



Report of the Audit, Risk and Compliance Committee

Aboubakar Jakoet
Chair: Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (the Committee) is pleased to present its report for the financial period ended 2 March 2025 (FY25). This report was prepared in accordance with the requirements of the Companies Act, No 71 of 2008, as amended (the Companies Act), the King IV™ Report on Corporate Governance for South Africa and King Code of Governance Principles (King IV), the JSE Limited Listings Requirements (Listings Requirements), International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board and other applicable regulatory requirements.

Committee Chair statement

FY25 was a pivotal year for the Group, marked by the successful implementation of the two-step Recapitalisation Plan and heightened focus on restoring performance in the core Pick n Pay supermarket business. In this context, the Committee provided independent oversight of financial reporting integrity, liquidity and solvency management, control effectiveness and regulatory compliance.

The Committee supported the execution of the Group's Rights Offer and the JSE listing of Boxer Retail Limited (Boxer IPO). Working closely with legal counsel, professional advisors, external auditors and our JSE sponsor, the Committee ensured that all required shareholder approvals were obtained, all regulatory requirements were met, and that all disclosures in the Rights Offer Circular, Pre-listing Statement and related presentations were fair, accurate and complete. Strong collaboration between the Pick n Pay and Boxer Audit, Risk and Compliance Committees underpinned governance throughout the Boxer IPO process.

In addition, the Group appointed a new JSE Sponsor during the year. The Committee was satisfied that management worked closely with both the outgoing and incoming sponsors to ensure a smooth transition, uninterrupted regulatory compliance and continued alignment with the Group's obligations under the JSE Listings Requirements.

Monitoring debt covenant compliance and liquidity was a priority during the year, with the Committee working closely with the Finance and Investment Committee (FIC) to ensure that the Group's obligations under its debt standstill agreement were met.

Our assurance work focused on strengthening internal control discipline, advancing financial reporting transparency, reinforcing our commitment to ethical conduct and sound governance, and stakeholder confidence.

On behalf of the Committee, I acknowledge the exceptional workload carried by the Group's finance team during the year, and commend the care, diligence and expertise with which they fulfilled their responsibilities under demanding circumstances. I extend my sincere thanks to management, our assurance providers and my fellow Committee members for their dedication and contribution during a year of significant governance focus and delivery.

Mandate and responsibility of the Committee

The Board has delegated to the Committee the statutory responsibilities prescribed under the Companies Act, the JSE Listings Requirements and other applicable legal and regulatory frameworks. These include independent oversight of the Group's financial reporting, internal controls, risk management systems, compliance processes and assurance frameworks.

In fulfilling its mandate, the Committee plays an essential role in promoting sound governance, ethical conduct and well-informed decision-making. Through its work, the Committee supports the Board in safeguarding the Group's assets, protecting stakeholder interests and sustaining long-term value creation.

Key responsibilities of the Committee

The Committee's responsibilities are broad in scope, focused on strengthening the Group's governance, accountability and long-term resilience. These include:

- **Integrity of financial reporting** – ensuring that the Group's internal and external reporting, including its annual financial statements, integrated annual report and corporate governance report, are accurate, reliable and prepared in accordance with all applicable accounting and disclosure standards.
- **Financial resilience** – reviewing the Group's capital position, liquidity and solvency, and confirming that the going concern assumption applied in the Annual Financial Statements is appropriate and robust. The Committee is supported by the Finance and Investment Committee in this regard.
- **Risk oversight** – monitoring the Group's overall risk management strategy and framework, including the objective assessment of the effectiveness of the Group's risk management framework to identify, evaluate and mitigate material and emerging risks in line with the Group's risk appetite.
- **Combined assurance** – overseeing the effectiveness and independence of both internal and external assurance providers and promoting a coordinated and risk-based approach to combined assurance across the Group.
- **Regulatory and ethical compliance** – monitoring compliance with applicable laws and regulations, including the Companies Act and JSE Listings Requirements, and supporting a culture of ethical conduct and responsible corporate citizenship.

The Committee supports the Board in upholding ethical leadership, strong governance and informed oversight. It focuses on maintaining robust internal controls and overseeing accurate financial and integrated reporting.

The Committee's mandate and responsibilities are outlined in its Terms of Reference (TOR), which are aligned to the Companies Act and King IV principles. The Committee's TOR and formal annual workplan were reviewed and updated during the year to ensure alignment with the Group's evolving risk profile, strategic priorities and regulatory obligations.

Committee governance

The Committee plays an active role in evaluating key risks, assurance outcomes and compliance controls to support the Group's long-term sustainability and value creation.

