Lewis Group Limited

Annual General Meeting
23 October 2026
Financial Year End: 31 March 2026

Proxies voted	No of shares
Sanlam: Ditikeni Trust	21 350
Vunani: Ditikeni Trust	31 000
Vunani: Labour Research Trust	15 000
Vunani: Social Change Action Trust	17 800

Lewis Group delivered a robust high-level financial performance in the 2026 financial year, demonstrating considerable resilience in a tough retail environment. Group revenue increased by 11.1% to R10 319.9 million (FY2025: R9 287.8 million), driven by an increase in merchandise sales to R5 452.1 million and effective interest income of R2 383.4 million. Merchandise gross profit margins remained stable at 43.7%. Net profit after tax expanded by 13.1% to R853.8 million, lifting Headline Earnings Per Share (HEPS) by 18.3% to 1 753.4 cents. Solvency was exceptionally strong, with the current ratio jumping to 4.9 times.

However, this high-level success masks a stark operational divergence between trading segments. The core "Traditional" segment (Lewis, Beares, Best Home & Electric) remained highly profitable, generating an operating profit of R1 353.0 million. In contrast, the "Speciality" segment (UFO, Bedzone, Real Beds) slumped into an operating loss of R53.3 million (reversing a profit of R8.3 million in FY2025). This downswing was triggered by R72.8 million in impairments and capital items, primarily relating to right-of-use asset write-offs of R65.1 million and a trademark impairment of R10.4 million, exposing execution struggles in integrating or scaling these niche retail brands.

Adverse Conditions and Credit Risks

Operational outcomes were severely tested by high inflation, rising transport and food costs, and slow domestic GDP growth. These factors constrained the disposable income of Lewis's working-class customer base. Because credit sales represent a dominant 69.4% of merchandise sales, the group remains highly exposed to debtor default risk.

To mitigate this, the group applies an IFRS 9 Expected Credit Loss model, which identified low GDP growth and high Debt-to-Disposable Income (D2DI) ratios as the primary drivers of default. Reflecting intense caution, management maintained a heavily skewed 70% probability weight to the "downside" economic scenario in its forward-looking credit overlay models. Consequently, debtor costs rose to R1 310.2 million, and the group's cumulative debtor impairment provision rose to R3 458.6 million (representing a substantial 37.7% of gross trade receivables).

Governance, Remuneration, and ESG Critique

From an ethical and governance perspective, Lewis Group's outcomes are mixed. The company maintained a level 5 B-BBEE rating, and black representation in the workforce reached 99.1%. However, board-level diversity has stalled, and Hilton Saven's long tenure raises potential succession risks.

Crucially, the company's active ESG index score dropped from 58% to 43%, indicating a regression in governance transparency. A major critique is the group's continued refusal to submit its Audited Financial Statements and its Social and Ethics Committee Report to non-binding shareholder votes, directly violating Active Shareholder Guidelines and risking voting sanctions against committee chairs. Furthermore, despite JSE and King IV recommendations, Lewis Group fails to integrate quantifiable ESG or sustainability targets into its executive bonus structures, while maintaining a staggering 875:1 pay gap between the CEO's total remuneration (R58.9 million) and the national minimum wage.

Anticipated Opportunities

Despite these systemic hurdles, Lewis is positioning itself to capture several operational and strategic opportunities:

- **Utility Management and Efficiency:** The group's 25-store smart meter pilot successfully contributed to a 9.4% reduction in average store electricity consumption. A broader rollout promises substantial operating cost savings.
- **Digital Migration:** Shifting customer statements to SMS and moving marketing to digital platforms has delivered tangible paper and distribution emission cuts.
- **Logistics Partnership:** Lewis is leveraging its logistics partner, Value Logistics, which committed to a 30% reduction in Scope 1 emissions by 2030 via fleet upgrades and route optimisation.
- **Just AI Transition:** The group is adopting a proactive, human-centred approach to artificial intelligence, ensuring that AI tools enhance employee roles rather than displacing them.

