

5.4 SOCIAL VALUE CHAIN DEVELOPMENT



Suppliers are crucial for maintaining a socially and ethically compliant apparel and homeware value chain. The group's continuous improvement approach supports and influences socially responsible and compliant behaviours and is a differentiating factor of the group's ESG strategy, especially as a value retailer. This strategy effectively promotes socially responsible practices and mitigates risks in the complex value chain. Collaboration between the ESG Centre of Excellence, trading divisions, and suppliers supports responsible sourcing and manufacturing.

A social compliance blueprint developed in the reporting period sets out the structure that brings together all elements, including systems, resources, processes, guidelines, standards, and capabilities to enable socially responsible practices.

The group's code of conduct, incorporating the ETI (Ethical Trading Initiative) base code, Responsible Sourcing Framework, and continuous improvement model, supports fair worker treatment and promotes labour rights. The group actively monitors and guides suppliers to uphold adequate social and ethical compliance standards.

Divisional sourcing and merchandise teams, along with the responsible sourcing working group (established in 2015), drive awareness of labour rights and the implementation of responsible social practices. The divisional teams manage supplier relations and compliance improvements, focusing on safe and equitable working environments. These activities are overseen at group level by a central social compliance function in the ESG Centre of Excellence.

5.4.1 RESPONSIBLE SOURCING GUIDE

The group's commitment to responsible sourcing promotes practices that uphold workers' human rights and encourages environmental responsibility within its value chain. The internally developed Responsible Sourcing Framework and Implementation Guide directs associates and suppliers towards responsible buying and sourcing, supporting compliance with national and international regulations and codes of good practice. The guide is dynamic, and regularly updated to reflect industry developments, practical experiences, and legislative changes. During the reporting period, training materials based on the guide were developed to support interactive supplier awareness sessions, ensuring that supplier partners understand and share the group's responsible sourcing vision and effectively address non-compliant practices in the value chain.

5.4.2 HUMAN RIGHTS COMMITMENT

The group's code of conduct, applicable to all associates and partners (including merchandise suppliers), mandates that partners comply with the law at all times. This includes the Constitution of South Africa and the Bill of Rights, which enshrine fundamental human rights. This obligation is contractually enforced through written supplier agreements, requiring merchandise suppliers and their factories to comply with relevant local laws as well as the code of conduct.

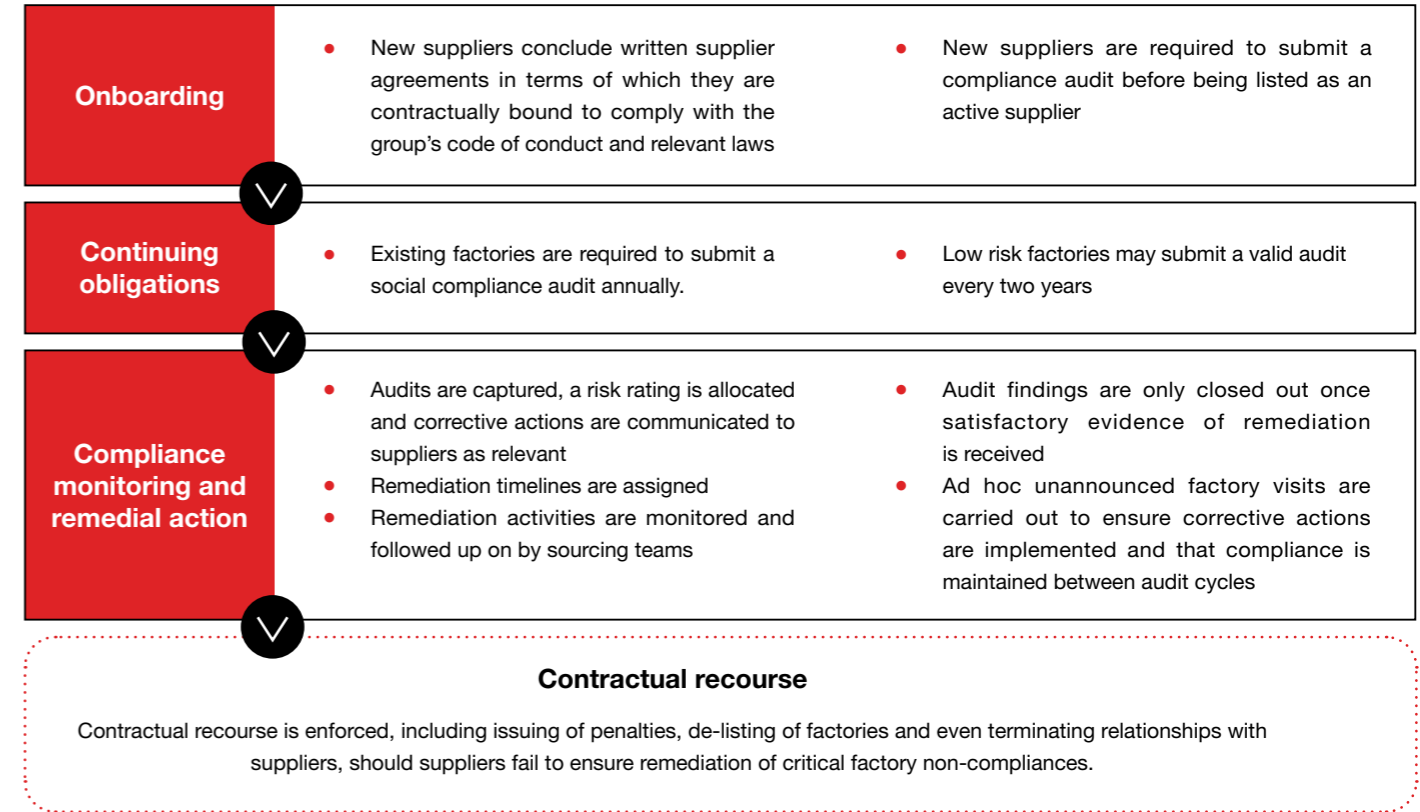
Modern slavery, encompassing human rights abuses such as forced, bonded, child, and other exploitative labour practices, can occur within global retail value chains. The prevalence of these abuses is heightened by the vulnerability of migrant labour, unauthorised subcontracting, and limited visibility into the full extent of value chains. Addressing modern slavery is a complex challenge across all sectors. The group continues to focus on country-specific risks as part of its due diligence when making sourcing decisions. During FY2025, no factory audits reported instances of modern slavery.

