ENTERPRISE RISK MANAGEMENT

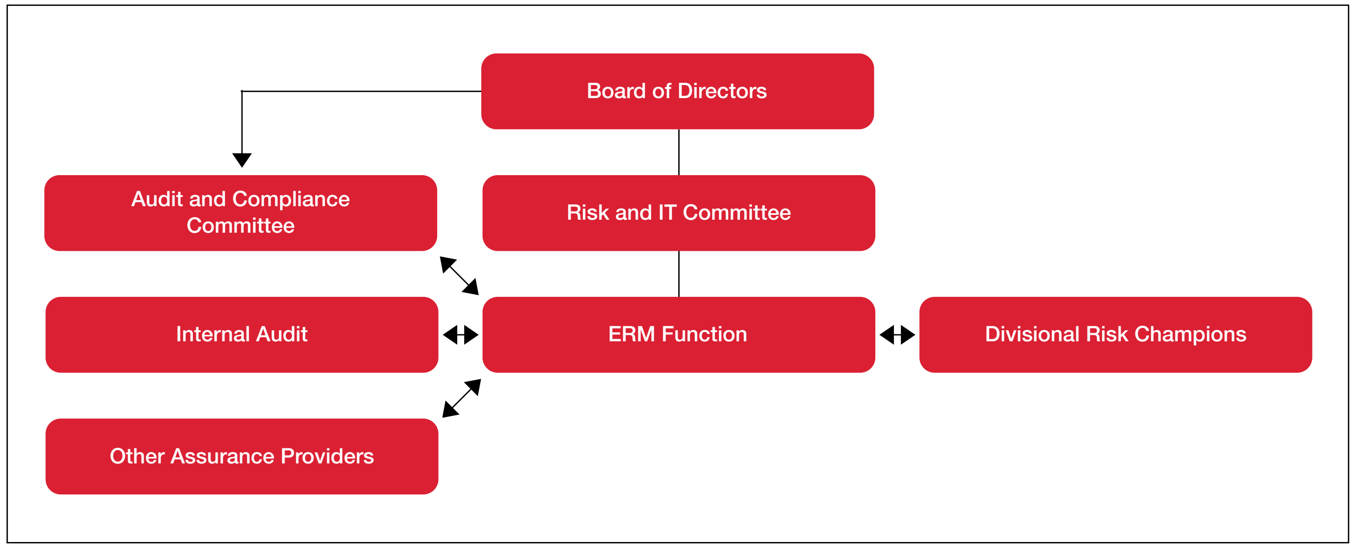
PHILOSOPHY, APPROACH AND STRUCTURE

Evolving external conditions necessitate the continued rethinking of the group's risk adopted approaches, structures, emanating risk themes and their interconnected impacts. This approach ensures that the group's strategic risk assessment appropriately drives risk responses aligned to the group's six strategic pillars. 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 outcomes.

Key risks are identified on an ongoing basis through a structured quarterly process, incorporated as a standard agenda item at each board meeting. Thereafter, formal risk assessment processes are conducted to assess the impact and likelihood of risks, including consideration of their interdependencies 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 risk director oversees, guides, and reports on ERM processes and outcomes, ensuring comprehensive attention to risk management across the group.

The group's ERM organisational structure



RISK MODEL

The risk model below represents 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 centres of excellence (COE) that reflect its core business operations. It is used to:

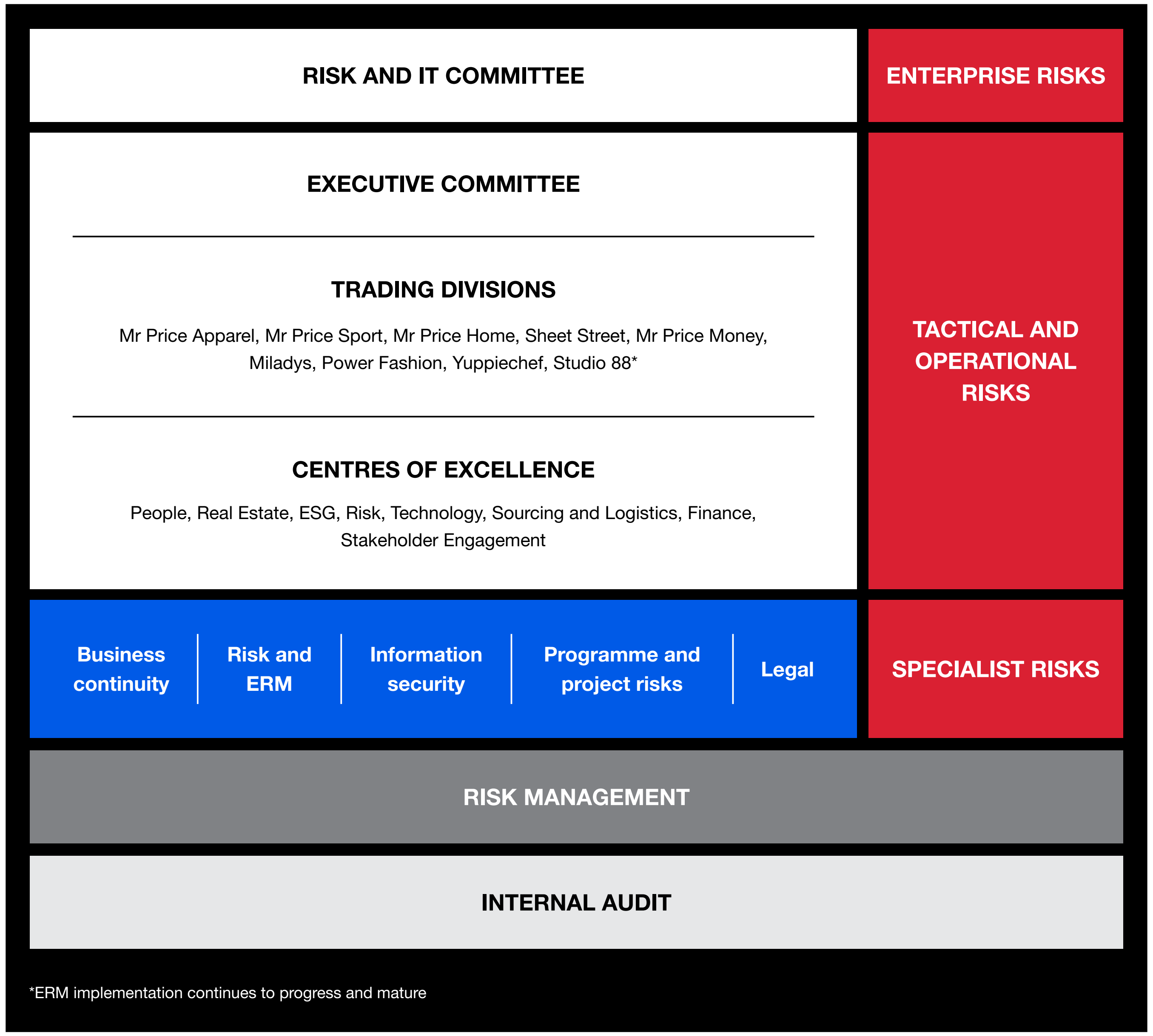
1. Ensure visibility of all risks to identify material risk exposures
2. Aggregate risk information and undertake an analysis of trends for insights to better understand the changing risk profile
3. Provide a shared and consolidated view of risks as they emerge across the trading divisions and COEs
4.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

RISK MODEL STRUCTURE

The risk model is built around four pillars that define and guide 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



Key Focus Areas

RISK STRATEGY

Over the past five years, aligned with the new group strategy launched in 2021, the group invested significant time towards building streamlined, purpose-driven ERM processes and frameworks achieving a desired level of maturity aligned with a value-focused business. The medium- to long-term ERM strategy continues to focus on the following objectives:

- Ensure consistent application of the ERM Framework across the group
- Reduce the time between risk identification and management action
- Increase the number of complex risks addressed through treatment plans and deep-dive analyses
- Strengthen the use of formal risk-management techniques supporting informed decision-making
- Reduce the incidence of risk-related issues over time

The strategy ensures that our risk-management practices remain relevant, robust and effective as the group expands.

