

'22



**SOCIAL  
AND ETHICS  
COMMITTEE  
REPORT**

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TRUWORTHS  
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# SOCIAL AND ETHICS COMMITTEE REPORT

## INTRODUCTION

**THE GROUP REMAINS COMMITTED TO ONGOING DEVELOPMENT 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 2022 financial period, in accordance with the requirements of the Companies Act of South Africa, No. 71 of 2008, and the recommendations of the King IV Report 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 Mike Thompson (Chairman) and Maya Makanjee. The third member was executive director Emanuel Cristaudo, who was appointed to the committee with effect from 1 July 2021.

Subsequent to the year-end, non-executive director Thabo Mosololi was appointed as a member of the committee, effective 26 July 2022. Mike Thompson retired as a non-executive director and Chairman of the committee, effective 1 September 2022. Thabo Mosololi was appointed as Chairman of the committee and Hilton Saven as a member of the committee with effect from 1 October 2022.

Standard attendees at committee meetings are the Chairman of the Truworths Ltd Transformation Committee, the Chairman of the Truworths Ltd Sustainability Committee, the Company Secretary, the Truworths Human Resources Executive and the Truworths Head of Legal, 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 2022.



## 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, and 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 to 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 recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-based Black Economic Empowerment (BBBEE) 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 Organization'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, on 18 August 2021, 3 November 2021, 2 February 2022 and 4 May 2022, respectively, and detail on meeting attendance is included in the Group's Corporate Governance Report on the website [www.truworthis.co.za/reports](http://www.truworthis.co.za/reports).

At each meeting, the chairpersons (or their delegates) of the Truworthis 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, which 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. The foregoing ensures that the members of the committee play an active role in determining the matters monitored.

## MONITORING

Key issues considered by the committee during the period included:

- The initiatives investigated and/or undertaken with a view to ensuring improved compliance by the Group's South African operations with regard to its BBBEE generic scorecard, as achieved at the end of the 2021 reporting period, having regard for the interpretation notes issued by the BBBEE Commission as to what activities qualified as socio-economic development.
- The ongoing engagement 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 for supplier development funding and the extension of financial assistance to beneficiaries.
- Recent corporate social investment and socio-economic development activities undertaken by the Group in South Africa to engender sound community relations. These included the material donations by Group companies of merchandise to Taking Care of Business; the donation of funds by the Group's charitable trusts to various healthcare, social development and educational institutions; and the initiatives aimed at providing community support. More detail is included in the Group's 2022 Social and Environmental Report on the website [www.truworthis.co.za/reports](http://www.truworthis.co.za/reports).
- The Group's 2021 submission for the Carbon Disclosure Project (CDP), noting that the B score achieved by the Group, which falls into the management category that reflects that the Group is taking coordinated action on climate issues, was ahead of the Global Discretionary Retail average, as well as the overall Global average.
- The presentation by management on the skills development programmes in the SA-based business segment, including ensuring alignment with the Group's Business Philosophy; the requirements to be cost effective and aligned to business needs; the adoption of blended learning techniques and the use of mainly internally developed courses; the utilisation of government grants and tax incentives; and the learnerships, skills programmes and internships offered to employees.
- The ongoing implementation of measures in retail stores in South Africa to ensure the reduction in carbon emissions resulting from electricity usage as well as achieve cost savings, including the use of energy-efficient and LED lighting fixtures, and the further installation of meters to monitor electricity usage against adopted benchmarks. More detail is available in the Group's 2022 Social and Environmental Report on the website [www.truworthis.co.za/reports](http://www.truworthis.co.za/reports).
- The Group's submission for the 2021 review of the FTSE4Good Index Series in terms of which the Group again qualified for inclusion. The Group achieved a score of 4.0 out of 5 in the FTSE/Russell ESG Rating and achieved a percentile ranking of 88 in the Retail Supersector of the FTSE Industry Classification Benchmark. Notably, the Group scored 5 out of 5 on the governance pillar of this rating.
- The continuation in South Africa of recycling and income-generating activities at the Group's distribution centres in relation to plastic hangers, including the granulation of scrap hangers and the sale of such plastic granules for extrusion of new hangers, as well as the recycling and re-use of in-bound cardboard cartons and inserts. Also noted, were the waste-recycling initiatives at the head office, the recycling of cardboard cartons and plastic packaging at stores in collaboration with the logistics service provider, and the introduction of sustainable merchandise and sustainable shopping bags and hangers in stores.
- Management's implementation of a Code of Good Practice: 'Prevention and Elimination of Harassment in the Workplace', guided by the International Labour Organization conventions and promoted by the Department of Employment and Labour in South Africa, to combat workplace violence and harassment, and which was aligned with occupational health and safety requirements.
- A presentation by management on carbon emission reduction projects in the Group, including defining the Group's carbon emission footprint, the consideration being given to setting carbon emission reduction targets, participation in the CDP and the extension of project initiatives to include the Group's UK-based Office business segment.
- The presentation by management on the fraud prevention practices in the Group's SA-based business segment, including measures to counteract occupational and customer account-related fraud, the objectives and guiding principles of the Fraud Specialist's role, and the prevention, detection, training and investigation initiatives undertaken by management.
- A presentation by management on the Group's approach to ethics, including the role of organisational culture in shaping an ethical culture, and the policy framework that drives ethical standards in the business, such as the:
  - Anti-fraud and corruption policy
  - Disciplinary code
  - Business ethics and integrity code
  - Whistleblowers policy
  - Employment equity policy
  - Conflict of interest policy
  - Tender and contract approval policy
  - Counterfeit and trademark infringement policy
- The presentation by management on the change management principles and processes deployed in the course of internal restructuring, the implementation of new systems/applications and business acquisitions, including:
  - detailed communication plans;
  - stakeholder identification and ongoing engagement at all levels;
  - use of experienced change agents;
  - extensive training, both technical and qualitative; and
  - legislative compliance.

- The ongoing initiatives 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, including employee education and awareness, workspace sanitising, physical distancing, the wearing of facemasks 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 had 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 was committed to take action with regard to enhancing its level of compliance with the BBBEE scorecard applicable to the Group's South African operations.

## FOCUS AREAS FOR 2023

During the 2023 financial period, the committee will continue to base its monitoring activities on the revolving schedule of topics determined by the abovementioned matrix, as supplemented by issues proposed by its members and relevant exogenous factors facing the Group from time to time.

The committee will also monitor that progress is made on an annual basis with regard to the Group's ESG performance, including in relation to the Group's operations outside of South Africa.

## 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.

**Michael Thompson**  
Chairman (retired effective 1 September 2022)

Social and Ethics Committee  
1 September 2022





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