

**SOCIAL AND ETHICS  
COMMITTEE REPORT**

**2020**



**TRUWORTHS**  
INTERNATIONAL

# SOCIAL AND ETHICS COMMITTEE REPORT 2020

## INTRODUCTION

**The Group is committed to continuous growth in its contribution as a good corporate citizen for the benefit of all its stakeholders.** The Social and Ethics Committee (the committee) supports the board in this commitment by monitoring the Group's environmental, social and governance (ESG) performance, principally in South Africa where most of its operations are conducted.

The Chairman of the committee presents the following report to shareholders for the 2020 financial period, in accordance with the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended from time to time, and the recommendations of the King IV Code on Corporate Governance for South Africa, 2016 (King IV).

## COMMITTEE COMPOSITION

In accordance with the King IV-recommended practice, the majority of the members of the committee for the period under review were independent non-executive directors, namely Michael Thompson (chairman) and Maya Makanjee, who succeeded the late Dr Thandi Ndlovu who sadly passed away on 24 August 2019. The third member was executive director David Pfaff. At the company's annual general meeting (AGM) in November 2019 shareholders confirmed the appointment of these committee members.

Standard attendees at committee meetings are the chairperson of the Truworths Ltd Transformation Committee, the chairman of the Truworths Ltd Sustainability Committee, the Company Secretary and the Legal Adviser (who acts as the secretary of the committee).

Shareholders will be asked to confirm the appointments of the committee members at the company's AGM of shareholders in November 2020.

## RESPONSIBILITIES

The objectives and responsibilities of the committee are recorded in its charter and are aligned with the committee's statutory functions. The committee's responsibilities are also aligned with the King IV recommendations that it should have oversight of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships. In summary, the committee has a duty to:

- Monitor the social, economic, governance, employment and environmental activities of the Group.
- Bring matters relating to these activities to the attention of the board as appropriate.
- Report annually to shareholders on the matters within the scope of its responsibilities.

The specific activities required to be monitored by the committee include the Group's adherence with legislation, regulations and codes of best practice relating to:

- **Social and economic development**, including the Group's standing relative to the United Nations Global Compact Principles, the Organisation for Economic Co-operation and Development's (OECD) recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-based Black Economic Empowerment Act.

- **Good corporate citizenship**, including the Group's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the Group's contribution to the development of communities in which it operates or markets its products and the Group's record of sponsorships, donations and charitable giving.
- **The environment, health and public safety**, including the impacts of the Group's activities and products on the environment and society.
- **Consumer relationships**, including the Group's advertising, public relations and compliance with consumer protection laws.
- **Labour and employment**, including the Group's standing relative to the International Labour Organisation's Protocol on decent work and working conditions, and the Group's employment relationships and contribution to the educational development of its employees.

In addition to these statutory functions, the committee's charter records its role in encouraging the board to adopt leading practice in relation to social and ethics matters by progressing beyond mere compliance and adding value in its oversight function as recommended by King IV.

## FUNCTIONING

The committee met four times during the period under review and detail on meeting attendance is included in the Group's Report on Corporate Governance and Application of King IV Principles 2020 on the website [www.truworthsinternational.com](http://www.truworthsinternational.com).

At each meeting the chairpersons (or their delegates) of the Truworths Ltd Transformation and Sustainability Committees reported on initiatives recently undertaken by these two committees, as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes. Members of management also made presentations to the committee on topics falling within the committee's monitoring mandate, as outlined below.

During the reporting period, at the committee's request, management continued to determine the focus of each of the committee's quarterly meetings based on a revolving schedule of topics. These topics are based on a comprehensive matrix of matters relating to the committee's areas of responsibility. The committee further refined this framework during the period under review, and the resulting matrix is a key tool to ensure that the committee meets its monitoring obligations.

In addition to this revolving schedule of specific topics, management also arranges for presentations on topics requested by the committee members from time to time. Presentations or reports based on matters arising from the minutes of previous meetings, which are largely based on queries raised by the members of the committee, are also presented where required. This process ensures that the members of the committee play an active role in determining the matters monitored.

## SOCIAL AND ETHICS COMMITTEE REPORT 2020 continued

### MONITORING

Key issues considered by the committee during the period under review included:

- The initiatives investigated and/or undertaken with a view to ensuring continued compliance by the Group's South African operations as regards its Broad-based Black Economic Empowerment (BBBEE) generic scorecard, as achieved at the end of the 2019 reporting period.
- The ongoing usage of a service provider to identify potential beneficiaries for the supplier development strategy of the Group's South African operations, the assessment of various qualifying beneficiaries and the provision of financial assistance to some of these beneficiaries.
- Recent corporate social investment and socio-economic development activities undertaken by the Group in South Africa. These included the donation by Group companies of merchandise to The Clothing Bank, and the donation of funds by the Group's charitable trusts to various healthcare, social development and educational institutions. More detail is included in the Social and Environmental Report 2020 on the website [www.truworthsinternational.com](http://www.truworthsinternational.com).
- The Group's 2019 submission for the Carbon Disclosure Project. While the score achieved by the Group was lower than in the previous year, the submission illustrated that the Group was largely meeting the targets set.
- The extension of measures implemented in retail stores in South Africa to ensure sustainability and cost savings, including the use of energy-efficient and LED lighting fixtures and the installation of meters to monitor electricity usage against adopted benchmarks. More detail is available in the Group's Social and Environmental Report 2020 on the website [www.truworthsinternational.com](http://www.truworthsinternational.com).
- The introduction of key performance indicators for electricity and water consumption in the Group's South African operations. These indicators are used to monitor the Group's progress in resource conservation.
- The Group's submission for the 2019 review of the FTSE/JSE Responsible Investment Top 30 Index, in terms of which the Group again qualified for inclusion. The Group was also a constituent company in the FTSE4Good Index Series based on its 4.2 score out of 5 in the FTSE/Russell ESG Rating.
- The continuation in South Africa of recycling and income-generating activities at the Group's distribution centres in relation to plastic hangers and in-bound cardboard cartons, waste recycling initiatives at the head office and the recycling of cardboard cartons and plastic packaging at stores in collaboration with the logistics service provider.
- The continued water-saving initiatives undertaken at the Group's head office, originally in response to the drought conditions in Cape Town, and the introduction of a grey water system at 75 on Plein, a building recently acquired by the Group.
- The Group's approach to anti-bribery and corruption, based on the three principles of zero tolerance, prevention and detection and reporting of any suspected unlawful conduct, together with the monitoring processes in place and the procedures applied to combat these issues, including a robust whistle-blowing policy and reporting mechanisms.
- The steps undertaken by Group management to ensure competitive behaviour, including a competition policy which subscribes to the requirement to remain in compliance with applicable legislation, the monitoring of amendments to the Competition Act, No. 89 of 1998, as amended from time to time and commenting on draft legislation, the seeking of competition authority approval in respect of acquisitions if they are notifiable and obtaining legal advice regarding the competition law consequences of commercial actions.
- The skills development initiatives undertaken by the Group in relation to its employees, including general and learnership programmes, the training accreditation by the Wholesale and Retail Sector Education and Training Authority since 2003 which enables Truworths to develop its internal learnership programmes to directly address its requirements and needs, the bursary programmes which provide financial support to both internal and external bursars, and the comprehensive and highly regarded merchant training programmes.
- The change management processes deployed across the Group, in regard to both large (e.g. business acquisition and integration) and small (e.g. new information system implementation) projects, that require change management in order to be successful, it being noted that there are no fixed or prescribed processes involved and each approach is tailored to the change at hand, communication is paramount and it is imperative to identify all stakeholders, and the use of respected change agents is key.
- The Group's supplier and enterprise development initiatives, including an explanation of how BBBEE scorecard points are determined, examples of recent activities with regard to supplier development, including a loan to a supplier to secure the ongoing lease of business premises and loans to suppliers for working capital and turnaround strategies, and examples of recent activities with regard to enterprise development, including business incubation support to young entrepreneurs and tenders of surplus merchandise to jobbers.
- The Group's philosophy and policies aimed at ensuring the delivery of equitable products and services: including the functioning of Truworths' quality assurance process and approach to product safety, which involve the deployment of the Quality Management System (QMS) (which commences at product development and runs through until final delivery), it being noted that quality-related merchandise returns were at an all-time low and that the QMS is audited each year by an independent third party.
- The initiatives and procedures implemented by management to ensure employee health and safety and the steps carried out to comply with the COVID-19 directives as issued by government since the outbreak of the coronavirus pandemic, including employee education and awareness, workspace sanitising, social distancing, the wearing of face masks and visors, screening and testing, isolation and treatment, including assistance available from the Group's healthcare programmes.

### MATTERS BROUGHT TO THE ATTENTION OF THE BOARD

During the reporting period the committee brought the following key matters to the attention of the board through the committee chairman's reports at board meetings:

1. The committee continued its oversight and monitoring to cover the broad scope of its mandate as required by legislation, King IV and the committee charter.
2. Management continued to take action with regard to its level of compliance with the BBBEE scorecard applicable to the Group's South African operations.

### FOCUS AREAS FOR 2021

During the 2021 financial period the committee will continue principally to base its monitoring activities on the revolving schedule of topics determined by the aforementioned matrix, as supplemented by topical issues arising from the input of its members and relevant exogenous factors facing the Group from time to time. The monitoring of ESG performance in relation to the Group's operations outside of South Africa will be further extended during the period.

The committee will also critically monitor that progress is made on an annual basis with regard to the Group's ESG performance.

### CONCLUSION

No material non-compliance with legislation and regulations, nor material regulatory fines or penalties relevant to the areas within the committee's mandate, have been brought to its attention during the reporting period.

The committee's monitoring activities continue to show that steady and sustainable progress is made annually with regard to the Group's ESG performance, without detracting from the Group's financial performance.



**Michael Thompson**  
Chairman  
Social and Ethics Committee

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