



BOARD REPORT

 **PRINCIPLES:** 1 5 6 7 8 9 10 11 12 16

Good corporate governance is key to achieving the group's vision to be a top performing international retailer, and supports the group's values of:



PASSION



VALUE



PARTNERSHIP

LEADERSHIP 1

The board of directors (board) recognises that ethical and effective leadership is the starting point of corporate governance. The tone at the top creates the foundation for good governance. Simply put, the group (from its leadership to its store associates, both individually and collectively) should do the right thing to enable delivery of appropriate outputs to those whom its operations impact. The group understands that good governance is aspirational and practices must be continuously monitored, adapted and improved. Critically, governance practices must be aligned to and enable the achievement of group strategy.

The board as a collective and its members as individuals are expected to conduct themselves with integrity, competence, responsibility, accountability, fairness and transparency. This is identified as a key

responsibility in the formal board mandate by which the board is bound. This requirement is also highlighted in director letters of appointment and directors are thus contractually required to so act. The detail of how the group conducts business in the right way is contained in the group business code of conduct, with which each associate, including directors, are required to comply. The values of Passion, Value and Partnership (as detailed on page 9), which form the foundation of the business, is the group's internalisation of ethics and the standard of conduct against which each director and the board is measured. The annual assessment of each director and the board includes whether or not the directors and the board have lived the Mr Price values in the delivery of the group's output in the creation of the various capitals. The group's governance framework, which operates in the context, and against the backdrop, of the group's values (brought to life in the business and supplier codes of conduct and the ethics framework) is depicted on page 41.

BOARD STATEMENT 6

The board is satisfied that it has fulfilled its responsibilities in accordance with its mandate for the 2018 financial year, and has provided relevant information to stakeholders to satisfy the King IV disclosure requirements.

BOARD OF DIRECTORS 7



STEWART COHEN
Honorary chair
 Age: 73 | Appointed: March 1989
 Qualifications: BCom, LLB, MBA
 Other directorships include: Catregav Holdings (Pty) Ltd, Holdspec Investments (Pty) Ltd, Kovacs Investments 343 (Pty) Ltd



NIGEL PAYNE
Chair
 Age: 58 | Appointed: August 2007
 Qualifications: CA (SA), MBL
 Other directorships include: The Bidvest Group Ltd, Bidcorp Ltd, Vukile Property Fund Ltd, Alexander Forbes Holdings Ltd



STUART BIRD
Chief executive officer
 Age: 58 | Appointed: September 2008
 Qualifications: CA (SA)



MARK BLAIR
Chief financial officer
 Age: 52 | Appointed: March 2006
 Qualifications: CA (SA)



BOBBY JOHNSTON
Lead independent, non-executive director
 Age: 69 | Appointed: February 1998
 Qualifications: CA (SA) | Other directorships include: Eljay Financial Services (Pty) Ltd



MARK BOWMAN
Independent, non-executive director
 Age: 52 | Appointed: February 2017
 Qualifications: BCom (Finance) MBA
 Other directorships include: Tiger Brands Ltd, Dis-Chem Pharmacies Ltd, Distell Group Limited



KEITH GETZ | Non-executive director
 Age: 62 | Appointed: May 2005 | Qualifications: BProc, LL.M
 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



MAUD MOTANYANE-WELCH
Independent, non-executive director
 Age: 66 | Appointed: September 2008 | 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: 46 | Appointed: May 2012 | Qualifications: CA (SA), MCom (Tax) | Other directorships include: Strate (Pty) Ltd, Hudaco Industries Ltd, Anglo American Platinum Ltd, Barclays Africa Group Ltd, Discovery Health Medical Scheme



BRENDA NIEHAUS
Independent, non-executive director
 Age: 57 | Appointed: February 2018
 Qualifications: Advanced Management Programme (Harvard)
 Other directorships include: Standard Bank (Mauritius)



MYLES RUCK*
Independent, non-executive director
 Age: 63 | Appointed: July 2007
 Qualifications: BBusSc, PMD (Harvard) | Other directorships include: Standard Bank Group Ltd, The Standard Bank of South Africa Ltd, ICBC Bank Argentina



