



**WOOLWORTHS HOLDINGS LIMITED**  
*Register of application of King IV™ 2020*

**START**

## APPLICATION OF KING IV

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The Board has continued to meaningfully apply the principles recommended in the King IV Report on Corporate Governance for South Africa™, 2016 (King IV™) in a manner appropriate for the Group and the retail sector within which the Group operates.

The Board's primary objective in terms of applying the King IV™ principles is to ensure that the governance outcomes relating to an ethical culture, effective control, good performance and legitimacy are firmly embedded within the organisation.

The information in this report, which describes the manner in which the King IV™ principles are applied, is supplemented by the Integrated Annual Report, Annual Financial Statements and Good Business Journey Report, which together make up our suite of financial year-end reports ('reporting suite'). All of these reports are available on our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

We have provided cross-references in this report to guide stakeholders to the supplementary information in the reporting suite and on our website. Where the Board is supported by a Board committee in the application of a principle, the relevant committee is indicated. We encourage our stakeholders to explore our reporting suite to discover more fully the manner in which these principles are applied to everyday operations and decision-making throughout the Group.

The Group governance framework which is detailed on our website, provides additional clarity by clearly delineating roles and areas of accountability, and recognises the independent roles and duties required to govern the Group effectively. The governance framework aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels.

The effectiveness of the governance framework was put to the test during the implementation of strict measures to slow the spread of COVID-19, and proved to be highly effective, facilitating the efficient functioning of our governance structures, while the Board and senior management focused on the significant challenges and agile decision-making required to respond appropriately to the COVID-19 pandemic.

The governance framework is supported by the Board Charter, Committee Terms of Reference, Delegations of Authority and our governance policies, which provide guardrails to steer performance in a manner aimed at creating value. The Board Charter, Committee Terms of Reference and our governance policies are also available on our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).



*David Jones, Summer 2020*

# LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

## PRINCIPLE 1

The governing body should lead ethically and effectively.

### APPLICATION

As the custodian of ethical governance with collective responsibility for setting an ethical tone at the top, the Board steers the evolution of culture and governance, ensuring that high ethical standards and governance practices are channelled into all levels of the organisation to enhance our reputation, build trust, and ultimately, lead to the creation and protection of value for all stakeholders.

From a structural perspective, our governance framework and related suite of policies comprising the Board Charter, Delegations of Authority, Committee Terms of Reference and the Board policies are all tangible indicators of the Board's approach to effective and ethical leadership, while the consistent application of the policies reflects the Board's commitment "to doing the right thing".

Examples to illustrate how structure and practice combine to good effect are noted below:

- the potential for conflicts of interests on the Board is managed by way of our policies governing conflicts of interest, insider trading, prohibition on the use of price-sensitive information, and trading in the Company's shares, while appropriate disclosures in line with governance practice are made on the Johannesburg Stock Exchange News Service (SENS) and in the Annual Financial Statements (for example, details of directors' share dealings and their holdings in WHL); the disclosure of their financial and other interests on a quarterly basis; and to declare any conflicts with agenda items at the commencement of each Board and committee meeting
- although the current Board Chairman is an independent non-executive director, the Board elected to retain the role of Lead Independent Director as it considers this role to be instrumental in supporting the Chairman and the Board in the delivery of effective leadership to the Group

- the emphasis the Board places on maintaining high levels of independent thinking and objective judgement by its members, to promote a culture that challenges the status quo and avoids group consensus. The Board is assisted in this by the Nominations Committee, which is responsible for assessing the independence of each non-executive director annually. In doing so, the committee uses not only the 'independence' criteria recommended by King IV™, but takes into account whether the non-executive director has demonstrated an independent state of mind and objective judgement in relation to matters affecting the Group, and whether the non-executive director has an interest, position, association or relationship which, when considered from the perspective of a reasonable and informed third party, is likely to influence the director unduly or cause bias in the director's decision-making.

The Board participated in an external Board evaluation process with the main aim being to establish the refreshed Board's view on the Board's effectiveness, areas of improvement, and vision. The evaluation was suspended from April to June, as attention was diverted to dealing with COVID-19, and resumed with earnest in June 2020, which prevents us from reporting in detail in this report.

There is a strong belief held by the Board that the Group's solid ethical foundation, built on deeply entrenched values, will ensure that the Group weathers the current economic times.

The Board believes that all of the above enables it to lead the Group ethically and effectively. The examples provided above clearly describe the manner in which directors are held accountable for their leadership role and for its execution. The Board believes that all of the above enables it to lead the Group ethically and effectively.

