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We have pleasure in presenting the 2017 integrated report for Mr Price Group Limited and its subsidiaries. The report is aimed principally at our shareholders— the providers of financial capital— and the broader investment community both locally and offshore.

However, we recognise that several stakeholder groups influence our business, primarily but not limited to, our customers, shareholders and employees.

This report aligns with the requirements of the King Code of Governance for South Africa (King III) and the International Integrated Reporting Council’s 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. The group’s activities and performance relating to these capitals are covered throughout the report. 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. Any forecast financial information contained herein has not been reviewed and reported on by the company’s external auditors.

Materiality
Our report focusses on issues which the board and management believe are material to stakeholders and could impact value creation in the business. We have aimed to demonstrate the connectivity between these material issues and our business model, strategy, risks, key performance indicators, remuneration policies and prospects. The material issues are reviewed on an ongoing basis to ensure that they remain relevant and management assumes the responsibility for the approval of these material issues, 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 and values
- External factors that impact on the group’s ability to create value in the short, medium and long-term
- 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 and
- Issues derived from key stakeholder engagement.

Additional information
This integrated 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.

Scope
This report provides a consolidated view of the group’s financial, social, economic and environmental performance for the 52-week period ended 1 April 2017. It includes the financial results of Mr Price Group Limited trading in South Africa, Australia, Botswana, Ghana, Lesotho, Namibia, Nigeria, Swaziland, Zambia and MRP Foundation (100% owned subsidiaries), mrpMobile (55% owned subsidiary), as well as the income received from franchise operations trading elsewhere in Africa. Our reporting complies with International Financial Reporting Standards, the Companies Act of South Africa (71 of 2008) and the JSE Listings Requirements. In terms of non-financial indicators, only South African operations are included, unless otherwise indicated.

Boundary
The boundary extends beyond Mr Price Group to include the risks, opportunities and outcomes attributable to/associated with other stakeholders beyond 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 group’s consolidated annual financial statements have been audited by the independent external auditor, Ernst & Young Inc. Their unqualified report can be found on page 80. In addition, the independent auditor verified the information contained in the remuneration report on pages 57 to 74. The disclosures within the social, ethics, transformation & sustainability committee report (pages 37 to 47) were verified by our internal audit division. The board is satisfied with the level of assurance on the annual integrated report and does not believe that it should be subject to further external assurance at this point.

Approval
The audit and compliance committee has reviewed the integrated report (including the full annual financial statements) and recommended these to the board for approval. The board has applied its mind to the integrated report and believes that it addresses all material issues, and fairly presents the integrated performance of the group.

The 2017 annual integrated report was approved for release to stakeholders by the board on 9 June 2017.

NG Payne
Chairman

SI Bird
CEO

MM Blair
CFO
Value Creation through the use of capitals

The International Integrated Reporting Council’s Framework requires organisations to, as a fundamental concept underpinning the framework, report on the resources and relationships that it uses or affects, and the critical interdependencies between them. These resources and relationships are referred to as “the capitals”. The group is committed to integrated reporting and, as such, has adopted the framework. In the section below, we show the value that has been created through the use of the six capitals.

<table>
<thead>
<tr>
<th>Capital</th>
<th>Input</th>
<th>More information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>The group’s pool of funds consists of cash generated from operations, interest income, and funds reinvested.</td>
<td>• CFO’s report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Divisional reviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Annual financial statements</td>
</tr>
<tr>
<td><strong>Manufactured</strong></td>
<td>The stores, distribution network and general infrastructure throughout Southern and West Africa and Australia which enable us to procure, import, deliver and sell our products and services.</td>
<td>• Our footprint</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Annual financial statements</td>
</tr>
<tr>
<td><strong>Intellectual</strong></td>
<td>The intangibles that constitute our product and service offering and provide our competitive advantage.</td>
<td>• Business Activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SETS report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Annual financial statements</td>
</tr>
<tr>
<td><strong>Human</strong></td>
<td>The skill and experience vested in our employees that enable us to deliver our products and services and implement our strategy, thereby creating value for our stakeholders.</td>
<td>• Key sustainability indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SETS report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Corporate governance report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Remuneration report</td>
</tr>
<tr>
<td><strong>Social and relationship</strong></td>
<td>The key and long-term relationships that we have cultivated with customers, suppliers and business partners.</td>
<td>• SETS report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Remuneration report</td>
</tr>
<tr>
<td><strong>Natural</strong></td>
<td>The resources that are used in the production of goods and the store environment.</td>
<td>• Key sustainability indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• SETS report</td>
</tr>
</tbody>
</table>
Value Creation

VISION
To be a top-performing international retailer.

PURPOSE
To add value to our customers’ lives and worth to our partners’ lives, while caring for the communities and environments in which we operate.

VALUES
Passion - Value - Partnership

BUSINESS MODEL
Cash-based, omni-channel, fashion-value retailing

FASHION
• Wanted items at “everyday low price”
• Target younger customers in the mid to upper LSM categories

VALUE
• Fashion + Quality + Price
• Omni-channel retailing of own-branded merchandise

CASH
A cash driven retailer with cash sales > 80% of total sales

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CASH
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GROWTH
Extend earnings through local and international growth

BUILD HIGH PERFORMING BRANDS
Build strong customer relationships by delivering an ongoing experience of surprising and delighting

OPERATIONS
Continually strive for world-class methods and systems

PEOPLE
Maintain an energised environment with empowered and motivated people

SUSTAINABILITY
Subscribe to high ethical standards and sustainable business practices

5 PILLARS OF THE GROUP’S STRATEGY, MATERIAL ISSUES & KEY RISKS

KEY RISKS
- Economic, social, political and legislative environments
- Product assortments and allocations
- Alignment of systems and business requirements
- Attraction and retention of critical skills
- Logistics and supply chain
- Sustainability of supply and availability of procured merchandise

VALUE CREATED FOR OUR STAKEHOLDERS

Outputs

Revenue
R19.8bn
Return on equity
37.8%
Dividends paid
R1.7bn
Free cash flow
R1.8bn (up 131%)
Cash generated from operations
R2.8bn
Stores
1 216
Weighted average space growth
2.6%

Capital created
Stakeholders

Merchandise sourced from South Africa
R3.5bn

Employees
17 822

Learning & development
R37.3m

Donated to MRP Foundation
R22.3m

Reduction in carbon footprint
4.2%

Stakeholders

Financial
Manufactured
Intellectual
Human
Social & relationship
Natural

Shareholders & investment community
Customers
Associates & partners
Suppliers
Government & society

Stakeholders

Financial
Manufactured
Intellectual
Human
Social & relationship
Natural

Shareholders & investment community
Customers
Associates & partners
Suppliers
Government & society

VALUE PROPOSAL

MERCHANDISE

SYSTEMS
Mechanisms for controlling flow and operations

SUPPLIERS
Strong buying power via high volumes

BUSINESS ACTIVITIES

LOGISTICS
Warehousing, distribution centres, transportation

COMMUNICATION

OPERATIONS

OUR PEOPLE

• Best price for quality & fashion offered
• Everyday low prices

• Positional
• Promotional
• Aligned to brand personality

• Style, fashion & assortment
• Merchandise intensity
• Ethical & sustainable

• Store size & location
• Layout & design
• Omni-channel

• Passionate & energised
• Strong organisational culture
• Our staff are our partners

THE CAPITALS

Financial
Manufactured
Intellectual
Human
Social & relationship
Natural

Stakeholders

Shareholders & investment community
Customers
Associates & partners
Suppliers
Government & society
Stakeholder Engagement

Sustainable relationships form the foundation of Mr Price Group’s ability to create value over the short, medium and long-term. We understand that stakeholders’ perceptions affect our reputation in all the markets in which we operate, and that we need to deal with these proactively while ensuring that we maintain a balance in our treatment of stakeholders. The board retains oversight of stakeholder management, while the implementation and monitoring of stakeholder engagement is devolved to the various management teams in the group.

We have prioritised our input and feedback based on the degree to which a particular stakeholder or group is affected by our activities or can influence the success of our business. The following criteria have been applied:

- **Power** - This is the level of influence that the stakeholder has over the group’s ability to make decisions and perform.

- **Level of interest** - The extent of interest that the stakeholder has in the group and is further divided into two key components, namely:
  - Proximity – the degree of interaction, i.e. long-term relationship or dependency on day-to-day operations
  - Urgency – the immediacy of the need to engage with a particular stakeholder.

Some of the key principles on which we base our stakeholder approach are:

- Openness and transparency
- Mutual respect
- Supportive and responsive interaction
- Regular and structured engagements that are constructive and co-operative and
- Recognition that all stakeholders are also existing or potential customers.
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Why we engage</th>
<th>How we engage</th>
<th>What we engage in</th>
</tr>
</thead>
</table>
| Shareholders & the investment community | To create an informed perception of the group | Annual general meeting  
Presentations to Investment Analysts Society, results roadshows and one-on-one meetings  
Attendance at investor conferences  
Annual integrated report  
SENS announcements, trading updates and press releases  
Group website | Company performance, future prospects and strategy  
Retail market trends and issues  
Dividend policy  
Share price performance  
Share schemes  
Economic, social and environmental risks |
| Customers | To meet our customers’ needs and increase long-term loyalty  
To enhance the group’s brands and thereby grow market share | In-store interaction  
Traditional and social media  
Customer and market surveys and panels  
Product testing  
Inbound and outbound call centres  
Advertising campaigns and competitions  
Live chat feedback on e-commerce sites  
Mystery shopper programme  
Feedback from affiliate publisher partners in foreign markets | Brand perceptions and expectations  
Fashion trends  
Product and quality feedback  
Customer service levels  
E-commerce technical assistance, orders and queries  
Community support and fundraising through MRP Foundation  
Account queries and payment |
| Associates & partners (our people) | Our associates are our most valuable asset and brand ambassadors, as their efforts drive our profitability and the effectiveness of our customer engagement  
To enhance their sense of value, commitment and motivation  
To align thinking with the group strategy  
To receive feedback on areas for workplace and performance improvement | Induction programmes  
Performance reviews, fireside chats and career planning discussions  
Training and development  
Culture and climate surveys  
Internal media – Red Cap Radio and TV  
Team meetings  
Results presentations  
Divisional events including awards events  
Whistle Blowers hotline | Vision and values  
Business Code of Conduct  
Group strategy and financial performance  
Group policies and guidelines  
Individual and team performances  
Remuneration, benefits and incentives  
Transformation and employment equity  
People development and training  
Wellness programmes  
Health and safety  
Culture survey results |
| Suppliers | Suppliers are key to our performance and core to our strategic positioning | Supplier days  
Regular meetings  
Performance reviews  
Quality audits  
Ethical and social audits  
DC tours  
Factory visits and tours  
Whistle Blowers hotline | Order quantities, factory capacities, product cost and quality  
Supplier performance  
Future growth and expectations of the group  
Core competencies  
Future trends in product and sourcing  
DC requirements  
Quick response  
Supplier Ethical Data Exchange (SEDEX)  
Southern African Sustainable Textile and Apparel Cluster  
Regional Footwear and Leather Cluster  
B-BBEE compliance |
| Government & society | Legislative requirements  
National priorities  
Uplift communities and environments in which we operate | Regular communication with: South African Revenue Service, Department of Labour, Department of Education, Wholesale and Retail SETA, National Credit Regulator  
Report our impact on communities & the environment | Taxation issues  
Skills development and training  
Transformation/employment equity  
Compliance requirements  
Energy, water and waste reduction  
Education and job creation |
vision
To be a top-performing international retailer

purpose
To add value to our customers’ lives and worth to our partners’ lives, while caring for the communities and environments in which we operate

values

passion
Passion means ordinary people doing extraordinary things. It’s our engine and the positive attitude and enthusiasm of all our associates who approach each day smiling and projecting a positive image – believing that work is fun!

value
Value is the heart of our business and we strive to add value in everything we do. It is more than just product, it is the way we service the business, each other and our customers. Value is about doing more than what is expected or required.

partnership
Mutual respect is integral to the culture of the group. We therefore refer to our co-workers as “associates” and, once they own shares or share options, they are referred to as “partners”. Partnership is sharing the ownership and success of the company with all our associates and fostering solid and long-term relationships with our suppliers. Without our customers, we would not have a business, and they are one of our most valued partners. We also partner with communities, by investing in strategic initiatives that will improve the lives of those who are less fortunate, particularly children and youth.
Who we are

CASH-BASED, OMNI-CHANNEL, FASHION-VALUE RETAILING

Targeting younger customers in the mid to upper LSM categories

Retailing predominantly own-branded merchandise

83% of sales are cash

Business Model

fashion

Wanted items at “everyday low prices”

How do we satisfy our customers’ need for fashion?

• Specialist trend teams, frequent international travel and thorough research
• Active dialogues through social and digital media
• Responding to customers’ changing fashion needs
• Product testing before making significant merchandise commitments
• Slow moving merchandise cleared to make way for fresh, new merchandise

value

Lower mark-ups and selling higher volumes to offer “excellent value”

Increasing sales + low overhead structure = acceptable operating margins

• Quality and fashion offered at the best price
• Lower mark-ups to offer “everyday low prices”
• Large order quantities and higher sales volumes to keep input prices low
• Retail predominantly own-branded merchandise
• Maintain balance by incurring costs for future growth, often ahead of revenue generation

cash

Remaining a cash driven retailer with cash sales > 80% of total sales

A high cash sales component means:

• Less impacted by the cyclical nature of retail
• Not dependent on credit to drive sales, particularly during poor economic times
• Less exposed to bad debt
• Able to fund future growth without incurring debt
• Strong cash flows will support future growth and maintain an appropriate dividend payout ratio
1 216 owned and 21 franchised stores

Omni-channel retailer with a digital fan base of **+1 million Facebook** and over **300 000 Instagram** followers

Market capitalisation of **R40.1 billion** (year-end)

Included in **JSE Top 40 Index** and **Socially Responsible Investment Index**

31-year CAGR in **HEPS** of 21.6% and **DPS** of 23.8%

Total share return over 10 years of **563%**

International shareholding of **43%**
Operations & Footprint

1 216 total owned stores
616 934m² total trading area

South Africa
1 121 total stores
417 mrpApparel
154 mrpHome
89 mrpSport
268 Sheet Street
193 Miladys

Botswana
23 total stores
12 mrpApparel
3 mrpHome
1 mrpSport
5 Sheet Street
2 Miladys

Ghana
5 total stores
4 mrpApparel
1 mrpHome
1 mrpSport
1 Sheet Street
1 Miladys

Lesotho
5 total stores
2 mrpApparel
1 mrpHome
1 mrpSport
1 Sheet Street
1 Miladys

Namibia
37 total stores
18 mrpApparel
5 mrpHome
1 mrpSport
8 Sheet Street
4 Miladys

Nigeria
5 total stores
5 mrpApparel
5 mrpHome
mrpSport
Sheet Street
Miladys

Swaziland
7 total stores
2 mrpApparel
1 mrpHome
1 mrpSport
1 Sheet Street
1 Miladys

Zambia
9 total stores
7 mrpApparel
2 mrpHome
2 mrpSport
Sheet Street
Miladys

Australia
4 total stores
3 mrpApparel
1 mrpHome
1 mrpSport
Sheet Street
Miladys

Franchise
21 total stores
12 Kenya
3 Uganda
2 Tanzania
3 Mozambique
1 Rwanda

mrpApparel
654m² - Average store size
307 424m² - Total trading area

mrpHome
806m² - Average store size
135 340m² - Total trading area

mrpSport
676m² - Average store size
62 178m² - Total trading area

Sheet Street
178m² - Average store size
50 634m² - Total trading area

Miladys
304m² - Average store size
61 358m² - Total trading area
Hammarsdale Distribution Centre

**R1.3bn**

**FACILITY TO IMPROVE EFFICIENCY & ENABLE GROWTH – FUNDED BY CASH RESOURCES**

**Phase 1 complete** 57 000m² warehouse, 103 000m² operational floor space

**Phase 2 potential** to expand warehouse to 100 000m² when required

28 500m³ of concrete, 80 000m² roof sheeting, 10 000 sprinklers, 8km of water pipes and 12km of electrical cabling

**KEY FEATURES**

- Own container yard for inbound container staging
- Increased throughput - inbound capacity up by 71% to 12 000 cartons/hour
- Increased automation:
  - Merchandise allocation decisions made closer to final distribution
  - Faster, more accurate carton sorting - misrouted cartons eliminated
  - Quicker, more accurate unit picking - capacity doubled to 950 units/person/hour
  - RF put to store picking has been replaced by a split tray sorter which works at 99.99% accuracy
- Software configuration allows us to separate merchandise categories and send replenishment stock to stores by room or brand category - takes us very close to gender brand specific deliveries of replenishment stock
- Replenish mrpHome at inner carton level to reduce store overstock
- Same sorter utilised for inbound and outbound, eliminating cost duplication with the courier

**Higher sales**

- Speed to market
- Merchandise redirected to store in need
- Improved accuracy via reduction in human error when using RF equipment

**Improved Gross Profit %**

- Lower markdowns, more full-priced sales
- Lower breakages by better handling fragiles

**Reduced overheads**

- Eliminated storage expense at Durban port
- Lower labour cost
- Significant reduction in carton accuracy audits. Blind receiving at store
- Reduced storeroom processing time and space requirement, improved associate focus

**Roof mounted photovoltaic installation**

Generates 257 306kWh annually

**Air-conditioning substituted by natural ventilation**

Variable refrigerant flow (VRF)

**Energy efficient**

LED lighting

**Steel products have recycle content of >90% by mass**

**Rainwater harvesting can satisfy water requirements for 47 days.**

1.3 million litre water catchment tank

**Phase 1 complete**

57 000m² warehouse, 103 000m² operational floor space

**Phase 2 potential**

to expand warehouse to 100 000m² when required

28 500m³ of concrete, 80 000m² roof sheeting, 10 000 sprinklers, 8km of water pipes and 12km of electrical cabling
**BUSINESS ACTIVITIES**

These are enabled by our systems, suppliers and logistics.

<table>
<thead>
<tr>
<th>Value proposal</th>
<th>Merchandise</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Best price for quality and fashion offered</td>
<td>• Style, fashion &amp; assortment</td>
</tr>
<tr>
<td>• Everyday low prices</td>
<td>• Merchandise intensity</td>
</tr>
<tr>
<td></td>
<td>• Ethical &amp; sustainable</td>
</tr>
</tbody>
</table>

The value model is the very core of the group’s existence. Being a fashion value retailer means lower mark-ups and selling higher volumes to offer excellent value and everyday low prices.

Providing our customers with the best price for the quality and fashion offered is our primary focus.

The group retails differentiated private label assortments that are dominant in the wanted fashion items of the season.

By remaining a cash driven retailer, the group is able to fund future growth without incurring debt.

Operating margins are driven by improving trading densities and a low overhead structure.

We satisfy our customers’ needs for fashionable items through specialist trend teams, frequent international travel and thorough research. We visit trend offices, trade shows and international retailers for inspiration and study local and international street styles to keep in touch with what customers are wearing.

From our research and travel process, we identify key commercial looks for our customers with test programmes that manage the risk to the businesses.

Post-seasonal analysis facilitates rationalising what worked and what didn’t work from the previous season and is a key factor in planning calls for the future.

Seasonal assortment planning starts with a seasonal post-mortem. This, together with big category calls, colours, silhouettes, fashion balances and styling, complete the pre-season process.

Slow moving merchandise is cleared to make way for fresh, new merchandise.

The group interacts with suppliers according to the highest level of professional and ethical standards (SEDEX and ETI refer page 45). The group has partnered with the Sustainable Cotton Cluster to secure a sustainable local cotton value chain.
## Business activities (continued)

<table>
<thead>
<tr>
<th>Operations</th>
<th>Our people</th>
<th>Communication</th>
</tr>
</thead>
</table>
| • Store size & location  
• Layout & design  
• Omni-channel | • Passionate & energised  
• Strong organisational culture  
• Our staff are our partners | • Positional  
• Promotional  
• Aligned to brand personality |

The group retails apparel, homeware and sportswear through owned, franchise stores and online channels in Africa and Australia.

The group fits stores at a cost aligned to our value model, while delivering an appealing store experience to customers.

Occupancy costs are minimised through negotiation and a stringent lease renewal policy which requires rentals to reflect the impact of an ever increasing national footprint and occupancy costs to be maintained within predetermined limits.

Return from space is maximised by suitably locating stores, and right-sizing stores in line with trading conditions and market changes. This includes exiting from excess space and expanding stores where high trading densities are detrimental to the customers’ shopping experience.

Our new cost-effective, flexible and efficient e-commerce platform (Magento) was launched in F2017, positioning us to maximise this strategic channel’s benefits.

The group operates two distribution centres and has a courier partner for transportation of merchandise to stores locally. The courier partner operates 15 depots.

The new distribution centre will improve efficiencies and enable growth.

The group recognises that it has highly passionate and committed people that drive the successful business model.

Inspired by the group’s core founding values of Passion, Value and Partnership, the culture and climate of the working environment is constantly surveyed to ensure that the needs of associates are heard and that action is taken to enrich their working lives and to protect our core values.

Mr Price Group strives to be a sought-after company to work for by offering leading career opportunities in fashion-value retailing, in energetic and entrepreneurial working environments. The group beneficially impacts the lives of not only its 17 822 employees, but also their families and the communities in which they reside, being actively involved in these communities through the MRP Foundation.

The group supports retail skills development through e-learning and continues to improve programmes for specialised buyer and planner skills, which are critical areas to the business.

Mr Price Group operates two distribution centres and has a courier partner for transportation of merchandise to stores locally. The courier partner operates 15 depots.

The new distribution centre will improve efficiencies and enable growth.

The business and merchandise strategies are the foundations upon which we build seasonal ad campaigns. Clear product and price advertising is integrated with our brand personality.

Our product presentation, together with its visual support material, provides customers with a consistently clear offer of what we stand for. All print and TV campaigns get full in-store support.

Active dialogues through social and digital media enables the group to respond to customers’ changing fashion needs. There is up-to-the-minute two-way dialogue with our customers and this feedback plays a vital role in keeping us in touch with social trends.

#MRPMYSTYLE and #mrpyourhome
Customers are able to shop the looks worn by #mrpmystyle online or seen on #mrpyourhome.
The group's strategy requires sustainable value creation over the short, medium and long term. The board of directors reviews the appropriateness of the strategic objectives annually and performance against set targets regularly throughout the year. An integrated approach to strategy, risk management, performance and sustainability has been adopted and there is continued commitment to the alignment of ‘people, profit and planet’. The group has identified material issues as being those items that could significantly impact value creation in the business over the short, medium and long term.

The International Integrated Reporting Council’s Framework requires organisations to, as a fundamental concept underpinning the framework, report on the resources and relationships that it uses or affects, and the critical interdependencies between them. These resources and relationships are referred to as “the capitals”. The group is committed to integrated reporting, and as such, has adopted the framework. In the section below we show the value that has been created through the use of the six capitals.

**GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS**

**OUR VISION IS TO BECOME A TOP PERFORMING INTERNATIONAL RETAILER.**

**THE PILLARS OF THE GROUP’S STRATEGY ARE AS FOLLOWS:**

**GROWTH**
Extend earnings through local and international growth.

**BUILD HIGH PERFORMING BRANDS**
Build strong customer relationships by delivering an ongoing experience of surprising and delighting.

**OPERATIONS**
Continually strive for world class methods and systems.

**PEOPLE**
Maintain an energised environment with empowered and motivated people.

**SUSTAINABILITY**
Subscribe to high ethical standards and sustainable business practices.

**CAPITAL INPUTS FOR VALUE CREATION**

- **Financial**
  The group’s pool of funds consists of cash generated from operations, interest income and funds reinvested.