NEILL ABRAMS
Alternate director
 Age: 53 | Appointed: August 2010
 Qualifications: BA, LLB, LL.M (Cambridge)
 Other directorships include: Ocado Group Plc, Marie Claire Beauty Ltd



STEVE ELLIS
Alternate director
 Age: 56 | Appointed: May 2005
 Qualifications: CA (SA)
 Group Supply Chain Director

* Retiring by rotation at August 2018 AGM



KING IV 5

As the cornerstone of good corporate governance, the meaningful and group-wide application of the King IV corporate governance practices is the starting point towards achieving the desired governance outcomes. In aligning with King IV, the principles of which apply to the reporting period, the group’s approach and commitment to corporate governance has not changed. The board and management continue to fully acknowledge the role of good governance across all aspects of the business as a vital component of sustainable value creation.

The shift to King IV was managed as a project, with responsibility for each principle assigned to appropriate functional business areas. The project working group comprised senior representatives of the sustainability (including risk), people (including remuneration), group finance, governance, IT, internal audit and investor relations departments with the chief financial officer as project champion and the company secretary and head of governance as project lead. This inclusive approach ensures a business-wide understanding of the principles and multi-function application of the practices. It also facilitates governance leadership and accountability. The working group benchmarked existing governance practices against King IV practices to identify areas for improvement.

Following this exercise, adjustments were made as follows –

- the board and committee mandates, as well as the internal audit and IT divisional board mandates were updated and approved by the board
- a separate risk and IT committee was formed (primarily due to previously identified business needs but strongly aligned to King IV practices)
- the group’s remuneration policy and implementation thereof was updated, simultaneously taking into account shareholder feedback received through engagement prior to the 2017 AGM
- the AGM notice includes separate resolutions for the non-binding approval of the group’s remuneration policy and implementation report
- the content of this report has been updated to include the specific disclosure requirements, particularly in relation to remuneration
- the general disclosure in committee reports relating to ethics, risk, compliance and IT governance has been substantively enhanced



While the group already materially applies almost all the practices, the areas to be improved, most of which relate to formalising existing processes, are as follows –

- Periodic independent assessment of adherence to ethical standards (principle 2): formal consideration

of periodic independent assessments of adherence to the group’s ethical standards

- performance evaluations (principle 9): formal documentation of the current board and committee evaluation process and formal consideration of an externally facilitated performance evaluation (see paragraph below in this regard)
- management evaluation (principle 10): formal documentation of the current evaluation process
- management succession (principle 10): formal documentation of current management evaluation processes
- independent assurance (principles 2, 11, 12, 13): formal consideration of the need to receive periodic independent assurance on the effectiveness of (i) risk management, (ii) the group’s technology and information arrangements and (iii) compliance management.

