James Formby

Report of the Finance and Investment Committee

The Finance and Investment Committee ("the Committee") is pleased to present its report for the 2026 financial year. The Committee is a non-statutory committee of the Board, established to support the Board in ensuring that the Group maintains the financial flexibility, discipline and resources necessary to execute the Pick n Pay turnaround successfully.

Committee Chair statement

Following the recapitalisation completed during FY25, management continued to take the necessary action to address the significant trading losses within the Pick n Pay segment. Against this backdrop, much of the Committee's attention was focused on understanding whether the strategic initiatives being implemented across the business were delivering the operational improvements, cash flow benefits and financial outcomes required to support the turnaround.

The Committee remained mindful that rebuilding a business of Pick n Pay's scale takes time. Therefore, we devoted considerable attention to understanding performance against the Pick n Pay Plan, reviewing management's forecasts and testing the assumptions underpinning the turnaround. Our discussions focused not only on areas where progress was evident, but also on identifying under-performance early and understanding the actions required to address it. Progress against strategic initiatives, sales performance, margin improvement, cost reduction programmes, working capital management and capital expenditure was reviewed regularly, with a clear focus on how these factors translated into cash generation, liquidity and financial flexibility.

Liquidity remained a key area of focus throughout the year. Although the Group benefitted from the stronger balance sheet created through the FY25 recapitalisation, we remained acutely aware of the importance of preserving financial flexibility while the turnaround progressed and losses continued to be incurred. Therefore, the Committee reviewed cash flow forecasts, funding requirements, working capital performance and liquidity scenarios at each meeting. Good working capital management and disciplined capital allocation helped support the Group's liquidity position during a year in which investments continued to be made across the business.

Another important area of focus was capital allocation. The Committee reviewed major capital expenditure proposals, store investment plans and strategic projects, with particular emphasis on expected returns, cash flow implications and execution risk. During the year, the Group invested approximately R1.9 billion across its operations while maintaining a disciplined approach to investment decision-making.

As part of its oversight of the Group's capital position, the Committee considered a range of funding and capital management alternatives during the year and after year-end. While meaningful progress has been made, the Pick n Pay segment remained loss-making during FY26, and the Committee believed it was prudent to strengthen the Group's liquidity and financial flexibility ahead of any future funding requirements.

These discussions culminated in the decision to reduce the Group's shareholding in Boxer from 65.6% to 53.1%, generating proceeds of R4.7 billion while retaining control of a business that remains central to the Group's future growth prospects.

The transaction reflected a carefully considered decision to strengthen the Group's financial flexibility while continuing to participate meaningfully in the future growth of a business of which we remain immensely proud. Boxer also continued to perform strongly during FY26, generating excellent cash flows, delivering attractive returns on invested capital and significantly reducing its debt levels.

During the year, we welcomed Gareth Ackerman and Grant Pattison to the Committee. Their extensive retail, operational and investment experience strengthened the quality of discussion and challenge within the Committee. The Board also reconsidered the previously announced intention that I would step down as Chair of the Committee at the conclusion of FY26. Following the annual Board and Committee evaluations, it was agreed that I would continue in the role and support the next phase of the turnaround.

While progress was made during FY26, significant work lies ahead. The Committee remained focused throughout the year on ensuring that management had both the financial resources and the strategic flexibility required to stay the course. I would like to thank my fellow Committee members, the Board, management and particularly the finance and treasury teams for the professionalism, discipline and resilience they demonstrated throughout the year.

Committee mandate

The Committee is a committee of the Board of Pick n Pay Stores Limited and operates in accordance with Board-approved Terms of Reference. The Committee provides oversight of the Group's financial position, liquidity, capital allocation and strategic execution during this period of significant transformation. The Committee assists the Board in overseeing matters relating to:

- Strategic execution and financial performance oversight
- Liquidity, cash flow and working capital management
- Capital allocation and investment oversight
- Funding, treasury and financial flexibility

Committee governance and attendance

The Committee operates in accordance with a Board-approved Terms of Reference and annual work plan, both of which are reviewed annually. The Committee combines experience in finance, treasury, capital allocation and strategic execution, providing an appropriate mix of skills to support the Group during the Pick n Pay turnaround. The Committee met four times in respect of FY26, including a meeting held after year-end to consider the Group's FY26 financial results, financial position and related matters prior to approval by the Board. Given the strategic nature of the Committee's responsibilities, all Board members are standing invitees to Committee meetings. Meetings were attended by executive management, members of the finance and treasury teams and subject matter specialists relevant to matters under consideration. The Committee also engaged with the Group Audit, Risk and Compliance Committee where responsibilities intersected, particularly in relation to financial reporting, liquidity, funding and financial risk matters. Key observations, recommendations and matters requiring approval were reported to the Board following each meeting.

