

**SOCIAL
AND ETHICS
COMMITTEE
REPORT**

**20
21**

TRUWORTHS
INTERNATIONAL



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 2021 financial period, in accordance with the requirements of the Companies Act of South Africa, 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. The third member was executive director David Pfaff, until his resignation from the Group on 28 February 2021. At the company's Annual General Meeting (AGM) in November 2020 shareholders confirmed the appointment of these committee members. Subsequent to the end of the 2021 financial period Emanuel Cristaudo, the newly appointed Group Chief Financial Officer, was appointed as a member of the committee.

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, the Truworths: HR 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 2021.



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 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 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 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, on 2 September 2020, 4 November 2020, 17 February 2021 and 19 May 2021 respectively, and detail on meeting attendance is included in the Report on Corporate Governance and Application of King IV Principles 2021 on the website 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, 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.

SOCIAL AND ETHICS COMMITTEE REPORT *continued*

MONITORING

Key issues considered by the committee during the period included:

- The initiatives investigated and/or undertaken with a view to ensuring improving compliance by the Group's South African operations as regards its BBBEE generic scorecard, as achieved at the end of the 2020 reporting period, having regard for changes in the BBBEE Codes of Good Practice and the interpretation notes issued by the BBBEE Commission as to what activities qualified as socio-economic development.
- 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 for supplier development funding and the extension of financial assistance to beneficiaries.
- The social impact of investments made by the Group through its responsible extension of credit in accordance with prevailing legislation in its Truworths Africa segment to qualifying consumers through store card accounts, thus enabling merchandise purchases on affordable repayment terms and contributing to the education of consumers regarding the effective use and benefits of credit.
- Recent corporate social investment and socio-economic development activities undertaken by the Group in South Africa in the furtherance of sound community relations. These included the material donations by Group companies of merchandise to The Clothing Bank, the donation of funds by the Group's charitable trusts to various healthcare, social development and educational institutions and the initiatives aimed at providing healthcare worker and community support during the COVID-19 pandemic. More detail is included in the Group's Social and Environmental Report 2021 on the website www.truworthsinternational.com.
- The Group's 2020 submission for the Carbon Disclosure Project, noting that the C score achieved by the Group, which falls into the awareness category that reflects knowledge of impacts on, and of, climate issues, was in line with the Global Discretionary Retail average, as well as the overall Global and Africa averages.
- The update, approval and publication by management of the Group's Environmental Policy and Management System document, as well as the update and approval of the charter of the Truworths Sustainability Committee.
- 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 to 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 Social and Environmental Report 2021 on the website www.truworthsinternational.com.
- The updating 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 2020 review of the FTSE4Good Index Series in terms of which the Group again qualified for inclusion. The Group achieved a 3.8 score out of 5 in the FTSE/Russell ESG Rating and achieved a percentile rank of 83 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, 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.
- The Group's approach to anti-bribery and corruption, based on the three principles of zero tolerance, prevention and detection, including through an 'early alert' facility introduced into its loss prevention function, and reporting to authorities of any suspected unlawful conduct, together with the monitoring processes in place and the policies and procedures applied to combat these issues, including:
 - Fraud response policy
 - Whistle-blowers' policy
 - Business ethics and integrity code
 - Disciplinary code.
- The measures 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, 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 and transactions.
- Management's plans to implement a Code of Good Practice: 'Violence and Harassment in the World of Work', which was a new code guided by the International Labour Organisation's 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 ethical marketing and advertising, which presentation addressed the processes and policies used to ensure that marketing and advertising of both merchandise and credit was responsible, fair, not offensive and in compliance with legal and regulatory prescripts, and was suitably targeted at the Group's customer base.
- The presentation by management on the human rights of the directly employed, which outlined the constitutional and legislative framework relating to human rights, and explained how human rights are incorporated into Group policies and principles, through:
 - Business ethics and integrity code
 - Employment equity policy
 - Policies such as the disciplinary code, the recruitment and selection policy and the policy on integration of persons with disabilities
 - Practices including execution of decisions as regards appointments, discipline, combating of discrimination and employment termination.
- 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 since the outbreak of the coronavirus pandemic, including employee education and awareness, workspace sanitising, physical 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 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 2022

During the 2022 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
Social and Ethics Committee

30 September 2021



truworthsinternational.com

truworths.co.za

office.co.uk

TRUWORTHS
INTERNATIONAL