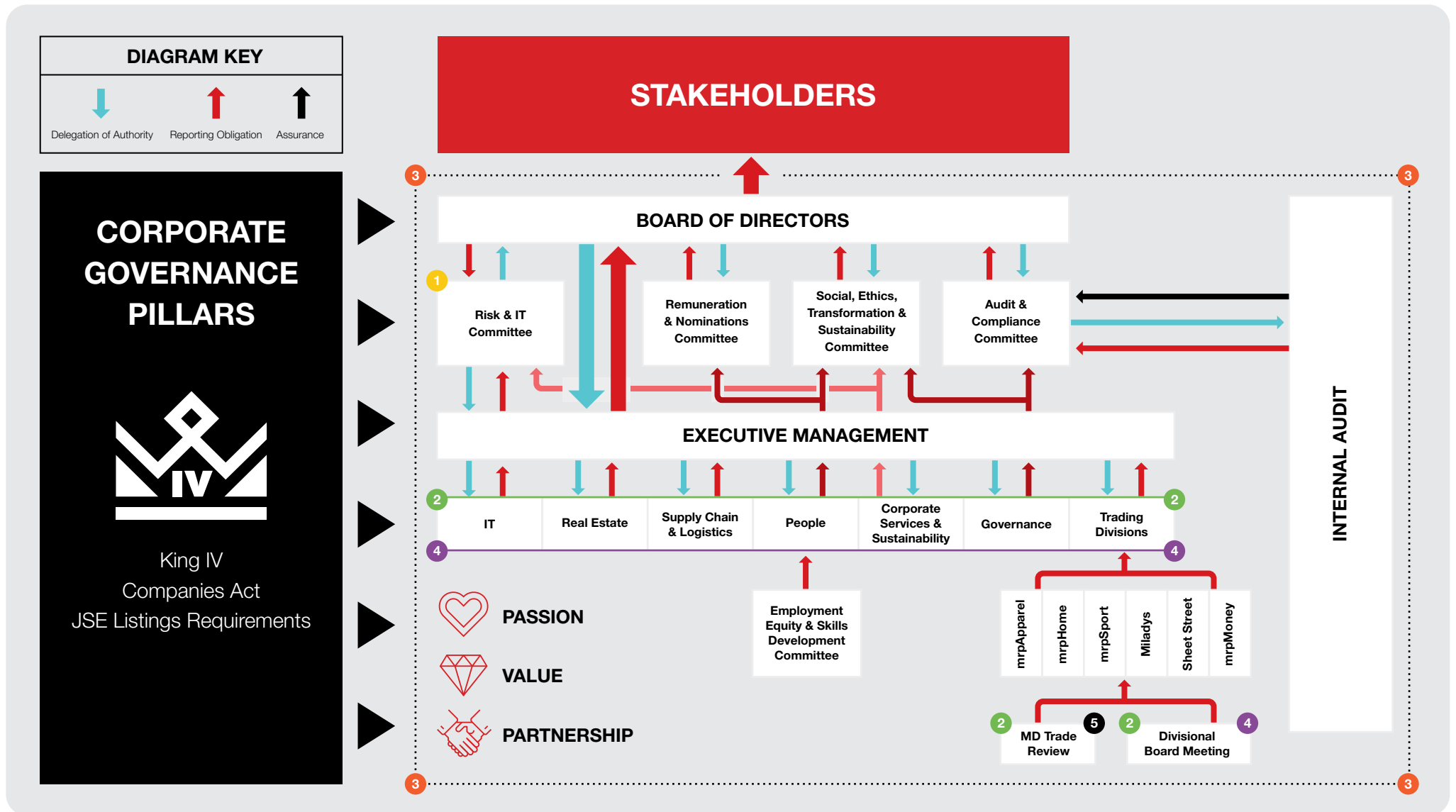
In the above context, the board notes that the practice of having an externally facilitated performance evaluation of the board, its committees, its chair and its individual members at least every 2 years, as recommended in relation to principle 9, is not applied. The board believes the current process (as more fully described on page 43) is robust and meaningful. Instead, the board will consider biennially whether an externally facilitated process should be adopted.

As indicated in the King IV summary on page 7, the board has intentionally not published an application register in support of the move away from “tick-box” governance. The application of King IV and other governance practices has instead been integrated throughout the report, in the same way good corporate governance is integrated with and implicit in everything the group does. The specific disclosures relevant to this report are denoted by the  icon. In addition, the number of the related governance principles are referenced in the  icon at the start of each section and paragraph headings. The application of King IV as is relevant to the specific committees is referenced in the committee reports.

Additional governance documents located on the group’s website: www.mrpricegroup.com

- board mandate
- committee mandates
- policy for the appointment of directors
- policy for the promotion of gender and ethnicity diversity on the board
- outline of board and management committees
- internal audit mandate
- internal audit annual assurance statement
- IT divisional board mandate
- business and supplier codes of conduct
- notice of 2018 AGM

GOVERNANCE FRAMEWORK 16



1 Formed 28 March 2018, first meeting 29 May 2018.

2 Details of attendees at these meetings are included in the board and management committees document on the website: www.mrpricegroup.com.

3 The activities and actions undertaken by the board, its committees, executive management and senior management are in the context of and underpinned by (i) the group values of Passion, Value, Partnership (ii) the group ethics framework and (iii) the business and supplier codes of conduct.

