

ANNUAL  
CORPORATE  
GOVERNANCE  
REPORT  
**2017**

**W E A R E**

**TRUWORTHS**  

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**INTERNATIONAL**



# ANNUAL CORPORATE GOVERNANCE REPORT 2017

## INTRODUCTION

During the 2017 financial period the Group continued to practise corporate governance at a high level, aimed at adding value to the business as well as facilitating the Group's sustainability, generating long-term shareholder value and benefiting other stakeholders.

Governance in the Group goes far beyond a box-ticking process, and accordingly compliance with codes, legislation, regulations and listings requirements is the minimum requirement. Management has adopted sound corporate governance principles and appropriate governance structures and policies, and believes it has embedded into operations a business-wide culture of good governance that is aligned to the Group's business philosophy.

An independent assessment of the Group's standard of governance is provided by the annual evaluation process for the FTSE/JSE Responsible Investment Top 30 Index, which relies on publicly available information. In the reporting period the Group again qualified for inclusion in this index attaining 5 out of 5 points (2016: 100%) for the corporate governance theme of the FTSE environmental, social and governance (ESG) ratings scorecard.

The directors confirm that during the 2017 reporting period the Group has in all material respects voluntarily applied the 2009 King Code of Governance Principles (King III) and complied with the mandatory corporate governance provisions in the JSE Listings Requirements. A schedule of how the Group has applied the King III principles

and complied with the JSE Listings Requirements can be viewed at [www.truworths.co.za/investors](http://www.truworths.co.za/investors).

## KING IV

The Group has commenced the process of assessing the impact of the King IV principles and welcomes the move towards an outcomes-based approach to corporate governance. While some changes to the Group's governance processes have already been brought about, the work involved to align the Group's governance structures, policies and processes with the King IV-recommended practices is ongoing. The corporate governance disclosures relating to King IV that are required by the JSE Listings Requirements with effect from 1 October 2017 will be made in the Group's integrated annual report for the year ending 1 July 2018.

## GOVERNANCE ADDING VALUE AT TRUWORTHS

Corporate governance can be viewed by its detractors as a compliance overhead that adds little tangible value, and is costly and distractive in terms of resource utilisation.

Truworths' approach to corporate governance, however, is to aim for the relevant policies, structures and processes that may have been brought into existence initially to ensure adherence with applicable regulation and codes of conduct, to contribute to improved operational decision-making and corporate performance. This aim is achieved by:

- considering the governance requirements critically and with a view to determining how they could be implemented within the Group in a value-adding way;
- identifying opportunities in governance requirements for enhanced accountability, improved decision-making, better risk mitigation and more comprehensive disclosure;
- conducting a thorough debate and enquiry process before putting into place the applicable policies, reporting

and monitoring mechanisms, and committee structures, that are hallmarks of a sound corporate governance framework; and

- periodically reviewing these elements and benchmarking the Group's initiatives against comparable organisations and recommended best practice.

Improved corporate performance arising from sound corporate governance has manifested itself in a number of ways in the Group, including:

- diversity and independence of opinion in board decision-making, with the aim of ensuring sound outcomes;
- improved operational decision-making that takes into account diversity and broadness of perspectives;
- maintenance of discipline and integrity in management's reporting to the board;
- enhanced levels of accountability and transparency by management to the board;
- meaningful risk management and controls that are embedded in day-to-day operations and decision-making;
- better and more integrated reporting of both financial and non-financial aspects to stakeholders;
- improved levels of assurance regarding the reporting by management to shareholders; and
- achievement of an appropriate balance in meeting the expectations of the different stakeholders of the Group.

It is the view of the board that the improved corporate performance achieved through its sound governance framework has created value for the business and its stakeholders, in the form of lower risk, improved sustainability, consistency of financial performance, sound stakeholder relationships, high levels of legislative compliance and reputational integrity.