The Committee is composed solely of independent non-executive directors, nominated annually by the Board and elected by shareholders at the AGM. Independence is assessed as part of the Board's formal annual evaluation process. The Board has acknowledged shareholder concerns regarding Committee tenure and how this can impact the perception of Committee independence. To address this, long-serving members will retire over the next 12-24 months in the ordinary course of annual director rotations. In addition, the Board has appointed Ms Pooven Viranna as an independent non-executive director and Committee member, effective 1 June 2025. David Friedland will retire at the 2025 AGM after a decade of dedicated service.

All Committee members meet the requirements of section 94 of the Companies Act and possess the financial acumen and experience necessary to fulfil their duties effectively. The curriculum vitae of each Committee member will be included in the 2025 Notice of AGM. Committee fees are approved by shareholders and disclosed in the Group's Remuneration Report.

The Committee Chair reports to the Board at least four times a year, highlighting the key items deliberated by the Committee and those requiring specific Board attention or approval. The Committee Chair also formally engages with the Chair of the Boxer Retail Limited Audit Committee at least four times a year to align on any material governance matters relating to that majority-held trading subsidiary.



Committee composition and meeting attendance

The Committee met three times in respect of the FY25 year. Meetings were attended by standing invitees, including the Chair of the Board, Chief Executive Officer, Chief Finance Officer, external and internal auditors, the Group Head of Risk and Compliance and senior members of the finance team. In addition, the Committee held closed sessions with the external and internal auditors to support independent engagement. Formal minutes of each Committee meeting are made available to all Committee and Board members through a secure online Board reporting platform.

Going forward, the Committee will meet at least four times per year, with additional meetings convened as necessary.

Member	Qualifications and experience	Meeting Attendance
Aboubakar Jakoet (Chair)	A chartered accountant with extensive experience in the retail industry, having previously served as the Group's CFO.	3/3
Haroon Borhat	Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town. Haroon holds a PhD in economics and is a member of the Presidential Economic Advisory Council.	3/3
James Formby	A chartered accountant with a Master's in Philosophy in Management Studies. James had a distinguished 25-year career with financial services group Rand Merchant Bank, during which he held several leadership roles, including serving as CEO.	3/3
David Friedland	A chartered accountant with broad expertise in audit, risk and compliance, following a longstanding career as an audit engagement partner to major retail companies.	3/3
Audrey Mothupi-Palmstierna	Holds an Honours degree with senior leadership experience in financial services and digital innovation. Audrey is the CEO of the Systemic Logic Group.	3/3

The Committee's key focus areas and activities in FY25

The Group's two-step recapitalisation plan

The Committee played a key role in the successful implementation of the two-step Recapitalisation Plan including providing oversight of stakeholder engagement, project risk management, statutory compliance and financial and other disclosures. Key activities included:

- Review and approval of the EGM circulars required for the Rights Offer and Boxer IPO
- Review and approval of the Rights Offer Circular, including close engagement with local and international legal counsel, our external auditor, reporting accountant and JSE Sponsor to ensure legislative compliance
- Oversight of lender engagement and covenant requirements and ongoing assessment of the Group's liquidity position and working capital requirements
- Strong collaboration with the FIC to provide oversight of the reorganisation of the Boxer group of companies and the resultant inter-company transactions and pre-IPO dividend flows
- Comprehensive review of the Pre-Listing Statement and related stakeholder and analyst presentations to ensure all information provided was transparent, accurate, fair and balanced to enable informed investment decisions

The Committee is satisfied that both the Rights Offer and Boxer IPO was managed with transparency, accuracy and regulatory compliance.

Financial oversight and reporting

The Committee provided independent oversight of the Group's finance function and the accuracy, completeness and integrity of the Group's financial and integrated reporting during the year.

The focus in FY25 was on ensuring the transparency and quality of financial disclosures in a year that included the successful execution of the Group's two-step Recapitalisation Plan (note 34 of the Group Annual Financial Statements), a 53-week trading period, further impairments to the value of certain Pick n Pay supermarket assets related to the Group's store re-set programme (note 12), and the restatement of prior year financial disclosures related to errors identified in the recognition of IFRS 16 lease assets and liabilities, and in the recognition of certain trade receivables and trade payables balances (note 38).