4 Trading division and support services divisional board meetings occur in March, May, August and October

5 MD trade review meetings occur in January, February, April, June, September and December.

BOARD COMPOSITION 7 12

Key changes: John Swain, independent non-executive director, retired by rotation 31 August 2017; Brenda Niehaus appointed as independent non-executive director 8 February 2018.

The group has a unitary board which both leads and controls the group and has primary responsibility for and is the custodian of corporate governance across the group. The philosophy of the group is to maintain a vibrant board that challenges management's strategies and evaluates performance against established benchmarks. The board currently comprises 11 directors including 2 executive directors, 7 independent non-executive directors and 2 non-executive directors. In addition, the chief executive officer and honorary chair each have an alternate director.

Board composition



Director tenure



The average director tenure is 13 years (2017:14 years)

The board is fortunate to have the business co-founder, Stewart Cohen, as honorary chair. Stewart provides regular valuable retail insights and input on strategy and is the embodiment of the group's values of passion, value and partnership. There is a strong representation on the board of retail experience blended with a diversity of experience in other disciplines to strengthen the board's collective business acumen. The group values the long service of a number of its directors and believes that this serves the business well given the cyclical and specialist nature of retail and ensures the retention of valuable corporate knowledge. Notwithstanding, the board acknowledges the need for new membership to provide fresh perspectives and insights on best practice and new appointments will be made (as well as certain consequent resignations) at a measured pace to limit disruption and facilitate business knowledge transfer. Accordingly, having

not offered himself for re-election, John Swain retired by rotation after serving as non-executive director of the group for 25 years and chair of the audit and compliance committee for 18 years. The board and management express its heartfelt thanks to John for his invaluable contribution to the business. Brenda Niehaus was appointed in February 2018 and will provide much needed expertise on information and technology governance. In May 2018, Myles Ruck, who is due to retire by rotation at the August 2018 AGM, advised the board that he will not be offering himself for re-election. He will consequently retire at the AGM. Although the board is satisfied with its current composition, for the reasons stated above it will benefit from further gender and ethnicity diversity as well as additional chartered accountant skills following John Swain's retirement. The board, through Remnomco, are actively seeking to appoint additional directors with appropriate skills and in furtherance of achieving the initial voluntary gender and ethnicity diversity targets of 30% female representation and 30% ACI representation as contained in its policy for the promotion of gender and ethnicity diversity on the board. Detail on non-executive director fees is contained in the remuneration and nominations committee report on page 70.

Director independence

Each year, facilitated by the lead independent director (LID) on behalf of Remnomco, each non-executive director completes a formal written self-assessment based on the director independence requirements of the Companies Act, the JSE Listings Requirements and King IV. Directors who have served on the board for 9 years or longer are required to complete an additional self-assessment. The results of these assessments are collated and reported to the special corporate governance meeting of the board for consideration. Although the board is satisfied that each director acts with independence of mind in the best interests of the group, the board is cognisant of the appearance of independence and has again classified as not independent Stewart Cohen due to his material holding in the group's shares and Keith Getz as a function of his role as a professional legal advisor to the group. The board is further satisfied

that each of the other long-serving directors exercises objective judgement and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making, and are thus classified as independent.

Board chair

The board considers its chair, Nigel Payne, to be independent. In addition Bobby Johnston is the appointed LID thus ensuring a clear balance of power and that no one director has unfettered decision-making power. The LID is responsible for chairing the annual special corporate governance meeting of the board, facilitating the conduct of the board, committee and company secretary performance evaluations and providing regular formal feedback on progress against matters requiring improvement, and acting as chair where the board chair is conflicted or unavailable.

BOARD COMMITTEES 8 12

Key changes: John Swain retired from ACC and Remnomco 31 August 2017, Mark Bowman appointed member of ACC 14 November 2017, RITC established 28 March 2018 with first meeting 29 May 2018.

The board has delegated particular roles and responsibilities to standing board committees to assist with the effective discharge of its duties. Notwithstanding, the board retains ultimate responsibility for leading and steering the group and applies its collective mind to the information, opinions, recommendations, reports and statements presented by the committees. The board confirms that each of the committees has satisfied its respective responsibilities in accordance with their mandates for the F2018 reporting period.