## GOVERNANCE DEVELOPMENTS IN 2017

While the board believes the Group has achieved a suitably high level of maturity in relation to governance, processes, policies and structures are continually reviewed and modified. The following enhancements were made to the Group's governance framework during the period:

Governance element	Governance development
Social and Ethics Committee	The Committee adopted and structured its meeting agendas according to a board-approved framework to facilitate its monitoring function to ensure that over a rolling period all matters required by regulation are suitably considered by the Committee, or by the board or other structures that report to the board.
Non-executive director independence assessment	A formal written evaluation process was adopted and implemented by the board to assess the independence of non-executive directors with reference to regulatory measures or guidelines regarding independence.
Risk governance	The reporting by the Risk Committee to the board of the company has been enhanced to encompass reporting on risk management initiatives in and the top risk register of the Office business.
Board gender diversity policy	The board developed and adopted a gender diversity policy at board level, including the adoption of a medium-term target in this regard.
Risk governance in Office	The risk management process has been embedded into the Office business operations, and initiatives such as the functioning of a Risk Committee, the work of the Risk Officer, the conduct of a risk assessment process and the creation of risk registers for business units within the Office business have been further developed.
Office Audit Committee	The functioning of the Audit Committee established in Office has gathered traction and has added value to the financial reporting and internal control management processes.
Information technology (IT) governance	The IT governance processes have been extended to the Office business, including the involvement of the IT Audit Manager in promoting and monitoring IT governance, the routine consideration of IT governance matters on the agendas for Audit Committee meetings, and the embedding of good IT governance practices in operations.
Anti-bribery and corruption policies	The Group's policies, and contracts with suppliers, agents and employees aimed at combating bribery and corruption were amended.
Supplier codes of conduct	The supplier codes of conduct for both local and international suppliers have been reviewed and further amended, inter alia, to reinforce the Group's zero tolerance approach to any forms of bribery and corruption, and insistence on full legislative compliance, especially as regards employee rights and protections.
Consumer and credit legislation compliance	Management implemented new processes in response to consumer and credit legislation changes, including the affordability assessment regulations under the National Credit Act, and commenced processes to ensure compliance with the Consumer Credit Act in Swaziland.
Business continuity	The Group's business continuity plans were further developed and its disaster recovery capabilities as regards key information system applications were further tested and upgraded.
Operational governance	The Group's operational governance within Office was embedded through the implementation of the Group's change control procedures, and the Group's lease and capital expenditure approval processes.
Procurement governance	The procurement policy governing the processes and authorisation levels that relate to the purchase of goods and services by the Truworths business has been reviewed and amended, as has the charter of the Tender and Capex Committee and the Tender and Contracts Approval Policy.
Tax risk governance	Management reviewed its Group-wide transfer pricing policy and inter-company agreements, and commenced the process of extending these policies to transactions between the Office and Truworths businesses to ensure cross-border transactions take place on an arm's length basis and the profit allocation reflects the underlying economic activities.
Sustainability reporting	The Group's reporting on environmental, social and governance issues was critically reviewed and upgraded through the publication of a comprehensive Social and Environmental Report.

# ANNUAL CORPORATE GOVERNANCE REPORT 2017 continued

## BOARD OF DIRECTORS

### Board structure

The board functions in terms of a written charter and the complementary roles and responsibilities of the boards of Truworths International, the JSE and NSX-listed investment holding and management company, and its South African and United Kingdom retailing subsidiaries, Truworths Ltd (Truworths) and Office Holdings Ltd (Office), are formally documented.

The Truworths International board provides direction and leadership to the Group and is ultimately accountable for the overall governance, performance, strategy and affairs of the Group.

Operational responsibility for the Group's South African and United Kingdom retailing businesses has been delegated to the Truworths and Office boards respectively, which boards are accountable for the ongoing management of these businesses.

### Board composition

The Group has a unitary board structure with six (2016: seven) non-executive directors and three (2016: two) full-time salaried executive directors at the end of the reporting period. Mr Khutso Mampeule resigned as a non-executive director during the period because of work and lifestyle priorities. Mr Doug Dare, the Truworths merchandise director, was appointed to the board as an executive director during the period.

The roles of the independent non-executive Chairman and the Chief Executive Officer are fulfilled by separate persons and are clearly defined. This division of responsibilities ensures a balance of authority and power, with no individual director having unrestricted decision-making authority.

Biographical details of the directors appear on page 31 of the 2017 Integrated Annual Report.

