



Enterprise Risk Management

The group’s strategy has remained largely unchanged since the previous reporting period. Consequently, the group’s risk philosophies, adopted approaches, structures, emanating risk themes and their interconnected impacts have remained consistent. Where required, incremental adjustments have been implemented in response to changes in the internal and external risk landscape.

Philosophy, Approach, and Structure

The group adopts a philosophy where effective risk management is integral in achieving its goals and objectives by addressing threats and leveraging opportunities. Enterprise Risk Management (ERM) frameworks and processes are embedded into every strategic decision, fostering responsible risk-taking and enhancing the likelihood of successfully meeting the group’s objectives.

Key risks are continuously identified through a formal assessment process that evaluates the impact and likelihood of each risk, highlighting their interconnectedness and cumulative effects. Aggregated risk movements, impacts, and emerging events are reported and reviewed quarterly by executive management and the Risk and IT Committee (RITC). The RITC holds ultimate accountability for effective risk management, approving key risks including emerging threats and ensuring that they are adequately mitigated and/or accepted.

The group’s culture of autonomy and empowerment enables leaders across the group to continually identify, evaluate, and manage risks. Concurrent with the strategic planning process, each trading division and centre of excellence (COE) conducts risk assessments that focus on materiality, risk controls, and specific local risks relevant to their operations.

The group risk director oversees, guides, and reports on ERM processes and outcomes, ensuring comprehensive attention to risk management across the group. The board is ultimately accountable for effective risk management and agreeing on key risks including emerging risks facing the group and ensuring that these are successfully managed.

Risk Model

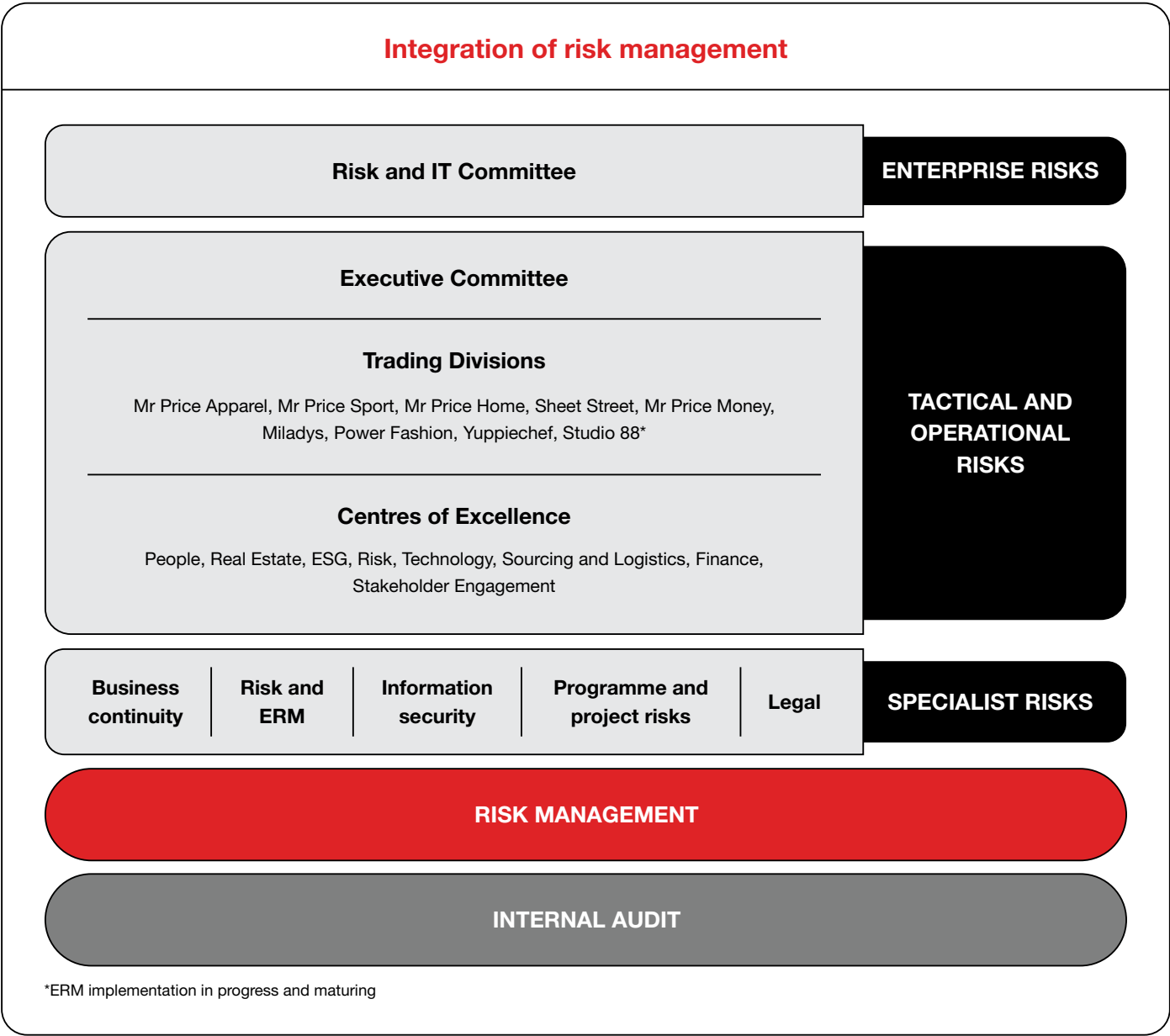
The risk model below is representative of how the group approaches, structures and manages risks. Its purpose is to enable the group to understand the relationships between risks across multiple trading divisions and COEs that reflect its core business operations. It is used to:

1. Ensure visibility of all risks to identify material risk exposures
2. Aggregate risk information and undertake an analysis of trends for insight to better understand the changing risk profile
3. Provide a shared and consolidated view of risks as they emerge across the trading divisions and COEs
4. Capture material risk exposures generated from different perspectives

Risk model structure

The risk 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 |



KEY AREAS OF FOCUS

Risk Strategy

a continuously evolving approach

In enhancing the group’s ERM capabilities, considerable time and effort has been expended over the last five years in developing streamlined, purpose-driven processes and frameworks. While the desired levels of risk maturity and improved capabilities have been reached, the group’s growth ambitions introduce risks that are proportional to this expansion. To address this, a medium- to long-term ERM strategy was finalised with the following key objectives:

- Achieve greater consistency in the application of the ERM Framework across the group
- Reduce the response time between risk identification and management action
- Increase the number of complex risks analysed and addressed through treatment plans
- Enhance the utilisation of formal risk management techniques prior to major decision-making
- Decrease the number of issues over time

This strategy aims to ensure that as the group grows, its risk management practices remain relevant, robust and effective.

Risk Assessments

continuous and interactive

Formal risk assessments are conducted for all trading divisions and COEs, with aggregated results detailing the movement of risks reported to the Divisional Risk Committee. These assessments involve comprehensive engagement with divisional leadership teams and are further enhanced through formal deep dives to better understand and respond to risks with higher complexity.

Business Resilience

a proactive approach

The group recognises that while it cannot predict for all crisis risk events, it can enhance its preparedness and respond with greater agility. Over the past five years, strengthening resilience plans and conducting simulation tests in response to unanticipated and potential high-impact events (e.g. social unrests, electricity grid collapse, water outages and cyber-attacks) have significantly bolstered the group’s overall resilience. A key focus area in 2024 was the preparation for potential pre and post national election unrest scenarios.

Acquisitions

integration in a responsible and value-adding manner

During the year, the group initiated the integration of its ERM process with Studio 88. Formal risk assessments were conducted and a 12-month plan has been established to support Studio 88’s complete integration into the group’s process. The integration approach has been carefully considered in context of all other integration priorities and existing capacity of the business. Power Fashion and Yuppiechef were fully integrated in the previous reporting year.

Combined Assurance

ever maturing

The group’s integrated assurance model has simultaneously matured as part of the group’s ERM strategy. The ‘three lines of defense’ approach clearly defines roles and accountabilities, thereby enhancing the understanding of risk management and control. The model highlights the levels of risk management oversight needed within the group. Ultimately, when these three lines are correctly structured, the business increases its capabilities for effective risk mitigation.

In the last financial year, KPMG provided independent assurance to the group on the accuracy of the current risk mitigations in response to the group’s top ten risks.






Insurance

a risk transfer mechanism

The group considers insurance as a key risk transfer tool that is integral to its ERM Framework. The group’s insurance philosophy is to take insurance cover for catastrophe and to self-insure predictable losses up to predetermined levels of tolerance. The self-insurance is managed through a structure of deductibles, stop losses, aggregate excesses, and limits. During FY2025, focus was placed on renewal processes to ensure sufficient coverage across various risk classes, considering the evolving global risk landscape and the available options within the insurance market. Focus was also placed on integrating key areas of cover for Yuppiechef and Studio 88 within the group’s insurance portfolio.