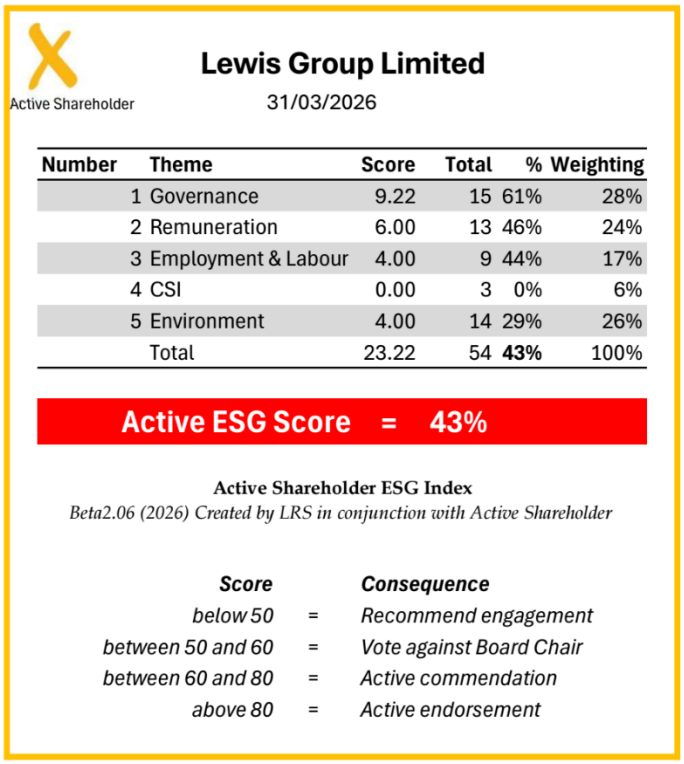
Regulatory Readiness

The Social and Ethics Committee is actively preparing systems for the expected mandatory adoption of IFRS S1 and S2 sustainability disclosures.

THE ACTIVE SHAREHOLDER
ESG INDEX

Active Shareholder is developing a mechanism by which to score a company's ESG. The summary alongside is from a beta version currently being tested. The metrics used to evaluate the five different aspects of ESG are available upon request. While not all of these are regulated and some are aspirational, they all reflect Active Shareholder's goals for ethical, sustainable, and fair governance.

These insights have been used in part to arrive at the proxy recommendations that follow.



Active Shareholder

Lewis Group Limited

31/03/2026

Number	Theme	Score	Total	%	Weighting
1	Governance	9.22	15	61%	28%
2	Remuneration	6.00	13	46%	24%
3	Employment & Labour	4.00	9	44%	17%
4	CSI	0.00	3	0%	6%
5	Environment	4.00	14	29%	26%
	Total	23.22	54	**43%**	100%

Active ESG Score = 43%

Active Shareholder ESG Index

Beta2.06 (2026) Created by LRS in conjunction with Active Shareholder

Score		*Consequence*
below 50	=	*Recommend engagement*
between 50 and 60	=	*Vote against Board Chair*
between 60 and 80	=	*Active commendation*
above 80	=	*Active endorsement*

Governance (61%)

Scoring 61%, governance remains compromised. The board fails to submit Audited Financial Statements or the Social and Ethics report to non-binding shareholder votes. RemCo lacks independence due to executive standing invitations, and non-executive fees lack meeting-attendance links. Positively, directors maintain exemplary meeting attendance, and comprehensive board profiles are transparently disclosed.

Remuneration (46%)

Achieving 46%, the policy lacks market-relative performance targets and fails to link executive bonuses to audited ESG metrics. The CEO's R58.9 million pay is uncorrelated with operating profit, creating an indefensible 875:1 minimum wage gap. On the positive side, LTIs feature robust five-year vesting, and STIs and LTIs utilise distinct, non-overlapping operational metrics.

Employment & Labour (44%)

Scoring 44%, this section suffers from critical disclosure gaps, with turnover, disability demographics, and temporary/part-time employment ratios left unreported. No broad-based ESOP exists. However, overall employment increased, unions operate freely, and the workforce exhibits exceptional diversity, with 99.1% Black and 59.6% Female representation, comfortably exceeding national sectoral targets.

CSI (0%)

Scoring 0% due to scorecard omissions, Lewis failed to report its quantitative CSI/SED spend relative to NPAT or CEO pay. However, positive related developments exist: Lewis achieved a full 5/5 score for Socio-Economic Development on its Level 5 B-BBEE certificate and actively supports childhood nutrition and education through partnerships like the South African Education Project.

Environment (29%)

A low 29% score reflects critical omissions; waste, energy, and water metrics are entirely unreported. There are no formal plans for wastewater, waste, or biodiversity. Positively, emissions efficiency improved. Real-world operational developments are encouraging: Lewis completed a 25-store smart meter pilot and installed head office solar panels, reducing local electricity usage by 19%.

Overall Summary

Lewis Group's 2026 ESG Index score fell to 43% (Beta2.06), reflecting serious disclosure gaps and systemic governance regressions. While workforce diversity and local operational sustainability initiatives are commendable, they are overshadowed by non-binding vote exclusions, astronomical wage inequality, and a total failure to report quantitative carbon, waste, water, and CSI metrics within formal reporting frameworks.