### Board appointments

Directors are appointed by the board in a formal and transparent manner. The Non-executive and Nomination Committee, in consultation with the Chief Executive Officer, considers suitable candidates and nominates persons for appointment as directors to the boards of Truworths International, as well as to the boards of Truworths and Office, taking into account the skills set of current board members and business requirements.

One-third of the company's directors, both executive and non-executive, are required to retire by rotation at the annual general meeting (AGM) of shareholders. Retiring directors may offer themselves for re-election. Directors appointed during the period are required to have their appointments ratified at the following AGM. Details of these directors are given in the Notice of the AGM and included in the Preliminary Report posted to shareholders.

Directors generally have no fixed term of appointment. The contract of the Chief Executive Officer, Mr Michael Mark, is subject to a six-month notice period by either party. The salient features of this contract are disclosed in note 30.1 of the Group Audited Annual Financial Statements.

Executive directors ordinarily retire at the age of 60 unless contracts have been negotiated with the board beyond this age. There is no prescribed retirement age for non-executive directors.

### Director independence

All non-executive directors, including the Chairman, are independent in terms of the King III definition and the guidelines outlined in the JSE Listings Requirements.

The independence of all, particularly long-serving, non-executive directors was formally assessed by the board during the reporting period, as recommended by King III. Based on this assessment, which is based on regulatory requirements and guidelines relating to independence,

the board confirms that all non-executive directors are correctly categorised as independent.

The board notes that the qualifications, experience, personal characteristics, and integrity of the independent non-executive directors, together with the facts that they have no contractual or family relationships with the Group, are not financially dependent on the fees they earn as non-executive directors, are not participants in the Group's share and other incentive schemes, are not involved in external charities that benefit from donations by the Group, and other relevant considerations ensure that their judgement in relation to Group matters is exercised independently and in an unfettered manner.

### Board and director evaluations

An annual evaluation is conducted to assess the effectiveness of the board as a unit and the individual contributions of the directors. The Chairman discusses results of the evaluations with the directors individually and suitable developmental plans, where deemed necessary, are agreed with them. The results of the evaluation of the Chief Executive Officer are distributed to all board members and considered by them. The board effectiveness evaluation concluded that the board's overall functioning and governance were excellent. The evaluation assesses effectiveness as regards:

- fulfilment of the board's role and responsibilities;
- the board's composition, size and independence;
- director orientation and development;
- board leadership, teamwork and relationships with management;
- board and committee meeting productivity;
- director evaluation and compensation;
- succession planning;
- ethical leadership and culture; and
- stakeholder engagement.

The findings indicate that:

- generally the board members feel that this is an excellent board with diverse views and skills;
- the board is satisfied that it works effectively with the Chief Executive Officer and other executives;
- the board's role and responsibilities have been clearly defined, performance objectives are in place, issues are prioritised and discussed timeously while operational and financial performance is effectively monitored;
- the board acts independently and is appropriate in terms of size and composition. The board believes that it is important to continue to evolve its composition by breadth of skill and by race and gender, and continues to be mindful of the proportion of non-executive to executive directors;
- the board feels director orientation and development are well managed and that board members are effectively retained;
- leadership, teamwork and management relations on the board are excellent and remain an area of strength;
- board and committee meetings are productive, allow for appropriate issues to be raised as necessary and sufficient time is allocated for discussion of corporate performance and the review of strategic issues;
- board members are suitably compensated;
- succession planning remains an important area of focus with particular attention to continue to be given to the succession plan for the Chief Executive Officer;
- the board is satisfied with the level of ethical behaviour and proper compliance standards throughout the organisation; and
- the board is satisfied that there is a high level of consideration of its various

constituencies, including shareholders, customers, employees, suppliers, regulators and communities.

### Chief Financial Officer evaluation

Based on a formal written evaluation conducted at the end of the reporting period, the Audit Committee is satisfied that the expertise and experience of the Chief Financial Officer, who is an executive director of the company, is appropriate to meet the responsibilities of the position.

### Company Secretary

The Company Secretary works to ensure that board and committee procedures and charters and relevant legislation and regulation are observed, and is responsible for preparing meeting agendas and recording minutes. The Company Secretary also provides guidance to directors on governance, compliance and fiduciary responsibilities.

