



TRUWORTHS

INTERNATIONAL

Truworhts International Ltd
**SOCIAL AND ETHICS
COMMITTEE REPORT**

2019

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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 2019 financial period, in accordance with the requirements of the Companies Act of South Africa, and the recommendations of the 2016 King Code of Governance Principles for South Africa (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 the late Thandi Ndlovu. The third member was executive director David Pfaff. At the company's annual general meeting (AGM) in October 2018 shareholders confirmed the re-appointment of these committee members. Dr Ndlovu tragically passed away on 24 August 2019 and has been replaced on the committee by the independent non-executive director Maya Makanjee. The chairman honours the remarkable contribution Dr Ndlovu made to the Committee.

Routine 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 2019.

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 2019 on the website, www.truworthsinternational.com.

At each meeting the chairmen (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 determined 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 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. The foregoing ensures that the members of the committee play an active role in determining the matters monitored.

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MONITORING

Key issues considered by the committee during the period included:

- The initiatives investigated and/or undertaken to ensure 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 last reporting period.
- The contracting 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.
- The development of a new Employment Equity Plan in respect of the Group's workforce in South Africa for the 2019 to 2024 period.
- 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 the Lenasia South Eye Clinic, Leratong Hospital and Perinatal Mental Health Project. Sponsorships were also provided to the Amy Foundation, Reach for a Dream, and the Earthchild Project. More detail is included in the Social and Environmental Report 2019 on the website, www.truworthsinternational.com.
- Enterprise development activities undertaken by the Group's South African companies included the donation of merchandise, or the sale thereof at substantially discounted prices, to black-owned entrepreneurial businesses.
- The Group's 2018 submission for the Carbon Disclosure Project. While the score achieved by the Group decreased marginally from the previous year, the submission illustrated that the Group was 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 2019 on the website, www.truworthsinternational.com.
- The development of new key performance indicators for electricity and water consumption in the Group's South African operations. These indicators will be used to monitor the Group's progress in resource conservation.

- The Group's submission for the 2018 review of the FTSE/JSE Responsible Investment Top 30 Index, in terms of which the Group again qualified for inclusion based on its FTSE/Russell ESG Rating. It was the only fashion retailer included in this index. The Group has recently made its submission for the 2019 year and was informed subsequent to the year-end of its inclusion in the Index.
- 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 at stores in collaboration with the logistics service provider.
- The continued water-saving initiatives undertaken at the Group's head office in response to the drought conditions in Cape Town, and the planned introduction of a grey water system at 75 on Plein, a building recently acquired by the Group.
- The strategies undertaken by the Group as regards product and service stewardship. These strategies include creating aspirational brands which are appealing to the Group's target market. In-depth surveys are undertaken in line with international standards to ascertain brand perceptions by customers.
- The Group's quality assurance process and approach to product safety. The Group's quality assurance laboratories in South Africa are accredited by the Council for Scientific and Industrial Research, and all fabric and trims are tested in these laboratories. Acceptable Quality Level reports are required on all international orders. Customer returns are analysed monthly and a product safety strategy is in place which is compliant with the Consumer Protection Act of South Africa.
- The measures adopted by the marketing department of the Group's South African operations to ensure ethical marketing and advertising. This includes making use of local models in local locations in advertising campaigns and using minimum touch-ups and photoshopping techniques. Social media influencers are also contracted to promote the brand and showcase merchandise in a positive light. Advertising is never misrepresentative, destructive, negative, unkind or anti-competitive.
- The introduction of a new business ethics and integrity code in South Africa. The code addresses all stakeholders and non-compliance is reported to the Truworths Ltd board.
- The measures in place to ensure the protection of the human rights of the Group's employees. This includes an extensive list of policies and the provision of anonymous tip-off lines, operated by independent auditing firms, through which abuses can be reported.

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 and it was anticipated that the independent verification process that is expected to be completed during September 2019 would confirm that a level of increased compliance had been attained by the end of the reporting period.

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

FOCUS AREAS FOR 2020

During the 2020 financial period the committee will continue principally to base its monitoring activities on the revolving schedule of topics determined by the above-mentioned 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 critically monitor that progress is made on an annual basis with regard to the Group's ESG performance.



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