	Resolution	Rationale	Vote	Outcome of AGM
Ordinary resolutions				
1.1	Re-election of Mr Hilton Saven as an independent non-executive director	Appointed 2004 (22-year tenure; chairperson since 2017). Holds a BCom (Hons) and CA(SA). Former chairperson of Mazars SA and Praxity Alliance, offering vast governance, strategy, and financial experience. However, his exceptionally long tenure compromises his independent status under Active and ISS criteria. Furthermore, the drastically lowered Active ESG Score of 45% mandates a vote against him.	AGAINST	FOR: 92.31%
1.2	Re-election of Ms Adheera Bodasing as an independent non-executive director	Appointed 2017 (9-year tenure). Holds a BA and LLB. Specialises in intellectual property, gambling, and financial sector law. Formerly headed National Treasury's legal division, now managing Polarity Consulting to provide regulatory compliance and policy guidance. Her tenure is now hitting independence scrutiny limits.	FOR	FOR: 99.93%
1.3	Election of Mr Mholi Shandu as an independent non-executive director	Appointed April 2026 (first election/ratification). Holds BEcon and BCom (Hons) degrees. Executive director at Seermont Investment and MD of Palucron Financial Services. Brings deep insurance and finance experience, having served on Group subsidiary Monarch Insurance's board for four years to enable immediate contribution.	FOR	FOR: 99.96%
2.1	Election of Ms Daphne Ramaisela Motsepe as a member of the audit committee	Appointed 2017 (9-year tenure). Holds a BCompt and MBA. Former chief executive of Absa's card division and MD of Postbank. While highly experienced in financial leadership, her tenure reaches Active's compromised independence limit. Furthermore, Active's 2026 sanctions mandate opposing her re-election as committee chairperson because Lewis fails to put the AFS to a shareholder vote.	AGAINST	FOR: 97.11%
2.2	Election of Mr Tapiwa Hudson Njikizana as a member of the audit committee	Appointed 2019 (7-year tenure). Holds BCompt (Hons), CTA, CA(SA), and is a JSE IFRS Advisor. Executive director at W.consulting SA with deep regulatory, accounting, and advisory committee expertise. Highly independent under Active's 9-year benchmark, he offers the exact technical financial skills required by Active and the Companies Act.	FOR	FOR: 99.95%
2.3	Election of Mr Brendan Michael Deegan as a member of the audit committee	Appointed 2022 (4-year tenure). Holds a BCom and CA(SA). Former senior PwC partner, heading South African assurance and global internal audit practices. He brings stellar auditing and governance expertise. With tenure well below the nine-year limit, he is fully independent and highly suitable under Active's strict committee standards.	FOR	FOR: 99.95%
3.1	Election of Prof. Fatima Abrahams as a member of the social, ethics and	Appointed 2005 (21-year tenure; Lead Independent since 2021). Holds BEcon (Hons), MCom, and DCom; registered industrial psychologist. Offers	AGAINST	FOR: 90.72%

	Resolution	Rationale	Vote	Outcome of AGM
	transformation committee	deep expertise in human capital, remuneration, and retail ESG. However, her tenure exceeds Active's 9-year independence benchmark. As committee chairperson, Active opposes her re-election because Lewis fails to submit the Social and Ethics report for a shareholder vote.		
3.2	Election of Ms Daphne Ramaisela Motsepe as a member of the social, ethics and transformation committee	Appointed 2017 (9-year tenure). Holds BCompt and MBA. Former Absa card division CEO and Postbank MD. Offers exceptional experience in banking, finance, and consumer leadership, aligning perfectly with the committee's mandate. Unfortunately, her tenure has reached Active's compromised independence threshold.	AGAINST	FOR: 97.11%
3.3	Election of Mr Hilton Saven as a member of the social, ethics and transformation committee, subject to the passing of ordinary resolution number 1.1	Appointed 2004 (22-year tenure). Holds BCom (Hons) and CA(SA). Former Mazars SA chairperson, offering extensive corporate governance and financial strategy experience. However, his 22-year tenure significantly exceeds Active's 9-year independence limit, making his appointment to a committee requiring an independent majority highly compromised under Active's strict governance standards.	AGAINST	FOR: 96.34%
3.4	Election of Mr Johan Enslin as a member of the social, ethics and transformation committee	CEO since 2009 (17-year board tenure). With over 32 years of credit furniture retail experience, he rose from salesman to CEO. His operational insight is highly relevant to customer relations and transformation. Although an executive, his election is supported as the committee retains the required majority of independent non-executive directors.	FOR	FOR: 98.34%
4	Approval of the re-appointment of auditors	Ordinary Resolution 4 proposes the re-appointment of Ernst & Young Inc. as external auditor, with Pierre du Plessis as the designated lead. The appointment complies with Section 90 of the Companies Act. It is fully supported under Active's guidelines, as EY's three-year firm tenure and the partner's recent appointment are well within the respective ten-year and five-year rotation limits.	FOR	FOR: 99.96%
5	Approval of the Company's Remuneration Policy	**Fixed vs. Variable Pay Mix & Algorithms** Fixed annual pay is determined via peer-group benchmarking, individual merit, and group performance. For FY2026, executive pay is heavily skewed toward variable components; the CEO's fixed pay (R8.72 million) compared to variable rewards (R50.19 million) reflects an aggressive 15%:85% mix (a 1:5.75 ratio). While the STI algorithm targets operational performance (margins and debtor costs) and the performance-based LTI algorithm uses diverse metrics (HEPS, ROE, and gearing), both schemes evaluate performance on entirely absolute, internal metrics. This lacks the relative peer-market comparisons recommended by Active Guidelines. **Vesting and Shareholder Rights Deficits** While performance-based LTIs have a sound five-year vesting period, the parallel Executive Retention	AGAINST	FOR: 93.8%