### OVERSIGHT:

-  **NOMINATIONS COMMITTEE**
-  **BOARD**

## PRINCIPLE 2

The Governing Body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

### APPLICATION

The Group's values reflect the Board's commitment to doing good business for our customers, our people, and our planet. The Board's approach to the governance of ethics is supported by the governance and ethics policies covering areas such as anti-bribery and corruption, whistleblowing, Codes of Business Principles, conflicts of interest, acceptance of gifts, entertainment, insider trading, and price-sensitive information. Policies are reviewed annually and updated when necessary. Furthermore, the awareness of and commitment to values and ethics within the Group are incorporated in employee engagement surveys, and our Supplier Codes of Business Principles require that our Suppliers adopt our approach to ethics and our requirements for labour and safety standards, environmental stewardship, animal welfare, and our zero tolerance for bribery and corruption.

During the year the whistleblower policy, which has group-wide application, was revised to bring it in line with the recently amended provisions of the Australian Corporations Act. The policy aims to facilitate and maintain an environment in which any concerns relating to wrongdoing can be safely and confidently expressed, without fear of punishment or unfair treatment, and ultimately assist in preventing wrongdoing within the Group.

Awareness and refresher training will be provided during the coming year on the scope and intent of the revised whistleblower policy.

An independently monitored whistle-blowing hotline, Deloitte's Tip-offs Anonymous, has been made available to employees across the Group as well as to key customers and suppliers. The hotline enables stakeholders to report suspected fraud or other activities considered to be ethical transgressions, and all information reported is treated in the strictest confidence. Tip-offs training and awareness sessions are conducted periodically to promote utilisation of the facility.

The Board is assisted by the Social and Ethics Committee in setting the tone for an ethical organisational culture, as well as to ensure that fair labour practices are applied across our Group and our supply chain; that appropriate strategies are in place to contribute to social and economic development; and that we not only utilise our natural resources responsibly, but also work towards minimising our impact on the environment in the long term.

### OVERSIGHT

-  **SOCIAL AND ETHICS COMMITTEE**
-  **RISK AND COMPLIANCE COMMITTEE**
-  **BOARD**

# LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

## PRINCIPLE 3

The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.

### APPLICATION

Our values, which support our responsible corporate citizen credentials, are constantly reinforced throughout the various businesses.

COVID-19 and recent geopolitical events have highlighted social, race and gender-based inequality globally once more, and we are therefore determined to ensure that respect for human rights, diversity and inclusion are even more deeply entrenched in our corporate culture. The Board believes that entrenching a human rights and values-based culture across the Group is critical for business performance and organisational sustainability. Our business partners are required to align with our human rights values, and we do not hesitate to terminate our relationship in the rare instances where our suppliers may have been found to have wilfully breached our Supplier Code of Business Principles.

The Board, assisted by the Social and Ethics, and Sustainability Committees (collectively "governing bodies"), provides leadership to entrench the Group's credentials as a responsible corporate citizen.

To give effect to the Board's commitment to respect human rights, promote equality and inclusion, and eradicate discrimination as these relate to relationships with employees and third parties, the Group is a signatory to the UN Global Compact. Furthermore, the International Labour Organisation principles, Organisation for Economic Cooperation and Development guidelines, country-specific legislation and regulatory requirements have all been adopted into the codes of conduct, policies and procedures, and business operations.

The Group's Good Business Journey, initiated over a decade ago, aims to give meaning to the Board's vision of being one of the world's most responsible retailers. Focusing on the areas of people and transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, energy and climate change, the Good Business Journey continues to evolve to meet the challenges in business, contribute to social and economic development, and reduce the impact of our business on the environment.

Embedding the Good Business Journey throughout the business remains one of the Group's strategic focus areas. To ensure consistency across our operations, each business unit has a sustainability scorecard against which it is measured twice per annum. This scorecard includes a set of relevant Good Business Journey objectives, targets, and key performance indicators aligned to the abovementioned eight focus areas and Group goals and commitments. These sustainability scorecards are rolled up to a company level and Group level to assess the performance of the Group against the Good Business Journey goals and commitment.

In South Africa, social development activities are overseen by The Woolworths Trust, which is managed by a Board of Trustees and reports to the Social and Ethics Committee on its activities. Social development activities in Australia are influenced by the local social context and the businesses (in partnership with their own strategic partners, relationships and campaigns) focus on community resilience and physical and mental health and wellness.