Based on the outcome of a formal written assessment conducted by the Chairman, Chief Executive Officer, Chief Financial Officer and Audit Committee Chairman, the board is of the opinion that the Company Secretary possesses the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company. In line with the principles of King III, the Company Secretary is not a director of the company and in the view of the directors is suitably independent of the board to be an effective steward of the Group's corporate governance programme.

### Finance function assessment

During the reporting period the Audit Committee conducted a formal assessment regarding the expertise, resources and experience of the Group's finance functions, within both the Truworths and Office businesses.

Based on a consideration of the qualifications, participation in continuing professional education and the nature, duration and relevance of the experience

of key managers in the Group's finance departments, as well as a review of the staff complement, functional responsibilities and information systems of the departments, the Audit Committee is satisfied as to the appropriateness of the collective expertise and experience of the Group's finance function and the adequacy of its human and technological resources.

### Board gender diversity policy

During the reporting period the board formulated and adopted a gender diversity policy to inform the composition of the board. Salient features of this policy are that:

- the company supports the principles and aims of gender diversity at board level, believing that gender diversity will lead to balanced decision-making by the board and an enhanced appreciation of the requirements and preferences of the Group's customers;
- the voluntary target set by the board is that at least 30% of the board of the company should comprise females in the medium-term (at the reporting date the female composition of the board was 11%); and
- the Non-executive and Nomination Committee will annually review the voluntary target, measure the actual female representation on the board against the voluntary target, and make recommendations in relation to the development and promotion of female executives within the businesses of the Group with a view to their qualifying to become potential board candidates.

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## Board and committee meeting attendance

Director	Status	Board	Audit Committee	Remuneration Committee	Risk Committee	Non-executive and Nomination Committee	Social and Ethics Committee	Annual General Meeting
Hilton Saven	I	4/4 <sup>#</sup>		4/4		4/4 <sup>#</sup>		1/1
Rob Dow	I	4/4	3/3	4/4 <sup>#</sup>		4/4		1/1
Michael Thompson	I	4/4	2/3 <sup>#</sup>		3/4	4/4	3/3 <sup>#</sup>	1/1
Thandi Ndlovu	I	4/4				4/4	3/3	1/1
Tony Taylor	I	4/4				4/4		1/1
Roddy Sparks	I	4/4	3/3			3/3		1/1
Khutso Mampeule**	I	3/3				4/4		1/1
Michael Mark	E	4/4			4/4 <sup>#</sup>			1/1
David Pfaff	E	4/4			4/4		3/3	1/1
Doug Dare*	E	4/4						1/1
% attendance 2017		100	89	100	92	100	100	100
% attendance 2016		100	100	100	92	100	89	100

# = Chairman E = Executive I = Independent non-executive \* = Appointed August 2016 \*\* = Resigned March 2017

## BOARD COMMITTEES

The directors have delegated specific responsibilities to committees to assist the board in meeting their oversight responsibilities. The committees are as follows:

### Truworths International Audit Committee

Objectives and functions	Composition and expertise
<p>Information on the Audit Committee is included in the Audit Committee Report, which has been incorporated in the Group's Audited Annual Financial Statements as required by the Companies Act.</p> <ul style="list-style-type: none"> <li>Aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems.</li> <li>Aims to ensure compliance of published financial reports with relevant legislation, reporting standards and good governance.</li> <li>Aims to ensure Group assets are safeguarded.</li> <li>Has oversight of fraud and information technology.</li> <li>Confirms the nomination and appointment of the external auditor, ensuring such appointment is legislatively compliant.</li> <li>Approves the terms of engagement and fees paid to the external auditor.</li> <li>Defines and considers the non-audit services that may be rendered by the external auditor.</li> <li>Considers the findings arising from the annual financial statements audit.</li> <li>Monitors the functioning and approves the coverage plan of internal audit.</li> <li>Reviews risk and tax management programmes and initiatives.</li> <li>Fulfils the function of Audit Committee to Group subsidiaries and charitable trusts.</li> <li>Reviews the expertise, resources and experience of the Group's finance function and the expertise and experience of the Chief Financial Officer.</li> <li>Recommends to the board the approval of the Integrated Annual Report.</li> </ul>	<p>Chairman: <b>Michael Thompson</b></p> <p><b>Other committee members:</b></p> <ul style="list-style-type: none"> <li>Two independent non-executive directors</li> </ul> <p>The Chief Financial Officer, Company Secretary, Internal Audit Manager, IT Audit Manager, Finance Executive and External Audit partner and senior manager attend committee meetings by invitation.</p> <p>All committee members hold recognised financial or business degrees or diplomas, and are either professionally qualified chartered accountants or masters in business administration. In view of their qualifications and vast experience they are considered to have the financial expertise necessary to fulfil the responsibilities of an Audit Committee member.</p>