GROUP RISK THEMES

Risk Theme	Risk Statement	Interconnected Potential Risk/Impact		Risk Movement Since Prior Year	Strategic Pillar
01 MACRO, SOCIO-POLITICAL, SOCIO-ECONOMIC, AND REGULATORY ENVIRONMENT	The risk that adverse international and local political actions, social unrest, deteriorating economic conditions and onerous legislative requirements impact the group's growth imperatives	<ul style="list-style-type: none"> Geopolitical impacts and political uncertainty Exchange rate volatility Constrained discretionary spend due to higher cost of living Disruption of business activities 	<ul style="list-style-type: none"> Impact on growth Loss of talent Increased cost of doing business Cost of compliance Cost and availability of insurance cover 	Elevated (due to geopolitical risks at an inherent level)	 GROWTH AND INNOVATION
02 COMPETITIVE LANDSCAPE	The risk that actions of existing competitors or new entrants to the market threaten the organisation's competitive advantage or longevity	<ul style="list-style-type: none"> Competitor imitation strategies Increased online presence of local and foreign competitors Aggressive discounting increasing consumer price sensitivity 	<ul style="list-style-type: none"> Availability of quality store space Aggressive technology investments by competitors Market share loss Impact on growth potential Evolution of customer service expectations 	Unchanged	 GROWTH AND INNOVATION
03 TALENT ATTRACTION AND RETENTION	The risk that the group's inability to attract and retain key skills impacts its ability to execute its strategy	<ul style="list-style-type: none"> Unsustainable cost growth and remuneration disparities to attract and retain key talent Loss of intellectual property to competitors 	<ul style="list-style-type: none"> Elevation of execution risk Deterioration of employee wellbeing Reduced leadership capacity Business continuity 	Unchanged	 PEOPLE
04 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"> Geopolitical uncertainty Disruption of business activities Increased logistics costs Unsustainable rise in input costs 	<ul style="list-style-type: none"> Increased working capital costs Concentration risk of suppliers and territories Increased lead times Merchandise critical path impacted 	Reduced	 GROWTH AND INNOVATION
05 BRAND REPUTATION	<ul style="list-style-type: none"> The risk that group associates, or parties with whom the group transacts, conducts themselves in a manner that damages the reputation of the group's image The risk of brand equity erosion due to outdated stores and/or poor customer service The risk of the group's inability to respond to climate change and environmental degradation that impacts its ability to continue operations 	<ul style="list-style-type: none"> Reputational damage Deterioration of organisational health Poor service and/or quality of product Escalation of social media risks 	<ul style="list-style-type: none"> Deterioration of customer service Compromised ability to deliver on brand promise Negative investor relations Customer boycott 	Unchanged	 BRAND PROMISE