Towards the end of 2019 and in early 2020, Australia experienced one of the worst bushfire seasons in history, with vast areas affected across much of the country. The effects of the fires were devastating; families lost their homes, communities were displaced, and wildlife and their natural habitats were destroyed on a massive scale. Many Country Road Group and David Jones employees, customers and suppliers were directly impacted by these bushfires. In response to this national crisis, we made donations to charities, aid organisations and supported staff who were directly impacted, as well as those who wished to volunteer.

Similarly, the COVID-19 pandemic and lockdown restrictions significantly affected our operations, employees, suppliers and customers across the Group. While our food businesses were deemed essential services and continued to operate, our fashion businesses were severely impacted with temporary store closures across the Group. During this time, we focused on prioritising the health and safety of employees and customers, assisting communities in need, working with our suppliers to mitigate impacts, and closely managing the financial impacts.

Read more on the Bushfires and COVID-19 projects and contributions, in the 2020 Annual Integrated Report and Good Business Journey Report. Details on the Group's broader social development activities are included in the Good Business Journey and Social and Ethics Committee Reports.

We engage with stakeholders openly and inclusively as this helps us to better understand their needs and concerns. During the year, the stakeholder engagement programme continued to focus on building new relationships and enhancing existing ones with the South African government, non-governmental organisations, and other relevant interest groups, as well as expanding the government relations programme into the rest-of-Africa business.

This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative, and political landscape; provides ongoing macro-environmental insights; develops goodwill ambassadors; and, ultimately, ensures our continued social licence to operate.

### OVERSIGHT

-  SOCIAL AND ETHICS COMMITTEE
-  SUSTAINABILITY COMMITTEE
-  BOARD

USEFUL LINKS FOR MORE DETAIL

# STRATEGY

## PRINCIPLE 4

The governing body should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

### APPLICATION

The Board acknowledges the inseparability of the elements of the value creation process and ensures that risks and opportunities, strategy, the business model, performance, and sustainable development receive the necessary level of attention in all components of the governance framework. This is clearly illustrated in the value creation process and approach to strategy, which are described on pages XX to XX of the Integrated Annual Report. Material risks and opportunities, based on the operating context and the needs and expectations of stakeholders, are reviewed and mitigation measures considered.

During the year, the annual risk and two strategy workshops were held to debate, refine and approve strategy and critically evaluate product and the positioning of assets to meet future demands. The Group Chief Executive Officer reports to the Board quarterly on performance against the strategy, providing an analysis of targets achieved against the Group's balanced scorecard.

The COVID-19 pandemic and the related lockdown restrictions necessitated further strategy reviews to protect and strengthen our balance sheet and position the Group for sustainable, longer-term growth. The Board convened on a number of occasions to critically evaluate and deliberate on the key strategic initiatives that had been launched, and in addition received weekly written updates from the Group Chief Executive Officer on the trading performance of each of the businesses. The Board also considered a range of matters that had impacted operations as a result of COVID-19, particularly the wellbeing of our people and customers, supply chain performance, inventory management, availability and waste.

### OVERSIGHT

-  AUDIT COMMITTEE
-  SOCIAL AND ETHICS COMMITTEE
-  SUSTAINABILITY COMMITTEE
-  NOMINATIONS COMMITTEE
-  REMUNERATION COMMITTEE
-  RISK AND COMPLIANCE COMMITTEE
-  BOARD
-  EXECUTIVE MANAGEMENT

# STRATEGY

## PRINCIPLE 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

## APPLICATION

The Group's Annual Financial Statements, Good Business Journey Report, and the Integrated Annual Report are prepared according to the applicable reporting frameworks and standards and aim to meet the information needs of a diverse range of stakeholders. The suite of reports is prepared in accordance with global reporting standards which include the Integrated Reporting Framework and Global Reporting Initiative (GRI); International Accounting Standards and International Financial Reporting Standards. The Good Business Journey Report is GRI-referenced. All aim to provide a level of disclosure that will enable all stakeholders to make informed assessments of the Group's performance and to increase their understanding of the Group's operations.

The Audit Committee assists the Board in verifying the integrity of the integrated report and other disclosures.

Assurance on the disclosures in the Annual Financial Statements is provided by the internal and external auditors with oversight provided by the Audit Committee; selected data and information in the Good Business Journey Report are confirmed by external assurance providers with oversight by the Sustainability Committee.

The Group Remuneration Report, published as part of the Integrated Annual Report, comprises three components: a background statement, the Remuneration Policy, and an Implementation Report which contains details of all remuneration awarded to executive management and non-executive directors during the reporting period. The Remuneration Report aims to provide clear disclosure to stakeholders on the Board's approach to the remuneration of executives, non-executive directors and employees.