### Truworths International Remuneration Committee

Objectives and functions	Composition
<ul style="list-style-type: none"> <li>Ensures senior executives and non-executives are rewarded in accordance with the Group's compensation objectives, with particular attention to retention, performance and international practice.</li> <li>Advises, recommends and reviews reward strategies and policies, including evaluation methodologies.</li> <li>Determines the remuneration packages of executive directors and non-executive directors to support the Group's strategic objectives.</li> <li>Reviews and approves compensation of executive and non-executive directors and senior executives.</li> <li>Approves awards under share and cash incentive plans.</li> <li>Ensures alignment of the compensation and incentive plans with the Group's business strategies and values.</li> </ul>	<p>Chairman: <b>Rob Dow</b></p> <p><b>Other committee members:</b></p> <ul style="list-style-type: none"> <li>One independent non-executive director</li> </ul> <p>The Chief Executive Officer attends by invitation and recuses himself when matters relating to his own remuneration are discussed or when required to do so by the Chairman.</p> <p>Details of the Group's remuneration policies are disclosed in the Remuneration Committee Report in the 2017 Integrated Annual Report.</p>

### Truworths International Non-executive and Nomination Committee

Objectives and functions	Composition
<ul style="list-style-type: none"> <li>Ensures succession plans are in place for the Chief Executive Officer and other key executives.</li> <li>Makes key appointments such as Chairman, Chief Executive Officer and senior executives.</li> <li>Considers any strategic or sensitive matter delegated to the committee by the board.</li> <li>Identifies and nominates persons for appointment as directors of the company.</li> </ul>	<p>Chairman: <b>Hilton Saven</b></p> <p><b>Other committee members:</b></p> <ul style="list-style-type: none"> <li>All non-executive directors</li> </ul> <p>The Chief Executive Officer attends by invitation.</p>

### Truworths International Social and Ethics Committee

Objectives and functions	Composition
<ul style="list-style-type: none"> <li>Monitors activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, and labour and employment.</li> <li>Makes recommendations to and brings matters to the attention of the board in relation to these activities.</li> <li>Reports to shareholders at the company's annual general meeting in relation to such activities.</li> </ul>	<p>Chairman: <b>Michael Thompson</b></p> <p><b>Other committee members:</b></p> <ul style="list-style-type: none"> <li>One independent non-executive director</li> <li>One executive director</li> </ul> <p>The Chairmen of the Truworths Transformation and Sustainability Committees, the Company Secretary and the Legal Adviser attend.</p>

### Truworths International Risk Committee

Objectives and functions	Composition
<ul style="list-style-type: none"> <li>Identifies, assesses, mitigates and manages significant risks facing the Group.</li> <li>Develops risk management mechanisms which demonstrably enable dynamic risk identification, mitigation and communication, as well as business continuity.</li> <li>Maintains functionally effective systems of internal control which are designed to safeguard Group assets and investments and support business sustainability.</li> <li>Monitors and assesses key risk areas and key performance indicators regularly, including reviewing and updating the Group's register and matrix of top risks.</li> <li>Ensures that management maintains a comprehensive register of the risks facing the Group, reflecting the risk owners and the controls implemented to mitigate or transfer such risks.</li> <li>Monitors the Group's initiatives and programmes in relation to information technology governance and information security.</li> </ul>	<p>Chairman: <b>Michael Mark</b></p> <p><b>Other committee members:</b></p> <ul style="list-style-type: none"> <li>One independent non-executive director</li> <li>One executive director</li> <li>Eight divisional directors/executives</li> </ul>

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## Other committees and forums

Within the Group, including in both the Truworths and Office businesses, are a number of standing committees and forums whose function is to ensure high levels of governance in relation to their specific areas of mandate. All such structures are constituted by written charters, are responsible for reporting on their activities and decisions either directly or indirectly to the boards of the Group's two principal operating subsidiaries, namely Truworths and Office, and whose composition is determined by the boards of these companies.