- **Manufactured**
  The stores, distribution network and general infrastructure throughout Southern and West Africa and Australia which enable us to procure, import, deliver and sell out products and services.

- **Intellectual**
  The intangibles that constitute our product and service offering and provide our competitive advantage.

- **Human**
  The skill and experience vested in our employees that enable us to deliver our products and services and implement our strategy, thereby creating value for our stakeholders.

- **Social & relationship**
  The key and long-term relationships that we have cultivated with customers, suppliers and business partners.

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

**STAKEHOLDERS**

- **Shareholders & the investment community.**
- **Customers.**
- **Associates & partners.**
- **Suppliers.**
- **Government & society.**
## Growth

### Objectives

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Capital created</th>
<th>Stakeholders</th>
<th>Outputs F2017</th>
<th>Performance against objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain sales growth trajectory and increase market share</td>
<td>▲▲▲</td>
<td></td>
<td>Sales were R18.6bn, down 0.5%. Comparable sales declined 3.6%.</td>
<td>Sales growth was impacted by both external and internal factors which are fully described in the CFO’s report on pages 30 to 34.</td>
</tr>
<tr>
<td>Introduce quality new space and exit from unproductive space</td>
<td>▲▲▲</td>
<td></td>
<td>40 new stores were opened and 34 expanded. Weighted average new space growth was 2.9%. 23 stores were reduced in size.</td>
<td>Expanded store footprint delivered good returns despite weak sales growth.</td>
</tr>
<tr>
<td>Maintain profit wedge (growth in GP rand exceeding sales growth, and operating costs increasing at a lower rate than GP)</td>
<td>▲▲▲</td>
<td></td>
<td>Sheet Street and Home achieved a profit wedge.</td>
<td>The group was unable to maintain a profit wedge given its top line performance. Although four of the five retail trading divisions held or maintained their GP% and there was good group-wide cost control, operating profits declined.</td>
</tr>
<tr>
<td>Improve under-performing areas of the business</td>
<td>▲▲▲</td>
<td></td>
<td>Miladys – Sales declined by 5.3%. There was an improvement in GP% and costs were well controlled. Annual profits declined but improved in H2.</td>
<td>Miladys – The merchandise repositioning is gaining traction. Sales growth was achieved in February and March 2017 and the positive performance has continued into the new year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>mrpMobile – an operating loss of R13.8m in the prior year improved to a profit of R1.2m</td>
<td>mrpMobile – Postpaid contract revenues have been slowed to address process improvements, while prepaid has grown strongly.</td>
</tr>
<tr>
<td>Focus on cash sales and grow credit sales responsibly</td>
<td>▲▲▲</td>
<td></td>
<td>Cash sales grew 0.1%. H1 credit sales declined 6.2%, but were flat in H2. The retail book was well managed, with net bad debts improving to 5.3%.</td>
<td>The changes to the credit legislation continue to impact credit growth. The group will continue with its cautious approach, preferring to focus on cash sales.</td>
</tr>
<tr>
<td>Increase the contribution of international sales to total sales</td>
<td>▲▲▲</td>
<td></td>
<td>Total international sales declined 3.9% and constitute 7.6% (PY: 7.9%) of group sales.</td>
<td>Sales growth in Southern Africa has been impacted by the severe drought and economies that are resource dependent. Our investment in Nigeria is being constrained until such time as we have established an acceptable process for the repatriation of capital. The Australian stores are still in test mode, with the future success in this market being dependent upon the results from the smaller store formats.</td>
</tr>
<tr>
<td>Conduct further research to identify appropriate markets and formats for expansion</td>
<td>▲▲▲</td>
<td></td>
<td>Research into possible new markets is ongoing.</td>
<td>Reduce reliance on one key market via organic expansion.</td>
</tr>
<tr>
<td>Consider strategic acquisitions to complement organic growth</td>
<td>▲▲▲</td>
<td></td>
<td>Potential acquisition opportunities reviewed did not meet our criteria.</td>
<td>Support organic growth with acquisitive growth.</td>
</tr>
</tbody>
</table>

### The Capitals

<table>
<thead>
<tr>
<th>Financial</th>
<th>Manufactured</th>
<th>Intellectual</th>
<th>Human</th>
<th>Social &amp; relationship</th>
<th>Natural</th>
</tr>
</thead>
</table>

### Stakeholders

- Shareholders & investment community
- Customers
- Associates & partners
- Suppliers
- Government & society
### FOCUS AREAS FOR NEXT YEAR:

Focus on improving sales in a muted consumer environment and strong margin management

Focus on the significant opportunities in mrpApparel, Miladys and cellular

Recapture lost market share by executing a strong fashion value offer and reinforcing the fundamental success factors of our business model

Improved performance from foreign territories

Grow trading space ~4%

### Material issues and key risks

<table>
<thead>
<tr>
<th>Economic, social, political &amp; legislative environments</th>
<th>Risk mitigation and opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Focus on fashion-value business model in order to maintain cost structures and value positioning</td>
<td></td>
</tr>
<tr>
<td>• Retain focus on cash sales. Credit sales not to exceed 20% contribution of group sales</td>
<td></td>
</tr>
<tr>
<td>• Geographic diversification through international expansion</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Exchange rate risk</th>
<th>An equipped treasury committee applying a robust policy to address dynamic hedging requirements.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Increasing competition, including growing presence of international retailers</th>
<th>Ensure highly responsive model to promotional activity to combat market share loss.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strong product execution – fashion and quality at the best price</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Growth in new markets</th>
<th>Clearly defined risk appetite</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Research and test prior to roll-out</td>
<td></td>
</tr>
<tr>
<td>• Focus on effective retail systems and processes</td>
<td></td>
</tr>
<tr>
<td>• Strict criteria for considering acquisitions, including alignment with our core skills, size and growth prospects</td>
<td></td>
</tr>
</tbody>
</table>
## Build High Performing Brands

### Objectives

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Capital created</th>
<th>Outputs F2017</th>
<th>Performance against objective</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wanted Merchandise</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Clear market positioning in all markets (fashion-value cash based EDLP model)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Quality achieved through exceptional product execution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Differentiated and category dominant private label assortments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Appropriate balance between fashion and core merchandise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Integrated marketing strategy. Build on sector leading social media position.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Convey our strong brand personality via multiple touchpoints to our target market ensuring it is consistent and seamless</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Bold communication of value to remove any perception gaps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Enhanced communication on technical attributes of merchandise in MrpSport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Develop a simple view of the customer and tailor communication to a personal level (CRM)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Nielsen’s latest research (Dec’16) fashion value matrix results: MrpApparel - Defended its leading position. MrpHome - Defended its leading position. Sheet Street - Defended its second position to MrpHome. Miladys - Improved its positioning from prior year. | MrpApparel was the Kasi Star brands survey winner in the women's clothing retail category and the Generation Next Awards winner of “Coolest Clothing Store”. MrpHome was the Kasi Star Brands survey winner in the home and décor category, the Ask Afrika Award winner of bedding category in the “Icon Brands” survey and 2nd in the Times Sowetan Shopper survey for home accessories. Sheet Street was the Times Sowetan best home accessories and décor and the Your Choice Daily News 2016 best linen store. Miladys was 2nd in the Your Choice Daily News 2016 best ladies boutique category and 3rd in the best ladies fashion retailer category in the Ask Afrika Orange Index Award 2016. MrpSport showed strong Maxed brand authenticity through winning the 2016 Comrades Marathon downrun in record time and achieving 3 gold medals. |

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Capitals</strong></td>
<td><strong>Stakeholders</strong></td>
</tr>
<tr>
<td>Financial</td>
<td>Shareholders &amp; investment community</td>
</tr>
<tr>
<td>Manufactured</td>
<td>Customers</td>
</tr>
<tr>
<td>Intellectual</td>
<td>Associates &amp; partners</td>
</tr>
<tr>
<td>Human</td>
<td>Suppliers</td>
</tr>
<tr>
<td>Social &amp; relationship</td>
<td>Government &amp; society</td>
</tr>
<tr>
<td>Natural</td>
<td></td>
</tr>
</tbody>
</table>

---
BUILD HIGH PERFORMING BRANDS (continued)

Key risks | Risk mitigation
--- | ---
Brand positioning | • Being in stock of wanted items at value prices  
• Increased supply chain visibility and supplier grading  
• Robust quality control processes  
• Development of trend and merchant skills  
• Raised level of pre-season planning  
• Transition of resourcing strategy

Compelling & seamless omni-channel experience and messaging | • Accurate recording and monitoring of key performance indicators across channels. Established benchmarks and targets  
• Monitor and respond to customer feedback across all channels

Product assortments and allocations | • Continued focus on market research, trend and design  
• Experienced management in position to ensure oversight of key product lifecycle processes

FOCUS AREAS FOR NEXT YEAR:
- Reclaim lost market share by strong product execution and bold communication of our value offer
- Re-establish the fundamental success factors of our business model
- Implement next phase of CRM
- Further rollout of technology that improves the customer’s omni-channel experience

Objectives | Capital created | Stakeholders | Outputs F2017 | Performance against objective | Outcomes F2017
--- | --- | --- | --- | --- | ---
Innovation - Lead with technology to re-inforce our brand |  |  | Introduced mobile POS to mrpApparel stores. This now accounts for ~15% of transactions and has improved checkout times.  
Paperless receipting: 886 km of paper saved (~6m receipts emailed).  
Tap and go payment mechanism installed.  
mrpEmpower project: ~1400 tablets deployed resulting in improved store communication, visual merchandising and training. Cellular kiosks launched in 10 mrpApparel stores in April 2017. Online showroom via in-store kiosk in 40 mrpHome stores. | Customer feedback has confirmed an improved in-store experience.

The Capitals
- Financial  
- Manufactured  
- Intellectual  
- Human  
- Social & relationship  
- Natural

Stakeholders
- Shareholders & investment community  
- Customers  
- Associates & partners  
- Suppliers  
- Government & society
**OPERATIONS**

### OBJECTIVES

<table>
<thead>
<tr>
<th>Key risks</th>
<th>Risk mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant delay in commissioning of new DC</td>
<td>Extensive testing of all processes, including those associated with suppliers and logistics partners.</td>
</tr>
<tr>
<td>Work stoppage due to disruption or systems failure, resulting in delays in flow of merchandise to stores</td>
<td>Extensive interaction with associates and the local community.</td>
</tr>
<tr>
<td>Alignment of systems and business requirements (including effective implementation of new IT systems)</td>
<td>An appropriate level of security is in place.</td>
</tr>
<tr>
<td>Volume and impact of significant change</td>
<td>Introduction of a formal Project Management office (PMO) to ensure IT project delivery.</td>
</tr>
</tbody>
</table>

### DISTRIBUTION CENTRE

- Replace legacy systems with modern integrated planning, ERP and online systems to support our growth strategy
- Alignment of systems and business requirements (including effective implementation of new IT systems)
- Process and system enhancements will enable increased speed to market and accuracy, and an improved GP% via lower markdowns and breakages.

### LEADING IT SOLUTIONS

- Good progress being made with Oracle ERP system. Investment in new JustEnough planning system was written off as it was unable to meet business needs.
- Online successfully re-platformed in October 2016.

### DISTRIBUTION CENTRE

- Develop a single, world class distribution facility capable of handling forecast unit volumes efficiently
- The new DC project is on track with all work streams working towards an operational Go-Live in June 2017 for the first division, with full transition by September 2017.

### FOCUS AREAS FOR NEXT YEAR:

#### Hammarsdale DC
- Full transition and ‘go live’ to be well executed.
- Riverhorse and Umgeni Road DC’s to be successfully decommissioned.

#### Merchandise planning system
- Appoint alternate vendor. Project to deliver on business needs, in time and within budget.

#### Further enhance online functionality

#### Achieve project milestones on Powercurve CRM system implementation

### OUTCOMES

**Outputs F2017**

- Good progress being made with Oracle ERP system. Investment in new JustEnough planning system was written off as it was unable to meet business needs.
- Online successfully re-platformed in October 2016.

**Outcomes F2017**

- Enhanced capability to maximise sales and margins in current and new territories.
- Provides the group with an infrastructure capable of handling long term growth.

### THE CAPITALS

- Financial
- Manufactured
- Intellectual
- Human
- Social & relationship
- Natural

### STAKEHOLDERS

- Shareholders & investment community
- Customers
- Associates & partners
- Suppliers
- Government & society
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Capital created</th>
<th>Stakeholders</th>
<th>Outputs F2017</th>
<th>Outcomes F2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>More effective workplace and employee engagement</td>
<td>![Icon]</td>
<td>![Icon]</td>
<td>A culture survey is used as a tool to indicate the health of our human capital across the various business units with acceptable results. &lt;br&gt;mrpFlow (e-form store associate employee record): 23,808 associates processed through the system in 2017. Employee can now be on-boarded or terminated at a store in under an hour if all elements are in order. &lt;br&gt;Share schemes reviewed and recommendations provided to the remuneration and nominations committee.</td>
<td>Culture survey action plans have been implemented across the business to address opportunities for improvement and preserve positive areas. &lt;br&gt;mrpFlow has enabled improved store associate experience with reduced paperwork and immediate feedback to all stakeholders, improving onboarding times. &lt;br&gt;The philosophy of all associates being owners continues to be vital to our culture with all associates eligible to participate in short term incentives and share schemes.</td>
</tr>
<tr>
<td>Maximize benefits of Integrated HR Management Systems (HRMS) – Dayforce and Cornerstone</td>
<td>![Icon]</td>
<td>![Icon]</td>
<td>Store associate contracts have been optimised to improve staff turn. &lt;br&gt;Overtime reduced across the group. &lt;br&gt;Cornerstone (learning management system) was used to train associates.</td>
<td>The group has matured its ideal labor requirement in order to reduce employee turnover, enhancing business continuity and reducing costs associated with the employment process. &lt;br&gt;Digital in-store training has allowed increased reach to associates at a lower marginal cost, allowing more frequent testing and monitoring of store associate development.</td>
</tr>
<tr>
<td>Leadership development</td>
<td>![Icon]</td>
<td>![Icon]</td>
<td>Non-executive director with international trading experience appointed to the main board. &lt;br&gt;Experienced skills introduced in IT and governance/company secretarial functions. Further appointments made in internal audit, real estate and investor relations functions in F2018.</td>
<td>The introduction of external human capital to complement our homegrown talent is vital to our competitiveness.</td>
</tr>
<tr>
<td>Learning and development blueprint established</td>
<td>![Icon]</td>
<td>![Icon]</td>
<td>Learning and development blueprint established and presented. Restructure of MRP Academy completed. New curricula identified and content development well advanced.</td>
<td>A clear roadmap has been laid out with the necessary budget assigned to ensure our human capital is sufficiently equipped to execute the demands placed on them.</td>
</tr>
<tr>
<td>Achievement of EE targets</td>
<td>![Icon]</td>
<td>![Icon]</td>
<td>The targeted Level 8 compliance for B-BBEE this year was achieved. &lt;br&gt;94.0% of associates are from previously disadvantaged backgrounds.</td>
<td>The group recognises the value in diversity and the need for its workforce to be representative of the national and regional demographics of South Africa and is committed to employing and developing people from designated groups in furtherance of its employment equity objectives.</td>
</tr>
</tbody>
</table>
FOCUS AREAS FOR NEXT YEAR:
Build on processes to improve new human capital sourcing, onboarding, training and communication, where appropriate in partnership with MRP Foundation through the Jumpstart retail programme

Re-ignition programme to educate, refresh and instil the group’s vision, values, dreams and beliefs to ensure alignment to our purpose

Ensure we continue to build our talent pipeline

<table>
<thead>
<tr>
<th>Key risks</th>
<th>Risk mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Attraction and retention of critical skills</td>
<td>• Brand profiling and talent search strategy, including intern and graduate programs</td>
</tr>
<tr>
<td></td>
<td>• Ongoing focus on skills development, particularly operations and merchandise skills</td>
</tr>
<tr>
<td></td>
<td>• Continued focus on embedding of group culture and enhancing the work environment</td>
</tr>
<tr>
<td></td>
<td>• Competitive remuneration and incentive structures</td>
</tr>
<tr>
<td></td>
<td>• Excellent career prospects in a progressive growing business</td>
</tr>
<tr>
<td>☐ Leadership capacity and capability for the future</td>
<td>• Executive development initiatives to further enhance the pool of leadership skills, including operating in a global marketplace</td>
</tr>
<tr>
<td></td>
<td>• Effective performance management systems linked to retention tools</td>
</tr>
<tr>
<td></td>
<td>• Robust succession planning</td>
</tr>
</tbody>
</table>
## SUPPLIERS

The value chain development strategy aims to:
- enhance sustainability through developing meaningful supplier partnerships and getting closer to the point of manufacture to assess supplier compliance with social and environmental standards
- strengthen our value position (eliminate hidden/duplicated costs, improve efficiencies and maintain an appropriate balance between cost and quality)
- maximise sales (strengthen our ability to meet customer needs by reacting to merchandise opportunities and improve on-time, in-full deliveries)

Approximately 80% of Mrp Apparel’s first tier supplier base is registered with SEDEX. Improvement in shipping costs.

It is now mandatory that all tier 1 suppliers are Sedex members. Near sourced, quick response capability is being developed in order to allow the business to respond better to in-season product sales.

## DEVELOP LOCAL INDUSTRY

Enhance sustainable business practices and partnerships in the local industry

During F2017, the group sourced 80.5 million units totaling R3.5bn from local suppliers. This represented 30% of total inputs, or 44% including other African territories.

- Founding retailer of Sustainable Cotton Cluster (SCC) and ongoing cotton commitment.
- Member of KZN Clothing and Textile Cluster (CTC).
- Partnership with local suppliers and MRP Foundation to implement the JumpStart Manufacturing programme.

The SCC aims to promote local RSA beneficiation, economic development and employment. The Cluster is targeting to increase production by 446% by 2019 and to create/secure approximately 7 200 jobs.

In the current year, the Group purchased approximately 7m t-shirts and towels containing SA cotton secured through the SCC. The group is committed to 2 800 tons for the F2018 period.

Participated and implemented activities in partnership with the KZN CTC to develop the local industry.

728 production candidates, 60 pre-production candidates and 114 supplier managers trained through JumpStart Manufacturing.

## PARTNER WITH COMMUNITIES

Support the national priorities of education and skills development

The MRP Foundation schools model currently impacts 36 395 South African learners every day,

- JumpStart Retail programmes – in the past year 4 913 delegates completed work experience and thereafter 2 023 were employed in various types of employment contracts with the Group.

Our investment in the local community has positively affected RSA’s socio-economic landscape, with ~350 000 learners being impacted since 2005.

The JumpStart retail programme has enabled us and other participating companies to increase skills and employment, with 10 278 of the 22 188 candidates trained since inception being employed.
SUSTAINABILITY (continued)

Objectives | Capital created | Stakeholders | Outputs F2017 | Outcomes F2017
--- | --- | --- | --- | ---
PROTECT OUR PLANET |  |  |  | 
Improve resource efficiencies and address climate change |  |  | Since 2013, the carbon footprint has been reduced by ~40 000 tonnes of CO₂ emissions. There has been a reduction of diesel fuel consumption on outbound transportation in the last 2 years. The group head office average recycling rate is 87% and the DC’s is 98%. Paperless administration saved over 3 million pages of paper and approximately 2 600 printer cartridges. Head office solar plant generated 293 293 kWh. | The Group has benefitted from various initiatives to reduce electricity costs, usage and impact on the environment. This includes the use of efficient lighting technology, energy monitoring, and general energy awareness of associates. Paperless administration was implemented at stores, which has resulted in a significant reduction in paper and consumables due to more electronic transactions. |

FOCUS AREAS FOR NEXT YEAR:
Execution of a value chain development strategy to strengthen our supplier capability

Develop young people with skills and knowledge to appropriately respond to the future needs of the retail industry

Continue to explore doing business in a sustainable way to reduce environmental impacts

Continue to further improve Broad-Based Black Economic Empowerment compliance

The Capitals
- Financial
- Manufactured
- Intellectual
- Human
- Social & relationship
- Natural

Stakeholders
- Shareholders & investment community
- Customers
- Associates & partners
- Suppliers
- Government & society

Key risks | Risk mitigation
--- | ---
Sustainability of supply and availability of procured merchandise | • A value chain working group has been established to research and implement best practice in our supply chain
• Improved supplier performance and grading processes and tools
• Continued focus on building more direct supplier relationships
• Outsourced and on-site quality assurance processes

Ethical business practices | • Enhanced Supplier Code of Conduct and supplier’s annual declaration process
• Supplier relationships and engagement
• Member of the ETI and Sedex to encourage socially responsible practices
• Responsible Sourcing Policy and Guide
• Business Code of Conduct
• Ethical trade training
### Key Sustainability Indicators

The following key indicators have been identified to measure the group’s economic, social and environmental progress:

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2017</th>
<th>2016¹</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>R’m</td>
<td>19 763</td>
<td>20 004</td>
<td>18 099</td>
<td>15 892</td>
<td>13 800</td>
</tr>
<tr>
<td>Headline earnings per share</td>
<td>cents</td>
<td>911.4</td>
<td>1 057.8</td>
<td>919.7</td>
<td>765.1</td>
<td>634.8</td>
</tr>
<tr>
<td>Operating margin</td>
<td>%</td>
<td>15.5</td>
<td>18.1</td>
<td>17.1</td>
<td>16.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>cents</td>
<td>667.0</td>
<td>667.0</td>
<td>580.0</td>
<td>482.0</td>
<td>398.0</td>
</tr>
<tr>
<td>Share price (closing)</td>
<td>rand</td>
<td>159.90</td>
<td>177.69</td>
<td>251.96</td>
<td>156.01</td>
<td>116.99</td>
</tr>
<tr>
<td>Return on net worth</td>
<td>%</td>
<td>33.6</td>
<td>47.1</td>
<td>45.7</td>
<td>47.6</td>
<td>46.4</td>
</tr>
<tr>
<td>Cash sales as a % of total sales</td>
<td>%</td>
<td>83.3</td>
<td>82.8</td>
<td>81.9</td>
<td>80.8</td>
<td>79.9</td>
</tr>
<tr>
<td><strong>HUMAN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of people employed</td>
<td></td>
<td>17 822</td>
<td>17 956</td>
<td>17 098</td>
<td>18 104</td>
<td>19 384</td>
</tr>
<tr>
<td>Staff turnover¹</td>
<td>%</td>
<td>34.0</td>
<td>26.2</td>
<td>32.7</td>
<td>20.1</td>
<td>21.5</td>
</tr>
<tr>
<td>Black staff as a % of total permanent staff</td>
<td>%</td>
<td>94</td>
<td>93</td>
<td>93</td>
<td>91</td>
<td>94</td>
</tr>
<tr>
<td>Promotions of black staff as a % of total promotions</td>
<td>%</td>
<td>90</td>
<td>92</td>
<td>91</td>
<td>82</td>
<td>87</td>
</tr>
<tr>
<td>Investment in people learning and development</td>
<td>R’m</td>
<td>37.3</td>
<td>34.8</td>
<td>38.5</td>
<td>33.8</td>
<td>30.8</td>
</tr>
<tr>
<td>Black staff participating in learning and development</td>
<td>%</td>
<td>95</td>
<td>94</td>
<td>95</td>
<td>90</td>
<td>88</td>
</tr>
<tr>
<td>Corporate Social Investment</td>
<td>R’m</td>
<td>22.3</td>
<td>27.6</td>
<td>23.5</td>
<td>18.8</td>
<td>16.7</td>
</tr>
<tr>
<td>Enterprise Development Investment</td>
<td>R’m</td>
<td>48.6</td>
<td>11.9²</td>
<td>36.0</td>
<td>28.0</td>
<td>23.2</td>
</tr>
<tr>
<td><strong>NATURAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carbon emissions (estimated) (in SA)</td>
<td>tonnes</td>
<td>121 999</td>
<td>127 304</td>
<td>154 155</td>
<td>157 639</td>
<td>210 786</td>
</tr>
<tr>
<td>Electricity consumed (Kwh in SA)</td>
<td>million</td>
<td>116.6</td>
<td>122.2</td>
<td>142.3</td>
<td>158.1</td>
<td>Not reported</td>
</tr>
</tbody>
</table>

¹ Primarily store associates and has historically been below industry norms.
² The reduction in investment is due to changes in the qualifying criteria under the new B-BBEE Codes of Good Practice.
³ Refer to SETS Report on pages 37 to 47 for further information.
⁴ 2016 was based on 53 weeks.
CHAIRMAN’S REPORT

By Nigel Payne

The Mr Price Group culture has always been to retain a long-term view, to resist complacency and to strive to be better tomorrow than we were yesterday. We are thus bitterly disappointed to have broken our 16 year history of uninterrupted profit growth.