	Resolution	Rationale	Vote	Outcome of AGM
		Scheme (LERS) uses a shorter three-year timeline. Crucially, unvested shares under LERS receive active cash dividends and voting rights, directly violating both Active and ISS guidelines, which restrict shareholder rights on unvested equity instruments. **The ESG Integration Gap** Stating that management is "still in the process of identifying meaningful targets" for variable pay continues to be a severe policy failure. Under JSE and Active Guidelines, executive incentives must make ESG performance financially material, typically dedicating a 30%–40% weighting to audited sustainability, climate, and transformation metrics. **Inequality and Governance Failures** The policy fails to address local pay inequality. The astronomical 875:1 pay gap between the CEO's remuneration and the national minimum wage is socially and ethically indefensible under Active's unified guidelines. Finally, the CEO's standing invitation to RemCo meetings compromises committee independence, violating best practices.		
6	Approval of the Company's Remuneration Report	Under the newly effective Companies Amendment Act 16 of 2024, public companies are immediately required to disclose average, median, and wage-gap ratios (top 5% vs. bottom 5%). Lewis Group fails to disclose these mandatory metrics. Intersectional pay differentials by race and gender and pay ratios between the CEO and average/senior employees remain completely unreported, failing both Active's implementation principles and basic statutory compliance. Based on Active's metrics, the CEO's total single-figure remuneration of R58 901 000 (a massive 70.4% increase from 2025's R34 568 000) compared to the national minimum wage of R67 316 highlights an astronomical 875:1 wage gap. This extreme inequality is socially and ethically indefensible, especially given that general staff increases consistently lag behind executive increases. Furthermore, despite JSE, King IV, and King V guidelines, the actual bonus outcomes, with the CEO receiving a cash STI of R14 744 000 and vested LTIs of R35 442 000, were determined on entirely absolute financial and operational metrics. No part of this variable remuneration was linked to audited ESG, climate, or transformation performance. Additionally, the implementation report fails to provide transparent, explicit disclosure on whether unvested options or share awards carry dividend and voting rights, violating Active's Unified Guidelines. At the 2025 AGM, Active voted AGAINST the implementation report due to wage gap opacity, unvested share dividend benefits, and financial-only incentive metrics. Because these severe disclosure	AGAINST	FOR: 97.09%

