

**SOCIAL
AND ETHICS
COMMITTEE
REPORT 2015**



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SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (the committee) assists the board to monitor the Group's levels of corporate citizenship, with the aim of promoting high standards and ensuring that the business is accounting for its conduct not only in terms of its financial performance but also in terms of its environmental, social and governance impact and performance.

The Chairman of the committee presents the following report to shareholders for the 2015 reporting period, in accordance with the requirements of the Companies Act of South Africa.

Committee composition

The members of the committee for the period were independent non-executive directors Michael Thompson (Chairman), Thandi Ndlovu and executive director David Pfaff. At the company's annual general meeting (AGM) in November 2014 shareholders confirmed the appointment of these committee members.

Permanent invitees at committee meetings are the Chairman of the Transformation Committee, the Chairman of the Sustainability Committee, the Company Secretary and Legal Adviser, who acts as the secretary of the committee. The Chief Executive Officer is an invitee and attends at his discretion. Shareholders will be asked to confirm the appointments of the current committee members at the AGM in November 2015.

Responsibilities

The objectives and responsibilities of the committee are recorded in its charter and are aligned with the committee's statutory functions. 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; and
- 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, regulation and codes of best practice relating to:

- Social and economic development, including the Group's standing relative to the UN 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 goods 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; and
- Labour and employment, including the Group's standing relative to the International Labour Organisation's (ILO) Protocol on decent work and working conditions and the Group's employment relationships and contribution to the educational development of its employees.

Functioning

The committee met quarterly during the period and detail on meeting attendance is included in the Corporate Governance report on page 99 of the Integrated Report.

The Chairmen (or their delegates) of the Transformation and Sustainability Committees made presentations to the committee on the functions and reporting obligations of these two committees, as well as the tools used to monitor and measure the Group's transformation and sustainability policies, activities and processes. Key issues addressed by the committee during the period included the following:

- Electricity saving initiatives undertaken at its head office, distribution centres and retail stores to ensure sustainability and cost savings, including re-lamping of light fittings, improved disciplines in terms of electricity usage, the adoption of electricity usage benchmarks and the installation of a solar power supplemented heat pump water heating system in the head office;
- The submission made by the Group for the 2014 Carbon Disclosure Project (CDP), which enabled the Group to determine its ranking on disclosure and performance relative to other participants. The Group achieved a

disclosure score of 91 out of 100, and a category D performance rating, in the CDP managed by the National Business Initiative;

- The Group's submission for the 2014 JSE Socially Responsible Investment (SRI) Index, in terms of which the Group again qualified for inclusion, but with improved scores on both the core and desirable indicators on all pillars, including a best practice rating on the environmental pillar;
- The recycling and income-generating activities undertaken at the distribution centres in relation to plastic hangers and in-bound cardboard cartons, recycling initiatives at the head office and pilot projects relating to the recycling of cardboard cartons at stores;
- The Group's proposed Skills Development Programme for the reporting period, that envisaged a material increase in the expenditure to be incurred on training initiatives, the further extension of the training programme for persons working in the store network that had material resource and time consequences for retail operations management and the intention to retain in employment at the conclusion of the programme, a significant number of trainees that were unemployed at the time;
- Plans for rainwater harvesting at the head office to supplement the underground water salvaging process currently conducted;
- The plans implemented to ensure compliance with new labour legislation in South Africa that came into effect during the reporting period, including ensuring equal pay for work of equal value, in furtherance of the Group's objectives of promoting equality, preventing discrimination and creating decent employment;
- The finalisation and adoption of the Group's new employment equity plan for the period from 2014 to 2019, and the tracking of progress in relation thereto;
- Dashboards, registers and scorecards that will enable the Group to keep track of progress on its initiatives and measure whether it has met its stated social, governance, employment and environmental objectives;
- The outcome of the sustainability workshop conducted by an external consultant with management and the opportunities that had been identified therefrom by management to further progress its sustainability agenda and expand its initiatives in this regard, including creating employee awareness and buy-in, and commencing an engagement process with the Group's suppliers regarding the adoption of good sustainability practices in relation to employee relations and procurement;

- The Group's plans to ensure adherence to the principles outlined in the Protection of Personal Information Act relating to the maintenance of privacy and security with regards to current, past and potential employees, during the course of the information processing activities undertaken by the Group's human resources function; and
- The progress being made with regards to the Group's transformation and empowerment activities and initiatives, as measured by the generic scorecard issued by the Department of Trade and Industry of the South African government to track Broad-based Black Economic Empowerment (B-BBEE), including the processes being undertaken in relation to the enhancement of the Group's supplier development programme and preferential procurement activities and the continued focus on the Group's wide-reaching skills development programmes for its employees.

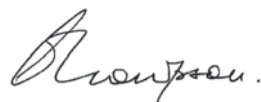
The Group participated in the EY/Trialogue sponsored survey on the status of Social and Ethics Committees in a sample of JSE listed companies during the reporting period, and proposes to use the findings to identify gaps in the committee's scope of influence and further develop the effectiveness and relevance of the committee during ensuing years.

Conclusion

The committee believes the Group has continued to maintain an acceptable balance between its financial performance on the one hand and its social, economic, governance, employment and environmental responsibilities on the other.

No material non-compliance with legislation and regulation, or non-adherence with codes of best practice, relevant to the areas within the committee's mandate, has been brought to its attention.

The activities outlined in this report reflect the Group's initiatives in relation to its responsibility to the societies and environments in which it operates, while remaining accountable to shareholders in terms of financial performance.



Michael Thompson
Chairman
Social and Ethics Committee

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