5.4.3 SUPPLIER COMPLIANCE PROCESS

The group's compliance process for onboarding and maintaining supplier relationships includes visibility, auditing social and ethical compliance practices, monitoring corrective actions to ensure required improvements are implemented, and de-activating suppliers and factories that exceed risk tolerance.

In FY2025, a balanced supplier scorecard was developed to incorporate social compliance into performance measurement, ensuring suppliers are evaluated on both commercial and sustainability practices. The process is illustrated and explained below.

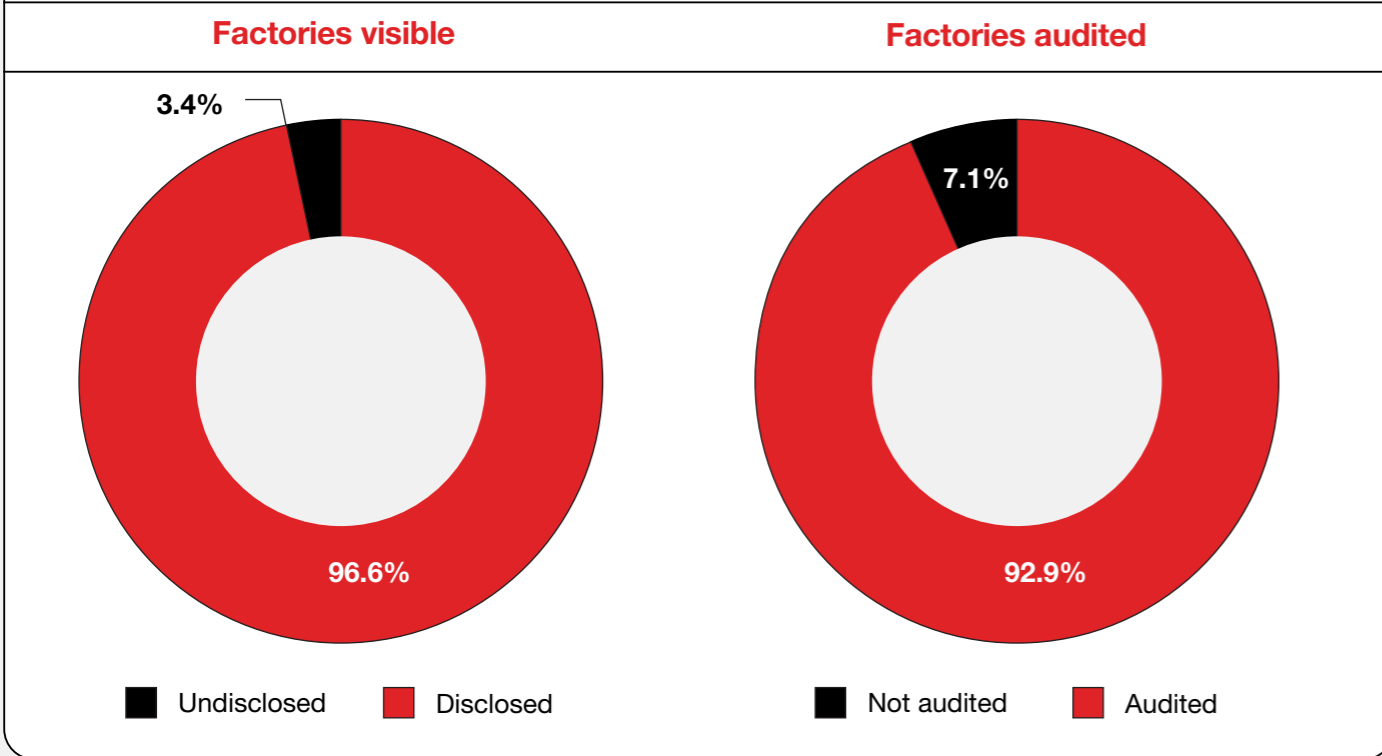
Further details on factory audits can be found on [page 69](#). Following an unannounced factory visit, two production sites were de-activated due to non-compliances that exceeded the group's risk tolerance. Suppliers were consulted in person regarding these sites to reinforce compliance obligations and the discontinuation of these sites.