Results presentations are held after the interim and year-end financial results are announced and copies of the results presentations are published on the Group's website. Furthermore, regular trading updates are published on the Johannesburg Stock Exchange News Service (SENS) which provides updates on the Group's performance.

## OVERSIGHT

-  AUDIT COMMITTEE
-  REMUNERATION COMMITTEE
-  SUSTAINABILITY COMMITTEE
-  BOARD
-  EXECUTIVE MANAGEMENT

# GOVERNING STRUCTURES AND DELEGATION

## PRINCIPLE 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

## APPLICATION

The Board acknowledges its responsibility as the custodian of corporate governance for the Group and guides and directs the roles, responsibilities and conduct by means of the governance framework and related policy suite comprising the Board Charter, Committee Terms of Reference, Delegations of Authority and the Board policies. The governance framework, which provides role clarity and clearly delineated roles and areas of accountability, facilitated a well-coordinated response to COVID-19 ensuring strategic alignment across the Group and efficient and informed decision-making at the appropriate levels.

The Board champions the Group's governance philosophy and embraces its role as custodian of governance in the organisation. Initiatives such as Governance week (comprising a series of information sessions held across the organisation), aim to ensure all entities adhere to the governance standards and best practices adopted by the Board.

To give effect to its mandate, the Board meets at least four times a year, but more regularly if required, and the Group Chief Executive provides monthly updates on trading and general business performance, and the key strategic initiatives under way. Board teleconferences are held between the quarterly Board meetings to discuss the Group Chief Executive's updates. This pattern of meetings and communications was significantly disrupted this year as a result of COVID-19, with several additional meetings and updates by the Chief Executive on COVID-19 impacts being provided to the Board.

The number of meetings held and the attendance at the meetings are reported on in the Governance Report included in the Integrated Annual Report.

The Board Charter forms an integral part of the Group's governance framework and outlines the composition, scope of authority, responsibilities, powers and functions of the Board. The Board Charter is reviewed annually to ensure that it remains relevant, appropriate and in line with governance best practice. Similarly, Committee Terms of Reference and Board policies are reviewed annually and the outcome reported to the Board. The Board Charter provides that directors are permitted to take independent professional advice related to their duties at the company's expense and sets out the procedure by which such advice may be obtained. Board committees are similarly entitled to obtain independent professional advice at the company's expense on any issue within the committee's scope and subject to following a Board-approved process.

All directors have unrestricted access to Group information, records, documents and facilities through the office of the Company Secretary. The Group Company Secretary, in addition, provides the Board with regular updates to ensure that the Board and its committees are kept abreast of best practice governance recommendations.

## OVERSIGHT

-  BOARD
-  COMPANY SECRETARY

USEFUL LINKS FOR MORE DETAIL

# GOVERNING STRUCTURES AND DELEGATION

## PRINCIPLE 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

## APPLICATION

The Group has a unitary Board comprising a majority of independent non-executive directors. The Board composition aligns with the relevant King IV™ principles and, in addition to ensuring that its membership comprises the necessary depth of skills and expertise to lead a top public listed company, the Board recognises the value of having a diverse range of geographical backgrounds, age, gender, race, interests and varying tenures in its membership. The Board believes this facilitates richer debate and independent decision-making and promotes the entrenchment of good governance policies and practices.

With the assistance of the Nominations Committee, the Board continues its mission to create and maintain a high functioning, resilient and diverse Board comprising members with the capability and capacity to provide fresh perspectives and relevant strategic input, to act independently of mind and to contribute to value-creation through their diverse experiences.

In addition to planning for the appropriate skills and diversity attributes on the Board, the Board's policies relating to gender and race diversity, individual performance, rotation and tenure limits, as well as the demands of their other professional commitments, are all applied when considering candidates for appointment to the Board or evaluating directors who will be retiring by rotation at the Company's Annual General Meeting. The Board requires a considerable time commitment from all of its members and hence their independence, together with their time availability, is of critical importance.

The Board has an approved Appointment of Directors Policy under which all such appointments are considered. Non-executive directors are expected to exercise high levels of independent thinking and objective judgement, and their performance in this regard is assessed annually by the Nominations Committee. The independence assessment is framed against the criteria recommended by King IV™ and takes into account whether the non-executive director has demonstrated an independent state of mind and objective judgement in relation to matters affecting the Group. The assessment also takes into account whether the non-executive director has an interest, position, association or relationship which, when considered from the perspective of a reasonable and informed third party, is likely to influence the director unduly or cause bias in the director's decision-making.