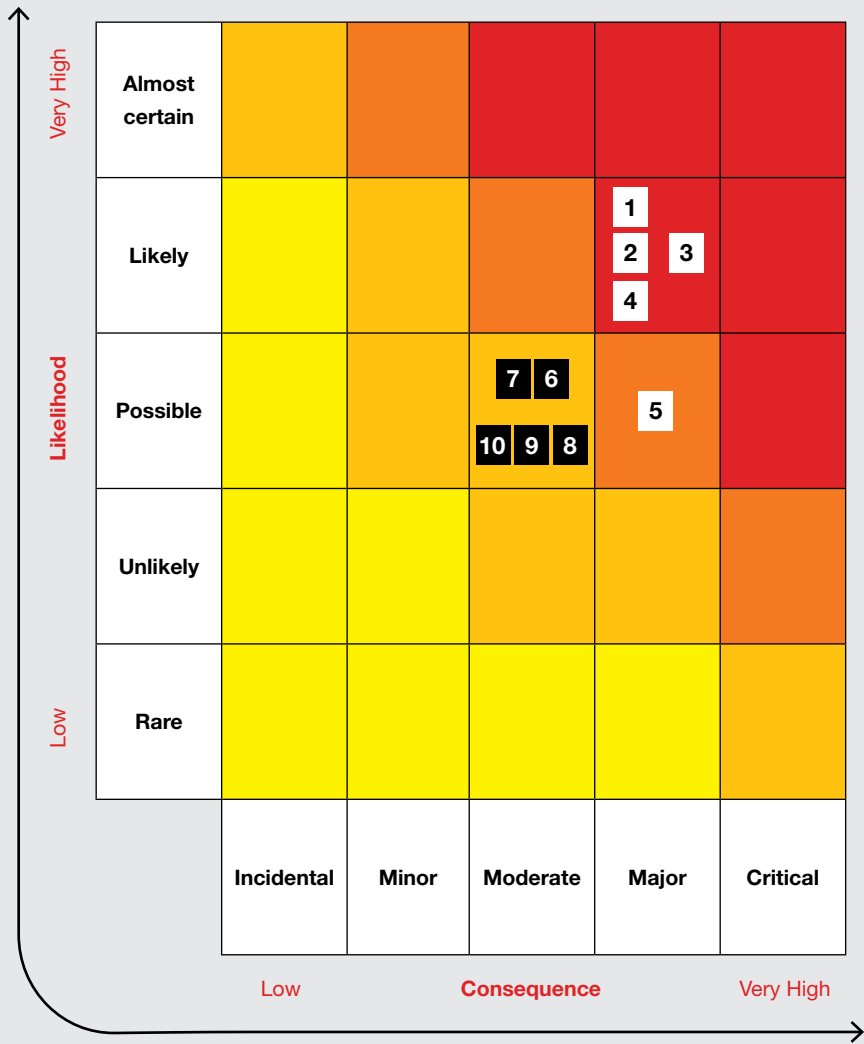


GROUP RISK THEMES

continued

Risk Theme	Risk Statement	Interconnected Potential Risk/Impact		Risk Movement Since Prior Year	Strategic Pillar
06 INFORMATION TECHNOLOGY	<ul style="list-style-type: none">The risk that the group's IT systems lack capability and capacity to support operations and future growthThe risk of financial loss or reputational damage resulting from inaccurate or lost data, a breach in security of customer information or the inability to prevent illegal penetration of the group's systems	<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 cyber security attacks on group systems or related infrastructureDelivery of key IT projects	Elevated (due to increase in cyber risks at an inherent level)	 STRATEGIC ENABLEMENT
07 TRANSFORMATION	The risk that the group's slow pace of transformation will result in adverse reputational and commercial damage	<ul style="list-style-type: none">Considered to be an undesirable corporate citizenReputational impactsLegal penaltiesWorkforce distraction and disruption due to dissatisfaction with pace of change	<ul style="list-style-type: none">External market pressures (e.g. JSE, DoL, DTI, BEE Commissioner, etc.)Unsustainable cost growth to attract and retain talent	Elevated (due to the introduction of revised legislative targets)	 PEOPLE
08 STRATEGY	The risk that the lack of a clearly articulated and executed growth strategy will result in the group's inability to achieve its goals	<ul style="list-style-type: none">Distraction and deviation from core principlesVUCA environment (Volatility, Uncertainty, Complexity and Ambiguity)Misalignment of priorities	<ul style="list-style-type: none">Elevation of execution riskDeterioration of employee wellbeingReduced leadership capacityBusiness continuity	Unchanged	 GROWTH AND INNOVATION
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, experiment and growDilution of entrepreneurial mindsetLoss of customer relevanceSiloed thinkingRedundant people and/or processes	<ul style="list-style-type: none">Deterioration of leadership capacityLack of leadership capability to lead engaged and high performing teams	Reduced	 PEOPLE
10 CULTURE AND BEHAVIOURS	The risk that the group's culture and behaviours does not engender the right values, and behaviours to protect organisational health	<ul style="list-style-type: none">Deterioration of organisational healthLoss of entrepreneurial thinking and risk takingSiloed thinking	<ul style="list-style-type: none">Poor agilityDisengaged teamsLack of accountability on leaders to live the values and DNA of the group	Unchanged	 PEOPLE

GROUP RISK: MAPPING THE RISK THEMES





Material Matters

The group's material matters, risks and opportunities are identified through an ongoing, structured and embedded ERM process.

The group continually monitors and adjusts its responses to the dynamic internal and external risk landscape, ensuring effective mitigations are in place. Its ERM processes are circular, ensuring that changes in the operating and trading environments are addressed through continuous evaluations of risk ratings and responses to manage risks within acceptable limits. Risk themes that could exceed the group's approved risk appetite and affect its ability to meet strategic objectives have emerged as 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



MATERIAL MATTERS

RISK THEMES

- 01 Macro environment
- 02 Competitive landscape
- 04 Supply chain
- 08 Strategy

1. Challenging Retail Environment



GROWTH AND INNOVATION

Risk Themes

- 01
- 02
- 04
- 08

As the group’s trading activity is predominantly based in South Africa (SA), 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
 - Changes in tax rates
 - Reduced disposable income due to high cost of living
 - Constrained consumer spending and resultant impact on discretionary demand
 - Increased reliance on credit and poor collection due to pressures on disposable income
 - Increased competition through aggressive discounting
- Increased cost doing of business e.g. compliance, insurance, security, municipal charges, etc
 - Infrastructure deterioration
 - SA political risks
 - Volatility of the US dollar
 - Geopolitical risks
 - Trade wars and resultant global inflation