5.4.4 FACTORY VISIBILITY AND AUDITS

In FY2025, the group achieved **96.6%** visibility of manufacturing sites and brand assured suppliers, which includes first and second tier suppliers contracted for production. The suppliers are categorised as either direct manufacturing, design/trading houses, local finishers, importer or foreign agents. **1 116** manufacturing sites have been mapped and their location verified. In addition, **92.9% (1 037)** of these sites have been audited and have a valid audit in place. Transitional suppliers represent suppliers that are in the process of being onboarded but have not completed all compliance requirements at the time of reporting and are thus not yet considered 'disclosed', and make up the balance to 100%.

The objective of factory visibility is to enable the effective monitoring of responsible practices in line with the ETI base code and the group's code of conduct. Effective auditing of manufacturing sites enables identification, prevention and mitigation of risks and adverse non-compliances and presents an opportunity for development and improvement. Corrective action and remediation of non-compliances improves social compliance practices that benefit workers. The group's bespoke social compliance process (see page 68) allows for audit retention (year-on-year) and the monitoring of risk ratings improvements made by each site. This in turn provides updated site specific risk information that helps to inform appropriate sourcing decisions.



With the acquisition of Power Fashion, which has a different sourcing model to the historical business, the methodology for factory visibility has been adjusted to accommodate opportunistic or "stock lot" and other (i.e. non-Mr Price Group) branded merchandise procured by Power Fashion. Due to the nature of stock buys (which are ad hoc opportunist buys), visibility of manufacturing sites is not possible. However, stock buys account for only 1.9% of the group's total product mix, which is monitored and reported at board level.

Where it is not possible to obtain visibility of branded factories, written compliance assurance is obtained from suppliers, which is considered as "brand assured". Branded suppliers are expected to have social and ethical compliance policies in place, which are measured and monitored to meet required standards. A similar approach is planned for Studio 88, where procurement is largely of international branded merchandise which are subject to existing responsible sourcing practices.

5.4.5 AUDIT ACCREDITATIONS

Approved organisations from which the group accepts independent audits include:

- Sedex Members Ethical Trade Audit (SMETA)
- Social Accountability International SA8000 Standard (SA8000)
- Amfori Business Social Compliance Initiative (BSCI)
- Worldwide Responsible Accredited Production (WRAP)
- Initiative for Compliance and Sustainability (ICS)
- CTI Ethical Toy Program (IETP) Certification
- The Responsible Business Alliance (RBA) Validated Assessment Program (VAP)
- Responsible Jewellery Council (RJC) Code of Practices Certification
- QIMA Ethical Audit

5.4.6 ETHICAL TRADING INITIATIVE

Collective efforts are the best way to address systemic issues affecting workers and labour rights in retail sectors and countries. Since 2013, the group has been an active member of the ETI to better understand high-risk areas and industry best practices for monitoring and understanding workers' rights. This involvement enables the group to incorporate labour rights into purchasing practices and sourcing strategies, managing potential negative impacts in global supply chains. By integrating the ETI base code into the group's code of conduct and adopting a continuous improvement approach with suppliers, the group aims to promote decent work in the value chain.

