

Material issues and risks

Material issues have been identified which could significantly impact the Group's ability to deliver its strategy and create and preserve sustainable value for stakeholders.

These material issues are reviewed by the board and executive management annually as part of the Group's strategic planning process, while the key risks are monitored by the board's risk committee.

The material issues are unchanged for the 2025 financial year.



FACTORS INFLUENCING MATERIAL ISSUES

In determining these material issues, the directors consider several internal and external factors, including the following:

- Group's strategic objectives
- +
- Economic and trading environment
- +
- Competitor landscape
- +
- Industry trends and consumer behaviour
- +
- External opportunities and threats
- +
- Key Group risks
- +
- Business threats and weaknesses
- +
- Legislation and regulation
- +
- Needs, expectations and concerns of primary stakeholders



Material issues and risks

MATERIAL ISSUE

01

RETAIL TRADING ENVIRONMENT

The macroeconomic environment in South Africa has a significant impact on the Group's operations, and the weak trading conditions impact both sales and collections across the trading brands.

RELATED RISKS

- Constrained consumer spending and fragile consumer sentiment as a result of weak economic conditions, including higher borrowing costs
- Consumer spending declining further due to persistently high unemployment rates which impact the Group's target market
- Load shedding and constrained utility supply limiting the ability of stores to trade and adversely impacting economic growth
- Political uncertainty and social instability in the aftermath of the general elections poses a major threat to trading, while related civil unrest could impact the safety of customers and employees
- Civil disruption causing damage to property which results in physical and business interruption losses

RISK MITIGATION

- The Group's business model has proven resilient through all economic cycles, while the current executive team has led the business through several downturns and disruptive events
- The Group's robust balance sheet provides protection against the current economic headwinds
- Back-up and alternate power solutions at stores limit the impact of load shedding on trading
- Business continuity across the Group is reviewed and enhanced on an ongoing basis
- The wide geographic distribution of the store base mitigates the negative impact on trading that could result from civil unrest
- Adequate business insurance cover which is reviewed annually

MATERIAL ISSUE

02

GLOBAL AND LOCAL SUPPLY CHAIN CHALLENGES

Global and local supply chain challenges can impact the production and transportation of merchandise and the consistency of supply to stores and customers, while higher supply chain costs can adversely impact margins.

RELATED RISKS

- Climate change, including the increase in extreme weather events and water scarcity, impacting continuity of supply
- Increased working capital costs to hold higher levels of stock as a buffer against supply chain disruptions
- Load shedding impacting on the ability of suppliers to meet their order obligations
- Lack of availability of raw materials impacting imports and locally produced merchandise
- Volatility in sea freight costs affecting imports and rail freight costs impacting transport from local ports
- Industrial action or civil unrest affecting the production, warehousing and transportation of merchandise

RISK MITIGATION

- The Group adopted a strategy of holding higher stock levels when necessary to counter ongoing challenges in the supply chain and ensure adequate stock to meet customer demand
- Earlier placement of orders to enable timeous delivery of imported and local merchandise
- Products are sourced from a wide range of local and international suppliers which enables the Group to increase localisation if required
- Broader range of shipping lines and service providers used in the supply chain
- Financial support, in the form of supplier development loans, provided to local suppliers to assist with increased costs of production

MATERIAL ISSUE

03

CREDIT RISK MANAGEMENT

Effective credit risk management aims to optimise the quality of the debtors book by reducing debtor costs through improved collections and lower bad debts.

RELATED RISKS

- Inability to manage credit risk effectively could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit
- External factors including weak economic conditions in the countries of operation, high levels of unemployment, industrial action and civil unrest impact on the Group's ability to maintain the optimal quality of the debtors book

RISK MITIGATION

- Refining credit risk policies and rules to mitigate risks
- Ensuring continued focus on collections productivity and efficiency to increase collection rates and reduce bad debts
- Strategy to convert more customers to the debit order payment platform supports collections
- Focus on increasing the number of satisfactory paying customers
- The Group introduced the compliance call centre to further improve compliance with the credit application process. Refer *Managing credit risk report on pages 47 and 48 for further detail*



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MATERIAL ISSUE

04

CAPITAL MANAGEMENT

Efficient management of capital, financial risks and liquidity is key to the Group's financial stability and to improving returns to shareholders.

