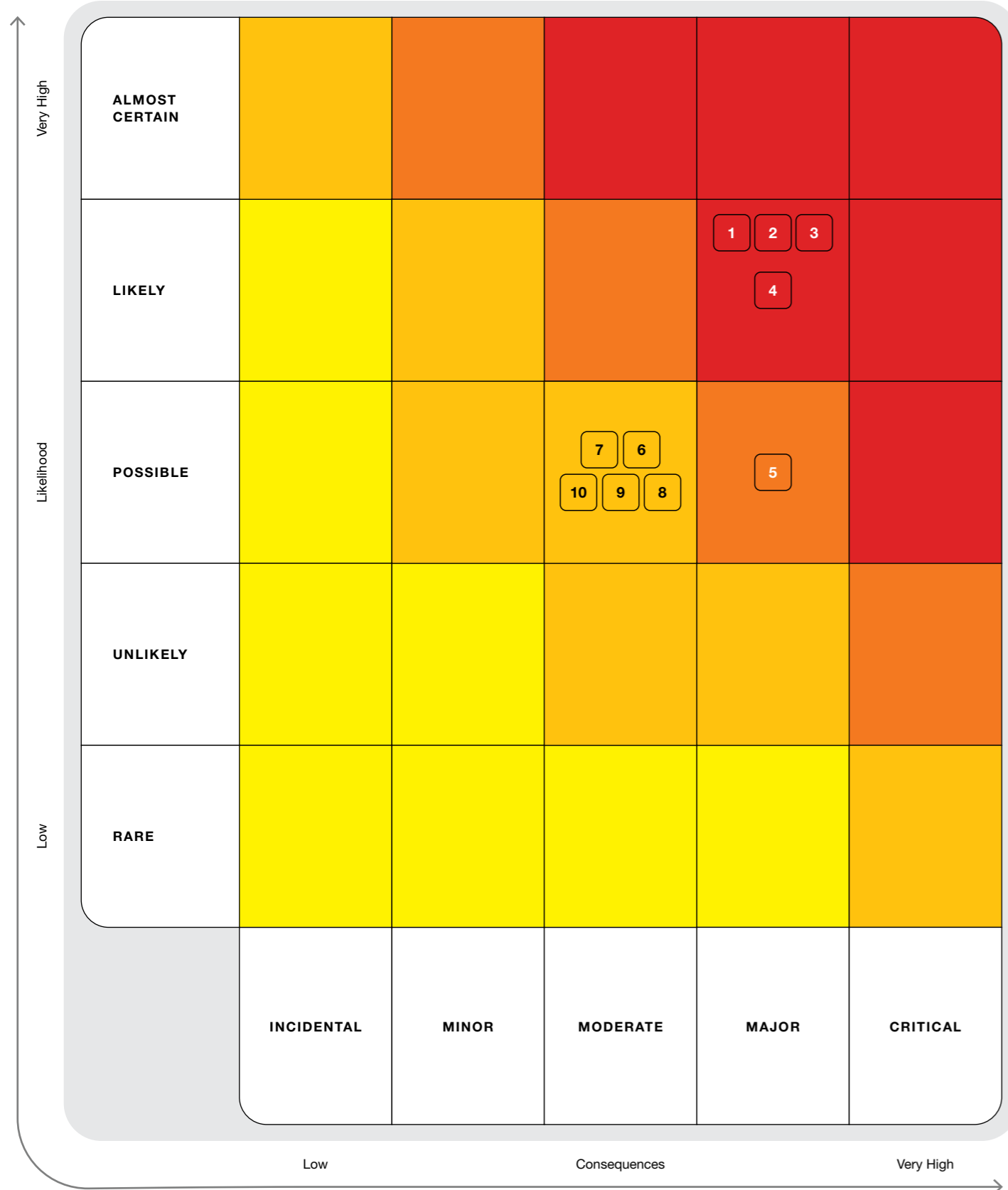


Group Risk Themes



Risk theme		Risk statement	Interconnected potential risk/impact		Risk movement since prior year	Strategic pillar
01	Competitive landscape	The risk that actions of competitors or new entrants to the market threaten the group's competitive advantage	<ul style="list-style-type: none"> Competitor imitation strategies Increased consumer price sensitivity Increased online presence of local and foreign competitors 	<ul style="list-style-type: none"> Store space availability Market share loss Technology investments by competitors Inability to maintain GP margins 	Elevated	Growth & Innovation
02	Macro, socio-political, socio-economic and regulatory environment	The risk that adverse political action, poor state-owned entity performance, social unrest, declining economic conditions and onerous legislative requirements impacts growth imperatives	<ul style="list-style-type: none"> Disruption of business activities Increased cost of doing business Exchange rate volatility 	<ul style="list-style-type: none"> Constrained discretionary spend due to increased cost of living 	Elevated	Growth & Innovation
03	Supply chain	The risk of an inefficient, ineffective and unreliable supply chain that will result in poor inventory management impacting the group's competitive advantage	<ul style="list-style-type: none"> Disruption of business activities Concentration risk of suppliers and territories Increased logistics costs 	<ul style="list-style-type: none"> Merchandise critical path Unsustainable rise in input costs Increased lead times Increased working capital costs 	Elevated	Growth & Innovation
04	Talent attraction and retention	The risk that the inability to attract and retain key skills impacts the group's capacity to execute its strategy	<ul style="list-style-type: none"> Unsustainable cost growth to attract and retain key talent Deterioration of employee wellbeing Loss of intellectual property to competitors 	<ul style="list-style-type: none"> Disruption of business continuity Deterioration of leadership capacity Inability to execute group and divisional strategies 	Unchanged	People
05	Brand reputation	The risk that associates, or parties with whom the group transacts, conduct themselves in a manner that damages the reputation of the group	<ul style="list-style-type: none"> Reputational damage Poor service and/or quality of product 	<ul style="list-style-type: none"> Deterioration of organisational health Escalation of social media risks 	Unchanged	Brand Promise