	Attendance
Current members	
James Formby (Chair)	4/4
Gareth Ackerman[1]	3/3
Haroon Bhorat	4/4
Aboubakar Jakoet	4/4
Grant Pattison[2]	1/1
Former members	
David Friedland[3]	1/1

1 *Appointed 5 August 2025.*
2 *Appointed 1 February 2026.*
3 *Retired 5 August 2025.*

The Committee's key focus areas during the year

Strategic execution and financial performance oversight

A significant portion of the Committee's agenda was devoted to understanding progress against the Pick n Pay turnaround plan and evaluating whether the operational and strategic initiatives underpinning the turnaround were delivering the anticipated financial outcomes. The Committee reviewed management's delivery against key initiatives, monitored performance against budgets and forecasts and challenged assumptions underpinning the turnaround plan. The Committee recommended that the Board extend the previously communicated break-even target by one year to FY29, reflecting market conditions, the pace of recovery and the need to prioritise long-term sustainability over short-term gains.

During FY26, the Committee:

- Reviewed financial performance against budgets, forecasts and lender commitments
- Monitored delivery against key strategic initiatives, milestones, assumptions and performance indicators underpinning the Pick n Pay plan
- Considered profitability, margin improvement, cost reduction and sales growth initiatives
- Reviewed strategic risks, opportunities and management actions impacting future financial performance
- Assisted the Remuneration Committee in ensuring that LTI targets were aligned to the delivery of the Pick n Pay turnaround plan

Liquidity, cash flow and working capital management

Maintaining adequate liquidity and preserving financial flexibility remained a critical priority throughout the year. The Committee regularly reviewed cash flow forecasts, funding requirements and working capital performance to ensure that the Group remained appropriately positioned to support the turnaround.

During FY26, the Committee:

- Reviewed detailed cash flow forecasts, liquidity requirements and borrowing requirements
- Monitored working capital performance, cash conversion and cash burn trends
- Evaluated funding requirements under a range of trading and forecast scenarios
- Assessed the adequacy of available liquidity resources, facilities and going concern assumptions

Capital allocation and investment oversight

The Committee maintained oversight of the Group's capital allocation framework and major investment decisions. Particular attention was given to ensuring that investment proposals were supported by robust business cases, clear accountability measures and appropriate return thresholds.

During FY26, the Committee:

- Reviewed significant capital expenditure proposals, store revamps and investment requests
- Oversaw the implementation of enhanced capital allocation disciplines, investment hurdles and return requirements
- Monitored the performance and returns generated by approved investment projects
- Considered strategic transactions and investments, including the sale of a 12.5% shareholding in Boxer

Funding, treasury and financial flexibility

The Committee oversaw the Group's treasury activities, funding structures and lender engagement processes. Maintaining constructive relationships with funders and ensuring appropriate financial flexibility remained an important area of focus throughout the year.

During FY26, the Committee:

- Reviewed banking facilities, treasury activities and surplus cash investment strategies
- Oversaw quarterly lender engagements and reviewed lender reporting and funding-related matters
- Considered funding structures, funding costs and future funding requirements
- Reviewed treasury policies, delegated authority frameworks and financial governance processes

Committee effectiveness and future focus areas

During FY26, the Committee completed its annual effectiveness assessment. The review confirmed that the Committee continues to operate effectively and fulfil its mandate. Areas identified for further development included increased focus on longer-term strategic discussions relating to Pick n Pay and Boxer, more explicit consideration of sustainability factors in investment decisions and continued evolution from strong technical oversight towards deeper strategic challenge. These areas have been incorporated into the Committee's FY27 work plan. The Committee is satisfied that it has fulfilled its responsibilities during FY26 in accordance with its Terms of Reference.

Focus areas for FY27 include:

- Monitoring delivery against the Pick n Pay turnaround plan and the financial trajectory of the turnaround
- Maintaining oversight of liquidity, working capital performance and funding requirements
- Strengthening capital allocation disciplines and investment oversight
- Deepening strategic oversight of the long-term growth and capital trajectories of Pick n Pay and Boxer
- Maintaining appropriate funding structures, treasury governance and financial flexibility

James Formby
Chair: Finance and Investment Committee

30 June 2026