Financial reporting

The Committee's oversight of financial reporting in FY25 focused on ensuring transparency and, accountability, and included the following activities:

- Reviewed budgets, cash flow forecasts, capital allocations and financial results.
- Interrogated financial Group and subsidiary performance, including significant variances from budget, with keen focus on sales and margin pressure, shrink and waste. Particular attention was given to the impact of cost growth exceeding sales growth during the year, placing pressure on profit margins and operating leverage.
- Evaluated performances across the Rest of Africa, and assessed plans to address operational challenges in Botswana, Namibia, Zambia and Zimbabwe.
- Evaluated the effectiveness of financial reporting controls and accounting systems, including an investigation into the circumstances leading to the prior year restatements and the corrective action taken.
- Reviewed the basis for determining materiality for external reporting.
- Assessed the appropriateness of key accounting policies, accounting estimates and the expanded segmental disclosure.
- Reviewed the consolidation of Boxer Retail Limited and the accounting of the non-controllable interest.
- Reviewed the impairment of supermarket assets necessitated by operating losses incurred and the store re-set programme.
- Reviewed the adequacy of provisions, including inventory and debtor provisions.
- Reviewed the Group's application of the 53-week financial calendar in FY25, and assessed the clarity and appropriateness of related pro forma disclosures to ensure comparability of information.
- Monitored compliance with IFRS Accounting Standards, the Companies Act, JSE Listings Requirements and King IV.
- Reviewed feedback received through the JSE's proactive monitoring process and confirmed that recommendations were appropriately considered in the Group's disclosures.
- Reviewed and approved all external reports, including trading updates, interim and annual results and related SENS announcements, ensuring fair, accurate and transparent disclosure to stakeholders.
- Evaluated the Group's tax status and tax compliance across all legal entities and reviewed the appropriate recognition of deferred tax assets.
- Reviewed the approach to integrated reporting, including environmental, social and governance disclosures, and considered the risks and factors that could impact the quality and credibility of the Integrated Annual Report.
- Validated the CEO and CFO attestations related to financial control and reporting integrity.

Based on the activities outlined above, the Committee is satisfied that the Group's financial and integrated reporting for FY25 was conducted with due care and integrity and that appropriate accounting, disclosure and governance standards were upheld.

The Committee is further satisfied that the Group's internal financial controls were effective and form a sound basis for the preparation of reliable financial statements.

Expertise of the CFO and finance function

The Committee assessed the capability and capacity of the Group's finance function. It concluded that Lerena Olivier has the appropriate experience and technical expertise for her continued appointment as Chief Finance Officer.

The Committee is also satisfied that the finance function as a whole has the necessary skills, resources and experience to meet the Group's reporting, compliance and commercial requirements.

Going concern

The Committee reviewed management's going concern assessment, which included scenario modelling and stress testing under various macro-economic and operational risk scenarios. Particular focus was given to the Group's liquidity position and capital structure throughout the execution of the Recapitalisation Plan. The Committee considered feedback from the Finance and Investment Committee (FIC), which conducted a detailed review of the Group's cash flow forecasts, treasury reports and performance against debt covenants. The FIC also reviewed the structure and adequacy of the Group's borrowing facilities, all related inter-Group financial assistance under section 45 of the Companies Act, and the Group's engagements with both short- and long-term funders.

Based on these FIC assessments and feedback, and acknowledging the strengthened and sufficiently capitalised balance sheet post the execution of the Recapitalisation Plan, the Committee recommended to the Board that the going concern basis of accounting remained appropriate for the preparation of the FY25 Annual Financial Statements.

Annual financial statements

The Annual Financial Statements for the 53 weeks ended 2 March 2025 were compiled under the supervision of the CFO, Lerena Olivier CA(SA). The Committee reviewed both the consolidated and separate Company Annual Financial Statements and concluded that, in all material respects, they complied with IFRS Accounting Standards and the Companies Act, and fairly presented the financial position and results of operations and cash flows for the reporting period.

The Committee recommended the Annual Financial Statements for approval by the Board on 25 May 2025.



Internal audit

The Committee provides independent oversight of the Group's internal audit function, which plays a vital role in supporting the integrity of the Group's internal control environment and broader combined assurance model. Internal audit operates independently of management, applying a risk-based methodology to identify and respond to key business risks as part of the Group's annual combined assurance programme. The internal audit function reports directly to the Committee and operates in accordance with the standards of the International Institute of Internal Auditors (IIA).

The Committee's oversight ensures that internal audit remains objective, independent, suitably resourced and appropriately focused on providing meaningful assurance across the Group. The internal audit function underwent an external independent quality review in FY25 and achieved an outstanding result. The Committee commends the team for this outstanding result.