We signalled last year that we anticipated tough trading conditions as the worst drought in a century contributed to a slowing South African economy, and our other African markets faced their own challenges. All of this at a time when the retail environment globally is undergoing significant change, to which we are not immune, and for which we are actively positioning ourselves via significant capital investment into our people, our stores and customer experience, our brand, information systems, supply chain and distribution centre.

What we did not anticipate was the South African economy tipping into recession, the triggering of ratings downgrades and much greater currency volatility. South Africa desperately needs political leadership and the implementation of economic policies that will provide the certainty required to attract investment, grow the economy and create jobs, to the benefit of all.

In response to our performance, the board has re-evaluated the foundations of the group, and has found them to be firm. We have re-committed ourselves to our vision, our dreams and our beliefs. The strategic, operational and financial reporting by CEO Stuart Bird, and CFO Mark Blair confirm that our business model remains appropriate and has produced record cash flows, enabling us to invest for the future whilst maintaining our 31 year record of maintaining or growing our dividend.
Our resilience has allowed us to ride through several tough business cycles in the past, and will do so again. Management has implemented improvements in the two business units that underperformed, the early results of which are encouraging. Whilst extremely painful at the moment, we believe that the future will assess this year as a pause for breath, after a period of rapid growth, in the long-term journey to which we remain committed.

We like to win, and we know how to, as evidenced by our world class return on equity. We remain focused on providing great value to our customers, indeed we exist to add value to their lives.

The board believes that the group’s remuneration structures, as detailed in the remuneration report, remain appropriate, and that they have been fairly applied during the past year. We are pleased that the vast majority of our management and staff have a beneficial stake in the company. Our partnership model has proved itself over a number of years to add value not only to our people, but also to the company and its shareholders, the epitome of inclusive economic growth. Gains of approximately R1.5bn over the past five years by associates who participated in our General Scheme may be used to fund education, purchase a home or boost their retirement savings.

The board has full confidence in our management team. We have talented people addressing what needs to be improved. Our high performance culture remains strong.

Nigel Payne Group chairman
This past year was disappointing. We had anticipated it was going to be very difficult and it certainly was, with multiple headwinds in a stagnant environment as detailed in the CFO’s report. This was exacerbated by us not adequately executing our formula of great fashion and quality at excellent prices in the mrpApparel division and this had the greatest impact on our group’s performance.

The difficult environment also made the Miladys turnaround substantially harder, particularly affecting the division’s first half performance.

The other four divisions – mrpHome and Sport, Sheet Street and mrpMoney – all delivered satisfactory results, with good margin and overhead control offsetting muted sales growths.

In mrpApparel, a lot of work has been done to re-establish the fundamental success factors of delivering on our business formula. I am pleased with the progress made and look forward to significantly improved results despite the outlook for the retail landscape remaining unfavourable. Re-focusing Miladys back on its core customer is now well underway and positive momentum is building.

mrpHome, Sheet Street and mrpSport are anticipating muted demand as their market segments are more discretionary. Nonetheless, with continued sound execution, they are expected to deliver positive performances.

The financial services division mrpMoney will find some of its growth curtailed by the unnecessarily punitive credit regulations affecting the opening of new accounts. Despite this, we anticipate maintaining our industry leading performance.
BUILDING FOR THE FUTURE

Whilst we have had a disappointing year, we are confident of re-establishing our previous market positions. We continue to invest in our people, systems, infrastructure and supply chain and do not see these as isolated interventions, but ongoing necessary investment to achieve our vision of being a top-performing international retailer.

We have made good progress on all of the above this past year.

We are also committed to growing our business in new markets. External factors have set us back in many of the African countries we have entered, but we are taking a long-term view and are determined to find solutions to enable the opportunities that exist.

The mrpApparel test stores in Australia have performed below expectations. Whilst the Australian retail sector has been very soft, our own product execution issues certainly played a large role in not meeting expectations. With a better offer and more appropriately sized stores, we hope to see improved results.

mrpHome’s test store in Australia gave us good insight on what appeals to those customers and the assortment is being rebalanced accordingly.

THE MR PRICE WAY

Our beliefs of Passion, Value and Partnership continue to guide us to ultimately result in superior performance.

Stuart Bird Chief Executive Officer

We strongly believe in real transformation beyond just scorecards; sharing the success of the business with all associates and not just with a select few.

Our work with the youth has continued to achieve outstanding success. It has uplifted schools; prepared young people to enter the job market and enabled young people to directly secure retail jobs in both our group and other retailers, as well as in our supply chain.

Our involvement in the Sustainable Cotton Cluster had a setback last year, because of the drought’s severity across South Africa. Consequently, we were unable to meet our targeted cotton uptake. However, we are pleased this is now back on track and our goals are even more ambitious, expecting to create over 2 600 jobs through the cotton value chain.

LOOKING AHEAD

We believe conditions in South Africa will remain difficult and, depending on certain political outcomes, could even deteriorate.

It is unfortunate the emerging positive feelings evident at the beginning of the year were quashed overnight. However, there are opportunities for us to perform better and both regain market share and continue our previous growth path.

In closing, I express my ongoing admiration for the amazing people we have in our business. These setbacks and difficult times have not dampened their spirit; instead I have seen an even greater resolve to excel.
CFO’S REPORT

By Mark Blair

<table>
<thead>
<tr>
<th>Financial summary</th>
<th>2017</th>
<th>2016</th>
<th>53 week % change</th>
<th>52 week % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>R'm</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td>R'm</td>
<td></td>
<td>(1.2)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Group operating margin %</td>
<td>%</td>
<td></td>
<td>15.5</td>
<td>18.1</td>
</tr>
<tr>
<td>Profit attributable to shareholders R'm</td>
<td></td>
<td></td>
<td>(14.5)</td>
<td>(13.3)</td>
</tr>
<tr>
<td>Headline earnings per share cents</td>
<td>911.4</td>
<td>1057.8</td>
<td>(13.8)</td>
<td>(12.0)</td>
</tr>
<tr>
<td>Diluted headline earnings per share cents</td>
<td>887.9</td>
<td>1012.9</td>
<td>(12.3)</td>
<td>(10.4)</td>
</tr>
<tr>
<td>Dividend per share - annual - final cents</td>
<td>667.0</td>
<td>667.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend payout ratio %</td>
<td>73.2</td>
<td>63.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on equity %</td>
<td>37.8</td>
<td>50.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounting policies and standards
The accounting policies and methods of computation applied in the preparation of the annual financial statements are consistent with those applied in the prior year, except for IAS 39: Financial Instruments.

The group enters into foreign exchange contracts (FECs) to hedge against exchange rate movements relating to imported merchandise. Mark to market variances on FECs are initially recorded in other comprehensive income. As the group takes ownership of inventory, the related foreign exchange adjustments are transferred to the cost of inventory and realised in the income statement when such merchandise is sold. The basis adjustment method was applied in terms of IAS 39 as it enables users to assess the true value of inventory by accurately recording the amounts that will affect its financial performance in future periods. Additionally, the change will assist in the transition to IFRS 9 when that statement becomes effective. No restatement of annual comparative information was required.

Trading periods
The prior financial year included an additional trading week. To aid comparability, information in this report is based on like-for-like 52-week periods.

Financial performance
To holistically review performance, refer to the annual financial statements and results presentation, both of which can be accessed at www.mrpg.com/investorrelations/reportsandresults.

The 2017 financial year proved to be exceptionally challenging for retailers. Consumer confidence remained low as a result of the poor state of the local economy and a lack of faith in the current political leadership’s ability to set high standards of governance and deliver inclusive growth.
Revenue
Total group revenue increased by 0.7% to R19.7bn.

Retail sales growth declined by 0.5% (comparable -3.6%) to R18.6bn

Other income increased 25.1% to R1.1bn, mainly due to financial services and mobile income, which rose 24.6% to R1.1bn (mobile revenue up 88.5%, debtors revenue up 10.6% and insurance premium income up 13.1%)

Finance income was 3.4% higher at R84.0m

STATEMENT OF COMPREHENSIVE INCOME

Other income increased 25.1% to R1.1bn, mainly due to financial services and mobile income, which rose 24.6% to R1.1bn (mobile revenue up 88.5%, debtors revenue up 10.6% and insurance premium income up 13.1%)

Finance income was 3.4% higher at R84.0m

Cash sales grew 0.1% and constitute 83.3% of group sales. Credit sales declined 3.1% due to new credit regulations. Several initiatives were actioned to address this, gaining momentum to the point where new accounts opened in the second half of the 2017 financial year exceeded the prior year by 26.6% (however were still below the 2015 level). Credit sales declined 6.2% in the first half, but improved and were flat in the second half, with mrpApparel, mrpSport and Sheet Street all recording positive growth.

Further focus has been directed at stimulating spend in the existing customer base.

South African retail sales were down 0.2% to R17.1bn. Sales growth in the second half was negatively impacted by the timing of Easter school holidays, which were in March in 2016 and in April in 2017. The online system was re-platformed to a more commercially viable system in October 2016 and local online sales continued to grow strongly at 13.0%.

The online system was re-platformed to a more commercially viable system in October 2016 and local online sales continued to grow strongly at 13.0%

The mrp app is now the number one fashion app and the sixth most downloaded free app on the Google Play Store, ahead of all pure-play apparel retailers in South Africa.

International sales of R1.4bn declined 3.9% (comparable sales -8.1%), accounting for 7.6% of group retail sales. African territories continued to be impacted by the dependence of their economies on resources and the ongoing drought.

In Nigeria, the foreign currency restrictions noted in last year’s report have continued to constrain our ability to trade optimally. Although annual sales were down 12.1%, with improved stock flow, the second half increased 121.0%. Future potential in this market depends on the company’s ability to repatriate funds and denominate operating costs in naira. Both of these issues are receiving the necessary attention.

In Australia, despite substantial progress in the previous financial year, sales declined 4.2% to R364m. MrpApparel test stores grew 31.9%, however, the two mrpApparel test stores showed the potential of this channel as they ramped to full potential.

New weighted average space increased 2.9% as 40 stores were opened (17 781m²) and 34 expanded (8 851m²).

Another 23 stores were reduced in size (3 046m²) which has positively affected profitability and five stores closed (1 206m²). At year-end there were 1 216 corporate-owned and 21 franchise stores. Net weighted average trading space increased 2.6%.

Gross domestic product (GDP) grew 0.4%; unemployment increased to 26.5% and the consumer price index (CPI) has exceeded the targeted range of 3%-6%, particularly in food, electricity, water and transport. Cabinet reshuffles and downgrades by ratings agencies have caused significant exchange rate volatility, which the consumer ultimately has to absorb.

The retail environment has become more competitive, with any growth in a stagnant market coming from increased market share. This has led to retailers increasing their promotional activity to drive sales and manage stock levels. Consumers have become accustomed to this and have changed their shopping behaviour meaning sales growth and gross margins have been under threat.

Despite these circumstances, the group would have expected better relative performance. Although four of the six trading divisions delivered profit growth, the lower earnings in Miladys and the largest division, mrpApparel, materially impacted group earnings.

Melbourne Central Shopping Centre, we are moving to a smaller 220m² store with an edited fashion assortment, while the Eastlands Shopping Centre will fulfil online orders and make space available to mrpHome. In October 2016 mrpHome launched its first test store which also showed high product acceptance for “fashion” product and focused efforts are being applied to improve the replenishment of high performing categories. Our future success in this market will be determined by the success of the smaller concept store, which will be supported by a re-launch of online in July 2017.
mrpApparel – In the earlier part of the year, the division’s value position was compromised. A poor consumer environment, high input retail selling price inflation in the sector caused by exchange rate weakness and mild winter weather, sparked an intense discounting and promotional environment. The division’s merchandise offer did not meet the nature of their products. This was confirmed by Statistics South Africa (Stats SA) which reported experienced headwinds due to the discretionary nature of their products.

Miladys – the turnaround strategy to refocus on its niche customer is gaining traction and led to an improved result in the second half. This was evident in the fourth quarter where sales growth was achieved in February and March with the latter increasing 10.4% despite the timing of school holidays. The GP% improved on the prior year and overheads were well controlled. Although annual profits declined, the improvement in H2 is encouraging.

mrpHome – Sales excluding franchise increased 0.9% (Comparable -2.4%). The home chains experienced headwinds due to the discretionary nature of their products. This was confirmed by Statistics South Africa (Stats SA) which reported sales for type E retailers declined by 0.3% for the year to March 2017. Despite top-line pressures, the division achieved profit growth by increasing its GP% and controlling overheads.

Sheet Street - outperformed type E retailers throughout the 2017 financial year with sales increasing 3.8%. The division reported solid profit growth in both reporting periods via a higher GP% and excellent overhead control.

mrpMoney - the financial services division delivered double-digit profit growth due to sound credit management and higher earnings in insurance and cellular. The latter included a R15m swing into profitability in the mrpMobile joint venture (JV).

Selling expense growth was limited to 4.6%, despite the 2.6% space growth, while general inflation ran above 6% for the year.

Rental costs increased 3.9%, while employment costs grew by 1.5% due to reduced performance-based incentives and a higher Employment Tax Incentive recovery.

Administration expenses grew 16.2%. Excluding the R73.7m software impairment charge and foreign exchange gains and losses, expenses were well contained and were 0.6% lower than the prior year.

Costs and expenses

Cost of sales relates to the sale of merchandise (retail) and mobile (cellular). The retail GP% declined 1.3 percentage points to 40.6% mainly due to higher markdowns in mrp. The other trading divisions either held or maintained their GP%, a good performance considering the prevailing trading conditions. The cellular margin improved from 6.4% to 15.7%.
CFO’S REPORT (continued)

EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share (EPS) of 884.6c were 14.4% lower and impacted by the weighted average number of shares in issue at year-end. This rose 1.2% as 7.3m treasury shares were sold (share options vesting) exceeded the 2.6m treasury shares purchased. Headline EPS (HEPS), after accounting for asset write offs and impairments of R68m net of taxation, declined 12.0% to 911.4c. Diluted HEPS was favourably impacted by a lower number of share options in issue and reduced 10.4% to 887.9c.

Annual dividends were maintained at 667c per share. The final dividend to be paid in June 2017 will be 4.7% higher at 438.8c per share. Dividend withholding tax at 20% will be applicable to shareholders not exempt. The company’s ability to retain its track record of never having decreased dividends in 31 years, and continue to be able to fund future growth, is aided by its strong balance sheet and robust, cash-generative business model.

The 31-year compound annual growth rate in headline earnings and dividends per share is 21.6% and 23.8% respectively. The group has achieved total shareholder return (TSR) of 563% over 10 years and 99% over a five-year period, as illustrated below.

STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS
- up 15.0% to R2.6bn
Property, plant and equipment increased R458m or 27.4%. Additions of R709m include R404.0m relating to the new distribution centre, expected to come in under its R1.25bn budget, and be operational in June 2017. Recurring store capital expenditure (capex) materially accounted for the remainder of additions. The depreciation charge was R215m (2016: R190.2m).

Intangible assets decreased by R17.7m to R355.6m. Additions amounted to R96.2m and the amortisation charge was R43.2m (2016: R37.9m). A charge to the income statement of R72.9m was recognised relating to the write-off of the merchandise planning system. Progress is being made to identify a suitable new solution.

CURRENT ASSETS
- up 8.8% to R6.3bn
Inventories of R2.1bn are down 3.0% on last year. Inventory levels in mrpApparel and mrpSport are lower than last year with the former focused on clearing excess stock and limiting carry-over to the new financial year. Current trade supports the increased stock level in Miladys, while in the home chains, there are high levels of freshness and stocks are in good shape.

Trade and other receivables increased 3.3% to R2.2bn. Trade receivables (retail, franchise and mrpMobile) increased 4.5% to R1.9bn. The group’s retail credit book continues to be among the best performing in the industry with the net bad debt to book ratio reducing from 5.4% to 5.3%. The provision for impairment remains set at 7.3%. Prepayments and other receivables were 3.9% lower at R285m.

Cash and cash equivalents increased 28.4% to R1.8bn.

Significant factors impacting cash flow were:
- an increase in cash inflows from operating activities of 35% to R2.6bn. This was, however impacted by three taxation payments in the prior year, as opposed to two in the current year. Excluding this, growth was flat
- a reduction in investing activities of 30.0% due to lower space growth and the new Hammarsdale distribution centre (DC) nearing completion
- cash flows from financing activities decreasing by R786m to R1.3bn due to the movement in treasury share transactions exceeding higher dividends paid to shareholders.

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- an increase in cash inflows from operating activities of 35% to R2.6bn. This was, however impacted by three taxation payments in the prior year, as opposed to two in the current year. Excluding this, growth was flat
- a reduction in investing activities of 30.0% due to lower space growth and the new Hammarsdale distribution centre (DC) nearing completion
- cash flows from financing activities decreasing by R786m to R1.3bn due to the movement in treasury share transactions exceeding higher dividends paid to shareholders.

Mr Price Group Limited
CHIEF FINANCIAL OFFICER’S REPORT
EQUITY ATTRIBUTABLE TO SHAREHOLDERS
- up 19.7% to R6.7bn

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>5 620</td>
<td>5 021</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>2 250</td>
<td>2 589</td>
</tr>
<tr>
<td>Treasury share transactions</td>
<td>435</td>
<td>(500)</td>
</tr>
<tr>
<td>Recognition of share-based payments</td>
<td>112</td>
<td>105</td>
</tr>
<tr>
<td>Dividends to shareholders</td>
<td>(1 688)</td>
<td>(1 592)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>*</td>
<td>(3)</td>
</tr>
</tbody>
</table>

Closing balance 6 729 5 620

1less than R1 million

NON-CURRENT LIABILITIES
- up 37.0% to R335m
The long-term portion of straight line lease liabilities comprises 59.4% of the category, while a higher deferred tax liability represented the highest increase.

CURRENT LIABILITIES
- down 15.8% to R1.9bn
Trade and other payables declined 13.8%. Trade payables were 2.2% lower in line with the reduction in inventory. Accruals and other payables were impacted by lower incentive and turnover rental provisions and capital expenditure.

OUTLOOK
A sudden improvement in the consumer environment is not expected. Consequently, we have been acutely focused on the most significant short-term opportunity, which is to regain lost market share. In the new financial year there are encouraging signs, with the highest sales growth being achieved by the two divisions that suffered declining profits in the previous year. Combined sales growth in these divisions for the eight weeks ended 27 May 2017 exceeded 10.0%.

The group plans to open 48 stores in the new financial year.

Our major internal projects are focused on enabling growth and will continue to receive the necessary priority. The new Hammarsdale DC has been an exceptionally well executed assignment to date and was delivered on time and on budget. The “go live” in June will be a significant event. We will ensure that the new merchandise planning system selected will match the standards set in the Oracle ERP project.

We will continue to pursue our international growth strategy and expect to have a clear view of the potential of the Nigerian and Australian markets by the end of F2018. Organic growth will be supported by acquisitive growth, should our specific requirements be met.

Our customer-centric strategy of ensuring we deliver wanted merchandise at great value continues to be central to our activities. We are confident that, through our excellent fundamentals, talented staff and opportunities available to us, we will continue to bring value to our customers lives and worth to our partners lives.
Divisional Summaries

<table>
<thead>
<tr>
<th>Division</th>
<th>mrp</th>
<th>mrphome</th>
<th>mrpsport</th>
<th>Miladys</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target customer</td>
<td>Young and youthful customers who love fashion and appreciate exceptional value, and who are primarily in the 6 to 10 LSM range (mid to upper).</td>
<td>Primarily fashion-value minded females, aged 25 years and older who love to decorate their homes. Customers, who have a young-at-heart attitude, are primarily in the 8 to 10 LSM range (upper).</td>
<td>Value-minded sports and outdoor enthusiasts from age 6 upwards who are primarily in the 8 to 10 LSM range (upper).</td>
<td>40+ women who shop for on-trend moderate fashion that makes her look and feel wonderful. Middle-income households (LSM range 5 to 8) looking to co-ordinate their homes tastefully but responsibly.</td>
</tr>
<tr>
<td>Brand summary</td>
<td>A fashion-leading clothing, footwear and accessories retailer that offers on-trend and differentiated merchandise at exceptional value to ladies, men and children. Through constant innovation and product development, staying on the pulse of international fashion trends and diligent resourcing, this brand is able to make catwalk fashion accessible to customers at highly competitive prices.</td>
<td>Contemporary designed homeware and furniture to value-minded customers, who have a young-at-heart attitude. The division continues to delight its customers with innovative products at everyday low prices.</td>
<td>Comprehensive range consists of sporting apparel, footwear, equipment and accessories. All major seasonal and non-seasonal sport types are represented in our sport &amp; fitness brand, Maxed, and extends to our outdoor brand, Maxed Terrain.</td>
<td>At Miladys, if there is one thing we really understand, it's women. We employ over 1 300 women of all shapes, ages and backgrounds. That means we are women buying for women. Delighting customers with feminine women’s smart and casual fashion apparel, intimate wear, footwear and accessories, of exceptional fit, quality and versatility at competitive prices. A value retailer offering a wide range of core and fashion products across the bedroom, living-room and bathroom. The brand offers tasteful homeware products at exceptional value, allowing its customer to create the home they love, at a price that they can afford.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail sales - including franchise (R'm)</td>
<td>10 996</td>
<td>11 198</td>
<td>(1.8)</td>
<td>3 423</td>
<td>3 390</td>
<td>1.0</td>
<td>1 370</td>
<td>1 272</td>
<td>7.7</td>
<td>1 296</td>
<td>1 369</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Comparable sales growth (%)</td>
<td>(4.7)</td>
<td>5.2</td>
<td>(2.4)</td>
<td>3.9</td>
<td>(1.8)</td>
<td>5.3</td>
<td>(6.9)</td>
<td>(2.5)</td>
<td>3.3</td>
<td>3.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail selling price inflation (%)</td>
<td>8.3</td>
<td>7.7</td>
<td>17.3</td>
<td>9.3</td>
<td>13.4</td>
<td>4.9</td>
<td>11.5</td>
<td>6.6</td>
<td>14.2</td>
<td>3.8</td>
<td></td>
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<tr>
<td>Units sold (million)</td>
<td>136.4</td>
<td>151.8</td>
<td>(10.1)</td>
<td>33.1</td>
<td>38.6</td>
<td>(14.4)</td>
<td>12.4</td>
<td>13.1</td>
<td>(5.5)</td>
<td>7.1</td>
<td>8.5</td>
<td>(15.9)</td>
</tr>
<tr>
<td>Number of stores</td>
<td>470</td>
<td>458</td>
<td>168</td>
<td>163</td>
<td>92</td>
<td>82</td>
<td>202</td>
<td>198</td>
<td>284</td>
<td>280</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading area - weighted ave net m²</td>
<td>300 841</td>
<td>287 447</td>
<td>4.7</td>
<td>133 406</td>
<td>135 110</td>
<td>(1.3)</td>
<td>60 008</td>
<td>56 322</td>
<td>6.5</td>
<td>61 150</td>
<td>61 075</td>
<td>0.1</td>
</tr>
<tr>
<td>Sales density (rand/weighted ave net m²)</td>
<td>36 255</td>
<td>38 621</td>
<td>(6.1)</td>
<td>25 512</td>
<td>24 974</td>
<td>2.2</td>
<td>22 835</td>
<td>22 592</td>
<td>1.1</td>
<td>21 192</td>
<td>22 418</td>
<td>(5.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading area - weighted ave net m²</td>
<td>300 841</td>
<td>287 447</td>
<td>4.7</td>
</tr>
<tr>
<td>Sales density (rand/weighted ave net m²)</td>
<td>36 255</td>
<td>38 621</td>
<td>(6.1)</td>
</tr>
</tbody>
</table>
Divisional Summaries  (continued)

### mrpmoney

**Brand summary**

Our credit, insurance and mobile products are aligned with our core philosophy of “fashionable products at great value”. Store cards: 6/12/24 month account facilities are offered. Interest is charged, except on a small percentage of Miladys cards.

