



2017
SOCIAL
AND ETHICS
COMMITTEE
REPORT

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SOCIAL AND ETHICS COMMITTEE REPORT

INTRODUCTION

The Social and Ethics Committee (the committee) assists the board of Truworths International Ltd (the company) by monitoring the Group's levels of corporate citizenship, with the aim of promoting high standards thereof. The committee also ensures that the business accounts for its conduct, not only in terms of its financial performance, but also with regard to its environmental, social and governance impact and performance.

The Chairman of the committee presents the following report to shareholders for the 2017 financial 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) and Thandi Ndlovu, and executive director David Pfaff. At the company's annual general meeting (AGM) in November 2016 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 the Legal Adviser (who acts as the secretary of the committee).

Shareholders will be asked to confirm the appointments of the current committee members at the company's annual general meeting of shareholders in November 2017.

FUNCTIONING

The committee met four times during the period under review and detail of meeting attendance is included in the Corporate Governance Report on the Group's website.

During the period, the chairmen (or their delegates) of the Transformation and Sustainability Committees made presentations to the committee on the functions and activities 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. Other members of management also made presentations to the committee on topics falling within the committee's monitoring mandate.

During the prior reporting period, management developed a holistic

framework of matters that should routinely be monitored by the committee.

The committee, in considering this framework, accepted the principle that a number of matters could suitably remain to be monitored by the company's board or other committees or subsidiary company boards reporting directly to the board. The committee finalised this framework during the period under review, and its recommendation that the framework be adopted and used to monitor environmental, social and governance initiatives by the Group was accepted by the board.

At the committee's request management arranged that the committee's meeting agendas were appropriately formulated to ensure that all matters requiring monitoring by the committee would routinely be

included on such agendas on a rolling basis, and that management reports and presentations to the committee were suitably prepared to achieve this objective. To this end a schedule of specific topics to be reported on at future meetings of the committee was proposed by management and accepted by the committee.

MONITORING

Key issues considered by the committee during the period included:

- The Group's Corporate Social Investment (CSI) programme, including its structure and funding, the objectives and targeted beneficiaries, as well as the key projects undertaken and organisations supported. The committee noted that the programme was undertaken through a number of charitable trusts that were funded by way of grants and loans from the Group. These trusts had investments totalling approximately R200 million that produced approximately R7 million income for distribution annually.
- Electricity-saving activities continued in retail stores to ensure sustainability and cost savings, including use of energy-efficient and LED lighting fixtures in new stores, re-lamping of light fittings in existing stores, reinforcement of disciplines in terms of electricity usage and monitoring of electricity usage against adopted benchmarks.
- The submission made by the Group for the 2016 Carbon Disclosure Project (CDP), which enabled the Group to determine its ranking relative to other participants. The Group achieved a category B (2015: D) performance rating in the CDP managed by the National Business Initiative.
- The Group's submission for the June 2017 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. The Group achieved an absolute score of 3.9 (2016: 3.6) out of 5 and a subsector relative percentile score of 92 (2016: 88) out of 100, based on its combined performance across the environmental, social and governance (ESG) pillars. The Group has accordingly been included in the FTSE4Good Emerging Index 2017.
- The recycling and income-generating activities continued at the 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 Group's transport contractor.
- The achievements in respect of the Group's skills development programme for the reporting period, that reflected an increase in the expenditure incurred on training initiatives, the continuation of the training programme for persons working in the retail stores network that had resulted in material resource implications for retail operations management, and the improved retention in employment at the conclusion of the programme of a significant number of previously unemployed trainees.
- The water-saving initiatives undertaken at the Group's head office in response to the prevailing drought conditions in Cape Town, including usage of underground spring water, cessation of car wash facilities, reducing water pressure in the supply line, creating awareness of the need for water saving, and various other activities.
- The progress against annual targets in relation to the Group's employment equity plan, as required by the

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.
- 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.
- **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.

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Employment Equity Act in South Africa, for the period from 2014 to 2019.

- The initiatives continued by management to ensure adherence with consumer protection legislation in relation to the Group's provision of credit facilities, including the process and system changes implemented and employee training undertaken to ensure compliance with affordability assessment regulations.
- How the marketing department functions with specific reference as to how it ensures socially responsible marketing practices, and to what extent social factors guide the approach adopted by the marketing department. The committee noted that the marketing team works across all of the Group's brands and that their responsibilities include: updating and monitoring various webpages, monitoring the respective social media pages, finalising the layouts

of marketing mailers, communicating with customers through various media and ensuring advertising material is not offensive, discriminatory or misleading.

- An explanation of the Group's customer complaints-handling process and the forums available to customers such as hellopeter.com to lodge complaints. The committee was informed of the mechanics of the complaints-handling system, the service level targets and how interactions with the National Consumer Commission, the National Credit Regulator and the ombudsman are dealt with internally.
- An explanation of the internal policies in place to ensure the Group's employment environment is free from discrimination, bursaries and support for studies are provided for staff and there are forums for staff to raise concerns and internal issues. The committee was informed of the various policies and programmes

in place, and was assured that proven incidences of discrimination within the business were isolated and suitably dealt with.

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.

Other than the level of non-compliance recorded on the Group's generic BBBEE scorecard, against the voluntary codes of good practice issued in terms of the BBBEE Act, no other material non-compliance with legislation and regulation, 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 society and environment in which it operates, while remaining accountable to shareholders in terms of financial performance.



MA Thompson
 Chairman
 Social and Ethics Committee

17 August 2017

MATTERS BROUGHT TO THE ATTENTION OF THE BOARD

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

1. That the committee needed to continue its oversight and monitoring to cover the broad scope of the committee's mandate as provided for by statute and its charter.
2. That the increased thresholds and sterner calculation procedures has resulted in the Group not achieving BBBEE compliance, but that the Group is committed to improving its BBBEE scorecard in the medium term. Opportunities to become compliant lie within our procurement processes as well as enterprise and supplier development but the complexity of our supply chain necessitates a gradual and sustainable strategy.
3. Those areas not historically reported on by management to the committee needed to be covered in future, and these included customer relations, employee relations, public safety, product safety, marketing and advertising, and shareholder engagement.

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