RISK ASSESSMENTS

Formal risk assessments are performed across all trading divisions and COEs, with consolidated results monitored and reported to the Divisional Risk Committee. The process incorporates structured engagement with divisional leadership and targeted analyses of higher complexity exposures to enable proactive, informed risk management that protects operational performance and shareholder value. In the past year, the strategic risk register was refreshed to ensure alignment with the changing external and internal risk environment.

BUSINESS RESILIENCE

The group recognises that not all crisis events can be anticipated; however, preparedness and response capabilities can be materially enhanced. Over the past six years, resilience plans have been strengthened and simulation exercises conducted for high-impact scenarios, including civil unrest, electricity grid failure, water supply disruptions and cyber incidents. These initiatives have materially improved operational continuity and loss-mitigation capabilities. In early 2026, additional emphasis was placed on enhancing contingency planning for potential fuel shortages and the unavailability of fuel supply, linked to the US-Iran conflict.

The group's resilience has been further enhanced through investment in a secondary distribution centre at Gosforth Park, materially reducing the concentration risk associated with the previous single distribution facility in Hammarsdale.

ACQUISITIONS

The group continues to advance the ERM integration for Studio 88, with formal risk assessments having been completed. The integration timetable has been carefully calibrated against other integration priorities and the organisation's capacity to minimise disruption and maximise value retention. The integration of NKD Group GmbH (NKD) will be assessed as part of the broader, group-wide onboarding plan through FY2027.

COMBINED ASSURANCE

The group's integrated assurance model continues to evolve in line with the ERM strategy, operationalising a clear three lines-of-defense framework that defines roles, responsibilities and accountability across the group. This clarity enhances control effectiveness, strengthens risk oversight and improves the group's capacity to mitigate risks. In FY2026, the oversight and review of sustainability reporting have migrated from third to second line level whereby the group risk director now provides assurance on the accuracy of sustainability reporting. Through FY2027, the group's model will be updated to reflect the outcomes of the group strategic risk assessment conducted in FY2026. The group's internal audit plan will also be aligned with the outcomes of the risk assessment.

INSURANCE

Insurance remains a cornerstone of the ERM Framework and is used to transfer catastrophic exposures while self-insuring predictable losses within predefined tolerance thresholds. The group's approach incorporates deductibles, stop-loss arrangements, aggregate excesses and coverage limits to manage retained risk effectively. During FY2026, focus was placed on renewal processes to secure appropriate capacity across key risk classes considering the changing global risk environment, as well as on integrating core insurance covers for Yuppiechef and Studio 88 into the group insurance programme. These actions support balance-sheet resilience and the protection of shareholder capital.

In the last year, the group initiated an "Insurance Markets Day" to proactively engage local and international insurers and showcase its robust, group-wide risk-management capabilities across multiple insurance classes.

ACQUISITION OF NKD

Specialised ERM focus was applied to NKD's due diligence process supported by independent in-country experts with the following key risk objectives:

- Assessment of acquisition viability
- Determination of NKD's valuation and resultant purchase price
- Identification of risks and opportunities supporting robust decision making
- Identification of post-acquisition risks

Key risk areas included:

- Financial
- Legal
- Tax
- Commercial
- Scalability
- Funding and respective tax implications

