
CORPORATE
GOVERNANCE
REPORT
2016



TRUWORTHS
INTERNATIONAL

CORPORATE GOVERNANCE REPORT 2016

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.

INTRODUCTION

During the 2016 reporting 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.

In an environment of voluminous and changing regulation, and in the context of both acquisitive and organic growth, the Group has worked to attain an appropriate balance between the governance expectations of stakeholders, and the requirement to generate consistent and competitive financial returns.

Governance in the Group goes far beyond a box-ticking process, with compliance with codes, legislation, regulations and listings requirements being a 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 evaluation process for the FTSE/JSE Responsible Investment Top 30 Index (in prior periods the JSE's Socially Responsible Investment (SRI) Index was the benchmark), which relies on publicly available information. In the reporting period the Group qualified for inclusion in the Index attaining 100% (2015: 100% on JSE SRI

Index) for the elements of the governance pillar of the FTSE environmental, social and governance (ESG) ratings scorecard.

The directors confirm that during the 2016 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 can be viewed on www.truworths.co.za/investors.

The company's board is responsible for defining, monitoring and periodically amending the Group's governance and compliance framework. The board remains principally accountable to shareholders, but also takes into consideration the material interests of customers, as well as the legitimate requirements of employees, suppliers, regulators and community organisations.

GOVERNANCE ADDING VALUE AT TRUWORTHS

Corporate governance can be viewed as a compliance overhead that adds little tangible value, and is costly 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, committee structures and 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 manifests 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 a 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 2016

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

| GOVERNANCE ELEMENT | GOVERNANCE DEVELOPMENT |
|--|--|
| Social and Ethics Committee | The committee reviewed the scope and breadth of management's reporting to the committee with the assistance of external advisers. As a consequence it has broadened and clarified 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. |
| Social and Ethics Committee | The charter of the committee was reviewed and changes thereto were adopted by the committee and the board. |
| Risk governance | The reporting by the Risk Committee to the board of the company has been amended to be more encompassing, and a revised format of the Group's top risk register incorporating an impact indicator both before and after the implementation of mitigating controls has been adopted and the risk register is presented routinely to the board together with a risk heat map. |
| Risk governance | The charter of the Risk Committee was reviewed and changes thereto, including providing for the committee to report to the company's board rather than to the board of its major subsidiary company and providing for the Office Risk Committee to report to it, were adopted by the committee and the board. |
| Risk governance in Office | A formal risk management process has been introduced in Office following its acquisition in December 2015. This includes the creation of a risk committee, the adoption of a committee charter, appointment of a risk officer, the conduct of a risk assessment process and the creation of a top risk register for the Office business. |
| Office audit committee | An audit committee has been established in Office, involving the appointment of committee members and the adoption of a charter. |
| Audit Committee | The charter of the Audit Committee was reviewed and changes thereto, including providing for the Office Audit Committee to report to it, were adopted by the committee and the board. |
| Remuneration Committee | The charter of the Remuneration Committee was extensively reviewed and changes thereto, including ensuring that the committee had suitable oversight of remuneration matters within the Office Retail Group, were adopted by the committee and the board. |
| Non-executive and Nomination Committee | The charter of the committee was reviewed and changes thereto were adopted by the committee and the board. |
| Information technology (IT) governance | The ongoing development of IT governance processes, including the regular use of an IT governance scorecard, the ongoing involvement of the IT Audit Manager in promoting and monitoring IT governance, the routine consideration of IT governance matters on the agendas for board and committee meetings, and the embedding of good IT governance practices in day-to-day operations, have been witnessed. |