Included in these committees and forums are:

- Truworths Sustainability Committee
- Truworths Transformation Committee
- Office Risk Committee
- Office Audit Committee
- Office Remuneration Committee
- Truworths Tender and Capital Expenditure Committee
- Office Tender and Capital Expenditure Committee
- Truworths Change Control Committee
- Office Change Control Committee
- Truworths Accounting Forum
- Truworths Tax Forum
- Truworths Investment Committee

These committees and forums add value and integrity to the Group's operational decision-making, given that they have narrowly prescribed terms of reference, are able to focus on specialist topics and are constituted in the main by divisional directors and executives in the Group.

## ACCOUNTABILITY AND COMPLIANCE

### Risk management

Risk governance and management are integral elements of the Group's corporate governance framework.

These elements aim to ensure business-specific operational and strategic risks, emerging risks, as well as risks posed by the external environment, are adequately and timeously identified and mitigated. The board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the impact of risks on the business during the period.

An enterprise-wide risk management approach, based on the King III principles, aims to ensure that all areas of the business are aligned with the Group's risk management philosophy and strategy.

The overall risk profile of the Group has not changed materially in the period under review. The key risks facing the Group in 2018, together with mitigation strategies, are covered in the Material Issues, Risks and Opportunities report in the 2017 Integrated Annual Report.

### Internal and External Audit

Details of the Internal Audit function and systems of internal control, as well as the External Audit function, are covered in the Audit Committee Report in the Group Audited Annual Financial Statements.

### Personal share dealings

Directors and employees are prohibited from dealing in the company's shares during two formal closed periods, as well as during other periods declared as being prohibited periods by the board. The closed periods commence approximately two weeks before the end of the interim (December) and annual (June) financial periods and end 24 hours after the financial results are disclosed on the Stock Exchange News Service (SENS). All share dealings by directors, executives, the Company Secretary and other designated persons in possession of price-sensitive information, are governed by the Group's share dealing code and require prior written clearance by the Chief Executive Officer or Chairman. The share dealings of company directors, the Company Secretary and directors of major subsidiaries are announced on SENS in accordance with the JSE Listings Requirements.

## INFORMATION TECHNOLOGY GOVERNANCE

The monitoring of information technology (IT) governance remains a responsibility of a number of forums within the Group, including the Truworths and Office Audit Committees and Risk Committees:

- The Audit Committee considers the efficacy of IT controls, policies and processes in so far as these might pose a risk to the financial reporting process, and the effectiveness of financial controls.
- The Risk Committee monitors management's initiatives to ensure that IT risks are managed appropriately so as not to pose a threat to the continuity of the Group's operations.

## VALUES AND ETHICS

The Group's values are core to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders.

A formalised policy details the Group's code of ethical and acceptable conduct, with the values supporting all aspects of this code.

The Group has a written policy which prohibits the acceptance by employees of gifts of any nature from current or prospective suppliers, and prohibits participation in recreational events, or events purely of an entertainment nature, sponsored by these suppliers, unless sanctioned by the Chief Executive Officer. During the period Group policies and contracts were further amended to ensure that involvement in bribery and corrupt practices, including the use of facilitation payments, was strictly prohibited, with severe sanctions for breach of such policies.

During the period some incidents of non-compliance by employees with the Group's policy on ethical conduct were reported and dealt with in terms of the Group's disciplinary procedures. These resulted in formal warnings and in serious instances gave rise to dismissal from employment and cases being reported to the SA Police Service.

### WHISTLE-BLOWING

King III requires companies to apply mechanisms to combat theft, fraud and other unethical practices. The Group has an ethics hotline, which is managed in partnership with an external service provider. Employees are eligible for an award of up to R5 000 for reporting unethical behaviour to the hotline that leads to the prosecution and/or dismissal of the perpetrator. In 2017 five awards were made (2016: three). A total of 121 reports were received in 2017 (2016: 93).

## LEGISLATIVE COMPLIANCE

The Group had no instances of material non-compliance with legislation during the reporting period. No material fines or penalties were incurred, nor were there any instances of prosecutions of Group companies or its directors/officers for failure to comply with any applicable legislation or regulation.