5.4.7 PRIORITY AREAS

For FY2025, the group's high-risk factories accounted for 18.6% of audited sites. The group's bespoke social compliance system utilises an internal risk rating methodology (using the SMETA non-compliance guidance as the framework) which considers both the audited non-compliance count, as well as the assigned criticality of each type of non-compliance to compute a risk rating. Factories are considered high risk if third party auditors report one 'critical' or more than 10 'major' non-compliances on a site. Business critical non-compliances, which result in immediate business suspension until remediated, include issues such as child labour, forced labour, undocumented foreign workers, and severe health and fire safety violations.

The group maintains a substantively high factory audit coverage of **92.9%**, along with robust onboarding processes and strict provision for social compliance in its suppliers' contracts. This enables the business to identify key priority areas and significant issues, which pose the most severe human rights risks or potential impacts to workers. By assessing systemic challenges in various sourcing countries, the group gains further insights into country-specific risks, legislation, and potential violations of workers' rights. This informed approach aids in making considered sourcing decisions. Consequently, the group avoids sourcing from factories in the Xinjiang Uyghur Autonomous Region due to high systemic risks.

The group recognises the need to prioritise due diligence efforts by focusing on the identified high priority and salient issues and has tailored its compliance risk ratings and remedial action processes accordingly, with targets set to reduce high risk factories and improve remediation timelines of all critical non-compliances. The salient issues identified by the group includes actual or potential risks to workers were:

- Health and fire safety regulations are not practiced
- Wages and labour regulations are not applied
- Excessive working hours are regularly experienced
- Work is not freely chosen
- Discrimination is practised
- Freedom of association and collective bargaining are not respected

These issues are not unique to the group and are systemic issues in the complex retail value chain which necessitates the adoption of a continuous improvement approach.

The group's position on these matters is detailed in its code of conduct which is communicated to all suppliers. Compliance by suppliers with their contractual and ethical obligations in respect of these issues is monitored and assessed through the implementation of the responsible sourcing guide, social audits conducted by third parties and remediation of identified issues.



Sourcing map*



■ Primary sourcing countries ■ Minority sourcing countries

- | | | | | |
|-----------------|---------------|---------------|-------------|----------------|
| 01 South Africa | 04 Bangladesh | 10 Pakistan | 16 Thailand | 22 Philippines |
| 02 Eswatini | 05 India | 11 Turkey | 17 Portugal | 23 Austria |
| 03 China | 06 Madagascar | 12 Indonesia | 18 Poland | 24 UK |
| | 07 Lesotho | 13 Mozambique | 19 France | 25 Switzerland |
| | 08 Botswana | 14 Vietnam | 20 Italy | 26 Brazil |
| | 09 Mauritius | 15 USA | 21 Japan | 27 South Sudan |

*In no particular order

5.4.8 GRIEVANCE MECHANISMS

The group promotes the independently managed FairCall hotline facility via its website www.mrpricegroup.com. This confidential service is available to anyone, including factory workers, and enables grievances to be reported safely and anonymously. Social and ethical compliance audits include worker interviews (individually and in groups), which remain an integral and crucial component of the worker voice during the audit process. No reports of human rights violations, including child labour, were received via FairCall during the year. More information on FairCall for the reporting period can be found on [page 83](#).

5.4.9 ETHICAL BUYING PRACTICES

The group's commitment to ethical buying practices is deeply ingrained across the organisation, bolstered by comprehensive ethical buying training. The ESG Centre of Excellence centrally manages social compliance, providing guidance and oversight on processes, procedures, and best practices, which are executed by the sourcing and buying teams within the trading divisions. Consideration is given to ETI's Common Framework for Responsible Purchasing Practices and its recommendations. Training programmes equip buying teams with the knowledge to grasp the holistic impacts of purchasing decisions, supporting ongoing cross-functional collaboration among all associates. The group's training academy remains focused on enhancing the understanding of production, sustainable manufacturing processes, and the implications and resultant impacts of procurement decisions particularly in relation to workers.

Since inception the Mr Price Academy has trained merchants as follows:

- Buying Ethically 633 associates
- Introduction to Supply Chain 388 associates
- Supply Chain Interactive Game 283 associates
- Critical Path Management 205 associates
- Introduction to Sustainability 583 associates