| GOVERNANCE ELEMENT | GOVERNANCE DEVELOPMENT |
|--|---|
| Anti-bribery and corruption policies | The Group's policies, as well as contracts with suppliers, agents and employees aimed at combating bribery and corruption, were reviewed and suitably amended. |
| Supplier code of conduct | A supplier code of conduct has been introduced and communicated to suppliers which confirms the Group's zero-tolerance approach to any forms of bribery and corruption, and insistence on full legislative compliance. |
| Consumer and credit legislation compliance | Management implemented new processes and adopted revised policies to deal with consumer and credit legislation changes, including new affordability assessment regulations under the National Credit Act, and the code of conduct and Ombud scheme in terms of the Consumer Protection Act for the consumer goods and services industry. |
| Chief Executive Officer | The service contract with the Chief Executive Officer (CEO) has been extended, with a six-month notice period for either party, following the resignation in December 2015 of the Chief Executive Officer Designate. |
| 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 enhanced through the adoption of the Group's change control policies and procedures, and the Group's lease and capital expenditure approval processes. |
| Tax risk governance | Management took to finalising its group-wide transfer pricing policy and inter-company agreements, to ensure intra-group cross-border transactions take place on an arm's length basis and the intra-group profit allocation reflects the underlying economic activities, and further reviewed its processes, including its tax return and tax payment review policy, for ensuring reliability, accuracy and timeliness as well as defensibility in areas of judgement in relation to key tax-related issues. |

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 listed investment holding and management company, and its wholly-owned South African retailing subsidiary, Truworths Ltd (Truworths), are formally documented. The roles and responsibilities of the United Kingdom retailing subsidiary, Office Holdings Ltd (Office), are in the course of being 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 had a unitary board structure with seven non-executive directors and two full-time salaried executive directors at the end of the reporting 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 37 of the Integrated 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, Michael Mark has recently been extended 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 annual financial statements.

Executive directors ordinarily retire at the age of 60 unless fixed-term 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 long-serving non-executive directors is periodically assessed by the board, as recommended by King III. Based on the most recent assessment the board remains of the view that these directors are correctly categorised as independent.

In the view of the board 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, and are not involved in external charities that benefit from donations by the Group, 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 individual director evaluations with the directors individually and suitable developmental plans 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 evaluation concluded that the board's overall functioning and governance were excellent.

The findings indicate that:

- the board's role and responsibilities have been clearly defined, issues are prioritised and discussed timeously and 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, as well as to be mindful of the proportion of non-executive to executive directors;
- the board feels director orientation and development is 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 needed 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, employees, customers, suppliers 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 function.

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 department, as well as a review of the staff complement, functional responsibilities and information systems of the department, 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 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 [#] | | 4/4 | | 4/4 [#] | | 1/1 |
| Rob Dow | I | 4/4 | 3/3 | 4/4 [#] | | 4/4 | | 1/1 |
| Michael Thompson | I | 4/4 | 3/3 [#] | | 3/4 | 4/4 | 3/3 [#] | 1/1 |
| Thandi Ndlovu | I | 4/4 | | | | 4/4 | 2/3 | 1/1 |
| Tony Taylor | I | 4/4 | | | | 4/4 | | 1/1 |
| Roddy Sparks | I | 4/4 | 3/3 | | | 4/4 | | 1/1 |
| Khutso Mampeule | I | 4/4 | | | | 4/4 | | 1/1 |
| Michael Mark | E | 4/4 | | | 4/4 [#] | | | 1/1 |
| David Pfaff | E | 4/4 | | | 4/4 | | 3/3 | 1/1 |
| JC Garbino* | E | 1/1 | | | | | | 1/1 |
| % attendance 2016 | | 100 | 100 | 100 | 92 | 100 | 89 | 100 |
| % attendance 2015 | | 97 | 100 | 100 | – | 96 | 100 | 100 |

