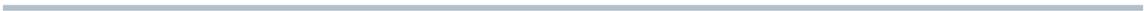

SOCIAL
AND ETHICS
COMMITTEE
REPORT
2016



TRUWORTHS
INTERNATIONAL



SOCIAL AND ETHICS COMMITTEE REPORT

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.

INTRODUCTION

The Social and Ethics Committee (the committee) assists the board by monitoring 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 2016 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 2015 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. 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 2016.

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.

FUNCTIONING

The committee met three times during the period and detail on meeting attendance is included in the Corporate Governance Report on the company's website.

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.

Following the Group's participation in the EY/Trialogue sponsored survey on the status of Social and Ethics Committees in a sample of JSE-listed companies during the prior reporting period, management met with the sponsors and developed a holistic listing of matters that should routinely be monitored by the committee. The committee, in considering this listing, accepted the principle that a number of matters could

suitably remain to be monitored by the company's board or other committees reporting directly to the board. The committee will be concluding on and finalising this listing at its next meeting.

The committee has requested management to arrange that the committee's meeting agendas were appropriately formulated in future 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 has been proposed by management and accepted by the committee.

MONITORING

Key issues considered by the committee during the period included:

- The Group's Sustainability Scorecard, which focuses on six material areas viz Governance, Efficiency, Transformation, Employer of Choice, Managing the Risk of Fashion and Managing the Risk of Credit, sets targets in terms of various initiatives within these areas and enables management to track the progress on such initiatives.
- Electricity-saving activities continued in retail stores to ensure sustainability and cost savings, including use of energy-efficient 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 2015 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 94% (2014 CDP: 91%), and a category D performance rating, in the CDP managed by the National Business Initiative.

- The Group's submission for the 2016 FTSE/JSE Responsible Investment Top 30 Index (2015: JSE Socially Responsible Investment (SRI) Index), in terms of which the Group qualified for inclusion based on its FTSE environmental, social and governance (ESG) Rating. The Group achieved an absolute score of 3.6 out of 5 and a subsector relative percentile score of 88 out of 100, based on its combined performance across the ESG pillars.
- 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 prior reporting period, that reflected a material increase in the expenditure incurred on training initiatives, the extension 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 outcomes of the plans implemented with effect from the commencement of the reporting period to ensure compliance with recently amended labour legislation in South Africa, 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 progress against targets in relation to the Group's employment equity plan, as required by the Employment Equity Act in South Africa, for the period from 2014 to 2019.
- The Group's ongoing initiatives to ensure adherence to the principles outlined in the Protection of Personal Information Act relating to the maintenance of privacy and security as regards customers, and employees, during the course of the information-processing activities undertaken by the Group.
- The progress being made as regards the Group's transformation activities, as measured by the generic scorecard issued by the Department of Trade and Industry (dti) of the South African government to track Broad-based Black Economic Empowerment (BBBEE), including the continued focus on the Group's wide-reaching skills development programmes for its employees.
- The initiatives undertaken 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.

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 extend its oversight and monitoring fully to cover the broad scope of the committee's mandate as provided for by statute and its charter.

2. That the Group's BBBEE score could decline as a result of revised codes of good BBBEE practice coming into force unless appropriate action was taken by the board and by management.
3. That areas not historically reported on by management to the committee needed to be covered in future, and these included corporate social investment, customer relations, employee relations, marketing and advertising, and shareholder engagement.

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, relevant to the areas within the committee's mandate, has been brought to its attention.

The committee has been informed that at the financial year-end the Group had recorded a level of non-

compliance with the recently revised voluntary codes of good practice on BBBEE as measured by the dti's generic scorecard. The committee has been advised that, in collaboration with external consultants, management is considering various initiatives, including revised procurement strategies and supplier and enterprise development initiatives, aimed at addressing the Group's BBBEE status during the course of the 2017 financial period.

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

18 August 2016

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