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 political actions, social unrest, declining economic conditions, and onerous legislation impede the group's growth imperatives	• Geopolitical tensions affecting political uncertainty, supply chains and global markets • Exchange rate volatility • Constrained discretionary spend due to higher cost of living • Disruption of business activities • Higher cost and reduced availability of insurance cover • Subdued or weak economic growth • Higher cost of business (compliance, logistics, security, insurance, etc.) • Sudden policy shifts, nationalisation, trade restrictions, sanctions • Lowered investor confidence • Rapidly evolving or onerous regulatory and tax requirements	**Elevated** (due to geopolitical risks at an inherent level)	Growth and Innovation
02	**Supply chain**	The risk that an inefficient, ineffective, or unreliable supply chain leads to poor inventory management, undermining the group's competitive advantage	• Geopolitical uncertainty • Disruption of business activities through trade disruptions, customs delays, tariff changes • Increased logistics and working capital costs • Territory concentration risks of suppliers and service providers • Deterioration in supplier performance • Increased lead times • Disruptions to merchandise critical paths • Reduction in DC capacity and/or efficiency • Deteriorating port infrastructure • Impact of climate change	**Elevated** (due to geopolitical risks at an inherent level)	Growth and Innovation
03	**Brand reputation**	The risk that poor in-store and online shopping experiences weaken brand equity, reducing customer retention, repeat purchases, and overall sales performance	• Reputational damage • Poor service and/or quality of product • Deterioration of customer service • Compromised ability to deliver on brand promise • Loss of customer relevance • Escalation of social media risks • Deterioration of organisational health • Impact of poor or inadequate response to climate change	**Unchanged**	Brand Promise
04	**Competitive landscape**	The risk that actions by local and global competitors, including the entry of new market players, erode the group's competitive advantage and threaten its market position or long-term viability in value retailing	• Inability to differentiate from competitors • Competitor imitation strategies • Increased presence of local and foreign competitors • Increasingly crowded value segment • Rapidly changing customer shopping habits • Market share loss • Stagnant or low growth • Aggressive discounting increasing consumer price sensitivity • Evolution of customer service expectations • Deterioration of customer service in value retail • Disruptive competitor business models • Aggressive technology investments by competitors • Channel substitution and platform competition • Availability of quality trading space at rentals appropriate for value-retailing	**Unchanged**	Growth and Innovation
05	**Talent attraction and retention**	a. The risk that the group's inability to attract critical skills impairs its ability to execute its strategy b. The risk that the group does not adequately develop associates to support current and future growth of the group c. The risk that the group's inability to retain critical skills impairs the group's ability to execute its strategy	• Unsustainable cost growth and remuneration disparities to attract and retain key talent • Poor talent retention elevating execution risk • Loss of key skills and/or intellectual property ("IP") to competitors • South African retail skills shortage • Disruption of business continuity • Deterioration of employee wellbeing • Reduced leadership capacity • Introduction of innovative thinking and ways of working • Remuneration competitiveness • VUCA environment (Volatility, Uncertainty, Complexity, and Ambiguity)	**Unchanged**	People

Risk Themes

CONTINUED

	Risk theme	Risk statement	Interconnected potential risk/impact		Risk movement since prior year	Strategic pillar
06	Information technology*	a. The risk of financial loss or reputational damage resulting from inaccurate or lost data, breaches of customer information, or illegal penetration of the group's systems	• Current maturity • Sophistication of attacks • User vulnerabilities • Third party risks	• Operational disruption, service outages, and reduced productivity • Reputational damage	**Elevated** (due to increase in cyber risks at an inherent level)	Strategic Enablement
		b. The risk that the legacy technology stack lacks the capability and capacity to support operations and future strategic growth initiatives	• Misalignment to group strategy • Insufficient investment in IT systems and management structures to facilitate improved execution of business operations and delivery of growth initiatives	• Legacy systems and technical debt • Scalability of architecture or infrastructure • Skills shortages (architecture, cloud, DevOps, security) • Digestibility of change	**Unchanged**	
		c. The risk that the group's competitiveness is threatened due to its inability to timely adopt emerging digital technologies i.e. AI, etc.	• Rapid transformation of the digital landscape • Disruptive technologies	• Increased occurrence of cyber security attacks on group systems or related infrastructure • Systems maturity relative to competition	**Unchanged**	
07	Transformation	The risk that failure to accelerate transformation could erode brand reputation, reduce competitiveness, and impact growth	• Considered to be an undesirable corporate citizen • Reputational impacts • Legal penalties	• Workforce distraction and disruption due to dissatisfaction with pace of change • External market pressures • Unsustainable cost growth to attract and retain talent	**Unchanged**	People
08	Leadership	The risk that ineffective leadership leads to lack of direction, diminished trust, and reduced performance	• Inability to innovate, experiment and grow • Dilution or loss of entrepreneurial and innovation mindset • Lack of leadership capability or capacity to lead engaged and high performing teams	• Siloed thinking • Deterioration of leadership accountability	**Unchanged**	People
09	Organisational culture	The risk that a deteriorating or poor culture undermines employee engagement, collaboration, and ethical behaviour, leading to reduced performance, higher associate turnover, and reputational damage	• Deterioration of organisational health • Loss of entrepreneurial thinking and risk taking • Siloed thinking and disengaged • Poor agility	• Lack of accountability of leaders to live the values and DNA of the group • Misalignment between values and associate behaviour • Resource pressures, burnout, or unrealistic performance expectations	**Unchanged**	People
10	Strategy	The risk that the group fails to strategically respond to changes in the external environment, resulting in unrealistic, erroneous, and/or delayed strategic actions	• Distraction and deviation from core principles • VUCA environment • Misalignment of priorities • Poor execution of existing strategies	• Insufficient capital to support strategic investment changes and/or additions • Emerging trends not identified in time • Negative investor sentiment	**Reduced** (due to improved maturity of KPI processes)	Growth and Innovation