06	Information technology	The risk that technology systems lack capability and capacity to support operations and future growth	<ul style="list-style-type: none"> Inadequate investment in IT systems and management structures to facilitate improved execution of business operations and delivery of growth initiatives 	<ul style="list-style-type: none"> Increased occurrence of cybersecurity attacks on systems or related infrastructure 	Unchanged	Strategic Enablement
07	Strategy	The risk that a lack of a clearly articulated strategy and execution thereof will result in the group's inability to achieve its desired growth	<ul style="list-style-type: none"> Distraction and deviation from core principles Inability to grow 	<ul style="list-style-type: none"> Incorrect allocation of resources Misalignment of priorities Poor execution of growth strategy 	Unchanged	Growth & Innovation
08	Transformation	The risk that a slow pace of transformation will result in adverse reputational and commercial damage, and hinder the group's diversity, equity and inclusion (DEI) strategy	<ul style="list-style-type: none"> Considered to be an undesirable corporate citizen and reputational damage Legal penalties 	<ul style="list-style-type: none"> Dissatisfaction with pace of change creating distraction and disruption Promoting above capability to meet targets 	Unchanged	People
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	<ul style="list-style-type: none"> Inability to innovate and grow Siloed thinking Dilution of entrepreneurial mindset 	<ul style="list-style-type: none"> Lack of experimentation Loss of customer relevance Redundant people/processes 	Unchanged	People
10	Culture and behaviours	The risk that the group's culture and behaviours do not engender the right values and behaviours to protect the group's organisational health	<ul style="list-style-type: none"> Deterioration of organisational health Siloed thinking 	<ul style="list-style-type: none"> Loss of entrepreneurial thinking and risk taking Poor agility 	Unchanged	People

Group Risk Map



Material Matters



An ongoing, structured and adjusted approach towards achieving our objectives.