[#] = Chairman

E = Executive

I = Independent non-executive

* = Appointed August 2016, resigned December 2016

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 annual financial statements as required by the Companies Act.</p> <ul style="list-style-type: none"> • Aims to ensure the maintenance of adequate accounting records and effective financial reporting and internal control systems. • Aims to ensure compliance of published financial reports with relevant legislation, reporting standards and good governance. • Aims to ensure Group assets are safeguarded. • Has oversight of fraud and information technology. • Confirms the nomination and appointment of the External Auditor, ensuring such appointment is legislatively compliant. • Approves the terms of engagement and fees paid to the External Auditor. • Defines and considers the non-audit services that may be rendered by the External Auditor. • Considers the findings arising from the annual financial statements audit. • Monitors the functioning and approves the coverage plan of Internal Audit. • Reviews risk and tax management programmes and initiatives. • Fulfils the function of Audit Committee to Group subsidiaries and charitable trusts. • Reviews the expertise, resources and experience of the Group's finance function and the expertise and experience of the Chief Financial Officer. • Recommends to the board the approval of the Integrated Annual Report. | <p>Chairman: Michael Thompson</p> <p>Other committee members:</p> <ul style="list-style-type: none"> • Two independent non-executive directors <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"> • 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. • Advises, recommends and reviews reward strategies and policies, including evaluation methodologies. • Determines the remuneration packages of executive directors and non-executive directors to support the Group's strategic objectives. • Reviews and approves compensation of executive and non-executive directors and senior executives. • Approves awards under share and cash incentive plans. • Ensures alignment of the compensation and incentive plans with the Group's business strategies and values. | <p>Chairman: Rob Dow</p> <p>Other committee members:</p> <ul style="list-style-type: none"> • One independent non-executive director <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 on the Group's remuneration policies are disclosed in the Remuneration Committee Report.</p> |

Truworths International Non-executive and Nomination Committee

| OBJECTIVES AND FUNCTIONS | COMPOSITION |
|---|--|
| <ul style="list-style-type: none"> • Ensures succession plans are in place for the Chief Executive Officer and other key executives. • Makes key appointments such as Chairman, Chief Executive Officer and senior executives. • Considers any strategic or sensitive matter delegated to the committee by the board. • Identifies and nominates persons for appointment as directors of the company. | <p>Chairman: Hilton Saven</p> <p>Other committee members:</p> <ul style="list-style-type: none"> • All non-executive directors <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"> • Monitors activities in relation to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment. • Makes recommendations to and brings matters to the attention of the board in relation to these activities. • Reports to shareholders at the company's annual general meeting in relation to such activities. | <p>Chairman: Mike Thompson</p> <p>Other committee members:</p> <ul style="list-style-type: none"> • One independent non-executive director • One executive director <p>The Chairmen of the Truworths Transformation and Sustainability Committees, the Company Secretary and the Legal Adviser attend, and the Chief Executive Officer may attend, by invitation.</p> |

Truworths International Risk Committee

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

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, viz 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

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 2017, together with mitigation strategies, are covered in the Material Issues, Risks and Opportunities 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 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 JSE's 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 the Stock Exchange News Service (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 Audit Committee and the Risk Committee:

- 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 completed to ensure that involvement in 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 2016 three awards were made (2015: two). A total of 93 reports were received in 2016 (2015: 60).

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 the Group's main operating South African subsidiary has adopted and has oversight of the anti-bribery and corruption policy that is applicable to and has been communicated to all employees in South Africa, and the rest of Africa via the Group's intranet. 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.

During the reporting period no political contributions or donations to political parties were made, as such contributions 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.

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 to 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 retailers and conduct their activities in a transparent manner in the form of non-profit organisations governed by written constitutions.

The Group is a 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 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.

2017 GOVERNANCE PRIORITIES

Governance priorities for the 2017 financial period will include:

- further developing the Group's understanding, and planning for the expected coming into force in November 2016, of the King IV Code of Corporate Principles;
- continuing the development of an appropriate corporate governance framework within Office that complements the Group's corporate governance processes, practices and policies;
- further improving the Group's understanding of and compliance with the regulatory requirements

in the foreign territories in which it conducts operations, including further developing the effective functioning of the Group's Compliance Officer role;

- reviewing and upgrading the Group's tax risk governance framework by consistently implementing the Group's transfer pricing policy and improving the reporting of material tax-related management information to the board;
- further development of the reporting by management to the Social and Ethics Committee so as to broaden the scope of topics reported on and to incorporate a dashboard of progress on key environmental, social and governance issues, with a view to facilitating the effective monitoring required to be undertaken by this committee; and
- the development by the board of a policy on the promotion of gender diversity at board level, including giving consideration to whether targets should be set for achieving such diversity.

Generally the board and management 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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