Internal audit planning and resourcing

The Committee reviewed and approved the internal audit coverage plan and budget for the year ahead, ensuring alignment with the Group's key risks and strategic priorities. In so doing the Committee:

- Evaluated the adequacy of the proposed audit coverage and its alignment to the Group's principal risks, combined assurance framework and strategic priorities
- Assessed the sufficiency of internal audit resources, including budget and team capability, to deliver the approved plan
- Confirmed that the Head of Internal Audit possessed the necessary expertise, independence and experience to fulfil the role effectively
- Reviewed the skill, qualifications and independence of the broader internal audit team
- Met separately with the Head of Internal Audit to confirm the team received full cooperation from management, including unrestricted access to information and records
- Confirmed that internal audit staff operate in accordance with the IIA's professional standards and recognised industry ethics

The Committee is satisfied that the internal audit function is appropriately resourced, professionally led and operates independently in delivering its mandate.

Internal control and assurance

The Committee reviewed internal audit reports evaluating the adequacy of the Group's internal control environment. Areas of focus included financial controls, corporate governance processes, information systems and cyber-security and overall business risk management. The Committee:

- Reviewed significant internal audit findings, including internal control breakdowns, and interrogated management's response and the remedial action taken
- Monitored the ongoing integration of internal audit within the Group's broader combined assurance framework
- Received assurance that adequate accounting records were maintained and that internal controls were generally effective in safeguarding assets and preventing and detecting fraud
- Noted areas requiring targeted improvement and monitored corrective action
- Oversaw the ongoing development of internal audit's data analytics capability to enhance audit coverage and efficiency

The Committee is satisfied that the internal audit function provided timely, relevant and independent assurance over the Group's internal control environment, while continuing to evolve its capabilities to meet the needs of the business.

External audit

The Committee provides independent oversight of the Group's external audit process, supporting the integrity, transparency and reliability of the Group's financial reporting. Ernst & Young Inc. (EY) has served as the Group's external auditor since July 2015, following a formal tender process. The Committee annually evaluates whether a new tender process is required, considering audit quality, independence and market developments.

The Committee has not recommended audit rotation in FY26, prioritising stability in this critical role post the Boxer IPO, and will reassess the need for audit rotation in FY27. In terms of section 92 of the Companies Act, the designated audit partner must rotate after five consecutive financial periods. Tina Rookledge, who has served as the Group's designated audit partner since August 2020, will rotate as audit partner during FY26.

External auditor appointment and independence

The Committee undertook a thorough annual evaluation of EY's independence, competence and audit quality. Key activities included:

- Approved the FY25 external audit plan and scope to ensure adequate coverage of material matters and critical risk areas, including approval of the FY25 audit fees
- Reviewed EY's internal governance and independence processes
- Received and reviewed the auditor suitability information as required under the JSE Listings Requirements
- Assessed the independence of EY, Tina Rookledge (external audit partner Pick n Pay Stores Limited) and Matthew Brown (external audit partner Boxer Retail Limited) in accordance with the Companies Act, the Listings Requirements and relevant regulatory standards
- Engaged directly with both the Group and subsidiary audit partners to evaluate audit approach and coordination

The Committee is satisfied that EY remains independent, competent and compliant with applicable regulatory requirements, and has delivered audit services to the Group with the required quality, rigour and transparency.

Audit process and oversight

The Committee engaged actively with EY and management throughout the audit process to ensure that material risks and financial reporting matters were appropriately addressed. The Committee:

- Reviewed audit findings and recommendations and confirmed that no material unresolved issues remained at the time of approving the Annual Financial Statements
- Met separately with the external auditor to confirm full cooperation from management
- Considered any queries received relating to accounting practices, financial controls or financial reporting
- Monitored the effectiveness of the external audit process, including audit quality indicators, expertise, execution against the approved audit plan and stakeholder reporting standards
- Confirmed that no reportable irregularities were identified by EY under the Auditing Profession Act

The Committee is satisfied that the external audit process was effective, well-governed and appropriately responsive to the Group's operating and risk environment during the year.

Following its comprehensive evaluation of the external auditor's performance, independence and effectiveness during FY25, the Committee considered the continued appointment of Ernst & Young Inc. for the upcoming financial year.

Audit-related and non-audit services

The Committee reviewed all audit-related and non-audit services provided by the external auditor during the year to ensure that independence was maintained. All audit-related and non-audit services were pre-approved in accordance with the Group's policy. Audit-related services related to the Group's two-step Recapitalisation Plan and specifically the external assurance required in respect of certain financial information contained within the related shareholder circulars, totalling R17.6 million.

Significant Matters

The Committee considered the key audit matters reported in the external audit report on pages 8 to 15 of the Group's FY25 Annual Financial Statements and is satisfied that these matters have been appropriately addressed in the Annual Financial Statements.