Insurance: Products that offer real value for money with benefits that our customers want and need. These include life cover, critical illness and hospitalisation cover, income protection benefits to account holders and their extended families at affordable premiums.

**mrpMobile MVNO**

To date, the focus has been on post-paid contracts, offering competitive smartphones and tablets to creditworthy store card customers. Future opportunities, which include the sale of prepaid airtime products to group cash customers, an online offering and value-added services like wi-fi hotspot, streaming music and device insurance, provide additional benefits and derive good margins.

### Divisional Summaries

<table>
<thead>
<tr>
<th>Division</th>
<th>Brand summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross trade receivables per division (R’000)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>mrp</td>
</tr>
<tr>
<td>6 months</td>
<td>427 655</td>
</tr>
<tr>
<td>12 months</td>
<td>912 682</td>
</tr>
<tr>
<td>24 months</td>
<td>1 340 337</td>
</tr>
</tbody>
</table>

98.3% of the debtors’ book is interest bearing (2016: 97.2%), with all of the interest-free accounts being Miladys six month facilities.
COMPOSITION
The committee comprised the following directors:
• Keith Getz, (chairman), non-executive director
• Maud Motanyane, independent non-executive director
• Daisy Naidoo, independent non-executive director
• Stuart Bird, chief executive officer (CEO)

In addition, all board members are permanent invitees to the meetings, with the invitation regularly being taken up by several directors including the board chairman.

The following senior executives are permanent attendees at the meeting:
• Mark Blair, chief financial officer (CFO)
• Verna Botha-Richards, head of corporate services and sustainability
• Russell van Rensburg, group people executive
• Sherene Moodley, chief audit executive
• Janis Cheadle, company secretary and head of governance

ROLE
The committee is responsible for assisting the board to monitor and report social, ethical, transformational and sustainability practices consistent with good corporate citizenship and assisting the group to discharge its business responsibilities. Statutorily, the committee is responsible for monitoring the group’s activities, as per the Companies Act, with regard to:
• social and economic development;
• good corporate citizenship;
• environment, health and public safety;
• consumer relationships and
• labour and employment practices.

The committee mandate can be viewed on the group’s website www.mrpricegroup.com.

ANNUAL REPORT OF THE COMMITTEE
The committee met four times during the year as required by its mandate. The key matters considered and reported to the board include:
• oversight of the group’s Business Code of Conduct and Supplier Code of Conduct;
• monitoring and assessing the group’s transformational progress, including consideration of the Employment Equity Act, Broad-Based Black Economic Empowerment Act and the supporting Codes of Good Practice. The committee’s monitoring is supported by the employment equity and skills development committee and the people division board;
• monitoring and assessing group compliance with applicable legislation and the Codes of Good Practice including anti-corruption legislation, in conjunction with the audit and compliance committee and
• monitoring the group’s environmental and social sustainability strategy and execution including the corporate social investment (CSI) initiatives undertaken by MRP Foundation. The details of the programmes undertaken can be located on the website www.mrpfoundation.org.

An evaluation of the effectiveness of the committee and the performance of its members was included in the comprehensive board review process undertaken during the year. The board is satisfied with the leadership offered by the committee chairman and performance of its members and believes it is appropriately monitoring all relevant issues in terms of its mandate and the additional responsibilities delegated by the board.

The committee chairman will be available at the annual general meeting (AGM) to answer questions relating to the committee’s statutory obligations.
Commitment to shared value
Creating shared value means building social and environmental imperatives into the business strategy and ways of working (the business culture) to create better relationships and ultimately do better business.

The group’s purpose is to offer value to customers which then allows the group to unlock worth to partners. The unlocking of the worth to partners has a multiplier effect on customers as well as building the market, which in turn facilitate future sales and growth opportunities. In summary, by providing worth to the lives of partners, the business ensures the value offering to customers is enhanced thereby contributing to the business’s sustainability.

In recent years the commitment to shared value has been extended to the supply chain where there has been increased focus on building sustainable, competitive and efficient value chains. While there is a focus on the group’s global value chain, South Africa has been prioritised and innovative solutions are being tested with local key suppliers and in partnership with other organisations and relevant government departments.

Capacity building
Driven by the ambitions of our group to grow both locally and internationally, we continuously invest in the development of human capacity. We pay high attention to creating workplaces consisting of vibrant, energised and motivated associates encouraged to go beyond the ordinary, believing every successfully motivated and developed associate reinforces the group’s competitiveness in the global retail arena.

While we strive to grow, develop and retain our own talent, we are also constantly searching for people who enjoy working in a fast-paced, progressive and changing environment and who thrive on high performance. This approach is consistent across our international locations and is reflected in our human capital management practices.

We continue to give full attention to executive succession plans and the growth of our leaders. Focused classroom, e-learning and on-the-job training is provided and encouraged for all associates. With improvements in processes, systems and technologies, extensive training is conducted on new ways of working.

Associate engagement
Inspired by our core values of Passion, Value and Partnership, our energetic and entrepreneurial culture continues to be central to the group’s successful performance. We monitor and respond to the climate within our working environments, closely using independently conducted surveys. Our group-wide culture survey is followed by feedback sessions designed to listen to the needs of associates, create solutions and identify business improvement and leadership development opportunities.

Social
Our People
The group’s strategic competitive advantage with regard to people has been built on our strong culture. People who are driven by passion, guided by value and committed to partnership have enabled our success as an organisation. We strive to be a first-choice destination for retail talent and a sought-after international employer. By creating an employee value proposition, our aim is to attract, develop and retain global top talent who aspire to an exciting career in fashion retail.
Direct communication with associates occurs through frequently held “Comm Times” and regular internal television broadcasts. Digital communication platforms have been enhanced to ensure associates have access to engaging content related to their employment experience with the company. A key emphasis is placed on communication with new associates to ensure they have access to the information needed to set them up for success. Close working relationships between managers and associates are valued with importance placed on providing associates with information relating to their work performance and career management.

**Performance recognition and reward**

Central to our values is to reward high performance and instil a culture of celebration and recognition. Our group thrives on happy, motivated employees. We incentivise and reward generously for exceptional performance, strongly encouraging the achievement of personal goals. Well-defined incentive targets are set annually with performance discussions conducted as required during the year. All associates within the Southern African Customs Union (SACU) region are invited to participate in the Mr Price Group share or share option schemes after fulfilling the specific employment tenures requirements of that scheme. As these employees are part-owners in the company, we refer to them as partners or associates. Further details are contained in the remuneration report on pages 57 to 74 and on the group’s website.

We use every opportunity to celebrate team or personal achievements and reinforce the spirit of performance. Group results are presented to associates bi-annually. A highlight is the award of the Mr Price Group “Running Man” statue presented to selected associates who have made extraordinary contributions over an extended period. These highly valued individuals embody the group’s culture and core beliefs and demonstrate consistently high dedication and performance. Additionally, the Mr Price Group medalion is awarded to associates who have delivered exceptional performance or innovation during the year, thereby setting new standards and becoming role models.

**Human capital management (HCM) policies and systems**

Our HCM policies are designed to contribute to the motivation and retention of our people and are easily accessible to all associates. Specific HCM policies are reviewed as required and a full policy review is conducted every two years. We continue to transform our HCM capabilities to cater for our growth and people development by seeking to optimise our workforce management, learning management, employee administration, human resource (HR) business intelligence and payroll systems.

Significant progress has been achieved in improving employee administration efficiencies across HR/payroll functions by implementing the mrpFlow project, a bespoke employee administration tool that has significantly improved data accuracy and user experience. mrpForms, a digital employee administration platform, has drastically reduced on-boarding time and is now being used across all divisions in South African stores and will be rolled out to all group departments and foreign stores in the 2018 financial year.

An in-depth review of the applicant tracking system (ATS) and learning management system (LMS), Cornerstone, was conducted and found to be the most suitable system for our needs. This includes pre-hiring, on-boarding, training, development and performance tracking. We shall continue to improve on business intelligence solutions that provide people managers with relevant human capital metrics and facilitate accurate cost analysis, decision-making and risk mitigation.

Turnover at senior management and executive levels is low, indicating the group’s ability to retain key associates. Our stringent pre-employment assessments for store and key positions, including numeracy and behavioural attributes, ensure the required skill levels are maintained.

**Associate development**

**Talent acquisition**

Developing and retaining “home-grown” talent is a strategy that has served the group well and will continue to be our core focus area. However, sourcing the right retail skills externally is increasingly important and we constantly search for and attract top talent through our ability to offer an outstanding training ground for career retailers, a compelling working experience and the promise of exciting future company growth.

To achieve this, we profile our employment proposition to potential associates through the website and social networking platform or via direct involvement with schools, colleges and universities. Internationally we partner with service providers in the search for top talent, but maintain the responsibility for socialising new associates into our culture and ways of working.

New associates attend induction programmes introducing their job-specific requirements and we use this opportunity to introduce the core values and the benefits of belonging to an exciting working environment.

**Career and personal development**

We offer outstanding career opportunities and associates are actively encouraged to pursue their ambitions within our dynamic and evolving working environments. Business growth and new skill requirements frequently creates new roles associated with organisation and infrastructure improvements. Most roles are filled internally, drawing from the pool of retail talent across the group.

Personal growth and career development is discussed with each associate annually. Line managers are responsible for ensuring these discussions result in meaningful development plans.

**Management and leadership development**

The group recognises and rewards leadership innovation and leaders are encouraged to be forward thinking in their approach while also building high performing teams with positive and constructive attitudes. We encourage an entrepreneurial mindset among managers as the foundation of the group’s success as a progressive retailer and employer.

The growth and development of our leaders and managers is supported by personal and career development discussions, leadership assessments, the creation of personal development plans and regular performance feedback. Succession planning is actively encouraged in all divisions to ensure the constant availability of high quality managers and executives.

We partner with credible training organisations and business schools, locally and internationally, to design and run programmes catering for peer group needs in the demands of our busy day-to-day working environments.

Our productive relationship with the Wholesale and Retail Sector Education and Training Authority (SETA) has led to numerous managers being selected for the SETA’s International Leadership Development Programme. Mr Price Group has five successful associates, all from previously disadvantaged backgrounds, selected for the 2017/8 programme.
**Talent development**
Recognising that attracting, developing and retaining world-class retailers is critical to our competitiveness and long-term sustainability, we strive to improve the quality and delivery of training through our MRP Academy. The academy’s success is founded on the specialist learning and development programme managers working closely with our faculty of internal small and medium enterprises (SME) that is instrumental in developing and facilitating business-focused learning interventions.

Our well supported trainee buyer and planner programmes ensure a solid pipeline of critical merchant skills. We will extend the trainee programme into stores next year to build our pipeline of store managers.

Learnerships form a critical part of the development strategy, build our talent pipeline and give associates opportunities to gain a formal qualification. We currently have 229 associates registered on various learnerships, 92% of whom are from previously disadvantaged backgrounds.

We are currently rationalising our e-learning content for shorter, more focused interventions as this is a more effective way of delivering knowledge. All new courses and updates can be delivered across multiple platforms including mobile, effectively decreasing the number of hours allocated to training this year.

**Key Achievements in Talent Development**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in learning and development</td>
<td>R37 288 003</td>
<td>R34 783 011</td>
<td>R38 469 092</td>
<td>R33 775 854</td>
</tr>
<tr>
<td>Total annual number of hours allocated to learning</td>
<td>200 623</td>
<td>232 437</td>
<td>159 276</td>
<td>230 973</td>
</tr>
<tr>
<td>Average learning and development days per person</td>
<td>1.4</td>
<td>1.8</td>
<td>1.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Previously disadvantaged individuals as a percentage of total participants in learning and development</td>
<td>95%</td>
<td>94%</td>
<td>95%</td>
<td>90%</td>
</tr>
<tr>
<td>Females as a percentage of total participants in learning and development</td>
<td>74%</td>
<td>73%</td>
<td>72%</td>
<td>69%</td>
</tr>
<tr>
<td>Previously disadvantaged associates as a percentage of total of associates trained through e-learning</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
<td>94%</td>
</tr>
<tr>
<td>Previously disadvantaged associates as a percentage of associates on learnerships</td>
<td>92%</td>
<td>93%</td>
<td>97%</td>
<td>92%</td>
</tr>
</tbody>
</table>

**Employee relations**
Treating our associates fairly is at the heart of our company’s values. We are committed to a workplace free from discrimination, compliant with all relevant labour law and centred on open communication channels between managers and associates. This ensures workplace grievances are avoided or speedily resolved. The company has maintained a low referral rate to the Commission for Conciliation, Mediation and Arbitration (CCMA) and has an excellent success rate for matters arbitrated.

**Employment legislation**
The group complies with all relevant South African labour legislation with attention currently given to equal pay for work of equal value. This will identify and mitigate risk and stay abreast of case law developments.

Specialist employee relations practitioners guide our line management in interpreting and applying legislation in the workplace. Internationally we partner with local firms to conduct research into employment practices to ensure compliance as required by individual countries. We have maintained active membership of the National Retail Association that facilitates representation to the National Economic Development and Labour Council (Nedlac) and participate in discussions of national interest.

**Wellness**
Group wellness initiatives, facilitated through our wellness forum, are an important part of our culture, providing associates with access to services promoting individual health and well-being.

A key initiative this year was delivering a financial wellness programme for all support centre associates. An e-learning version of this programme is planned for delivery in the 2018 financial year.

On-site health screening is available at our support centre through our nursing provider and these services, including HIV testing, are offered at store level. Currently we have 2 621 associates covered by medical aid that includes a low-cost entry-level medical plan for store associates.

**Health and safety**
Safe working practices are encouraged throughout our businesses and monitored. In the year under review, 61 work-related accidents occurred with no major accidents reported involving associates.
Our Community - Corporate Social Investment (CSI)

The group re-invests 1% of net profit after tax into the communities in which it operates by a donation to MRP Foundation. This registered non-profit organisation (NPO) focuses on youth development with the vision of young people breaking the cycle of poverty and inequality by reaching their full potential. Key focus areas are education (MRP Foundation Schools) and skills development (JumpStart).

Key achievements of MRP Foundation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Donation to MRP Foundation</td>
<td>R22 259 933</td>
<td>R27 560 965</td>
<td>R21 726 130</td>
<td>R13 589 090</td>
</tr>
<tr>
<td>% of MRP Foundation funded by Mr Price Group</td>
<td>66%</td>
<td>74%</td>
<td>60%</td>
<td>63%</td>
</tr>
<tr>
<td>MRP Foundation funds invested into education</td>
<td>R14 755 143</td>
<td>R12 098 100</td>
<td>R19 369 892</td>
<td>R8 658 658</td>
</tr>
<tr>
<td>MRP Foundation funds invested into skills development</td>
<td>R15 800 069</td>
<td>R19 014 444</td>
<td>R12 927 683</td>
<td>R7 927 014</td>
</tr>
<tr>
<td>Previously disadvantaged individuals as a percentage of total participants in programmes</td>
<td>100%</td>
<td>100%</td>
<td>99.9%</td>
<td>100%</td>
</tr>
<tr>
<td>Number of learners who have benefited from MRP Foundation school programmes</td>
<td>36 395*</td>
<td>65 236</td>
<td>60 727</td>
<td>48 217</td>
</tr>
<tr>
<td>Number of young adults who have benefited from MRP Foundation JumpStart programmes</td>
<td>4 913</td>
<td>3 687</td>
<td>3 697</td>
<td>1 520</td>
</tr>
<tr>
<td>% JumpStart programme participants placed into jobs</td>
<td>41%</td>
<td>49%</td>
<td>60%</td>
<td>75%</td>
</tr>
</tbody>
</table>

* Now in four regions only.

MRP Foundation finds strategic solutions to positively impact South Africa's socio-economic landscape through relationship building with key stakeholders around education and skills development. For further information on the activities of MRP Foundation, refer to www.mrpfoundation.org.

MRP Foundation Schools - Creating educational environments where learner potential is unlocked.

Currently 36 395 learners are impacted daily through MRP Foundation school programmes. In 2014 a strategic decision was taken to narrow the focus from eight regions down to four to have deeper impact, hence the reduction in annual impacts.

MRP Foundation’s approach to holistic school development involves building staff capacity and supporting the running of a well-functioning government school. This includes teacher development in content knowledge and curriculum delivery, development of school leadership to ensure good governance and involving parents and the community and create a successful learning environment. The sustainability of quality education is prioritised.

MRP Foundation views the development of a child within the school context as broader than academic development. The programme thus addresses additional development areas like creative, physical and relational needs through interventions in arts and culture, sports and physical education, physical environment, educational technology, life skills and work readiness. All programme components are aligned and complement the Curriculum Assessment Policy Statement (CAPS) as the national curriculum.

MRP Foundation Model

MRP Foundation Schools Model
Skills development for unemployed youth

This programme focuses on work readiness by participating in foundation skill programmes aimed at the entry-level skills required by retail operations and the supply chain. It bridges the gap between post-schooling and the working world. Candidates who successfully complete the programme have the potential to access employment opportunities in the group as well as other participating companies with access to the database of employable people.

The JumpStart supply chain programmes address the skill needs of the manufacturing sector and builds sustainable business environments to create job opportunities for unemployed youth.

Since inception, 22 188 delegates have been trained. 10 278 delegates have been placed into jobs. In the past year 4 913 delegates completed work experience and 2 023 were employed into various employment contracts with the group. Greater attention was paid to improving the calibre of candidates in the past year, contributing to the lower number of candidates completing work experience compared to previous targets.

Due to the ongoing need for critical retail skills including buyers, planners and store managers/retailers, a professional retailers programme was launched this year with 24 graduates participating.

The JumpStart retail programmes develop the skills of unemployed youth to become employable in the local retail sector at entry-level positions like store associate, sales associate, distribution centre associate and call centre associate.

Since inception, 728 production candidates have been trained with a 95% employment rate and 60 pre-production candidates trained with a 73% employment rate. In addition 114 managers from suppliers have completed the lean management skills programme and each participating firm implemented key best practices projects.

Based on an independent benchmarking database, JumpStart suppliers have grown significantly since 2012 and there has been a general operational performance improvement in all areas, most notably in absenteeism (down 23%), labour turnover (down 24%) and machine breakdowns (down 35%).

A full social return on investment (SROI) assessment was carried out to assess the programme’s wider impact. All investment and value derived are taken into account regardless of whether there is an associated monetary value for example time spent moving from below to above the poverty line. This enabled a deeper understanding of the underlying value and sustainability of the programmes and justifies the investment and prioritisation of resources. The results were:

Production programme: generated R6.50 of value for every R1 invested

Pre-production programme: generated R5 for every R1 invested

MRP Foundation JumpStart Model

The SA SME Fund

The CEO’s Initiative SME workstream, led by Adrian Gore (Discovery) and Brian Joffe (Bidvest), has brought together experts in the public, private and non-profit sectors to explore solutions to South Africa’s high unemployment. SMEs have the potential to create jobs at the rate required and it is thus nationally important to work together to stimulate SME development. The SME Fund aims to create a substantial fund co-investing with accredited fund and investment managers. The fund will provide high-potential SME entrepreneurs and enterprises access to a strictly-governed ecosystem, comprising proprietary networks of accredited funders and best-of-breed mentors and professional services firms. Mr Price Group invested R1m in the 2017 financial year.
ETHICS

Ethical behaviour
Ensuring ethical behaviour is widely practiced and demonstrated is important to the sustainability of our group culture. Each new associate and director acknowledges the Business Code of Conduct when joining the group. Senior and other selected associates complete an annual declaration in which compliance with the code is confirmed and any external interests or relationships potentially giving rise to a conflict of interest are disclosed. The group has a confidential, independently-managed toll-free number for reporting suspected fraudulent activity or unacceptable behaviour. Associates are encouraged to be alert to fraud or unacceptable activity and immediately report incidents and unethical behaviour. The intranet includes a link to the Whistle Blowers webpage with details on how to report incidents or concerns. The website indicates associates’ identities are not revealed when reporting wrongdoings and there is no retaliation. Internal audit investigates these reports, while this committee monitors matters relating to ethical conduct.

Anti-corruption
The Mr Price Group Code of Conduct prohibits bribes or facilitation fees and associates, contractors, sub-contractors and third parties with whom the group conducts business are always required to comply with the applicable laws, regulations and internal codes, policies and business rules. Training for employees and the board of directors on anti-corruption is available through induction programmes. The group has an anti-corruption programme applicable to all non-controlled persons or entities providing goods or services under contract. The committee monitors the anti-corruption programme and no employee suffers demotion, penalty or other reprisals for raising concerns or reporting violations.

Anti-competitive practices
In terms of the Business Code of Conduct, the group is committed to competing fairly in the marketplace and undertakes not to enter into collusive arrangements with competitors or suppliers that prejudice customers, suppliers or competitors or interfere with free competition. Associates and suppliers must adhere to the group policies and codes of conduct.

TRANSFORMATION

Broad-Based Black Economic Empowerment (B-BBEE) Commitment
The group is committed to meeting the B-BBEE requirements. The significant changes introduced under the Revised Codes of Good Practice triggered self-assessment and a strategic realignment this year.

The group achieved the targeted Level 8 Compliance. Further improvements to attain Level 7 Compliance have been set.

<table>
<thead>
<tr>
<th>Element</th>
<th>Weighting Points</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>25</td>
<td>10.93</td>
</tr>
<tr>
<td>Management control (includes employment equity)</td>
<td>19</td>
<td>5.44</td>
</tr>
<tr>
<td>Skills development</td>
<td>25</td>
<td>10.86</td>
</tr>
<tr>
<td>Enterprise and supplier development (includes preferential procurement)</td>
<td>40</td>
<td>20.53</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Total points</strong></td>
<td><strong>114</strong></td>
<td><strong>52.76</strong></td>
</tr>
</tbody>
</table>

Compliance level achieved (45 – 55 pts) Level 8

Ownership
The group’s international shareholding of 43.2% negatively affects the local ownership points. All associates are afforded the opportunity to share in the group’s success by participating in the various share schemes. Participants in the Partners Share Scheme hold 4.5m shares and received dividends of R22.3m during the year – refer to the remuneration report on pages 57 to 74 for additional information.

Skills development - associates
Refer to the talent development section on page 40.

Skills development - unemployed learners
The group’s strategic partnership with MRP Foundation provides the training ground for the work experience portion of the programme and the skills module is delivered by MRP Foundation.