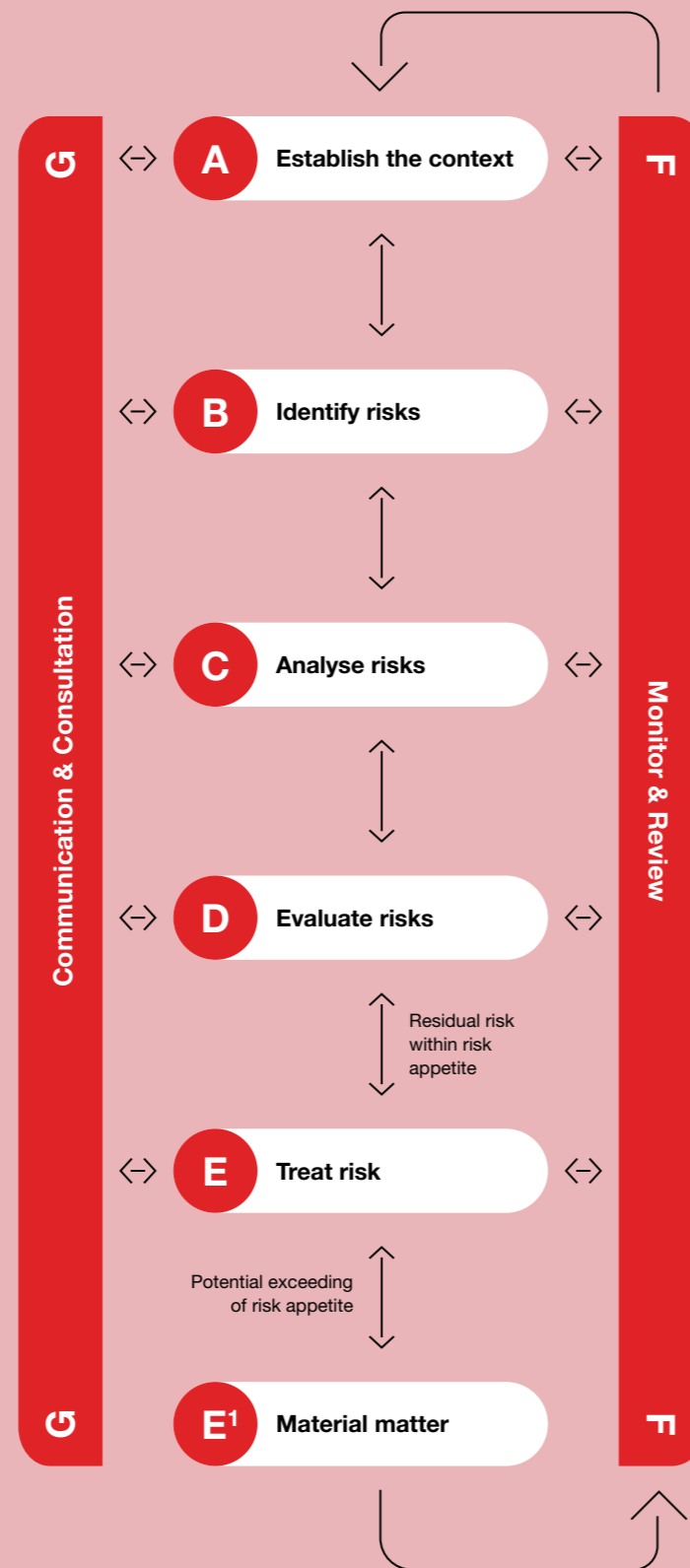
The group's material matters, risks and opportunities are identified through an ongoing, structured and embedded ERM process as illustrated in the adjacent diagram.

While the group's growth strategy remains relevant, there exists the need for ongoing monitoring and adjustments for effective responses to a rapidly changing external risk landscape. The capabilities of agility and flexibility in support of an ongoing and adjusted approach to strategy is therefore critical to the success of the group. As indicated in the adjacent diagram, ERM processes are circular thereby ensuring that changes to the operating and trading environments are dealt with through ongoing assessments of risk ratings and risk responses to manage risks within the desired risk appetites. Key risks that have the potential of exceeding the group's approved risk appetite and the impact of the group's ability to achieve its strategic objectives, have manifested into the following six material matters:

1. Challenging retail environment
2. Competitor landscape
3. Supply chain disruptions
4. Digital transformation
5. Human capital preservation
6. Brand reputation protection

Guided by the group's strategic pillars, and the interconnected nature of each risk, material matter and group response, the group's material matters were consolidated and aligned to its strategic pillars resulting in the six material matters listed above.

Process for determining materiality



Material Matters

RISK THEMES

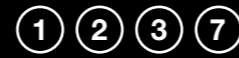
- 1 Competitive landscape
- 2 Macro environment
- 3 Supply chain
- 7 Strategy

GROWTH AND INNOVATION



1. Challenging retail environment

RISK THEMES



As the group's trading activity is predominantly based in South Africa, the challenges facing the country's retail environment renders it a material matter. The following factors are of particular concern for the group's growth aspirations:

- Weak economic growth and uncertainty of future performance
- Lower disposable income due to high cost of living
- Constrained consumer spending and resultant impact on demand
- Volatility of the US dollar
- Increased credit sales and poor collection due to pressures on disposable income
- Increased cost of business e.g. compliance, insurance, security
- Increased competition through aggressive discounting
- Continued electricity and water shortages
- Post election political uncertainty

Our response

- Execution of growth strategy both organically and acquisitively
- Diversification of customer base through acquisitions that are guided by the group's opportunity matrix
- Other strategic initiatives
- Use of RLC data as a tool to adjust trade activities in real-time
- Credit risk management
- Leverage strong retail skills in the value retailing segment
- Leverage strong merchandise disciplines
- Brand strength and value
- Increased cash contribution to total sales, with low reliance on consumer credit to drive sales

GROWTH AND INNOVATION



3. Supply chain disruptions

RISK THEMES



Local and international supply chain disruptions continue to impact the retail sector. The timeous movement of merchandise by road and sea has evolved into a material matter due to:

- Anticipated Red Sea delays that could impact global shipping routes
- Ailing SA logistical infrastructure
- Poor port service levels and reliability since September 2023
- Road disruptions due to roadworks, poor maintenance and strike activity
- Elevated levels of crime and attacks on road carriers/merchandise on route