	Audit & Compliance committee (ACC)*	Remuneration & Nominations committee (Remnomco)*	Social, Ethics, Transformation & Sustainability committee (SETS)	Risk & IT committee (RITC)*
Members	D Naidoo (chair), B Johnston, M Ruck, M Bowman*	M Ruck (chair), K Getz, B Johnston, N Payne, M Bowman*	K Getz (chair), M Motanyane-Welch, D Naidoo, S Bird	N Payne (chair), B Niehaus, D Naidoo, S Bird, M Blair
Permanent invitees	CEO, CFO, External auditor, CAE, Group Corporate Finance Director, Group Supply Chain Director, Head of Governance, IT Director	CEO, CFO, Group People Executive	CFO, Group People Director, Head of Governance, Head of Corporate Services & Sustainability, Legal & Compliance Officer	Group Supply Chain Director, IT Director, Head of Corporate Services & Sustainability, CAE, mrpApparel MD, mrpHome MD, mrpMoney MD, Group Logistics Director
Meetings per year	4	4	4	4
Role & responsibilities	Refer to individual committee reports on pages 46 to 83			Refer to notes below and Risk governance section on pages 44 to 45
F2018 key focus areas				
F2019 key focus areas				
Notes	* J Swain retired 31 August 2017 * M Bowman appointed 14 November 2017 * M Ruck will retire 29 August 2018	* J Swain retired 31 August 2017 * M Ruck will retire 29 August 2018 * M Bowman appointed 29 May 2018 and will assume position as committee chair 29 August 2018		* Formed by the board 28 March 2018, first meeting 29 May 2018. Risk and IT governance oversight previously residing with board and ACC respectively now delegated to RITC

MEETING ATTENDANCE 6 8

The board and its committees meet formally 4 times a year and convene telephonically in January to review the Q3 trading results and approve the trading update for SENS publication and on an ad hoc basis when required. In addition, the March meeting includes a separate and focused consideration of group and division strategies for approval, and a separate corporate governance meeting is held in November. Meeting attendance is consistently high and is detailed alongside for the reporting period. Keith Getz was unable to attend the November 2017 board meeting (but did attend the committee meetings the prior day), his first absence in his 12 year tenure, due to a timing conflict with an overseas meeting commitment. Although non-member director attendance at committee meetings is not reflected in the table, attendance is also consistently high.

Status	Director	Board	AGM	Special Corporate Governance	ACC	Remnomco	SETS
BOARD MEMBERS							
Executive	Stuart Bird	4/4	1/1	1/1			4/4
	Mark Blair	4/4	1/1	1/1			
Non-executive	Stewart Cohen	4/4	1/1	1/1			
	Keith Getz	3/4	1/1	0/1		4/4	4/4 ⁵
Independent non-executive	Mark Bowman	4/4	0/1	1/1	2/2 ⁸	N/A ¹¹	
	Bobby Johnston	4/4	1/1	1/1 ²	4/4	4/4	
	Maud Motanyane-Welch	4/4	1/1	1/1			4/4
	Daisy Naidoo	4/4	1/1	1/1	4/4 ³		4/4
	Brenda Niehaus	1/1 ⁶	N/A	N/A			
	Nigel Payne	4/4 ¹	1/1	1/1		4/4	
	Myles Ruck ¹²	4/4	1/1	1/1	4/4	4/4 ⁴	
Alternate⁹	John Swain	2/2 ⁷	1/1	N/A	2/2	2/2	
	Neill Abrams	3/4	0/1	1/1			
	Steve Ellis	4/4	1/1	1/1			



MANAGEMENT (AS PERMANENT INVITEES)							
Head of Corporate Services & Sustainability	Verna Botha-Richards						4/4
Group Company Secretary & Head of Governance	Janis Cheadle	4/4	1/1	1/1	4/4	4/4	4/4
IT Director	Antony Hlungwane				4/4 (IT governance portion of meeting only)		
Chief Audit Executive	Suren Roopnarian				N/A ¹⁰		
Group Corporate Financial Director	Mark Stirton				3/3		
Group People Director	Russell van Rensburg					4/4	4/4

