MATERIAL ISSUES AND RISKS

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

In determining these material issues the directors consider several internal and external factors, including the Group's strategy, the trading and economic environment, competitor landscape, external opportunities and threats, legislation and regulation, and the needs, expectations and concerns of the Group's primary 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 Risk committee. In reviewing the material issues, the directors believe the current issues remain relevant and appropriate and are unchanged for the 2022 financial year.

Determining materiality

Our material issues

1. Covid-19 pandemic
2. Retail trading conditions
3. Credit risk management
4. Capital management
5. Information technology
6. People
7. Regulation

1 Covid-19 pandemic	RELATED RISKS	RISK MITIGATION
The Covid-19 pandemic continues to have an adverse impact on the economy, business and the lives of many South Africans.	• Third wave of infections could result in stricter lockdown regulations being reintroduced • Prolonged adverse economic impact due to slow pace of vaccination roll-out • Store closures and trading disruption owing to staff infections • Potential disruption of the merchandise supply chain on local and imported merchandise owing to logistical challenges and factory closures • Rising unemployment due to financial impact of Covid-19 • Higher death claims and loss of income claims together with a possible increase in unpaid premiums • Travel restrictions on operational management and collections staff resulted in limited levels of supervisory oversight and the inability to execute the collection model	• Health and safety protocols maintained across all stores and offices • Effective business continuity plans for working remotely during the pandemic • Prioritised the safety and livelihoods of employees by focusing on safety in the workplace, maintaining full remuneration and job preservation • Continued support to staff affected by Covid-19 through employee wellness programme • Transport provided to head office employees who utilised public transport • Cost of Covid-19 testing covered by employer • Applied for government relief funding for employees • Focus on cash preservation • Tight cost management • Robust balance sheet and low gearing ensures that the group continues to be resilient to any potential or unforeseen trading disruptions

2 Retail trading conditions	RELATED RISKS	RISK MITIGATION
The macro-economic environment in South Africa has a significant impact on the Group's operations and the weak trading conditions can impact both sales and collections across the trading brands.	• Constrained consumer spending and weak consumer sentiment as a result of poor economic conditions • Consumer spending contracting further due to financial impact of Covid-19 and related economic restrictions • Discontinuation of government's Covid-19 relief measures	• The Group's store-based business model has proven resilient through multiple economic downturns • The amendments to the affordability assessment regulations of the National Credit Regulator enabling self-employed and informally employed individuals to again apply for credit, will continue to benefit sales • The growth rate in other revenue is expected to move closer to the growth in credit sales over the medium-term • The Group's diversification strategy is expected to continue to support sales growth, with UFO, the Group's cash business, continuing to perform well

MATERIAL ISSUES AND RISKS CONTINUED

3 Credit risk management

RELATED RISKS	RISK MITIGATION
Effective credit risk management aims to optimise the quality of the debtors book by reducing debtor costs through improved collections and lower bad debts.	• Inability to manage credit risk could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit • External factors such as the Covid-19 pandemic, high levels of unemployment and tough economic conditions in the countries of operation could impact on the Group's ability to maintain the optimal quality of the debtors book	• Adjusting credit risk policies and rules to mitigate risks • Ensuring continued focus on productivity and efficiency to increase collection rates and reduce bad debts • Expanded strategy to convert more customers to the AEDO (Authenticated Early Debit Order)/DebiCheck collection service • Focus on increasing satisfactory paying customers

4 Capital management

RELATED RISKS	RISK MITIGATION
The efficient management of capital, financial risks and liquidity is key to the Group's financial stability and to improving returns to shareholders.	• Inefficient capital management could impact on profitability and returns to shareholders • Volatility of exchange rate impacting on margin, pricing and merchandise planning	• Ensure access to capital at all times • Ensure efficient allocation of capital • Continued investment in organic growth and in the debtors book • Return funds to shareholders through dividend payments • Continue the share buy-back programme at levels that are earnings enhancing • Limit borrowings to ensure group's gearing remains low • Manage currency exposure and risk, and hedge against currency fluctuations

5 Information technology

RELATED RISKS	RISK MITIGATION
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.	• Cyber risk 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	• Monitor IT governance processes across the business through the IT steering committee • Risk committee regularly updated on IT-related risks and mitigation plans • Continued investment in cyber security • Maintain and enhance the Group's information security management system • Policies implemented to address data security risks and cyber security solutions • Automated blocking of cyber threats by global specialists in cyber defence • Adequate cyber insurance cover • Business continuity and disaster recovery capability enhanced by upgrading storage and computer processing capacity at disaster recovery site

6 People

RELATED RISKS	RISK MITIGATION
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.	• 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	• Improve talent management • Focus on remuneration retention schemes • Ensure remuneration packages for key staff are competitive and externally benchmarked • Enhance recruitment and selection practices and appoint internal succession candidates to vacant posts where possible • Enhance transformation through Black Economic Empowerment to improve diversity at all levels in the Group • Continued investment in leadership training and development • Enhance mentoring and coaching programmes

7 Regulation

RELATED RISKS	RISK MITIGATION
Ensure compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.	• 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	• Monitor compliance with regulations and legislation through in-house legal and compliance teams • Mitigation measures and disciplinary processes implemented to ensure regulatory compliance in selling of financial products • 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 the new Insurance Act