	Resolution	Rationale	Vote	Outcome of AGM
		and ethical deficiencies persist in 2026, compounded by immediate non-compliance with the amended Companies Act's pay transparency provisions, Active Shareholder must maintain its position and vote AGAINST Ordinary Resolution 6.		
7	General authority to repurchase shares	Ordinary Resolution 7 seeks general authority to repurchase up to 10% of the company's issued shares. Active Shareholder opposes such open-market buybacks because they treat shareholders unequally and selectively benefit executives by artificially inflating option values. Non-selective capital distribution options such as paying cash dividends or making general, pro-rata repurchase offers to all shareholders are strongly preferred.	AGAINST	FOR: 97.67%
Special resolutions				
1	Approval of non-executive directors' fees	**Proposed Fee Structure and Alignment** Special Resolution 1 proposes a 5.7% increase in non-executive director fees for the period from 1 July 2026 to 30 June 2027. Under this proposal, the base fee for the board chairperson rises to R1 000 000 and the fee for a general non-executive director rises to R468 000. While the 5.7% increase is close to prevailing inflation, the absolute levels of these fees remain exceptionally high relative to the average employee's compensation within the group. **Absence of Attendance-Linked Fees** A primary governance deficit of the fee structure is the complete absence of per-meeting attendance fees. • **The Policy Conflict:** Under Active Shareholder's Policy Guidelines, non-executive pay must be opposed if it "fails to link a component of pay to meeting attendance". Best practice dictates that a meaningful portion of director remuneration should consist of attendance fees to drive direct accountability and reward active participation. • **The Reality:** Lewis Group continues to pay flat quarterly annual retainers regardless of actual meeting attendance, which completely immunises director compensation from meeting-by-meeting accountability. **The "Invitation Fee" Loophole** The fee proposal contains a highly problematic clause: "All non-executive directors who attend the committee meetings by invitation at the request of the board shall be eligible to receive the same fee as if they were a member of the committee". • This "Invitation Fee" mechanism effectively allows non-committee members to double or triple-dip into committee fee pools (such as the R190 000 Audit Committee member fee or R150 000 Risk Committee member fee) simply by attending as invitees. • For example, in 2026, Hilton Saven and Prof. Fatima Abrahams attended five Audit Committee meetings by standing invitation. Under this clause, they are eligible for member-level compensation despite not bearing the formal fiduciary responsibilities or liability of appointed committee members. This represents an unchecked inflation of non-executive costs.	AGAINST	FOR: 89.22%

	Resolution	Rationale	Vote	Outcome of AGM
		Subsidiary Fee Layering (Double-Dipping) The transparency of the resolution is further compromised by fee layering across subsidiaries. Several of Lewis Group's non-executive directors (including Hilton Saven, Prof. Fatima Abrahams, Brendan Deegan, and Mholi Shandu) concurrently serve on the boards of associated subsidiaries, such as Monarch Insurance Company Limited or Lewis Stores, where they receive separate, generous emoluments. • In the 2026 financial year, these subsidiary fees added up to R445 000 for Saven, R444 000 for Abrahams, and R340 000 for Deegan and Shandu. • Because these parallel subsidiary board fees are not consolidated or factored into the base Special Resolution 1 vote, shareholders are effectively voting on an incomplete representation of the total compensation paid to these directors by the group. **Non-Compliance with King V Guidelines** King V mandates that companies must establish a dedicated non-executive director fee policy to accompany any proposed fee resolutions submitted for shareholder approval. Lewis Group's documentation fails to present a distinct, comprehensive NED fee policy that justifies these increases against long-term strategic, value-creation, or peer benchmarks, relying instead on high-level advisory surveys. **Voting Recommendation** At the 2025 AGM, Active Shareholder voted AGAINST Special Resolution 1 due to excessive fee structures, lack of wage gap alignment, and subsidiary double-dipping. Because the fundamental structural flaws have persisted into 2026, specifically the refusal to implement attendance-linked fees, the inclusion of the highly irregular invitation fee loophole, and opaque subsidiary fee layering, Active Shareholder must maintain its principles and vote AGAINST Special Resolution 1.		
2	Shareholders' authorisation of continued issuance of Notes under the Company's Domestic Medium Term Notes Programme	Special Resolution 2 authorises the board to continue issuing debt notes up to a maximum outstanding of ZAR2 billion under the DMTN Programme. Active Shareholder supports this resolution. Lewis Group has sufficient financial resources to manage this facility. The notes act as a standard, non-dilutive capital management tool and do not carry problematic voting or governance privileges.	FOR	FOR: 99.96%
3	Shareholders' general authorisation of financial assistance	Active Shareholder opposes Special Resolution 3 due to its overly broad scope, which authorises financial assistance to "any company, corporation or other person or entity". While funding subsidiaries is acceptable, the lack of explicit exclusions for funding directors, executives, or associated share incentive schemes violates Active's Guidelines and statutory transparency standards. We vote AGAINST.	AGAINST	FOR: 97.13%
OR 8	Directors' authority to implement Company resolutions	Ordinary Resolution 8 grants directors and delegated officers the authority to sign documents and take all necessary steps to execute resolutions successfully passed at the AGM. Both ISS and Active	FOR	FOR: 99.93%

	Resolution	Rationale	Vote	Outcome of AGM
		Shareholder classify this as a routine, non-contentious administrative matter.		

AGM OUTCOME

At the Annual General Meeting ("AGM") of Lewis held online on Friday, 23 October 2026, all resolutions were passed by the requisite majority of shareholders present and represented by proxy at the meeting.

Details of the results of the voting are as follows:
Total issued share capital: 52 159 288
Total number of shares present/ represented at the AGM: 37 788 001, being 72.45% of total issued shares