Our response

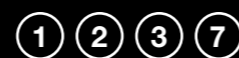
- Agile sourcing strategy
- Supply chain optimisation strategy
- Service agreements with shipping service providers
- Strategic supplier partnerships with strong feedback loops
- Supplier performance measurement and visibility of production cycles
- Ongoing focus of divisional management teams on OTIFs (on time, in full)
- Approved economic operator status registration
- Procurement of locally manufactured products to increase agility and flexibility
- Crisis response plans
- Transport risk management
- System enhancements with early warning indicators

GROWTH AND INNOVATION



2. Competitor landscape

RISK THEMES



High cost of living and unemployment has further constrained consumers' discretionary spend, leading to increased competitor activity in the value retail sector. Factors elevating competitor risks include:

- Rise in local and foreign retailers targeting the lower LSM customer
- Competitor imitation of the group's divisional strategies and cornerstone categories
- Competitor replication of the group's Every Day Low Price model
- Rise in organic concepts by competitors
- Continued low barriers to foreign entry
- Highly promotional environment due to elevated inventory levels
- Increased consumer price sensitivity
- Change in consumer spending behaviour i.e. more wear/buy demand
- Increased competition for store space in prime/strategic locations

Our response

- Progress towards diversification of target customer market through strategic acquisitions, and category extensions or reductions
- Future acquisitions to be focused on expanding the group's offerings and diversifying customer segments
- Other strategic initiatives
- Continued focus on differentiated fashion-value offerings
- Leverage EDLP model
- Continue positive momentum of market share gains by attracting, delighting and surprising customers with differentiated fashion-value offerings
- Cash-based business, with low reliance on consumer credit to drive sales



Material Matters Continued

RISK THEMES

- 4 Talent attraction and retention
- 5 Brand reputation
- 6 Information technology
- 8 Transformation
- 9 Leadership and organisational agility
- 10 Culture and behaviours

STRATEGIC ENABLEMENT  **4. Digital transformation**

RISK THEME **6**

The group recognises and appreciates that systems' capabilities are essential to support business continuity, future growth and to differentiate itself as a competitor. Reliance and transformation of technology systems will always be deemed a material matter for the group due to:

- Speed of technological advances
- Return on capital investments on system enhancements
- Reliance on information generated to base key decisions
- Information security
- Compliance (data privacy, POPIA)
- Interruptions to business activities

Our response

- Execution of technology modernisation and digital improvement strategy
- Annual review and alignment of information and cybersecurity objectives to the group's business imperatives
- Execute and evolve group cybersecurity roadmap
- Embedded IT disaster recovery response plans
- Incident response simulation
- E-commerce optimisation
- Continuous improvement to merchandise solutions
- Mr Price Advance accelerating the use of AI, ML and RPA

PEOPLE  **5. Human capital**

RISK THEMES **4 8 9 10**

The group is aware that its performance and reputation is highly dependent on the deployment of a disciplined, engaged, agile and experienced team with strong retail acumen, technology and leadership skills. This is further supported by organisational health that is strengthened by a strong culture that engenders the correct values and behaviours. This dependency on human capital deems it a material matter for the group due to:

- SA's shortage of retail skills and resulting competition to attract and retain key skills
- The speed of change and the world of VUCA (volatility, uncertainty, complexity and ambiguity) requires skills for the group to adapt to a new way
- Cost of required skills impacting the value model
- Reputational risks associated with behaviour and decision making across the organisation

Our response

- Organisation structure to improve capacity and allow for greater focus on strategic initiatives
- Leadership Development Framework
- Executive Development Programme
- Executive Wellbeing Programme
- Execution of transformation strategy
- Principles of diversity and inclusivity integrated into the group's culture
- Targeted restraint and retention mechanisms across the group and linked to key performance indicators
- Recruitment aligned to employment equity targets
- Ongoing review of reward philosophy
- Remuneration adjustments for critical skills
- Progression of the group's succession plan
- Fast track development plans for key successors
- Alignment of transformation targets across the group and linked to KPIs



BRAND PROMISE  **6. Brand reputation**

RISK THEME **5**

As previously reported, due to the size of the organisation and the vast number of associates who represent the brand, either in their personal capacity or while representing the group, there is an inherent level of risk of brand damage. While mechanisms are in place to manage such incidents, there are certain situations, especially with the speed in which information is transferred, that extend beyond the risk appetite of the organisation. The risk of brand disrepute is therefore deemed to be a material matter.

Our response

- Group code of conduct
- FairCalll whistleblower hotline available to all associates and partners
- Ethics awareness and training
- Social media policies
- Social media screening
- Escalation guidelines
- Group communication function