- 1 board chair
- 2 Special corporate governance meeting chair
- 3 ACC chair
- 4 Remnomco chair
- 5 SETS chair
- 6 appointed 8 February 2018
- 7 retired by rotation 31 August 2017
- 8 appointed as ACC member 14 November 2017
- 9 alternate directors are not required to attend each meeting
- 10 appointed 1 April 2018
- 11 Appointed 29 May 2018 and will assume position as committee chair 29 August 2018
- 12 will retire 29 August 2018

PERFORMANCE EVALUATIONS 1 9

Key change: evaluation process span reduced from 3 years to 2 years

The performance of the board and its committees is continually monitored through a formal process facilitated by the LID. The process spans a period of 2 years (having been reduced from 3 years in line with King IV practices) which provides sufficient time for considered implementation of remedial action and measuring the effectiveness of same. The performance of the board, each committee, the board and committee chairs, and individual directors (peer and self) is evaluated through this process. A detailed evaluation comprising questionnaires, telephonic and personal interviews with subsequent feedback to the board and committee chairs and management was conducted in Q4 of the 2017 reporting period. Following this, comprehensive 'steps for improvement' documents were prepared, circulated to the relevant chair and/or management for input, and tabled at the May 2017 board and committee meetings. The progress against the identified 'steps' was updated by the LID, relevant chair and/or management and tabled at each of the August 2017, November 2017 and March 2018 meetings. The key areas for improvement

being addressed in the current assessment cycle are (i) the requirement for increased skills in, and focus on, IT governance (which has been addressed by the appointment of Brenda Niehaus and the formation of a new RITC), (ii) increased exposure to management and operations (this has been addressed by inviting the MDs of the material trading and support service divisions to meetings to present to, and interact with, the board and committees, including participation in the March divisional and group strategy session, and a standing quarterly informal engagement with the board), (iii) the requirement to address the ageing profile of board and committee membership to ensure succession and progress towards achieving the ethnicity and gender diversification targets (a board refresh is underway), and (iv) execution of the group's international expansion strategy (this is receiving focused attention from management and is an agenda item for discussion at each board meeting; refer to pages 18 to 23 for further strategy detail). The next formal evaluation process will be undertaken in November 2018.

Annually Remnomco, taking into account feedback from the board and honorary chair in the case of the chief executive officer, and the chief executive officer in the case of the chief financial officer, assess the performance of both the chief executive officer and the chief financial officer. The personal performance portion of STI awards recommended by Remnomco for approval by the board are based on the outcomes of this assessment. Remnomco and the board are satisfied with the performance of both executive directors.

The board is satisfied that the adopted process as explained above is robust and meaningful and enables improved performance and effectiveness. The board considers it unnecessary for the process to be externally facilitated but will reassess biennially.

DELEGATION TO MANAGEMENT 10

Authority to implement and execute approved strategy is devolved sequentially as depicted in the governance framework on page 41 and formally to management through the group delegated limits of authority document. These limits of authority are reviewed annually by the board and management to ensure they remain aligned to the group's risk appetite and strategy and appropriately balance governance oversight with operational efficiency. The board is satisfied that holistically the governance framework and delegated limits of authority provide role clarity and contribute towards effective exercise of authority. As part of continuous monitoring and improvement of processes, the formal delegation document will be revised and supplemented during F2019 to refine and further clarify levels of authority across the group to provide an improved balance of accountability between executive and divisional management.

Chief executive officer

Together with the chief financial officer, the chief executive officer exercises executive control over and management of the group and its trading and support services, and to whom all divisional heads report. The chief executive officer had no professional commitments outside the group for the period. The chief executive officer does not have a fixed term contract but has a notice period of 6 months as stipulated in his engagement letter. Succession planning for emergency situations and succession over the long-term is in place.

Company secretary

The performance of the company secretary against the duties and responsibilities set out in the Companies Act, JSE Listings Requirements and King IV was formally reviewed in March 2018 in compliance with paragraph 3.84(h) of the JSE Listings Requirements. The board is satisfied that the company secretary has the competence, qualifications and experience necessary to effectively discharge her responsibilities, and

that she has effectively discharged her duties and provided appropriate professional corporate governance guidance on an arms-length basis.