OUR RESPONSE

- Execution of growth strategy both organically and acquisitively
 - Diversification of customer base guided by the group’s opportunity matrix
 - Use of RLC data as a tool to adjust trade activities in real-time
 - Credit risk management
- Leveraging 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

2. Competitor Landscape



GROWTH AND INNOVATION

Risk Themes

- 01
- 02
- 04
- 08

Prolonged constraint on consumers’ discretionary spend has led to increased competitor activity in the value retail sector. Factors elevating competitor risks include:

- Increased presence of local and foreign retailers targeting all customer segments
 - Competitor imitation of the group’s divisional strategies and cornerstone categories
 - Rise in launch of organic concepts by competitors
 - Increase in acquisitive activity in the sector – scaling fixed cost base and access allowance of smaller competitors’ technology investments
- Inconsistent implementation of levies on foreign entrants
 - 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 and execution of growth strategy
 - Future acquisitions to be focused on expanding the group’s offerings and diversifying customer segments
 - Other strategic/continued innovation initiatives
 - Continued focus on differentiated fashion-value offerings
- Preservation of Every Day Low Price 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

3. Supply Chain Disruptions



GROWTH AND INNOVATION

Risk Themes

- 01
- 02
- 04
- 08

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:

- Increased potential of global shipping disruptions
- Slow pace of SA’s logistical infrastructure reforms
- Inconsistent port service levels and reliability
- 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
 - 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



MATERIAL MATTERS

continued

RISK THEMES

- 03

Talent attraction and retention
- 05

Brand reputation
- 06

Information technology
- 07

Transformation
- 09

Leadership and organisational agility
- 10

Culture and behaviours

4. Digital Transformation



STRATEGIC
ENABLEMENT

Risk Theme

06

The group acknowledges the crucial role of system capabilities in ensuring business continuity, facilitating future growth, and to differentiate itself in a competitive landscape. The reliance on and transformation of technology systems remains 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, especially with increased local and global cyber attacks
- Legislative compliance (Data Privacy, POPIA, Payment Card Industry)
 - Potential of interruptions to business activities

OUR RESPONSE

- Execution of technology modernisation and digital transformation strategy
 - Annual review to ensure alignment of information technology and cybersecurity objectives to the group's business imperatives
 - Execute and evolve group cybersecurity roadmap
- Embedded IT disaster recovery response plans
 - E-commerce optimisation
 - Continuous improvement to core merchandise solutions as well as other core business activity areas such as Finance, HR, ESG, etc
 - Mr Price Advance accelerating the use of AI, ML and RPA

5. Human Capital Preservation



PEOPLE

Risk Themes

03

07

09

10

The group recognises that its performance and reputation is highly dependent on the quality of associates and leaders it hires, their ability to navigate a constantly evolving retail environment, and the organisational culture developed to nurture talent. There is continuous improvement in the measurement and monitoring of organisational health metrics across the group, increasing its ability to effectively address the following challenges:

- SA's retail skills shortage and resulting competition to attract and retain essential talent
- The rapid pace of change and the challenges posed by the VUCA environment requires skills and capabilities that support adapting to new ways of working
- The costs associated with recruiting and developing the necessary skills affecting the group's value model
- Reputational risks linked to behaviour and decision making throughout the organisation

OUR RESPONSE

Execution of the group's People strategy focuses on leadership, culture, talent, wellbeing and transformation through the following key initiatives:

- Leadership Development Framework
 - Reward re-set including cost to company migration and introduction of a new short-term incentive scheme for support centre associates
 - Performance management through its Connect Framework
 - Stronger link between performance and reward through clearly defined leadership measures tied to incentives
 - Engagement survey feedback to inform action plans to strengthen group culture
- Associate wellbeing
 - Transformation focused on diversity, equity, inclusion and belonging
 - Succession plans developed for all business areas
 - Building change readiness for divisional management teams
 - Organisational Health Index providing real-time insights
 - Top Employer Certification process allows for gaps and areas of improvements to be identified

6. Brand Reputation Protection



BRAND
PROMISE

Risk Theme

05

The group's size and vast workforce who represent the brand, whether in their personal capacity or while acting on behalf of the group, introduce an inherent risk of brand damage. Although there are mechanisms in place to manage such incidents, certain circumstances, particularly given the rapid dissemination of information, can exceed the organisation's risk appetite. Consequently, the risk of brand disrepute is considered 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
 - Supplier Code of Conduct
 - Group communication function