## ANTI-BRIBERY AND CORRUPTION

The board of Truworths has adopted and has oversight of the anti-bribery and corruption policy that is applicable to and has been communicated to all its employees. The policy deals, inter alia, with bribery, embezzlement, fraud, extortion, abuse of power, conflicts of interest and abuse of confidential information. The policy is supported with various avenues to report issues, including line management, the whistle-blowing hotline and the CEO Talk facility whereby incidents can be reported anonymously directly to the CEO. Furthermore a fraud response action plan has been adopted by the board to provide guidance to management as to the actions to be taken when incidents of fraud have been alleged or detected.

Political contributions or donations to political parties are not permitted by the Group. No reports of corruption or bribery involving the Group were received during the period, neither were any fines or penalties imposed on the Group by government authorities in relation to corruption or bribery.

During the reporting period the Truworths business updated its Codes of Conduct for local and foreign suppliers to further underscore that the Group had a policy of zero tolerance towards bribery and corruption, and that involvement in such practices was grounds for termination of contractual relationships with such suppliers.

## COMPETITIVE CONDUCT

The Group operates in a highly competitive industry which has relatively low barriers to entry, a multitude of customers and has recently witnessed the entry of a number of international apparel retailers into South Africa, as well as increased competition from operators in the informal and semi-formal sectors. As the Group strives to be the retailer of choice in its market segment, it is highly protective of confidential information, trade secrets, methodologies and supplier networks.

Interaction with other retailers is therefore generally restricted to forums in which co-operation at an industry level is necessary for the purposes of making representations to government or for the sharing of information and ideas about issues facing the industry at large. Such forums typically have a public profile, are open to membership by any retailer and conduct their activities in a transparent manner in the form of non-profit organisations governed by written constitutions.

The Group is a founding member of the National Clothing Retail Federation of South Africa (NCRF). The constitution of this body specifically provides that the principle of competition shall not be compromised through their activities. Consequently no sharing of information or co-operation in any form that could lessen the ability of retailers to compete with one another is permitted.

The board is satisfied that the Group has not entered into any arrangements

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with competitors that unlawfully restrict competition or could be said to constitute collusion, and is confident that it has not entered into any arrangements which could be prohibited by the Competition Act of South Africa. No fines or prosecutions have been incurred by the Group for anti-competitive practices or non-compliance with that Act, nor has the Group been the subject of any enquiries or investigations by the competition authorities during the period.

### 2016 AGM VOTING RESULTS

At the annual general meeting (AGM) of the company's shareholders held on 3 November 2016 all the ordinary and special resolutions, as set out in the notice of the AGM, were approved by the requisite majority of shareholders. The required special resolutions were not required to be lodged with the Companies and Intellectual Property Commission.

The shares in issue eligible to vote at the AGM were 430 657 881 (voteable shares). This number was calculated as the total number of the company's shares in issue, less treasury shares, as defined in the JSE Listings Requirements.

The number of shares represented at the AGM either by shareholders personally present, or through letters of representation and by proxy, was 328 484 638, representing 76.27% of the voteable shares.

The votes cast in favour of the resolutions ranged from 79% to 100%, as reflected in the announcement published on the JSE's news service, SENS, on that date.

### 2018 GOVERNANCE PRIORITIES

Board and governance priorities for the 2018 financial period will include:

- Further progressing the Group's application of the King IV principles.
- Further developing the corporate governance framework within the Office business.
- Further improving the Group's compliance with the regulatory requirements in the foreign territories in which it conducts operations.
- Further developing the Group's tax risk governance framework by reviewing and extending the Group's transfer pricing policy and the reporting of tax-related information to revenue authorities.
- Further extending the reporting by management to the Social and Ethics Committee and implementing an effective dashboard to enable the Committee to monitor progress on key environmental, social and governance initiatives.
- The development by the board of a policy on the promotion of racial diversity at board level, including giving consideration to targets to be set for achieving such diversity.

The board will continue to follow an approach of continuous incremental improvement as regards governance practices and structures, to ensure the reasonable expectations of stakeholders as regards the Group's corporate governance standards are met.

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