Employment equity (EE)
The group recognises the value in diversity and the need for its workforce to be representative of the national and regional demographics of South Africa. It is therefore committed to employing and developing people from designated groups to further its EE objectives. The group’s philosophy is to encourage all associates to achieve their full potential by applying for and securing growth opportunities within the group as these arise.

Those with potential to attain top management positions and meet the needs of succession plans are invited to attend internal and external leadership programmes providing relevant business exposure and highlighting development areas. This assists in attaining the EE goals set for various occupational levels. The group EE plan ended in March 2017 and another EE plan for 2020 has been finalised and will be implemented. This plan is supported by targeted strategies and affirmative action measures supporting transformation and progress is monitored through regular reporting.

The committee reviews and assesses, while the board ratifies, appropriate EE goals and targets. A new EE committee has been convened with improved top and senior management representation as well as critical and core positions across the group. The intention is to drive the transformation agenda and enable the achievement of the 2020 EE goals. The committee meets regularly to discuss EE progress, identify and recommend steps to overcome barriers to affirmative action and ensure adherence to relevant legislation.
TOTAL WORKFORCE PROFILE - MARCH 2017

<table>
<thead>
<tr>
<th>Occupational levels</th>
<th>Male</th>
<th>Female</th>
<th>Foreign Nationals</th>
<th>Total A C I W</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td></td>
<td></td>
<td></td>
<td>A C I W</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior management</td>
<td>3</td>
<td>13</td>
<td>46</td>
<td>1 6 11 65</td>
<td>3</td>
<td>2</td>
<td>150</td>
</tr>
<tr>
<td>Professionally qualified</td>
<td>45</td>
<td>17</td>
<td>78</td>
<td>45 31 89 169</td>
<td>5</td>
<td>6</td>
<td>598</td>
</tr>
<tr>
<td>Skilled technical</td>
<td>565</td>
<td>127</td>
<td>145</td>
<td>1 606 612 307 378</td>
<td>7</td>
<td>10</td>
<td>3 854</td>
</tr>
<tr>
<td>Semi-skilled</td>
<td>2 469</td>
<td>355</td>
<td>124</td>
<td>20 6 9 11 87</td>
<td>11</td>
<td>24</td>
<td>11 787</td>
</tr>
<tr>
<td>Unskilled</td>
<td>37</td>
<td>1</td>
<td>10</td>
<td>- 64 9 11 1</td>
<td>-</td>
<td>-</td>
<td>133</td>
</tr>
<tr>
<td>TOTAL PERMANENT</td>
<td>3 121</td>
<td>500</td>
<td>370</td>
<td>296 8 714 2 004 773 708</td>
<td>26</td>
<td>43</td>
<td>16 555</td>
</tr>
<tr>
<td>Temporary employees</td>
<td>83</td>
<td>24</td>
<td>2</td>
<td>1 186 9 5 2</td>
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<td>-</td>
<td>344</td>
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<tr>
<td>GRAND TOTAL</td>
<td>3 204</td>
<td>524</td>
<td>372</td>
<td>297 8 900 2 045 778 710</td>
<td>26</td>
<td>43</td>
<td>16 899</td>
</tr>
</tbody>
</table>

ACI as % of total of South African associates: Male 93% Female 94% Total 94%

DISABLED WORKFORCE PROFILE - MARCH 2017

<table>
<thead>
<tr>
<th>Occupational levels</th>
<th>Male</th>
<th>Female</th>
<th>Foreign Nationals</th>
<th>Total A C I W</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top management</td>
<td></td>
<td></td>
<td></td>
<td>A C I W</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior management</td>
<td>-</td>
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<td>-</td>
<td>- - - - 1</td>
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<tr>
<td>Professionally qualified</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>20 9 3 11</td>
<td>-</td>
<td>-</td>
<td>9</td>
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<tr>
<td>Skilled technical</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>55 9 8 1</td>
<td>-</td>
<td>-</td>
<td>54</td>
</tr>
<tr>
<td>Semi-skilled</td>
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<td>-</td>
<td>1 - 1 -</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Unskilled</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- - - - 1</td>
<td>-</td>
<td>-</td>
<td>7</td>
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<tr>
<td>TOTAL PERMANENT</td>
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<td>1</td>
<td>4</td>
<td>6 76 19 13 17</td>
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<td>-</td>
<td>157</td>
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<td>-</td>
<td>- 1 - -</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
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<td>1</td>
<td>4</td>
<td>6 76 20 13 17</td>
<td>-</td>
<td>-</td>
<td>158</td>
</tr>
</tbody>
</table>

ACI as % of total of South African associates: Male 82% Female 86% Total 85%

Enterprise and supplier development (includes preferential procurement)

Supplier development

The group uses robust due diligence processes to ensure all interventions meet the definition of the BEE supplier development criteria, have a strong business case and are sustainable and meaningful to all partners.

The partnership with the Sustainable Cotton Cluster (SCC), the Innovative Integrated Cotton Supply Chain Programme (ISCP) and the financial support provided to qualifying farmers has re-ignited the local cotton growing industry. This initiative has increased the economic wealth of black cotton farmers, created jobs and improved farming standards by introducing Better Cotton Initiative (BCI) standards. There is also a higher South African content in products, while still meeting the value expectations of our customers - a true demonstration of partnership in action. For further information refer to page 45.

Enterprise development

The three-year partnership with The Clothing Bank (TCB) has been another success story of how passionate people can partner to make a significant contribution to the economic wealth of other South Africans.

A registered NPO and public benefit organisation (PBO), TCB channels donated stock through an enterprise development programme. The programme initially focused on unemployed mothers, but has been extended to include men as well as a group of sewers and cobblers. The programme aims to break the cycle of poverty and for the participants to become self-sufficient through training and mentorship centred on basic business and life skills. Since inception in 2014, the amount of stock donated to TCB has increased significantly and exceeded 700,000 units over the period. In F2017 over 700 entrepreneurs were supported by TCB’s programme. Further information on TCB and its activities can be found at www.theclothingbank.co.za.

Preferential procurement

Procurement practices across the group are continuously reviewed with an expectation of B-BBEE compliance for all South African suppliers. The challenge remains finding suitable local manufacturing capacity, capability, competency and compliancy to produce the required merchandise and address the need for more local production to more swiftly respond to changing customer needs. Refer to the value chain section below where the efforts to support a local supply base are highlighted. 74.5m units (R3.5bn) was sourced from South Africa which represents 35.1% of total units inputs purchased, or 45.3% including territories in SADC.

Socio-economic development

The group’s donation to MRP Foundation meets the socio-economic development target set out in the BEE scorecard. The strategic importance of the foundation’s activities is discussed above and further information can be found at www.mrpfoundation.org.
VALUE CHAIN

Responsible sourcing
Suppliers are expected to comply with the group’s Supplier Code of Conduct, which includes requirements regarding the environment, labour, ethics and health and safety regulations. The Supplier Code of Conduct is located on our website at www.mrpricegroup.com.

Partnerships
The group collaborates with the following organisations to identify opportunities for developing sustainable solutions for the business, value chain and industry at large:

- Supplier Ethical Data Exchange (SEDEX)
- Ethical Trading Initiative (ETI)
- Sustainable Cotton Cluster (SCC)
- KZN Clothing and Textiles Cluster (CTC)
- MRIP Foundation (JumpStart)

Supplier Ethical Data Exchange (SEDEX)
SEDEX is a not-for-profit membership organisation dedicated to driving improvements in responsible and ethical business practices in global supply chains. The database is a valuable tool to record supplier business ethics, labour, health and environmental practices to enable the risk assessment of suppliers in accordance with these metrics. For further information refer to www.sedexglobal.com.

The group’s global supply chain mapping has progressed well as the number of suppliers with SEDEX membership has increased from 301 (2015 financial year) to 534 (2016 financial year) and 1 016 in the year under review.

The direct first-tier mapping covers approximately 80% of all trade suppliers. The mapping of second-tier suppliers is progressing well and remains a key focus area for the resource teams as visibility and transparency are required to ensure the supply chain is sustainable, efficient, effective and compliant.

Ethical Trading Initiative (ETI)
The ETI is a leading global alliance of companies, trade unions and NGOs promoting respect for worker rights. The group is committed to ethical trade and has partnered with ETI to participate in collectively tackling the many issues that cannot be addressed by companies working in isolation. The group reports annually to ETI on its progress. The group has achieved improver stage for implementation on all ETI principles. For further information refer to www.ethicaltrade.org.

Sustainable Cotton Cluster (SCC)
The group is committed to developing the country’s cotton industry and has partnered with the SCC to secure a sustainable local cotton value chain unlocking value for all stakeholders (from the farmer to the consumer).

This is a leading initiative and a remarkable move towards business, government and civil society working together to address national priorities for creating jobs and unlocking potential in the country. The group is proud to have been involved as the foundation retail member. A traceability system, developed to capture data and provide valuable intelligence to the industry, ensures claims made to the customer hold integrity. The system captures data on cotton production social, environmental and labour standards and tracks the product movement through the value chain to provide visibility and business intelligence.

Since the group’s first cotton commitment to the SCC four years ago, a significant increase in the collective commitment among local cotton producers and industry players has translated into bold targets being set to grow the industry. The SCC is targeting a 446% increase in cotton production by 2019 to be achieved through the growth of small-scale and dryland commercial production.

The group’s commitment to the cotton industry, through the Sustainable Cotton Cluster, has given local cotton farmers assurance that their crop will be procured. This commitment has reduced the inherent risk faced in the cotton farming industry, and thus 2 677 jobs have been created/secured. A particular positive impact can be seen in the fact that 42% of these jobs can be attributed to small-scale farmers. Since baseline year 2013 and current forecasts, seed cotton production hectares has grown by approximately 152%.

The group committed to 2 800 tons in the current financial year, with the final figure being 1 300 tons. The impact of the drought on the national crop season last year was significant, resulting in only half the planted crop being available at the required quality specification. The group is committed to 2 800 tons in new financial year.

A key environmental focus of the SCC was establishing a partnership with the BCI, thereby aligning South Africa’s cotton production to BCI standards, a globally sought-after standard of cotton production that ensures the environment and community are considered. The 2017 harvest is aligned to BCI standards and enables the group to deliver cotton of this standard to its customers. All South Africa is a water-scarce country, targets to increase small-scale rain-fed cotton production aligned with these standards is a key focus to reduce the impact on water and the environment.

For further information on the cluster’s activities, refer to https://sustainablecottoncluster.wordpress.com and www.cottonsa.org.za.
The KZNCTC has been a valuable one as the group has been exposed to new thinking, knowledge sharing opportunities and invaluable research. This year the group partnered with the KZNCTC in developing and testing a supplier due diligence tool to promote industry-wide compliance to social, economic and environmental standards and will facilitate adopting manufacturing best practices.

The group is committed to the principles of reduce, reuse and recycle, a globally accepted waste hierarchy.

The partnership with the KZNCTC has been further reinforced by the values of "passion, value and partnership".

The environmental commitment provides guidance for the group’s environmental commitment, further reinforced by the values of “passion, value and partnership”.

The new DC is equipped with low energy LED lighting, while air conditioning has been substituted by natural ventilation. A solar photovoltaic system has been installed on the roof designed to generate approximately 257 306 kWh annually.

Energy use is a key sustainability indicator and major operational expense. Since 2013 the carbon footprint has been reduced by approximately 40.7 million kWh (40 446 tons CO₂ emissions).

The group has benefitted from various initiatives to reduce electricity costs and impact on the environment. This includes installing two roof-top solar photovoltaic systems at head office complex that generate 20% of the required energy for two of the divisions, retrofitting lighting in certain stores, introducing LED lighting in all new stores and improving associate behaviour around energy use. The energy management plan continuously evaluates and assesses opportunities to reduce CO₂ emissions.

The new DC is equipped with low energy LED lighting, while air conditioning has been substituted by natural ventilation. A solar photovoltaic system has been installed on the roof designed to generate approximately 257 306 kWh annually.

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The group recently partnered with the Council for Scientific and Industrial Research (CSIR) and National Cleaner Production Centre (NCPC) to develop a comprehensive energy management system and a group energy policy to fully integrate energy management into organisational business structures.

The KZNCTC is a public-private partnership (PPP) between the government, learning institutions and the local clothing, textiles, footwear and leather (CTFL) industry. The KZNCTC works with the whole KwaZulu-Natal value chain to develop competitiveness from raw material production to retail. It is an industry-driven initiative drawing on the experience and leadership of member firms. For more information refer to www.kznctc.org.za.

The group is committed to the principles of reduce, reuse, recyle, a globally accepted waste hierarchy.

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Water
At head office, an opportunity for drinking water that is cost effective, healthy, kind to the environment and sustainable has been explored and is being implemented. Restrictors have been placed on taps and awareness around the need to conserve water is ongoing. At the new Hammarsdale DC, the 1.3 million litre water catchment tank will provide all its water needs. The group is liaising with landlords around store water usage data to identify potential savings.

Other activities
The reduced use of paper and related consumables at head office through double-sided printing and paperless working is strongly encouraged. Printer cartridges are recycled and remanufactured, reducing the need for virgin plastics and reducing the carbon footprint.

All chains have implemented electronic till slip option in stores. This initiative gives customers the option to have their till slip emailed to them instead of being physically printed out in-store which results in both a saving in paper and cost. Since August 2016, over 1 000km of paper has been saved.

Paperless administration was implemented at stores, resulting in a significant reduction in paper and consumables due to a more electronic transactions.

For the period under review, the project has saved over 3 million sheets of A4 paper and approximately 2 600 printer cartridges across all divisions in the group, contributing to environmental as well as cost savings.

Introducing standardised carton sizes has enabled better re-use of cardboard boxes. Currently 40% of all cartons transferred out from the pick face at the DC are reused supplier cartons. The DC also repairs and re-uses wooden crates and pallets. MrpHome has introduced a higher quality box for furniture transportation which enables it to be re-used approximately three times as well as contributing to reduced in transit damages and breakages.

The Clothing Bank partnership ensures that all unsaleable merchandise is donated, contributing to reduced waste.

Suppliers involved in the MRP Foundation JumpStart programme have attended a nine-week lean manufacturing programme with the focus on assisting suppliers identify and eliminate waste, implement total quality management to ensure maximum productivity and increase commercial viability.

Recycling
Recycling programmes at the head offices and DCs have been in place for a number of years. The group head office’s average recycling rate is 87% and the DCs are achieving a rate of 98%.

Awareness
Associates
There have been numerous campaigns to educate associates on environmental sustainability, such as Earth Hour, Recycling Day and Water Day as well as other communications through stories around the positive impact and progress of the group’s initiatives.

An online sustainability module, launched in April 2016, creates awareness around environmental, social and governance aspects. The group’s sustainability agenda is presented to new associates as part of the retail induction programme and the DC has regular awareness and training through the DC Topics sessions. These sessions disseminate knowledge on correct methods of waste disposal and recycling like the safe disposal of fluorescent tubes. Monitoring and reporting on general waste disposal forms part of the safety representative checklist.

Community
MRP Foundation’s schools programme also teaches learners about the environment. The programme creates awareness and action around environmental sustainability in schools and the surrounding communities and supports education for sustainable development (ESD) in the national curriculum.

Partnerships
The group’s WWF Corporate Network Partnership provides thought leadership and is a critical friend to ensure the group considers material environmental impacts.

The BCI partnership with Cotton SA and SCC ensures South African cotton production is aligned to BCI standards.

The group holds a seat on the BUSA environmental committee to have access to and input on current and draft environmental legislation.
It recognises governance is about effective and ethical leadership, the outcomes of which are sustained value creation, success and longevity. It seeks to go “beyond compliance” through the adoption, integration and embedding of the spirit and principles of governance, namely fairness, accountability, integrity, responsibility and transparency. Effective governance is considered a vital component and contributor to the group’s sustained performance. The group’s governance foundation is based on the combination of voluntary and compulsory guidelines including the principles and practices of the King Code of Corporate Governance for South Africa 2009 (King III) (replaced by King IV with effect April 2017), the Companies Act, 71 of 2008 (Companies Act) and the JSE Limited Listings Requirements (Listings Requirements).

SUPPORTING MATERIAL LOCATED ON THE GROUP’S WEBSITE: www.mrpricegroup.com
- Board charter
- Board committee mandates
- Policy for the appointment of directors
- Policy for the promotion of gender and ethnicity diversity on the board
- Outline of board, statutory and management committees
- Internal audit mandate
- Internal audit annual assurance statement
- Business and Supplier Codes of Conduct
- King III application register
- Notice of 2017 AGM

THE BOARD SUBSCRIBES TO ETHICAL LEADERSHIP, BUSINESS, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY, STAKEHOLDER INCLUSIVITY AND SOUND VALUES OF GOOD CORPORATE GOVERNANCE.
**GOVERNANCE DEVELOPMENTS IN F2017**

During the year under review, the following developments occurred within the internal and external governance landscape:

<table>
<thead>
<tr>
<th>Governance area</th>
<th>Development during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>King IV</td>
<td>The King Code of Corporate Governance for South Africa 2016 (King IV) was released on 1 November 2016. Disclosure on King IV application is effective for financial years starting on or after 1 April 2017 and is not applicable to the group for the year under review. However, the group has evaluated governance processes and reporting in the context of King IV to identify and action areas for improvement to foster integrated thinking to create value over time.</td>
</tr>
<tr>
<td>Listings Requirements</td>
<td>In light of the November 2016 proposed amendments to the Listings Requirements, the board proactively adopted a policy for the promotion of gender and ethnicity diversity on the board, in March 2017.</td>
</tr>
<tr>
<td>Changes in the Company Secretary</td>
<td>Helen Grosvenor resigned as group company secretary with effect from 28 February 2017. Janis Cheadle joined as group company secretary and head of governance on 1 March 2017.</td>
</tr>
<tr>
<td>Changes in the board</td>
<td>Mark Bowman was appointed as an independent non-executive director with effect 28 February 2017. His appointment comes as the board seeks to refresh its membership and strengthen its international skills base and is in line with the board’s ongoing skills review.</td>
</tr>
</tbody>
</table>
| Changes in committee composition for F2018 | At the special corporate governance meeting in November 2016, the following changes were approved, effective 1 April 2017:  
  - Myles Ruck assumed chairmanship of the remuneration and nominations committee from Bobby Johnston. The membership of the committee remains unchanged.  
  - Nigel Payne and Myles Ruck were appointed as trustees of the various staff share trusts with the former as chairman. Bobby Johnston and John Swain will temporarily retain their positions as trustees to ensure continuity and will resign in due course.  
At the March 2017 board and committee meetings, Daisy Naidoo was appointed as a member of the social, ethics, transformation and sustainability committee, effective 27 March 2017. |
| Lead Independent Director (LID) | In the annual review of the LID position at the November 2016 special corporate governance meeting, the board concluded that Bobby Johnston continue to serve as LID, despite there being an independent non-executive chairman, thereby ensuring a balance of power and authority remains on the board and no one individual has unfettered decision making power. |

**APPLICATION OF KING III**

As mentioned above, and in line with the Listings Requirements, the group continued to apply the principles of King III for the period under review. Accordingly the group reports hereunder on the application of King III.

The group believes in going “beyond compliance” as opposed to simply responding to and complying with rule sets and recommended codes. As such, the group has not blindly followed King III, but carefully considers each and every aspect.

<table>
<thead>
<tr>
<th>Principle</th>
<th>Sub-principle</th>
<th>Compliance Position F2016</th>
<th>Compliance Position F2017</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principle 2.22</td>
<td>The evaluation of the board, its committees and the individual directors</td>
<td>An overview of the appraisal process, results and action plans should be disclosed in the integrated report.</td>
<td>MATERIALLY APPLIED</td>
<td>MATERIALLY APPLIED</td>
</tr>
<tr>
<td>Principle 2.25</td>
<td>Disclosure of the present value of long-term awards</td>
<td>The remuneration policy should address base pay and bonuses, employee contracts, severance and retirement benefits and share-based and other long-term incentive schemes.</td>
<td>MATERIALLY APPLIED</td>
<td>MATERIALLY APPLIED</td>
</tr>
</tbody>
</table>

King III is not prescriptive but rather a series of voluntary recommendations which can be adopted on an “apply or explain” basis. The King III application register, providing the group’s position on each of the 75 voluntary governance principles outlined by King III, is published on the group’s website. There have been no changes to the governance positions reported on for F2016. Accordingly, the board confirms the group’s compliance with King III for the period under review, with the exception of the two items highlighted below.

The group supports the shift towards an outcomes-based and holistic approach to corporate governance and the consequent mindful application of the principles contained in King IV. Following the evaluation undertaken as mentioned above the group has updated its governance process in line with King IV. Consequently and with effect 1 April 2017 the group applies the governance principles espoused by King IV and will report on F2018 by way of an outcomes-based King IV register.
GOVERNANCE AND ASSURANCE STRUCTURE
For the year under review, the head of governance and assurance was responsible for the strategic leadership of the governance, enterprise risk management, internal audit, legal and compliance and company secretariat functions.

Enterprise risk management
A robust model of combined assurance has been adopted in recognition of the need for a coordinated approach to risk management to allow for the effective management, monitoring and mitigation of key risks. This model clarifies the roles and co-ordinates the efforts of management, internal assurance providers and independent assurance providers. In addition, it increases collaboration and facilitates a shared and more holistic view of the group’s risk profile. The internal audit function plays a vital role as an independent third line of defence.

Internal audit
The independence, organisational positioning, scope and nature of work of the internal audit function were evaluated by the audit and compliance committee in March 2017 and determined to be appropriate and consistent with the internal audit strategy and mandate. These elements were also evaluated through a self-assessment by the chief audit executive and through an external peer review conducted by the head of internal audit of a leading international services, trading and distribution company. These reviews confirmed internal audit is a well-established and well-run function, having excelled in all the typical key performance areas as required by the professional practices framework, Companies Act and King III.

There were no impairments to the independence of the internal audit function or scope of work performed. Refer to the internal audit annual assurance statement, on page 55.

Legal compliance
The group is committed to compliance with all applicable laws. To this end, the regulatory universe impacting the group has been defined, confirmed by the group’s external legal advisor, Bernadt Vukic Potash & Getz, and delegated to appropriate compliance owners across top and senior management levels in both the trading and support divisions. A risk-based compliance framework has been adopted to provide additional focus on compliance with priority legislation. Annually the audit and compliance committee reviews the legal and compliance assurance statement, which includes the assurance statements of all compliance owners, an outline of the compliance and assurance processes undertaken during the year and any identified gaps and related remedial plans. The social, ethics, transformation and sustainability committee reviews the assurance statement in respect of specific matters falling within the mandate of the committee’s focus. Both these committees confirm that no material non-compliance has been brought to their attention.

Company secretary
The annual review of the company secretary, undertaken in compliance with paragraph 3.84(i) and (j) of the Listings Requirements, usually occurs in March. Given that Janis Cheadle only assumed the position on 1 March 2017, it was premature for the board to evaluate her performance at its March 2017 meeting. However, the board confirms that in appointing Janis Cheadle after an extensive and detailed search over an extended period, it considers her to have the qualifications, skill and level of competence necessary to effectively discharge her responsibilities. Furthermore, in the absence of any existing relationships, she is able to interact with the board and its individual directors at arm’s length, and is not a director of the company.

Unbundling of the governance and assurance division
Structural changes to unbundle the governance and assurance function will be progressively effected during 2017. The resultant three specialised functions are as follows:

- Governance and company secretarial - Janis Cheadle will strategically lead the governance areas comprising legal and compliance, as well as the company secretarial function
- Enterprise risk management – this function will be repositioned under new leadership in the forthcoming year
- Internal audit - a chief audit executive is expected to be appointed by August 2017 Sherene Moodley, previously responsible for both governance and assurance, will leave the company in July 2017.
UNITARY BOARD STRUCTURE

- 1 honorary non-executive chairman
- 1 independent non-executive chairman
- 1 lead independent director
- 5 independent non-executive directors
- 1 non-executive director
- 2 executive directors
- 2 alternate directors

Rotation of directors

One third of non-executive directors retire annually by rotation. In addition, the appointment of a director to fill a casual vacancy or as an addition to the board, must be confirmed by shareholders at the next annual general meeting (AGM).