Annual recommendation of re-appointment

Based on its annual assessment, the Committee recommended to the Board that EY be proposed for reappointment as the Group's external auditor for the FY26 financial year at the 2025 Annual General Meeting.



Risk and compliance

The Committee provides independent oversight of the Group's risk management and compliance functions, ensuring that material risks and regulatory obligations are appropriately identified, assessed, managed and monitored to support the Group's strategy and long-term value creation. The Group's risk and compliance frameworks are implemented by senior management, and guided by the Group Head of Risk and Compliance.

The Head of Group Legal serves as the Chief Risk Officer for the Group. PwC continues to support the Group in strengthening the maturity and implementation of its risk management and compliance frameworks. The day-to-day responsibility for risk and compliance remains with management, under the oversight of the Committee, with key risks integrated into the Group's combined assurance programme.

Key areas of focus in FY25

The Committee's key areas of oversight included the ongoing development of the Group's risk and compliance maturity programme and management's response to the Group's most material risks. Key activities included:

- Reviewed the Group's material existing and emerging risks, including management's mitigation plans, and assessed the ongoing development of the Group's risk and compliance maturity programme
- Reviewed and approved annual revisions to the Group's compliance framework, including Group-wide ethics, governance and limits-of-authority policies
- Monitored combined assurance activities to ensure that key risks were appropriately covered across assurance providers
- Evaluated the Group's internal audit findings from a risk perspective and reviewed management's corrective action
- Reviewed litigation reports, including material litigation matters and Competition Commission enquiries, to assess potential financial and reputational risks and the adequacy of management's legal risk mitigation strategies
- Assessed the composition, expertise, independence and adequacy of the Risk and Compliance function, and confirmed the suitability of the Group Head of Risk and Compliance
- Oversaw management's response to key operational and strategic risks, including:
 - › Talent attraction, retention and employee welfare
 - › Management of the store re-set programme and the impact on store labour
 - › Operational readiness for disruption in power or water supply
 - › Adequacy of security measures in the event of civil unrest
 - › Food safety and occupational health and safety standards
 - › The impact of global and local supply chain disruption, particularly on the Group's clothing division
 - › Cost control in a constrained economy
 - › Group insurance, including the adequacy of asset and business interruption coverage
 - › Franchise performance and franchise debt recoverability
 - › Systems stability and cyber risk
 - › Reputational risk related to ESG matters
 - › Social, political and economic developments in South Africa and other key African markets

The Committee is satisfied that the Group's risk management and compliance frameworks are effective and appropriately support the Group's ability to protect and create sustainable stakeholder value.

IT governance

The Committee reviewed and approved all material IT strategies, initiatives, policies and frameworks. It also approved IT investment principles to guide material IT investment decisions, ensuring system optimisation and continuous innovation. In addition, the Committee evaluated reports on the Group's IT risk profile, critical IT and cyber risks, and risk management processes, and is satisfied with the security and resilience of its systems, platforms and data.



Committee evaluation and re-election

The Committee's performance and effectiveness are assessed on an annual basis by the Board, assisted by the Nominations and Corporate Governance Committee. The Board's assessment was positive, with no concerns raised. The Board remains satisfied that the Committee members have the necessary skills and experience to discharge their duties and have done so effectively.

David Friedland will retire from the Board and step down from the Committee at the 2025 AGM. The Committee extends sincere thanks to David for his invaluable contribution over many years. In addition, the Board has announced that James Formby will take over from Gareth Ackerman as Chair of the Board from the 2025 AGM and, as such, James will not be put forward for re-election to the Committee. The remaining Committee members, including newly appointed independent non-executive director, Pooven Viranna, will be put to shareholders for formal election at the 2025 AGM. Further rotation and retirements will follow as suitable candidates are identified and appointed through the Board's formal succession programme.

The Committee is satisfied that it complied with, and discharged, all statutory duties in terms of section 94(7) of the Companies Act and the Listings Requirements, as well as with the functions and responsibilities assigned to it by the Board under its terms of reference and Committee mandate, for FY25.

Key focus areas for FY26

The Committee's focus areas for the next financial year will include:

- Execution of the Pick n Pay strategic plan and the associated execution risks
- Capital allocations to prioritise investment returns
- Emerging and accelerated risks, including increased cyber risk and potential labour disruption
- Ongoing progress in integrated reporting, including in ESG disclosures

Aboubakar Jakoet

Chair: Group Audit, Risk and Compliance Committee

25 May 2025