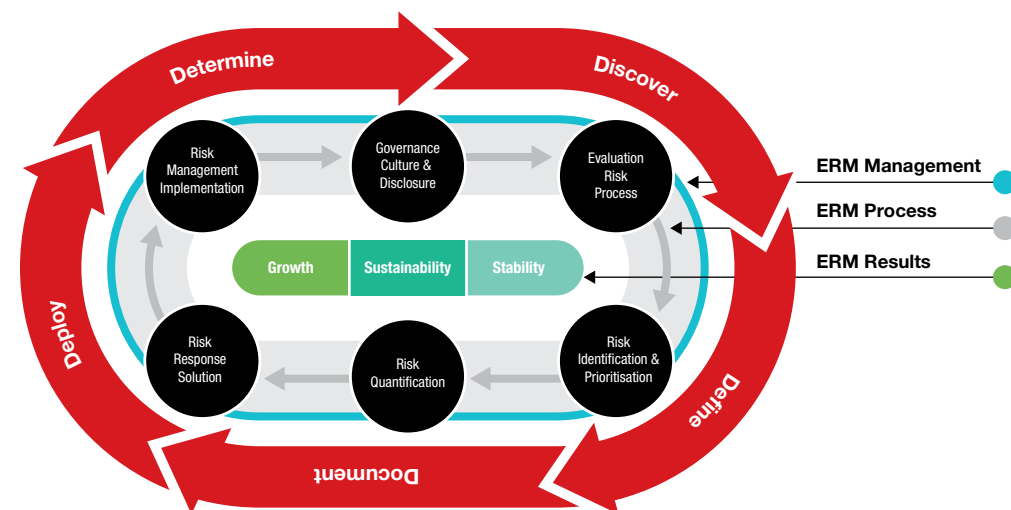
RISK GOVERNANCE 11

Key changes: group risk specialist appointed, RITC established 28 March 2018 with first meeting 29 May 2018

For the reporting period the board was responsible for the management of risk, including IT risk, while the ACC oversees risk in relation to financial reporting. As mentioned above, a RITC was formed in March 2018 and will exercise risk management oversight. The committee held its first meeting in May 2018.

Enterprise risk management (ERM) is a continuous, proactive and dynamic process. It involves associates at every level and requires the application of a portfolio view of risk across the group. By embedding risk management techniques in day-to-day operations, the group is better equipped to identify events affecting its objectives and to manage such events in ways that are consistent with its strategy.

The group maintained a planned, structured and coordinated approach to identifying, assessing and mitigating key risks for the financial year. The ERM process was enhanced following the appointment of a group risk specialist. These enhancements included the transfer of risk management custodianship to the group corporate services and sustainability function, the update of the risk management policy and framework, re-establishment of a dedicated RITC, and the appointment of divisional risk champions. A group ERM training programme was also rolled out.



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. In addition to reporting on risks in the traditional silo view, the group also considers a portfolio view on risk which is a composite view forming an entity-wide outlook of risk.

Risk appetite is a fundamental concept that provides the context for strategy setting, entrepreneurial behaviour and the pursuit of group objectives. It is informed by the group values and clarifies what risks the group can, or is willing to take and what risks the group will avoid. The board has formally defined its appetite for risk. The board confirms there were no material deviations from the group's risk appetite in the period.

The board is satisfied that the systems and processes in place to govern and manage risk were adequate and that management had generally executed its risk management responsibilities satisfactorily.

Key threats and opportunities were discussed by the board during the year. The board, having considered the group's key risks, was satisfied that strategy and business plans did not give rise to risks not assessed by management and confirms there were no undue, unexpected or unusual risks incurred during the year.

Significant risk management actions for the new year relate to finalising comprehensive risk response plans for the group's major threats and opportunities, embedding a robust project risk management framework and the establishment of an internal best practices process. Testing of documented business continuity and IT disaster recovery plans are also ongoing focus areas.

RISK APPETITE IS A FUNDAMENTAL CONCEPT THAT PROVIDES THE CONTEXT FOR STRATEGY SETTING, ENTREPRENEURIAL BEHAVIOUR AND THE PURSUIT OF GROUP ACTIVITIES.