Prescribed officers

Stuart Bird and Mark Blair are considered by the board to be the prescribed officers of the group. As CEO and CFO respectively, exercising executive control and general management of the business, all divisional heads report directly to them.

Employment contracts

No directors have fixed-term employment contracts.

TRAINING & DEVELOPMENT

- The directors are primarily responsible for acquiring the skills necessary for the effective discharge of their duties
- A comprehensive induction programme is in place for new directors
- A self-assessment and board assessment of director skills is conducted annually, supported by a development (where necessary) and succession plan
- The group provides economic, regulatory and other relevant updates/presentations during the course of the year

BOARD SKILL & COMPOSITION

- The philosophy is to maintain a vibrant board that constructively challenges management’s strategies and evaluates performance against established benchmarks
- The majority of directors (9 out of 11) are non-executives, the majority of whom (7 out of 9) are independent
- There is a strong representation of retail expertise, blended with a diversity of experience in other disciplines to strengthen the board’s collective business acumen
- Consideration is given to the age profile, racial and gender diversity of directors
- All new appointments are a matter for the board as a whole and are made via a formal and transparent process and in accordance with the policy for appointment of directors and the policy for the promotion of gender and ethnicity diversity on the board, under the direction of the remuneration and nominations committee
- The board is cognisant of its aging profile and the need to refresh the membership and ensure appropriate succession within the various committees and is progressively addressing its composition

BOARD CHARTER

- The board operates in terms of a charter reviewed annually which:
  - Regulates business in accordance with sound corporate governance principles.
  - Requires these principles are applied in all dealings by directors, in respect of, and on behalf of, the company
  - Defines the specific responsibilities to be discharged by the directors collectively and individually

INDEPENDENCE

Annual evaluations of director independence are conducted. For the year under review, this was conducted in accordance with the independence criteria set out in King III and the requirements of the Companies Act. During the year two non-executive directors were classified as non-independent, namely:

- Stewart Cohen – on account of his material shareholding
- Keith Getz – who acts as a professional legal advisor to the company

Sub principle 66 of principle 2.18 of King III states:

“An independent director should be independent in character and judgement and there should be no relationships or circumstances which are likely to affect, or could appear to affect this independence. Independence is the absence of undue influence and bias which can be affected by the intensity of the relationship between the director and the company rather than any particular fact such as length of service or age.”

INFORMATION & COMMUNICATION

- Relevant and timely information is supplied to the board, in a form and of a quality appropriate to enable it to discharge its duties and to enable it to assess the group’s performance
- Non-executive directors are kept abreast of significant or relevant developments in the group and receive comprehensive reports, including monthly trading reports, quarterly reports from management and the group’s key assurance providers and annual strategy documents from the trading and support divisions
- Non-executive directors have access to merchandise window reviews held during the year
- All directors have full and unrestricted access to group information and personnel and can seek independent professional advice at the group’s cost, in accordance with the board charter
- All directors have access to the company secretary and unrestricted access to the chairman

STUDY & BOARD COMMITTEES

- Audit and compliance committee
- Social, ethics, transformation and sustainability committee
- Remuneration and nominations committee

COMMITTEES

- Remuneration and nominations committee
- Social, ethics, transformation and sustainability committee
- Audit and compliance committee
Board and committee meetings
The board and its committees meet four times annually to discharge their responsibilities for the overall strategic direction and control of the group. In January the board convenes telephonically to review the Q3 trading results and approve the trading update for SENS publication. In addition, an annual special corporate governance meeting, under the chairmanship of the LID is held to:

- Review and approve the Board Charter
- Review and approve the Business Code of Conduct and the Listing Requirements
- Consider the independence of directors (impacted directors recuse themselves from the discussion)
- Consider the re-appointment of directors retiring by rotation, with re-appointment being subject to approval of shareholders at the AGM
- Confirm the appointment of the board chairman
- Propose the chairman and members of the audit and compliance committee (subject to approval of the membership of this committee by shareholders at the AGM)
- Confirm the chairmen and members of other committees for the forthcoming financial year
- Define levels of authority, reserving specific powers to the board and delegating other matters with the necessary written authority to management
- Review and approve the Business Code of Conduct and
- Review the level of the group’s compliance with the governance principles of King III, the Companies Act and the Listings Requirements governance principles.

Attendance of directors at board and committee meetings
Generally, all directors attend the AGM and are available to answer shareholders’ questions. Bobby Johnston and Myles Ruck were unable to attend the August 2016 set of meetings due to illness and overseas travel commitments respectively. Mark Bowman attended the March 2017 remuneration and nominations and audit and compliance committee meetings and the trading and support divisions strategy presentations, but was unable to attend the March board meeting due to prior commitments of which he advised the chairman at the time of his appointment to the board. Meeting attendance for the period under review was as follows:

<table>
<thead>
<tr>
<th>Status</th>
<th>Director</th>
<th>Board</th>
<th>Special Corporate Governance</th>
<th>Audit and Compliance</th>
<th>Remuneration and Nominations</th>
<th>Social, Ethics, Transformation and Sustainability</th>
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<tr>
<td>Executive</td>
<td>Stuart Bird</td>
<td>4/4</td>
<td>1/1</td>
<td></td>
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<tr>
<td></td>
<td>Mark Blair</td>
<td>4/4</td>
<td>1/1</td>
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<tr>
<td>Non-executive</td>
<td>Stewart Cohen</td>
<td>4/4</td>
<td>1/1</td>
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<tr>
<td></td>
<td>Keith Getz</td>
<td>4/4</td>
<td>1/1</td>
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<tr>
<td></td>
<td>Mark Bowman</td>
<td>0/1¹</td>
<td>N/A</td>
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<td></td>
<td>Bobby Johnston</td>
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<td>1/1</td>
<td>3/4</td>
<td>3/4</td>
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<tr>
<td></td>
<td>Maud Motanyane</td>
<td>4/4</td>
<td>1/1</td>
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<tr>
<td>Independent non-executive</td>
<td>Daisy Naidoo</td>
<td>4/4</td>
<td>1/1</td>
<td>4/4¹</td>
<td>1/1¹</td>
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<td></td>
<td>Nigel Payne</td>
<td>4/4²</td>
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<td></td>
<td>Myles Ruck</td>
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<td>1/1</td>
<td>3/4</td>
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<td></td>
<td>John Swan</td>
<td>4/4</td>
<td>1/1</td>
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<tr>
<td>Alternate</td>
<td>Neil Abrams</td>
<td>4/4</td>
<td>1/1</td>
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<td></td>
<td>Steve Ellis</td>
<td>4/4</td>
<td>1/1</td>
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</table>

¹ Chairman of the board
² LID chairs the special corporate governance meeting
³ Chairman of the audit and compliance committee
⁴ Chairman of the remuneration and nominations committee. From 1 April 2017 Myles Ruck assumed chairmanship of this committee
⁵ Chairman of the social, ethics, transformation and sustainability committee
⁶ Mark Bowman was appointed as a director on 28 February 2017
⁷ Daisy Naidoo was appointed as a member of the SETS committee on 27 March 2017
⁸ Alternate directors are not required to attend each meeting

BOARD’S OVERSIGHT OF RISK MANAGEMENT
The board remains accountable and responsible for the governance of strategy and risk. It is committed to business sustainability and to creating and preserving stakeholder value.

The board recognises the governance of strategy, risks and performance are critical success factors and therefore exercises active oversight of these processes.

Instead of a separate risk committee, the board as a whole considers risk at each of its meetings. The incorporation of the risk agenda into that of the main board allows for a more robust consideration of strategy and associated risk opportunities.

During the year under review, the board fulfilled its risk mandate by meeting four times to discuss the following key risk governance and risk management matters:

Effectiveness of risk management
Management is accountable to the board for designing, implementing, monitoring and improving the systems and processes of risk management and integrating these into the day-to-day activities of the group. Management is also accountable for building the competencies and capacity required for a sustainable business.

The board is satisfied the systems and processes in place to govern and manage risk are adequate and that management has generally executed it’s risk management responsibilities satisfactorily; in particular management has:

- Integrated and aligned strategy, risk management, performance and sustainability
- Implemented an adequate and effective risk management framework, which if consistently applied, should guide the group’s approach to identifying, evaluating and responding to key

Board’s Oversight of Risk Management
opportunities and risks that may impact on strategic objectives.
- Managed risks within the approved appetite and tolerance levels and
- Embedded risk management into the day-to-day activities of the group.

**Risk appetite**
The board recognises a well-defined risk appetite as the core instrument for aligning overall corporate strategy, capital allocation, risk and performance. Risk appetite and tolerance are the fundamental concepts that provide the context for strategy setting, entrepreneurial behaviour and the pursuit of group objectives. It is informed by the group culture and clarifies what risks the group can, or is willing to, take and the risks that the group will avoid.

The board has formally defined its appetite for risk and annually reviews this. It confirms an appropriate risk appetite framework and policy remain in place to guide strategy and the engagement of risk.

The board confirms there were no material deviations from the group’s risk appetite in the period.

**Key business risks and opportunities**
Key business opportunities and risks were discussed comprehensively by the board during the year. The board, having considered the group’s key risks, is satisfied strategy and business plans do not give rise to risks not thoroughly assessed by management and confirms there were no undue, unexpected or unusual risks taken by the group and no material losses were incurred during the year.

**ACCOUNTABILITY AND RESPONSIBILITY**

**Performance reviews**
The board undertakes an annual series of assessments to monitor performance and identify areas for improvement. The assessment cycle operates over three years with a comprehensive review being undertaken in the first year. From this process, a “Steps for Improvement” document is generated. The assessment of progress made against the steps is conducted over the second and third years of the cycle. This affords sufficient time for improvements to be implemented in the identified areas. In this manner, the group reviews the performance of the following:
- Board
- Chairman of the board
- Chairmen of the committees
- Committees and peer and self-evaluations.

In the year under review a substantive and detailed assessment process was conducted by the LID by means of questionnaires as well as telephonic and personal interviews. Following this process, the LID met with the chairman of the board and the chairmen of the various committees, as well as management, to provide feedback on the results of the assessments. “Steps for Improvement” documents were tabled at the May 2017 meetings, against which progress will be monitored and reviewed over the course of the next two years. Overall, the board is satisfied with the performance of the chairman, the committees, and the chairmen of the committees.

On an annual basis, the remuneration and nominations committee assesses the performance of the chief executive officer (CEO) and chief financial officer (CFO). The committee was satisfied with the performance of both executive directors.

**Conflicts of interest and share dealings**
As a standing board agenda item, directors are required at the start of each meeting to disclose any conflicts of interest or related party transactions. In addition and at each meeting, each director updates a register of their company shareholdings, other directorships and information regarding any potential conflict of interest. Directors are also required or requested to recuse themselves from discussions on any matters in which they may have a conflict of interest. Non-executive directors cannot participate in the group’s share incentive schemes. Furthermore, before dealing in company shares, directors are obliged to obtain the written consent of the chairman or (should the chairman be involved in the transaction or be unavailable for any reason) the LID.

**Delegated limits of authority**
The board delegates certain authority to management to assist in the execution of its duties, powers and authorities, but without abdicating its own responsibilities. These delegated limits of authority are reviewed annually by the board to ensure they remain aligned to the group’s risk appetite and appropriately balance governance oversight with operational efficiency.

**Closed and prohibited periods**
The group operates a more stringent closed period policy than required by the Listings Requirements and the Financial Markets Act, 19 of 2012. During the defined closed periods, directors, executives and other selected associates are prohibited from dealing in the company’s shares. Associates who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading. Regard is also given to other Listings Requirements in respect of the dealings of directors in the company’s shares.

**Codes of conduct**
Directors and associates are required to maintain the highest ethical standards. On joining the group, every associate receives a copy of the Business Code of Conduct and is required to sign an acknowledgement of acceptance thereof. On an annual basis, all senior associates of the group are required to submit a declaration confirming their continued compliance with the code. Any areas of non-compliance or any perceived conflicts of interest are addressed through the appropriate levels of divisional management, with ultimate reporting to the CEO and the board. For the year under review there were no material conflicts of interest. The code was updated during the year to take into account the recommendations of Transparency International in respect of anti-corruption practices and was approved by the board at the November 2016 special corporate governance meeting.

The Supplier Code of Conduct, which is aligned to the Business Code of Conduct and details the required standards and practices to which suppliers must adhere, was updated during the year to take into account the recommendations of Transparency International in respect of anti-corruption practices and ETI recommendations on supplier sustainability.

**BOARD STATEMENT**
The board believes, in respect of the business specifically reserved for its decision, it has satisfactorily discharged its duties and responsibilities during the year under review.

**Sponsor**
Rand Merchant Bank (a division of FirstRand Bank Limited) remains the company’s sponsor and, among other functions, advises the board on compliance with the Listings Requirements.
Mr Price Group remains committed to the principles of good governance, ethical leadership and exemplary corporate citizenship. To this end, the audit and compliance committee assists and supports the board in discharging its duties.

COMPOSITION

The committee is constituted as a statutory Mr Price Group Limited committee in respect of its duties in terms of the Companies Act (71 of 2008), and has been delegated the responsibility to provide meaningful oversight, particularly over the audit, finance, information technology (IT) governance and compliance functions.

The committee comprises the following four independent, non-executive directors:

- Daisy Naidoo (chairman)
- Bobby Johnston
- Myles Ruck
- John Swan

Role

- Assists the board to discharge its responsibility to:
  - safeguard the group’s assets,
  - operate adequate and effective systems of governance, financial risk management and internal controls,
  - prepare materially accurate financial reporting information and statements in compliance with applicable legal/regulatory requirements and accounting standards,
  - monitor compliance with laws and regulations, and
  - provide oversight of the external and internal audit functions, appointments and independence
- Ensures a combined assurance model is applied to provide a coordinated approach to all assurance activities relating to the significant risks facing the group and
- Provides a communication channel between the board and assurance providers.

The committee mandate is published on the group’s website www.mrpricegroup.com.

ANNUAL REPORT OF THE COMMITTEE

During the year under review, the committee fulfilled its mandate by meeting four times to deal with comprehensive agendas. It received the appropriate information from internal audit, external audit, management and other sources deemed necessary to fulfil its obligations. Pursuant to these activities and the investigations it conducted, the committee can report satisfaction with the external auditor’s independence and established principles governing the auditor’s employment for non-audit services.

Having given due consideration, the committee believes and confirms:

- Mark Blair, who is the financial director and carries the title of chief financial officer, possesses the appropriate expertise and experience to meet his responsibilities and that the group’s financial function incorporates the necessary expertise, resources and experience to adequately carry out its responsibilities
- The group’s accounting practices and the effectiveness of the internal controls have been maintained at a high standard and fully support the accuracy of the financial and related information presented to stakeholders in the integrated report;

- There were no material or frequently repeated instances of non-compliance with policies or legislation by the group during the year
- The designated auditor attended a meeting of the committee not more than a month before the board met to approve the integrated report and to discuss matters of importance to the auditor and the committee regarding the group’s financial statements and general affairs
- The committee considered and noted the key audit matters as determined by EY
- The committee approved that the external QAR on the IA function be performed by the CAE of a leading international services, trading and distribution company
- The committee was satisfied with the planning and scope of the audit, the quality of the external audit process and team assigned to the audit, the independence of EY, relationship with stakeholders and communication, the understanding of the business and the extent of non audit services provided. In addition, the length of tenure of the firm was considered and it was noted that the partner was rotated two years ago. On the basis of the assessment, the committee recommended to the Board and shareholders the re-appointment of EY as auditors and Vinodhan Pillay as the designated auditor.

The board believes that the committee has satisfied its responsibilities under its mandate.

Under the sponsorship of the committee’s chairman, a self-evaluation assessment was undertaken during the year that confirmed all statutory requirements in terms of the Companies Act, including the qualifications of committee members, are being met.
Internal Audit Report

The group internal audit division (internal audit) was established to assist the board and executive management with the achievement of the group’s objectives. The division has remained a vital part of the group’s governance structure, contributing to the groups’ value creation and preservation, resilience, agility and sustainability.

Internal audit remains uniquely positioned within the group as an independent, objective and value-adding assurance provider and trusted advisor. The division provides assurance and consulting services, spanning across the group’s network of governance, risk management and controls. It operates in terms of a formal mandate, it employs a high standard of working paper disciplines, manual, was well-established and dutifully adhered to. A high standard of working paper disciplines was maintained. A maturing integration existed to the strategic level and a mutual respect existed between the function and its stakeholders.

Internal audit was viewed as an independent trusted assurance partner to the business and played an integral role in the risk mitigation strategies of management.

The internal audit strategy was well-articulated and aligned to the strategy and risks faced by the business. A sophisticated model was used to independently and collaboratively determine the risk profile of each auditable area and was the primary driver behind scope inclusions/exclusions and rotation cycles within the internal audit plan. A high constituency of the plan lent itself to value-adding/consulting-type engagements (18% – 20%) limited to a maximum 25% excluding internal audit’s ongoing involvement in key projects.

The function fostered a climate of trust among internal audit associates. A strong commitment existed in investing in the internal audit associates, including from a soft skills perspective.

A sound internal audit methodology was followed. The workflow (planning, testing, documentation, reporting) surrounding an engagement, albeit manual, was well-established and dutifully adhered to. A high standard of working paper disciplines was maintained. A maturing integration existed among the relevant internal audit work streams (business processes, technology and data). The development of a self-help operations portal, and not absolute and does not supersede the board’s and management’s responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

SCOPE OF WORK

There were no undue scope limitations or impairments to independence. In our professional judgement, sufficient and appropriate audit procedures have been conducted through the completion of the risk-based audit plan and evidence gathered to support the conclusions contained in this report.
Area Description

INTERNAL CONTROLS

For the year under review, except for the ERP project (mrpworld) and mrpIT, overall audit scores have been maintained in the low-risk category.

- With respect to the mrpworld project, this has been largely due to the significant issues identified with respect to the third party planning system. Management has commenced with the selection of an alternative planning solution and has changed and strengthened the project approach to close reported gaps.

- With respect to the mrpIT environment, although there is a drop in the overall score, this does not reflect a deterioration of the IT environment. There have been a number of new audits introduced into this area as well as a number of improvements implemented by the IT management being in an early stage of implementation. In particular we have noted improvements across the IT tone at the top, governance structures and processes, project management processes and general IT frameworks. These should result in an overall and sustainable improvement in the IT environment, if effectively and consistently applied.

For the year under review, there were isolated audits rated in the high-risk category and appropriate management action has been committed. There have been no significant instances of fraud or misappropriation. A few instances of misappropriation were noted, with low value exposures and mainly at a store level.

There has been an increase in the number of audits rated amber, mainly due to the use of data analytics highlighting control gaps and blind spots not evident through traditional audit techniques employed previously and/ or certain areas being audited for the first time.

Overall Audit area F2017 F2016 F2015 F2014

Key projects
- mrpworld Adequate Adequate Adequate
- New DC Very good Very good Very good

Corporate audits
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Forensics
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IT audits
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Operational audits
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*In Q4 this result improved to 90%
Remuneration Report

This report provides an overview of the group’s approach to remuneration, with particular focus on executive and non-executive directors.

Background statement on governance and remuneration philosophy

Remuneration policy and implementation

Executive directors and divisional executives

Non-executive directors

Governance

The board, ultimately responsible for the remuneration policy, seeks to deliver the most desirable outcomes and practices which appropriately balance the welfare of all interested stakeholders in a transparent and integrated manner. The remuneration and nominations committee functions as a committee of the board, overseeing the remuneration of divisional executives and executive directors and reviewing management’s recommendations regarding the remuneration of non-executive directors including the chairman. The committee operates according to a formal board mandate – refer www.mrpricegroup.com/governance/charterandmandates. Nomination related activities are outlined in the corporate governance report on pages 48 to 53.

The committee constitutes only non-executive directors, of whom the majority is independent, and was chaired by Mr Johnston, the lead independent director. It has four structured meetings annually and meets on an ad-hoc basis if required. Committee membership and meeting attendance are disclosed on page 52. To assist the committee with the execution of its mandate, the chief executive officer (CEO) and chief financial officer (CFO) attend committee meetings, but are not present when their remuneration are discussed.

The committee is satisfied that the group’s remuneration policy achieved its stated objectives and was implemented on a basis consistent with the previous year with the only deviation being the awarding of additional long-term incentive awards to retain and motivate key associates critical to the success of the company’s strategic objectives (refer page 69).

Where applicable, matters are referred to shareholders for approval at either the annual general meeting (AGM) or a general meeting. The remuneration policy aspects of this report are subject to an annual non-binding shareholders advisory vote at the AGM. This meeting is attended by the chairman, who is available to answer questions regarding the remuneration policy, its application and the committee’s activities.

The company encourages and appreciates feedback from shareholders on governance and remuneration related matters. Issues raised are tabled at committee meetings and considered when reviewing policy and the annual integrated report (AIR) disclosure. Significant shareholders and proxy houses are contacted ahead of the AGM in the event that further clarity on the proposed resolutions is required. We have received positive feedback from shareholders regarding management’s engagement efforts and the enhanced level of disclosure made to date.

In the previous financial year shareholders approved the company’s remuneration policy with a non-binding advisory vote of 84.66%. Issues raised by shareholders regarding the remuneration policy and its implementation included:

- the independence of Messrs. Johnston and Swain as a result of their long tenure -
- these two directors are following the normal retirement process as provided for in the board charter -
- further disclosure on the pipeline process for the appointment of directors -
- interviews are being held to ensure compliance with our stated intentions regarding gender and ethnic diversity of the board -
- the adequacy of long-term incentive performance hurdles -
- EFSP performance hurdles have been reviewed and an effective and transparent hurdle structure introduced (refer page 72) -
- further disclosure on the headline earnings per share (HEPS) targets for incentive measures (refer table on page 72); and -
- further commentary on short-term variable pay targets and their measurement -
- the awarding of incentives are dependent on the policies, practices and values of the company and the conduct of the associate (refer pages 63 to 65).
Remuneration philosophy

The values guiding the group are Passion, Value and Partnership (refer to page 6). The manner in which these are applied creates a unique organisation, both in culture and performance and is a key driver of business success.

The remuneration structures are designed to stimulate and incentivise high performance. An entrepreneurial management style is encouraged, providing all staff (associates) the room to innovate and grow within a clear operating framework. This effectively enables ordinary people to achieve extraordinary things. As the group strives to achieve its vision of being a top performing international retailer, the core of the group’s remuneration philosophy - its ability to attract, retain and motivate top retail talent – remains critically relevant. Our approach aims to create partnerships with associates in their journey of continued growth through base pay and benefits, attractive performance-driven short-term (bonuses) and long-term (share schemes) incentives and recognition and reward programmes.

The historical earnings growth of the company (31 year HEPS compound annual growth rate of 21.6%) is attributable to the efforts of all our associates. The trends provide tangible evidence that our values and approach to remuneration have delivered on the objectives of retention and motivation by driving performance, while ensuring that efficiency gains are realised by maintaining the right balance between skills to maintain and grow operations and employee costs.