RELATED RISKS

- Inefficient capital management could impact on profitability and returns to shareholders
- Volatility of exchange rate impacting on margin, pricing and merchandise planning

RISK MITIGATION

- Ensure efficient allocation of and access to capital at all times
- Continued investment in organic growth and in the debtors book
- Return capital to shareholders through dividend payments
- Continue the share buy-back programme
- Manage borrowing levels within risk appetite, and within the targeted range communicated to shareholders
- Manage currency exposure and risk, and hedge against currency fluctuations

MATERIAL ISSUE

05

CYBER RISK

Leading information technology systems are critical to protect the Group against the threat of cyber crime and limit the risk of breaches of data security and customer privacy, and avoid business interruption due to the unavailability of key operating systems.

RELATED RISKS

- Cyber crime could result in the breach of personal information, identity theft, loss of intellectual property and financial loss
- Legal liability and reputational damage arising from breaches in cyber security
- Business interruption owing to the unavailability of main operating systems and disruption to critical services could impact on revenue and profitability
- Loss of data as a result of the exposure of systems to mobile devices and other interfacing systems
- Unauthorised access to sensitive corporate data and customers' personal information
- Increased security risk from remote working and learning

RISK MITIGATION

- Monitor IT governance processes across the business through the IT steering committee
- Regularly update the risk committee on IT-related risks and mitigation plans
- Continued investment in cyber security
- Maintain and enhance the Group's information security management system
- Implement policies to address data security risks and cyber security solutions
- Implement advanced artificial intelligence and machine learning technology to allow for the detection of irregular human and machine behaviour which may indicate a possible security event
- Implement autonomous response technology that determines the appropriate response to attacks
- Ongoing, proactive penetration testing and vulnerability scanning of both internal and externally facing network security devices and applications
- Ongoing information security awareness campaign for staff to raise awareness of evolving cyber threats
- Adequate cyber insurance cover
- Continuously review and enhance disaster recovery plans across the Group



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06

PEOPLE RISK - ATTRACTION AND RETENTION OF HUMAN CAPITAL

Attracting, motivating and retaining scarce and skilled retail and financial services talent is key to the sustainability of the Group and the delivery of its strategic objectives.

RELATED RISKS

- Inability to attract, motivate, develop and retain competent people
- Skills shortage in retail and financial services sectors increases employee mobility
- Loss of key people and challenge of attracting and retaining staff in current climate
- Incentive schemes not attractive owing to share price underperformance affecting the value of long-term incentive schemes
- High levels of staff turnover

RISK MITIGATION

- Ensure remuneration packages for key staff are competitive and externally benchmarked
- Improved recruitment and selection practices and appoint internal succession candidates to vacant posts where possible
- Enhance transformation through the development of black employees to further improve diversity at all levels in the Group
- Continued investment in training and development as well as leadership development for employment equity candidates
- Enhance mentoring and coaching programmes

MATERIAL ISSUE

07

REGULATION

Ensuring compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.

RELATED RISKS

- Legal sanctions for regulatory non-compliance could result in material financial loss and reputational damage
- Changes in legislation and regulation could adversely affect margins and profitability
- Inability to respond effectively to ongoing regulatory changes

RISK MITIGATION

- Monitor compliance with regulations and legislation through in-house legal and compliance teams
- Implement mitigation measures and disciplinary processes to ensure regulatory compliance
- Engage with regulators on proposed legislative changes
- Ensure business is operating efficiently and identify alternate sources of revenue should legislative changes impact margins and profitability
- Focus on complying with licencing and related requirements of applicable legislation