*The information technology risk theme has been split into three sections and rated independently on the group's risk heat map

Mapping the Risk Themes

Likelihood (Low → Very High)

Likelihood	Incidental	Minor	Moderate	Major	Critical
Almost certain				1, 2	
Likely			6a	3, 4, 5	
Possible			6b, 8, 6c, 9, 7, 10		
Unlikely					
Rare					

Low | Consequence | Very High

MATERIAL MATTERS

Through an embedded, structured ERM process, the group identifies and manages material matters, risks and opportunities on an ongoing basis. Continuous monitoring of the internal and external risk environment supports the reassessment of risk ratings and treatment plans, ensuring exposures are managed within approved tolerance levels. As a result, the following seven material matters have been identified that could significantly impact the delivery of the group's desired strategic outcomes:

1. Geopolitical tension
2. Supply chain disruptions
3. Challenging retail environment
4. Competitor dynamics
5. Technology risks
6. Talent retention and human capital risks
7. Brand and reputation risks

01. GEOPOLITICAL TENSION

Growth and Innovation

Risk Themes: 01 Macro environment; 02 Supply chain; 04 Competitive landscape; 10 Strategy

The escalating conflict in Iran and the imposition of trade tariffs by the US on SA have resulted in a convergence of risks characterised by increasing operational costs and heightened volatility across the group's supply chain. In response, the group completed a scenario-based risk analysis to assess a range of potential outcomes and suggested actions. This work was intended not only to strengthen the group's resilience, but also to identify opportunities for strategic advantage through early detection and proactive preparation relative to its competitors. Despite the group's mitigation efforts, certain risks, including currency volatility and shipping rates, remain material as they largely fall outside the group's direct control and cannot be fully managed within its risk appetite. Factors contributing to this include:

- Economic downturns, rising inflation, currency volatility, recession
- Increased cost of business e.g. logistics, insurance, fuel, etc
- Disruption of business activities
- Increased global shipping disruptions
- Unsustainable rise in input costs
- Fuel supply shortages and/or unavailability

OUR RESPONSE

- Risk-based scenario planning
- Treasury policies
- Strong partnerships with shipping carriers
- Robust supplier partnerships
- Agile supply chain
- Increased local procurement
- Crisis response plans

02. SUPPLY CHAIN DISRUPTIONS

Growth and Innovation

Risk Themes: 01 Macro environment; 02 Supply chain; 04 Competitive landscape; 10 Strategy

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

- Increased global shipping disruptions and costs resulting from the US-Iran conflict
- Slow pace of South Africa's (SA's) logistical infrastructure reforms
- Road freight disruptions due to roadworks, poor maintenance and strike activity
- Elevated levels of crime and attacks on road carriers/ merchandise on route
- Unsustainable rise in input costs
- Climate change impacts
- Fuel supply shortages and/or unavailability

OUR RESPONSE

- Agile sourcing strategy
- Supply chain optimisation strategy
- Investment in a secondary distribution centre facility (Gosforth Park)
- 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)
- Procurement of locally manufactured products to increase agility and flexibility
- Approved economic operator status registration
- Crisis response plans
- Transport risk management
- Climate change strategy

03. CHALLENGING RETAIL ENVIRONMENT

Growth and Innovation

Risk Themes

01 Macro environment
02 Supply chain
04 Competitive landscape
10 Strategy

As the group's trading activity remained predominantly based in SA during FY2026, the challenges facing the country's retail environment renders it a material matter. The following factors were of particular concern for the group's growth aspirations:

- Geopolitical tensions, including the ongoing US-Iran conflict impacting:
  - Global growth, with a rising probability of a recession
  - Currency volatility, particularly for emerging markets
  - US tariff-related trade wars and reciprocal tariffs
  - Fuel shortages
  - Supply chain disruptions impacting business activities
  - Inflation risks
- SA political risks
- Discretionary spend impacted by:
  - Prolonged consumer constraint
  - Diversion of spend to other categories (online gambling)
- Increased reliance on credit and poor collection due to pressures on disposable income
- Increased cost of business e.g. compliance, logistics, insurance, security, municipal charges, etc
- Infrastructure deterioration

OUR RESPONSE

- Execution of growth strategy both organically and acquisitively
- Diversification of customer base guided by the group's opportunity matrix
- Differentiated fashion-value offering supported by established and strong merchandise disciplines
- Leveraging strong retail skills in the value retailing segment
- Use of data insights as a tool to adjust trade activities in real-time
- Brand strength and value
- Credit risk management
- Geographical diversification of operating territory i.e. NKD acquisition (entry into Central and Eastern Europe)

04. COMPETITOR DYNAMICS

Growth and Innovation

Risk Themes

01 Macro environment
02 Supply chain
04 Competitive landscape
10 Strategy

Increased competitor activity in the value retail sector in response to consumer shifts toward heightened value-seeking shopping preferences. Factors elevating competitor risks included:

- Increased presence of local and foreign retailers targeting all customer segments
- Inconsistent implementation of levies on foreign entrants
- Competitor imitation of the group's divisional strategies and cornerstone categories
- Rise in launch of organic concepts by competitors
- Increased consumer price sensitivity
- Increased competition for store space in prime/ strategic locations
- Aggressive technology investments by competitors
- Disruptive business models
- Dilutive returns on required capital investment for effective competing
- Increasingly crowded value segment

OUR RESPONSE

- Progress towards diversification of target customer market and execution of growth strategy
- Continued focus on differentiated fashion-value offerings
- Preservation of Every Day Low Cost and Price model
- Cash focus, with low reliance on consumer credit to drive sales
- Other strategic and continued innovation initiatives
- NKD acquisition focused on expanding the group's territories and reducing concentration risks in SA

05. TECHNOLOGY RISKS

Strategic Enablement

Risk Theme

06 Information technology

The group recognises that resilient and scalable system capabilities are critical to business continuity, long-term growth, and sustaining competitive advantage amid accelerating technological change and increasing cyber risks. The reliance on the transformation of technology systems together with technological advances in all aspects of the business renders the risk as a material matter due to:

- Speed of technological advances including AI, ML and RPA
- Return on capital investments on system enhancements
- Reliance on information generated to base key decisions
- Legislative compliance (Data Privacy, POPIA, Payment Card Industry)
- Sophistication of recent cyber-attacks on global retailers

OUR RESPONSE

- Execution of technology modernisation and digital transformation strategy
- Mr Price Advance accelerating the use of AI, ML and RPA
- Annual review to ensure alignment of information technology objectives to the group's business imperatives
- Information Security Improvement Roadmap
- Internal and external assurance on systems
- Cyber insurance
- User training and awareness

06.
TALENT RETENTION AND HUMAN CAPITAL RISKS

People

Risk Themes

- 05 Talent attraction and retention
- 07 Transformation
- 08 Leadership
- 09 Organisational culture

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
- Stronger link between performance and reward through clearly defined measures tied to incentives
- Annual engagement survey feedback informing action plans to strengthen group culture
- Transformation focused on diversity, equity, inclusion and belonging
- Succession plans developed for all business areas
- Organisational Health Index providing real-time insights
- Top Employer Certification process allows for gaps and areas of improvements to be identified

07.
BRAND AND REPUTATION RISKS

Brand Promise

Risk Theme

- 03 Brand reputation

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. Factors contributing to brand disrepute included:

- Deterioration of organisational health
- Poor service and/or quality of product
- Escalation of social media risks
- Deterioration of customer service and/or shopping experience
- Compromised ability to deliver on brand promise
- Negative investor sentiment

OUR RESPONSE

- Group Code of Conduct
- FairCalll whistleblower hotline available to all associates and partners
- Ethics awareness and training
- Social media policies and screening
- Escalation guidelines
- Supplier Code of Conduct
- Execution of Investor Relations and Stakeholder Engagement strategy