The group remains acutely aware of the global issue regarding fair and responsible remuneration between management and junior level employees. We believe that our unique and inclusive approach to short and long-term remuneration, enables the best possible outcomes, is substantively fair and is applied consistently throughout the organisation. This enables our associates to share in the success of the group, thereby aligning their efforts with corporate performance and increased shareholder value (refer pages 66 and 70 for details of the benefits applicable to participants in the Partners Share Scheme). We also believe that literacy and reasonable numeracy are the keys to decent employment and our MRP Foundation has been instrumental in these aspects through training and awarding educational bursaries, from early childhood development to tertiary education. MRP Foundation achievements are detailed on page 41.

REMUNERATION POLICY AND IMPLEMENTATION

The group’s remuneration policy is to reward all associates for their contribution to the performance of the business, taking into consideration an appropriate balance between short and long-term benefits. Being a value retailer, the group aims to pay basic salaries and benefits at the market median. Remuneration levels are also influenced by work performance, experience and scarcity of skills.

Given that performance-related incentives form a material part of remuneration packages thus enabling total earnings to exceed the market (based on performance), ongoing performance feedback is vital. Associates participate in performance and career development evaluations on an annual basis, focusing on work achievements versus targets, learning and development needs, values and cultural alignment. Remuneration is not influenced by race, creed or gender, with the emphasis on equal pay for equal work. There is strong alignment of the types of benefits offered to the various levels of permanent associates. The group can justify areas where differentiation has been applied, specifically where consideration has been given to the position’s seniority and the need to attract and retain key skills.

All associates sign a letter of employment stipulating their notice period. The contract may be terminated by either party giving written notice, which ranges from one month for a store or head office associate to six months for executive directors. Despite these provisions, either party may terminate the contract of employment without notice for any cause recognised by law or by agreement by both parties to waive the notice period. Contracts are also terminated in the event of a dismissal, without the associate having an entitlement for compensation. Employment contracts do not contain provisions relating to the compensation of executives for a...
remuneration report (continued)

change of control of the company, providing neither balloon payments on termination or retirement, nor restraint of trade payments (although the latter may be contained elsewhere).

External service providers assist the remuneration and nominations committee from time to time and, where this involves remuneration, appropriate benchmarking comparatives are made. Benchmarking is a robust indicator of fairness although not the sole determinant. Other important factors include experience, level of responsibility, scarcity of skills, personal performance and knowledge gleaned from continuous interviewing and employment of senior employees from competitors in the industry.

The disclosure of the remuneration of executive directors is governed by the JSE Listings Requirements and the Companies Act, 2008, with additional recommendations from King III. The group has applied the principles of King III that are appropriate for the business, to which there have been no material changes during the year under review. The group complies with all disclosure aspects, except the recommendation of principle 2.25 of King III, relating to the present value of long-term incentives due to the varied valuation models and the unpredictable forecasting elements required to determine the value of the share options when vesting. The group’s view is that considering the present value of option awards as remuneration may be misleading, in that the present value does not reflect the value paid to or receivable by the executive. Such gains can only be determined upon exercise of the options subsequent to the vesting performance targets having been met. However, to compensate for this omission, share option disclosure has been enhanced to aid shareholder evaluation (refer pages 71 and 72). The group embraces the spirit and key principles of King III which will be implemented in the forthcoming financial year.

Remuneration structure
Total remuneration (TR) and the supporting reward structures are categorised into the following elements:
- Total guaranteed pay (TGP): base pay and benefits
- Short-term incentives (STIs): variable remuneration in the form of performance-driven incentive bonuses
- Long-term incentives (LTIs): variable remuneration in the form of shares and share options

Total guaranteed pay
All associates receive a guaranteed pay package based on their roles, experience and individual performance. Increases are based on a review of market data at the time and consideration of individual performance and potential.
- Base pay - salary and benefits are reviewed at least annually.
- Medical aid membership - offered to all full-time associates employed in South Africa, Botswana, Namibia, Lesotho and Swaziland, but is not a condition of service.
- Retirement benefits - the majority of associates employed in South Africa, Swaziland and Lesotho are members of two funded defined-contribution funds and a defined-benefit fund (closed to new entrants effective from 1997). Associates employed in Namibia, Botswana, Nigeria and Ghana are members of separate defined-contribution funds in those countries, while Zambian associates are members of the Zambian National Pension Scheme Authority. The funds provide for pensions and related benefits for permanent associates and membership is compulsory after the first year of service. Superannuation contributions are made in respect of Australian associates.

The group remunerates new entry-level associates, some of whom are sourced through MRP Foundation, at least at minimum statutory wages. Substantial opportunities exist for associates to move well away from minimum wage, as early as their first year of employment, through:
- group growth and expansion creating opportunities for advancement
- the group’s long-standing policy to fill vacancies by promoting from within
- a multiplicity of educational and training mechanisms being available to all associates, tailored to their individual requirements
- associates’ own application and initiative
- short-term and long-term incentive programmes detailed below and elsewhere in this report and
- wealth creation in the form of share price growth via participation in the various share schemes.

In April 2017 our general head office staff, divisional executives, executive directors and non-executive directors received annual increases of 6.0% (headline consumer price index or CPI 6.1%) while store associates received increases of between 7.3% and 8.8%.

Associates participating in the Mr Price Partners Share Scheme received dividends of up to R6 877 each in the last financial year, depending on their employment date and share quantum awarded.

Total remuneration (TR) vs Performance

Total remuneration (TR) as a % of operating profit

![Total remuneration (TR) vs Performance](chart)

![Total remuneration (TR) as a % of operating profit](chart)
Short-term incentives

The group offers performance-driven short-term incentive (bonuses) and recognition and reward programmes. Associates across all levels are provided the opportunity to earn well above the market median, through generous incentives, that place a significant proportion of the variable reward at risk for the achievement of stretch targets. Awarding of STI bonuses requires the achievement of budgeted targets and exceeding the relevant stretch hurdles (refer to STI detail later in the report).

The programmes are designed to reward all associates for their contribution to company performance in the areas that they can influence:
• store associates’ short-term incentives can amount to the equivalent of three months’ salary, assuming all stretch targets are achieved and
• divisional executives’ incentive structures (including stretch) incorporate the achievement of key imperatives linked to their respective division’s strategy (refer structures on page 64).

Long-term incentives

In line with the company’s core value of Partnership, share schemes appropriate to the various levels of associates are in place.

A key factor of the share schemes is that, in essence, they also incorporate the group’s intentions regarding the ownership criteria of broad-based black economic empowerment (B-BBEE). Rather than enter into an ownership deal with external parties, the board resolved to embrace the true spirit of B-BBEE and, subject to certain qualifying criteria, included all associates employed in the Southern African Customs Union (SACU) region in its various share and share option schemes. In this way, those responsible for contributing to the group’s success become partners in the business and are rewarded for sustained high performance. In addition to the positive impact of associates thinking and acting like owners on group performance, this has led to a substantial transfer of wealth to all levels of associates over the life of the schemes, providing them with increased financial security when they eventually retire from the group.

Junior associates in SACU receive free shares (the number of which are based on their salary level, percentage allocation and share price) after one year’s employment and, in addition, qualify for share options once they reach the qualifying salary level.

Higher level associates in operations and at head office generally participate in the General or Senior Management share option schemes.

Divisional executives participate in the executive Share Scheme (share option scheme) and executive Forfeitable Share Plan and, in some cases, the group Forfeitable Share Plan.

Non-routine awards are occasionally made, depending on circumstances at the time, which may impact retention and motivation. In the current year these amounted to 899,567 (0.34% of issued share capital) share options across the executive director, executive and senior management share schemes (refer page 69).
### EXECUTIVE DIRECTORS AND DIVISIONAL EXECUTIVES

#### Guaranteed pay policy

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Opportunity and limits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base pay</strong></td>
<td>To offer competitive market related pay taking into consideration specific role requirements, and levels of skill and experience. To attract and retain high calibre executives capable of crafting and executing the business strategy.</td>
<td>Remuneration is reviewed annually on 1 April. Employment contracts are terminated in the event of a dismissal, without the executive directors having an entitlement for compensation. Employment contracts do not contain provisions relating to the compensation for a change of control of the company, providing neither balloon payments on termination or retirement, nor restraint of trade payments (although the latter may be contained elsewhere). No material ex-gratia payments are routinely paid. A notice period of six months is required. The appointment of executive directors is aligned with the Companies Act, 2008. As a result, they do not retire by rotation as per the policy for non-executive directors. Instead, their performance is reviewed annually by the committee.</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Provide a market-competitive suite of benefits. Retirement funding (RF) – membership of the defined contribution retirement plan. Medical aid (MA) – membership of Discovery Health Executive Plan. Motor vehicle (MV) related allowances.</td>
<td>Company RF contributions are set at 18% of basic salary. MA plan type is at the discretion of the executive. MV benefits reflected below.</td>
</tr>
</tbody>
</table>

#### Executive directors

- Remuneration is reviewed annually on 1 April.
- Employment contracts are terminated in the event of a dismissal, without the executive directors having an entitlement for compensation.
- Employment contracts do not contain provisions relating to the compensation for a change of control of the company, providing neither balloon payments on termination or retirement, nor restraint of trade payments (although the latter may be contained elsewhere). No material ex-gratia payments are routinely paid. A notice period of six months is required.
- The appointment of executive directors is aligned with the Companies Act, 2008. As a result, they do not retire by rotation as per the policy for non-executive directors. Instead, their performance is reviewed annually by the committee.

#### Divisional executives

- Remuneration is reviewed annually on 1 April.
- Employment contracts are terminated in the event of a dismissal, without the executive having an entitlement for compensation.
- Employment contracts do not contain provisions relating to the compensation for a change of control of the company, providing neither balloon payments on termination or retirement, nor restraint of trade payments (although the latter may be contained elsewhere). No material ex-gratia payments are routinely paid. A notice period of three months is required.

#### Pay reviews

Pay reviews are influenced by skills, scope of responsibilities and individual performance, including leadership and conduct in line with the group's values. Total remuneration is benchmarked and aligned biennially to the median of a comparator group of JSE listed companies, which was selected using established principles and clear criteria, contemplating, but not limited to, complexity, profitability and turnover. The survey was last performed in October 2016 by remuneration advisors, PwC Tax Services and included the following 15 companies in the peer group:

- sector (Pick 'n Pay, The Foshini Group, Massmart, Clicks, Truworths, Woolworths and Shoprite)
- market capitalisation (Tiger Brands, PSG Group, Life Healthcare, Spar Group and Imperial Holdings)
- growth (Coronation, Capitec Bank and Aspen).

In non-benchmark years, salary increases are based on the prevailing consumer price inflation rate.

### Benefits

- **Retirement funding (RF)** – membership of the defined contribution retirement plan.
- **Medical aid (MA)** – membership of Discovery Health Executive Plan.
- **Motor vehicle (MV)** related allowances.

- **Company RF contributions** are set at 18% of basic salary.
- **MA plan type** is at the discretion of the executive.
- **MV benefits** reflected below.
IMPLEMENTATION

Summary and analysis of ED total guaranteed pay

Comparison to bespoke comparator group:
The benchmark figures have been inflation adjusted to September 2016. The underlying criteria applied in respect of the 2016 benchmarking survey conformed to the 2014 survey. Consequently, the 2016 benchmarking movements in guaranteed pay were a function of changes to the comparator group and the market at work. Since the executive directors guaranteed remuneration fell within the accepted tolerance bands, no immediate technical adjustments were deemed necessary.

Salary increases for the 2017 financial year (effective 1 April 2016) were based on consumer price index (CPI) as this was not a benchmark year. Accordingly, both the CEO and CFO received salary increases of 6.2% (CPI rate at January 2016). With respect to the 2018 financial year, based on the benchmarking survey performed, the executive directors received salary increases of 6.0%.

In line with its remuneration philosophy, the group generously rewards superior performance through its variable pay structures in the form of short-term and long-term incentives. This philosophy manifests in the policy which is evidenced in the results of the October 2016 benchmarking survey. Relative to the median of the bespoke comparator group, each executive directors total guaranteed pay component (as a percentage of total remuneration) indicates the desired shape and consistent value positioning of the company’s TGP structures.

Emoluments for the year – guaranteed pay and short-term incentives (R’000)

<table>
<thead>
<tr>
<th></th>
<th>Salary</th>
<th>Motor vehicle benefits</th>
<th>Pension contributions</th>
<th>Other benefits</th>
<th>Short-term incentives</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SI Bird¹</td>
<td>5 859</td>
<td>235</td>
<td>1 213</td>
<td>723</td>
<td>-</td>
<td>8 030</td>
</tr>
<tr>
<td>MM Blair¹</td>
<td>3 700</td>
<td>336</td>
<td>810</td>
<td>500</td>
<td>-</td>
<td>5 346</td>
</tr>
<tr>
<td>SA Ellis</td>
<td>1 773</td>
<td>210</td>
<td>403</td>
<td>288</td>
<td>298</td>
<td>2 972</td>
</tr>
<tr>
<td>Total</td>
<td>11 332</td>
<td>781</td>
<td>2 426</td>
<td>1 511</td>
<td>298</td>
<td>16 348</td>
</tr>
</tbody>
</table>

Change over previous year (44.7%)

¹ considered to be prescribed officers
² annual loyalty bonus now included under ‘other benefits’ previously disclosed under short-term incentives.

<table>
<thead>
<tr>
<th></th>
<th>Salary</th>
<th>Motor vehicle benefits</th>
<th>Pension contributions</th>
<th>Other benefits</th>
<th>Short-term incentives</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SI Bird¹</td>
<td>5 571</td>
<td>210</td>
<td>1 137</td>
<td>646</td>
<td>7 706</td>
<td>15 270</td>
</tr>
<tr>
<td>MM Blair¹</td>
<td>3 518</td>
<td>340</td>
<td>757</td>
<td>486</td>
<td>4 573</td>
<td>9 674</td>
</tr>
<tr>
<td>SA Ellis</td>
<td>1 686</td>
<td>229</td>
<td>378</td>
<td>268</td>
<td>2 079</td>
<td>4 640</td>
</tr>
<tr>
<td>Total</td>
<td>10 775</td>
<td>779</td>
<td>2 272</td>
<td>1 400</td>
<td>14 358</td>
<td>29 584</td>
</tr>
</tbody>
</table>

Gains made under the long-term incentive schemes are disclosed on page 71.

In line with its remuneration philosophy, the group generously rewards superior performance through its variable pay structures in the form of short-term and long-term incentives. This philosophy manifests in the policy which is evidenced in the results of the October 2016 benchmarking survey. Relative to the median of the bespoke comparator group, each executive directors total guaranteed pay component (as a percentage of total remuneration) indicates the desired shape and consistent value positioning of the company’s TGP structures.
### Short-term incentive policy

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Mechanics</th>
<th>Opportunity and limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive directors</td>
<td></td>
<td>The committee aims to ensure that a well-balanced set of measurables are designed, which include:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Measurable group performance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Targets are tailored annually recognising the prevailing economic and trading conditions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• HEPS growth, with a strong element of stretch</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• return on equity (ROE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• key imperatives linked to the business strategy.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Personal performance</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>This incorporates areas of demonstrated performance, leadership, innovation, effort and teamwork. Measuring these KPI’s necessitates judgement and is determined via individual and peer reviews. A poor personal performance evaluation could reduce or eliminate the incentive achieved under measurable group performance.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>General</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bonus payments are not deferred and are payable annually in May in cash.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Associates must be in the group’s employ at year-end to receive incentive bonuses, unless due to specific circumstances, the committee has approved alternative arrangements.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Incentives do not contain clawback provisions.</td>
<td></td>
</tr>
<tr>
<td>Annual performance incentive</td>
<td>To motivate executives to achieve short-term performance goals which relate primarily to earnings, but which also measure the achievement of near-term targets relating to the group’s strategic objectives, personal behaviour and leadership.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Although challenging targets which support the group’s strategic imperatives are set, the incentive schemes are potentially generous and attainable to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• encourage the achievement of targets that can be directly influenced by superior performance and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• avoid the company being exposed to undue risk as a result of the executive’s behaviour.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>A substantial proportion of the financial or ‘hards’ aspects of the award requires outperformance and is therefore at risk.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The aim is to ensure that a strong relationship exists between strategy, targets and remuneration linked to the KPIs thus enabling sustainable value creation for shareholders over the long-term.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>If either the company or individual performance is not at desired levels, incentives will reflect that situation.</td>
<td></td>
</tr>
</tbody>
</table>

**Measurable group performance**

For the 2017 financial year, the ‘hards’ targets against which the CEO and CFO were measured included:

- growth in headline earnings per share 75%
- return on equity 8%
- achievement of strategic KPIs 17%

Total 100%

The maximum that can be earned in this category is equal to 100% of annual basic salary (ABS).

If the group achieves its budgeted half-year and annual headline earnings per share targets, a maximum award of 25% of ABS is made.

The supply chain director was measured on:

- growth in headline earnings per share 66%
- specific supply chain operational targets 17%
- supply chain strategic KPIs 17%

Total 100%

The maximum potential award is equal to 100% of ABS.

If the group achieves its budgeted half-year and annual headline earnings per share targets, a maximum award of 13% of ABS is made.

**Personal performance**

Personal awards for the CEO and CFO are capped at 100% of ABS. However this will only be achieved in exceptional circumstances and has rarely been paid. The supply chain director is generally capped at 17% of ABS.
### Component Purpose and link to business strategy Mechanics Opportunity and limits

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Mechanics</th>
<th>Opportunity and limits</th>
</tr>
</thead>
</table>
| Annual performance incentive | The principles which apply to executive directors also apply to divisional directors. | A typical incentive structure for trading division executives is as follows:  
  - divisional operating profit (budget) 25%  
  - divisional operating profit (stretch) 41%  
  - achievement of divisional KPIs 17%  
  - personal performance 17%  
  Total 100% | Financial targets comprise approximately 66% of total, (at target component 38%, stretch component 62%), while non-financial targets compromise 34%.  
  A typical incentive structure for service division executives is as follows:  
  - group operating profit (budget) 12.5%  
  - group operating profit (stretch) 12.5%  
  - cost control (stretch) 17%  
  - achievement of divisional KPIs 41%  
  - personal performance 17%  
  Total 100% | Financial targets comprise approximately 42% of total KPIs (at target component 30%, stretch component 70%), while non-financial targets comprise 58% of total KPIs.  
  The above award structures are generally capped at 100% of ABS although, in exceptional circumstances, the CEO may motivate a higher personal performance award thereby potentially exceeding 100% of ABS. |
| Service bonus               | To promote retention, subject to company performance. | All associates participate in a loyalty bonus scheme, payable annually in December at the option of the company. | The benefit commences at the level of 20% of monthly basic salary per completed year of service up to 60% (after four years). After the completion of 10 years’ service, an additional 20% is awarded, with subsequent awards being equal to a month’s basic salary. |
IMPLEMENTATION

Summary and analysis of executive directors short-term incentives

The recent trend of companies disclosing the precise mechanics of short-term incentive schemes was aimed at preventing executives from being rewarded in the event of company underperformance and improving the transparency of underlying risk factors. The historical information detailed below demonstrates that an appropriate level of thought has been applied to the structure of STIs, that incentives are aligned with the group’s performance based KPIs and culture and therefore inextricably linked to sustainable value creation for shareholders.

Comparison to bespoke and Top 40 comparator groups:

The 2016 benchmarking movements in short-term incentives were a function of changes to the comparator group, company performance versus the peer group, the market at work and the level of short-term incentives paid to executive directors in 2016 which were, in absolute terms, lower than the individual amounts paid in 2014 to the CEO and CFO.

The CEO’s 2016 short-term incentive award was benchmarked within the median to upper quartile of the bespoke and JSE Top 40 comparator groups, a function of the pay-out percentage of ABS. The CFO’s 2016 short-term incentive award was benchmarked above the ‘upper’ quartile of the bespoke and JSE Top 40 comparator groups (refer composition of total incentives in last three years table below).

For the 2016 financial year the company’s HEPS growth of 12.6% (52 weeks) was higher than the comparator group median while the historical 31-year HEPS CAGR earnings of 21.6% emphasises the shareholder value created over the long-term.

The recent trend of companies disclosing the precise mechanics of short-term incentive schemes was aimed at preventing executives from being rewarded in the event of company underperformance and improving the transparency of underlying risk factors. The historical information detailed below demonstrates that an appropriate level of thought has been applied to the structure of STIs, that incentives are aligned with the group’s performance based KPIs and culture and therefore inextricably linked to sustainable value creation for shareholders.

Comparison to bespoke and Top 40 comparator groups:

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The CEO’s 2016 short-term incentive award was benchmarked within the median to upper quartile of the bespoke and JSE Top 40 comparator groups, a function of the pay-out percentage of ABS. The CFO’s 2016 short-term incentive award was benchmarked above the ‘upper’ quartile of the bespoke and JSE Top 40 comparator groups (refer composition of total incentives in last three years table below).

Accordingly, the board, guided by recommendations from the remuneration and nominations committee, agreed that EDs should not receive short-term incentive awards linked to company financial targets as a result of the significant underperformance relative to budgeted HEPS.

Under the circumstances, and after due consideration, the board also agreed that the CEO and CFO should not receive awards linked to personal targets. The supply chain director’s incentive related to his valuable contribution and leadership in respect of the new distribution centre project which is nearing completion.

Historical HEPS incentive targets vs actual HEPS reported

<table>
<thead>
<tr>
<th>% of ABS that would apply for achieving:</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>budgeted HEPS growth</td>
<td>33</td>
<td>25</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>stretch target HEPS growth (incl all KPIs)</td>
<td>67</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

Actual HEPS reported (cents)

<table>
<thead>
<tr>
<th>Actual HEPS growth (%)</th>
<th>Actual HEPS growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26.3</td>
<td>20.4</td>
</tr>
<tr>
<td>20.2</td>
<td>15.0</td>
</tr>
</tbody>
</table>

| Headline CPI for the year (%) | 5.9 | 6.0 | 4.0 | 6.3 | 6.1 |
| Real HEPS growth achieved (%) | 20.4 | 14.4 | 16.2 | 8.7 | (19.9) |
| % of HEPS based incentive achieved | 100 | 100 | 100 | 33 | 0 |

Relationship between ED incentives and performance

Accordingly, the board, guided by recommendations from the remuneration and nominations committee, agreed that EDs should not receive short-term incentive awards linked to company financial targets as a result of the significant underperformance relative to budgeted HEPS.

Under the circumstances, and after due consideration, the board also agreed that the CEO and CFO should not receive awards linked to personal targets. The supply chain director’s incentive related to his valuable contribution and leadership in respect of the new distribution centre project which is nearing completion.

Composition of total incentives

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group performance (% of ABS)</td>
<td>47</td>
<td>Bird</td>
</tr>
<tr>
<td>Personal (% of ABS)</td>
<td>92</td>
<td>Blair</td>
</tr>
<tr>
<td>Total (% of ABS)</td>
<td>139</td>
<td>Ellis</td>
</tr>
</tbody>
</table>

*denotes a 53-week trading period
Long-term incentive policy

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Mechanics</th>
<th>Opportunity and limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background</td>
<td>Partnership and reward for performance are among the group's key beliefs. The group has ambitious growth plans that will require substantial capital expenditure and the continued dedication of its associates. The long-term incentives are to motivate and retain associates critical to the achievement of these goals. To that end, various share and share option schemes have been established to enable all associates the opportunity to share in the long-term success of the group. Given the socio-economic environment in South Africa, we believe that our unique inclusive approach to share ownership enables the best possible outcomes and imbues good corporate citizenship, is a key differentiator and is essential to achieving a sustainable high level of performance. In other companies, long-term incentives are typically reserved for company executives. However, in our case executive directors' interest is only 8.5% of total routine long-term incentive awards.</td>
<td>The share option schemes operate on a rolling basis, in that smaller annual awards are made, rather than larger upfront awards. The timing of these awards usually coincides with a tranche vesting. This mechanism spreads the market risk, avoiding the situation where all options could be out of the money, which is a disincentive to associates. All option and share awards are based on an award value, determined by annual guaranteed remuneration (AGR) multiplied by a factor (benchmark where possible), divided by the share price (lower of either the 30 day VWAP or the closing price the day before the award). This limits company exposure during a period of share price strength. Re-pricing of options is not permitted. Options are not awarded to or exercised by key personnel in the executive director share schemes during closed periods. Executive share scheme participants may exercising their options during closed periods subject to adhering to strict criteria prior to entering the closed period.</td>
<td>Company level: In terms of specific authority received from shareholders, the company may issue 46 548 430 shares to satisfy the requirements of its share schemes. Since the schemes were introduced in 2006, the company has issued 11 775 305 shares and therefore still has 34 773 125 shares that may be issued for this purpose. However, to avoid shareholder dilution, the group’s policy to date has generally been to purchase shares on the open market to satisfy the schemes' requirements, as opposed to issuing new shares. In current financial year under review, 2 312 013 shares were issued across four options schemes. The company’s partnership approach has resulted in 11,992 associates participating in the various share schemes in operation at year-end (refer page 70). Total long-term incentive award obligations represent 5.7% of share capital, which has reduced substantially over time as a result of the change to the award formula (refer graph on page 70). The board believes that it is not appropriate to include shares allocated under the Partners Share Scheme, which effectively operates as the group’s B-BBEE scheme, in this overall participation total. Excluding this scheme, the total number of shares committed under the various routine equity incentive schemes equates to 4.1% of the issued share capital (refer page 70). Individual level: The scheme in which associates can participate depends on their position in the group. Long-term incentives are subjected to an annual review to confirm their efficacy and affordability. Further information can be found on the group’s website <a href="http://www.mrpricegroup.com/governance/remunerationphilosophy/groupshareschemes">www.mrpricegroup.com/governance/remunerationphilosophy/groupshareschemes</a>. The award value is applied in full to the shares or options offered to the majority of associates. However, in the case of divisional executives and EDs, the award value is split into options and forfeitable shares (refer pages 67 and 68 for further details).</td>
</tr>
<tr>
<td>Component</td>
<td>Purpose and link to business strategy</td>
<td>Mechanics</td>
<td>Opportunity and limits</td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Share option schemes</td>
<td>To motivate executives to achieve long-term performance goals contained in the group’s strategy.</td>
<td>Per detail under background above.</td>
<td>The base face values of total long-term incentives offered, as a % of annual guaranteed remuneration, are as follows:</td>
</tr>
<tr>
<td></td>
<td>To offer an attractive long-term incentive scheme for potential future executive directors and divisional executives, and to enhance current retention.</td>
<td>Share options vest five years from award date.</td>
<td>• Chief executive officer 354%</td>
</tr>
<tr>
<td></td>
<td>A strong relationship exists between strategy, targets and remuneration linked to the KPIs thus enabling sustainable value creation for shareholders over the long-term.</td>
<td>Share options must be exercised within five years from vesting, failing which, they will lapse.</td>
<td>• Chief financial officer 311%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-term incentives do not contain performance clawback provisions.</td>
<td>• Group supply chain director 150%.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>The high minimum shareholding requirements for executive directors is aligned to the ownership culture of the group. Bonus awards are offered equal to 10% of total awards, based on personal shareholding in the company. The value of shares held at qualifying date annually must be at least equal to three times annual guaranteed remuneration. The personal shareholding of all executive directors exceed the required level.</td>
</tr>
<tr>
<td>Divisional executives</td>
<td>The basis upon which total routine long-term incentive awards are calculated range from 100% to 250% of annual guaranteed remuneration, depending on the role and level of responsibility.</td>
<td></td>
<td>The committee’s intent is not to raise performance hurdles to a level that would cause the schemes to lose their motivational appeal. Should the long-term incentive schemes lose their motivational appeal, the group will have to adopt a less favourable approach of increasing guaranteed pay to retain key associates.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>However, to protect shareholders from executives being rewarded for poor company performance, average HEPS growth of CPI + 1% over the vesting period must be achieved, failing which the awards will lapse.</td>
</tr>
</tbody>
</table>

**Executive directors**

**Performance conditions**
### Executive directors and divisional executives

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Mechanics</th>
<th>Opportunity and limits</th>
<th>Performance conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive forfeitable share plan (EFSP)</td>
<td>The company's advisors, PwC, recommended the implementation of a FSP as the vast majority of companies surveyed had more than one type of long-term incentive scheme operating in parallel. A mix of long-term incentive supports the attraction, motivation and retention elements while continuing to align their interests with that of shareholders. In the event of options being 'out-the-money', FSPs offer more certainty to the recipient as the value is in the share that vests, not growth on strike price, as is the case with options. From a company perspective, FSPs are attractive as shares result in a lower number of instruments than options. Participants can also receive performance related forfeitable shares, which are subject to performance conditions.</td>
<td>Forfeitable shares are free shares awarded to participants, subject to certain conditions. Shares awarded are included in the award value and form part of the rolling nature of long-term incentive schemes. The shares vest five years from offer date and must be exercised immediately. Participants receive dividends on the restricted shares from the award date. The shares acquired by the company to fully satisfy these obligations are held by an institutional third party.</td>
<td>FSPs account for approximately 15% of the total share option and share award. Employment related award Half of the EFSP award is linked to continued employment with the company. Performance related award Half of the EFSP award is subject to stretch HEPS targets for awards made up to and including November 2015 (refer page 72). For EFSP performance awards allocated effective from November 2016, the board approved a new hurdle structure (refer page 72).</td>
<td></td>
</tr>
<tr>
<td>Group forfeitable share plan (GFSP)</td>
<td>To retain the services of executives who are central to the group’s growth strategy. It is advantageous to the company and shareholders that the executives are prevented from joining a competitor and taking their intimate knowledge of the company’s successful business formula with them. Participants receive a once-off award of free shares which vest in full after five years and must be exercised immediately. Participants receive dividends on the restricted shares from award date. The shares acquired by the company to fully satisfy these obligations are held by an institutional third party.</td>
<td>Award of shares equivalent to between two and three times annual guaranteed remuneration, depending on the executive’s position. In total the scheme has 14 participants, including the CEO and CFO. The supply chain director is subject to previous restraint agreements. No awards were made during the year.</td>
<td>The performance conditions relate to associates entering into a restraint and retention agreement, which: • requires them to be employed by the company for a period of five years from award date and • precludes them from joining a competitor for a period of two years should they leave the company.</td>
<td></td>
</tr>
</tbody>
</table>
IMPLEMENTATION

Summary and analysis of executive directors long-term incentives

The most recent PwC long-term incentive benchmarking exercise highlighted the difficulty in drawing meaningful comparisons to other companies, given the various methodologies adopted. Awards can either be based on the face value (approach preferred by the group) or the expected value of the instruments issued, and companies can either have smaller annual awards (approach adopted by the group) or larger awards which vary in frequency, or a combination of both.

The 2016 benchmarking movements in long-term incentive awards were a function of changes to the comparator group, company performance versus the peer group, the market at work and the level of long-term incentives awarded to executive directors in November 2015 based on the prevailing strike price at the time (refer pages 71 and 72). Despite the limitations as a result of judgements and estimates used in converting one basis to the other for benchmarking purposes, the annual long-term incentive awards are detailed below.

The awarding of long-term incentive awards to executive directors on a rolling annual basis at the base face values indicated in the policy above is unreservedly aligned to the effective ownership culture of the group, a proven retention and motivational strategy for delivering exceptional long-term performance.

The significant level of accountability assigned to the company’s CEO and CFO requires commensurate reward across the various remuneration elements, being TGP (refer page 62), STIs (refer page 65) and long-term incentives. Where company performance and long-term incentive targets have been met or exceeded, this will be reflected in the value of the gain above the strike price. However, where the company performance is not at desired levels, the extent of long-term incentive gains will reflect this situation at vesting date or, in the case of options being ‘out-the-money’, complete forfeiture of the options (refer page 70).

The CEO’s F2016 long-term incentive award was benchmarked marginally above the upper quartile of the bespoke comparator group and in the median to upper quartile of the JSE Top 40 comparator groups.

The CFO’s F2016 long-term incentive award was benchmarked above the upper quartile of the bespoke and JSE Top 40 comparator groups.

ED participation in LTIs (closing balances)

<table>
<thead>
<tr>
<th>SI Bird</th>
<th>MM Blair</th>
<th>SA Ellis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Price executive director share trust (options)</td>
<td>831 838</td>
<td>500 571</td>
</tr>
<tr>
<td>Mr Price executive EFSP scheme (excl GFSP)</td>
<td>89 530</td>
<td>53 226</td>
</tr>
<tr>
<td>% of share capital (ords &amp; B ords)</td>
<td>0.35%</td>
<td>0.21%</td>
</tr>
</tbody>
</table>

During the course of the year executive directors were awarded 340 769 retention share options in addition to routine annual awards to retain and motivate executive directors to achieve stretching long-term performance goals contained in the group’s business strategy. Similar awards were also offered to the divisional executives (350 828) and other key senior staff (207 970).

The number awards increased in 2017 mainly due to the standardised award formula (a function of the lower share price) and additional retention awards offered.

Overall, the committee is satisfied that a fair and appropriate balance has been achieved between long-term incentive remuneration awarded in attracting, motivating, and retaining associates; together with affordability to the company, and the welfares of shareholders and other interested stakeholders. The medium-term trends are noted below.
Mr Price Partners Share Scheme

Partners are awarded shares instead of share options. Associates in junior positions, where staff turnover is relatively high, are awarded shares after being permanently employed for 12 months. Participants in this scheme receive dividends bi-annually and are eligible to vote on their shares as shareholders. Half of the trustees overseeing the operation of this scheme were elected by participants, thereby ensuring greater understanding of the mechanics of the scheme and enhanced communication to associates. Black ownership in this scheme is 97.5% and the average value of shares held on behalf of each individual associate is R67 962. Associates who became participants between the date of introduction of this scheme and November 2010 were either allocated 1 000 shares or 1 250 shares as an assistant store manager. The value of the latter’s shares has grown from R26 000 to R199 875 over time. Further growth will materially impact our associates’ lives at retirement, at which stage the shares vest unconditionally. Participants received dividends amounting to R22.3 million over the last year (final 2016 and interim 2017 dividends).

The company has paid out total dividends of R141.8 million to associates participating in the Partners Share Scheme since its inception in 2006.

<table>
<thead>
<tr>
<th>Trust</th>
<th>Number of Participants</th>
<th>Number of Options / Shares (out-the-money options)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners Share Trust</td>
<td>9 719</td>
<td>4 228 167</td>
</tr>
<tr>
<td>General Staff Share Trust</td>
<td>1 974</td>
<td>3 543 490 1 624 921</td>
</tr>
<tr>
<td>Senior Management Share Trust</td>
<td>214</td>
<td>2 988 571 881 642</td>
</tr>
<tr>
<td>Executive Share Trust</td>
<td>34</td>
<td>1 916 754 488 702</td>
</tr>
<tr>
<td>Executive Director Share Trust</td>
<td>3</td>
<td>1 448 205 356 518</td>
</tr>
<tr>
<td>Executive Forfeitable Share Plan</td>
<td>34</td>
<td>366 027</td>
</tr>
<tr>
<td>Group Forfeitable Share Plan</td>
<td>14</td>
<td>486 503</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11 992</strong></td>
<td><strong>14 977 717</strong></td>
</tr>
<tr>
<td>Shares held by trusts</td>
<td></td>
<td><strong>3 351 783</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total LTIs outstanding (m)</th>
<th>0</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of share capital</td>
<td>0%</td>
<td>4%</td>
<td>5.7%</td>
<td>15.0%</td>
<td>28.7%</td>
<td>10.9%</td>
<td>8.8%</td>
</tr>
<tr>
<td>% of issued share capital</td>
<td>0%</td>
<td>5%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>% excluding partners share scheme (LHS)</td>
<td>0%</td>
<td>5%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Total LTIs outstanding (RHS)</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
</tbody>
</table>

The quantum of out-the-money options are based on the F2017 year-end closing share price of R159.90. Relative to the unhedged commitment of R1.43bn calculated at the year-end share price, the strike price payable by participants in respect of the total obligation is R1.46bn.
## Details of the interest of executive directors in long-term incentives

(Share options – Mr Price executive director share trust)

<table>
<thead>
<tr>
<th>Executive director</th>
<th>Options held at beginning of year</th>
<th>Date of Offer</th>
<th>Options granted and accepted during year</th>
<th>Options exercised during year</th>
<th>Option price of award</th>
<th>Gain on options exercised during year (R’000)</th>
<th>Options held at end of year</th>
<th>Equity value at closing price (R’000)</th>
<th>Vesting date</th>
<th>Latest expiry date for exercise</th>
</tr>
</thead>
<tbody>
<tr>
<td>SI Bird</td>
<td>94 000</td>
<td>27-May-09</td>
<td>-</td>
<td>94 000</td>
<td>R 26.50</td>
<td>16 507</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td>225 000</td>
<td>25-Aug-10</td>
<td>-</td>
<td>225 000</td>
<td>R 46.00</td>
<td>36 900</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>90 000</td>
<td>30-Nov-10</td>
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<td>90 000</td>
<td>R 62.77</td>
<td>12 828</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>210 500</td>
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<td>210 500</td>
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<td>19 101</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td></td>
<td>129 777</td>
<td>22-Nov-12</td>
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<td>129 777</td>
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<td>3 404</td>
<td>22-Nov-17</td>
<td>22-Nov-22</td>
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<td>112 271</td>
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<td>22-Nov-19</td>
<td>22-Nov-24</td>
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<tr>
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<td>110 459</td>
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<td>-</td>
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<td>22-Nov-21</td>
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<tr>
<td>MM Blair</td>
<td>142 600</td>
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<td>11 172</td>
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<td>86 870</td>
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<td></td>
<td>32 591</td>
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</tr>
</tbody>
</table>

1. Includes retention awards
2. Disclosure required although no longer directors of the company
**Details of the interest of executive directors in long-term incentives** (Shares - Forfeitable Share Plans)

<table>
<thead>
<tr>
<th>Executive director</th>
<th>Date of award</th>
<th>Shares granted</th>
<th>Share price at award date</th>
<th>Vesting date</th>
<th>Heps CAGR% required for vesting</th>
<th>Shares held at end of the year</th>
</tr>
</thead>
</table>
| SI Bird
Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 10 341 | R 155.97 | 29-Nov-18 | - | 10 341 |
| Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 10 341 | R 155.97 | 29-Nov-18 | 14.8% | 10 341 |
| Mr Price Group FSP (GFSP) 29-Nov-13 | 96 546 | R 155.97 | 29-Nov-18 | - | 96 546 |
| MM Blair
Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 6 334 | R 155.97 | 29-Nov-18 | - | 6 334 |
| Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 5 121 | R 228.78 | 22-Nov-19 | - | 5 121 |
| Mr Price Group FSP (GFSP) 29-Nov-13 | 67 315 | R 155.97 | 29-Nov-18 | - | 67 315 |
| SA Ellis
Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 2 233 | R 155.97 | 29-Nov-18 | - | 2 233 |
| Mr Price Group Executive FSP (EFSP) 29-Nov-13 | 1 817 | R 228.78 | 22-Nov-19 | - | 1 817 |
| Mr Price Group FSP (GFSP) 29-Nov-13 | 2 190 | R 138.00 | 22-Nov-21 | - | 2 190 |
| Total 321 943 |

Note 1 For EFSP performance awards allocated effective from November 2016, the board approved a revised hurdle structure that required Heps growth over vesting period in excess of CPI as follows:

| Heps growth < CPI+1%: 100% forfeited | Heps ≥ CPI+1%: 20% vests, 80% forfeited | Heps ≥ CPI+2%: 40% vests, 60% forfeited | Heps ≥ CPI+3%: 60% vests, 40% forfeited | Heps ≥ CPI+4%: 80% vests, 20% forfeited | Heps ≥ CPI+5%: 100% vests |

---

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## NON-EXECUTIVE DIRECTORS

### Policy

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to business strategy</th>
<th>Mechanics</th>
<th>Opportunity and limits</th>
<th>Performance conditions</th>
</tr>
</thead>
</table>
| Emoluments  | To offer market related fees to attract and retain high calibre non-executive directors. | Fees are related to the skills, experience and time commitment to fulfil the respective requirements of the board and committees.  
The company does not pay an attendance fee per meeting as historically the attendance at meetings has been good and the board has always felt that directors contribute as much outside of meetings as they contribute in meetings.  
Fees are proposed by management and are detailed in the notice of meeting set out in the annual results booklet for approval at the forthcoming annual general meeting (AGM). Fees are paid monthly in cash.  
Non-executive directors do not have service contracts but receive letters of appointment.  
Non-executive directors retire by rotation every three years and shareholders vote for their re-appointment at the AGM. | Fees are benchmarked biennially to the median of the same comparator group of companies as selected for executive directors’ remuneration. The benchmarking survey was performed in October 2016 by remuneration advisors, PwC Tax Services. | Specific company performance conditions do not apply.  
The performance of non-executive directors is reviewed annually via peer evaluation.                                                                                                                                                                                                   |
| Other       | Non-executive directors are reimbursed for travel related costs incurred on official company business and receive discounts on purchases made in group stores. No other benefits are received.  
No contractual arrangements exist relating to compensation for loss of office. | Non-executive directors neither receive short-term incentives nor do they participate in long-term incentive schemes. |                                                                                                                                                                                                                           |                                                                                                                                                                                                                        |
IMPLEMENTATION

The underlying criteria applied in respect of the 2016 benchmarking survey conformed to the 2014 survey. Consequently, the 2016 benchmarking movements in non-executive directors emoluments were a function of changes to the comparator group and the market at work. Since non-executive directors emoluments at a total individual level fell within the accepted tolerance bands, no immediate technical adjustments were deemed necessary.

Non-executive directors fee increases for the 2017 financial year (effective 1 April 2016) were based on CPI as this was not a ‘benchmark’ year. Accordingly, non-executive directors received increases of 6.2% (CPI rate at January 2016). With respect to the 2018 financial year, based on the benchmarking survey performed, non-executive directors received fee increases of 6.0%, in line with that awarded to head office associates, divisional executives and executive directors.

**Emoluments for the year (Rands)**

<table>
<thead>
<tr>
<th>Name</th>
<th>2017</th>
<th>2016</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB Cohen</td>
<td>663 750</td>
<td>625 000</td>
<td>6.2%</td>
</tr>
<tr>
<td>K Getz</td>
<td>550 700</td>
<td>518 500</td>
<td>6.2%</td>
</tr>
<tr>
<td>M Motanyane</td>
<td>414 200</td>
<td>390 000</td>
<td>6.2%</td>
</tr>
<tr>
<td>D Naidoo</td>
<td>534 250</td>
<td>503 000</td>
<td>6.2%</td>
</tr>
<tr>
<td>MR Johnston</td>
<td>682 400</td>
<td>642 500</td>
<td>6.2%</td>
</tr>
<tr>
<td>NG Payne</td>
<td>1 327 500</td>
<td>1 250 000</td>
<td>6.2%</td>
</tr>
<tr>
<td>MJD Ruck</td>
<td>538 500</td>
<td>507 000</td>
<td>6.2%</td>
</tr>
<tr>
<td>WJ Swain(^1)</td>
<td>538 500</td>
<td>547 500</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>M Bowman(^2)</td>
<td>27 438</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5 277 238</td>
<td>4 983 500</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

\(^1\) Mr Swain relinquished his chairmanship of the audit and compliance committee to Mrs Naidoo, effective 1 April 2016. The outgoing chairman’s fees were reduced over a two-year period to a level of member, in line with the diminished responsibilities during the handover period.

\(^2\) Mr Bowman was appointed to the board effective 28 February 2017.

The declining trend in non-executive directors emoluments is due to the termination of employment contracts with the honorary chairmen and the lower number of directors (12 in 2013 versus nine in 2017).
The board of directors

Nigel Payne
Chairman
age: 57, years of service: 10, qualifications: CA (SA), MBA
Other directorships include: JSE Ltd, The Bidvest Group Ltd, Vukile Property Fund Ltd, Bidscorp Ltd

Stewart Cohen
Honorary chairman
age: 72, years of service: 31, qualifications: BCom, LLB, MBA
Other directorships include: Catregav Holdings (Pty) Ltd, Holdspec Investments (Pty) Ltd, Kovacs Investments 343 (Pty) Ltd

Stuart Bird
Chief executive officer
age: 57, years of service: 23, qualifications: CA (SA)

Mark Blair
Chief financial officer
age: 51, years of service: 11, qualifications: CA (SA)

Bobby Johnston
Lead independent, non-executive director
age: 68, years of service: 23, qualifications: CA (SA)
Other directorships include: Eby Financial Services (Pty) Ltd

Maud Motanyane
Independent, non-executive director
age: 65, years of service: 9, qualifications: Diploma Library Science, WPI fellow
Other directorships include: Kagiso Media Ltd, Jet Education Trust, Leshala Mining (Pty) Ltd

Daisy Naidoo
Independent, non-executive director
age: 44, years of service: 5, qualifications: CA (SA), MCom (Tax)
Other directorships include: Strate (Pty) Ltd, Hudaco Industries Ltd, OMNIA Holdings Ltd, Anglo American Platinum Ltd, Barclays Africa Group Ltd

John Swain
Independent, non-executive director
age: 76, years of service: 23, qualifications: CA (SA)
Other directorships include: Lansec Holdings (Pty) Ltd

Neill Abrams
Alternate director
age: 52, years of service: 7, qualifications: BA, LLB, LLM (Cambridge)
Other directorships include: Ocado Group Plc, Marie Claire Beauty Ltd

Mark Bowman
Independent, non-executive director
age: 51, years of service: 0.5, qualifications: BCom (Finance) MBA
Other directorships include: Tiger Brands Ltd, Dis-Chem Pharmacies Ltd

Daisy Naidoo
Independent, non-executive director
age: 61, years of service: 12, qualifications: BPhoc, LLM
Other directorships include: BVPG Consulting (Pty) Ltd, Steak Ranches International BV, Spur International Ltd, Spur Corporation Ltd, Spur Corporation UK Ltd, Cape Union Mart Group (Pty) Ltd, Strate (Pty) Ltd

John Swain
Independent, non-executive director
age: 51, years of service: 12, qualifications: BProc, LLM
Other directorships include: BVP Consulting (Pty) Ltd, Steak Ranches International BV, Spur International Ltd, Spur Corporation Ltd, Spur Corporation UK Ltd, Cape Union Mart Group (Pty) Ltd, Strate (Pty) Ltd

Maud Motanyane
Independent, non-executive director
age: 65, years of service: 9, qualifications: Diploma Library Science, WPI fellow
Other directorships include: Kagiso Media Ltd, Jet Education Trust, Leshala Mining (Pty) Ltd

Keith Getz
Non-executive director
age: 61, years of service: 12, qualifications: BPhoc, LLM
Other directorships include: BVPG Consulting (Pty) Ltd, Steak Ranches International BV, Spur International Ltd, Spur Corporation Ltd, Spur Corporation UK Ltd, Cape Union Mart Group (Pty) Ltd, Strate (Pty) Ltd

Myles Ruck
Independent, non-executive director
age: 51, years of service: 11, qualifications: CA (SA)
Other directorships include: BVPG Consulting (Pty) Ltd, Steak Ranches International BV, Spur International Ltd, Spur Corporation Ltd, Spur Corporation UK Ltd, Cape Union Mart Group (Pty) Ltd, Strate (Pty) Ltd

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Steve Ellis
Alternate director
age: 55, years of service: 25, qualifications: CA (SA)