The Board elected to retain the role of Lead Independent Director, even though the current Chairman, Hubert Brody, is an independent non-executive director, as it considers this role to be instrumental to supporting the Chairman and the Board in the delivery of effective leadership to the Group.

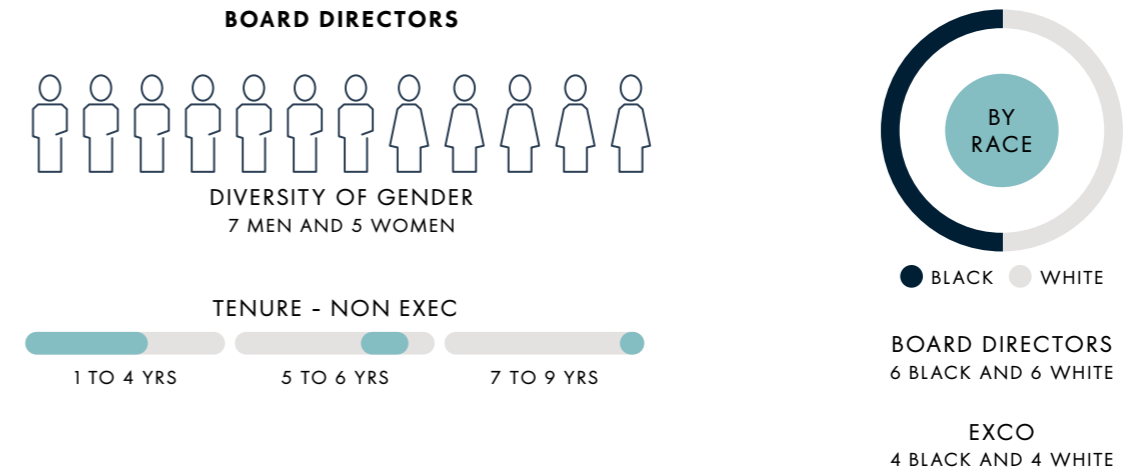
Non-executive directors are subject to a nine-year term limit (i.e., three terms of three years) which may be extended only in exceptional instances, and executive directors are also subject to rotation in terms of the Company's Memorandum of Incorporation. Subject to continued eligibility determined by the Board in accordance with its policies and the Company's Memorandum of Incorporation, directors may make themselves available for re-election by shareholders at the Annual General Meeting.

## OVERSIGHT

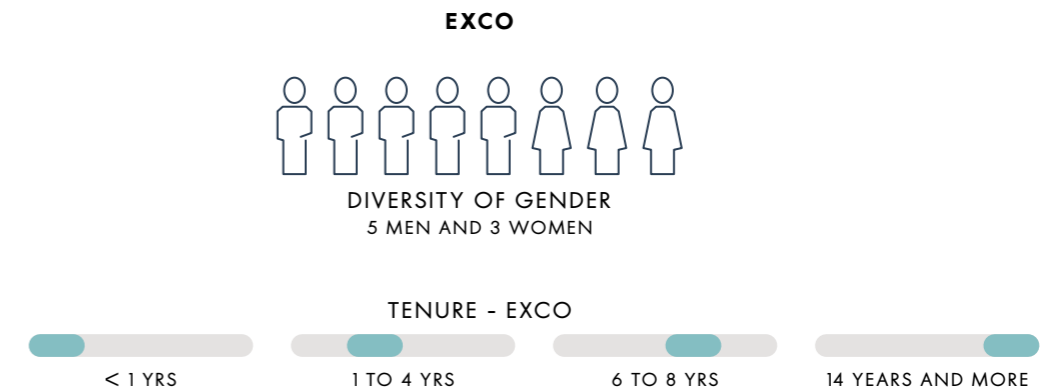
- NOMINATIONS COMMITTEE
- BOARD

[USEFUL LINKS FOR MORE DETAIL](#)

The Board's Diversity and Director Appointment policies were updated during the year to reflect the Board's current diversity target ambitions. In this regard, the Board had committed in 2017 to maintain a minimum of 33% female and black director representation each, on the Board and set an aspirational goal to increase those levels of representation to 40% each in 2020. As the Board composition was fully aligned with the aspirational goal in early 2020, the Board has committed to increase this representation to 50% by 2023.



All non-executive directors remain classified as independent following the independence assessment conducted this year, and at the time of this report the Board comprised eight independent non-executive directors and four executive directors.



# GOVERNING STRUCTURES AND DELEGATION

## PRINCIPLE 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of its duties.

### APPLICATION

The governance framework, comprising the Board; seven committees appointed by the Board; subsidiary company boards and their committees; the respective Board Charters; Committee Terms of Reference; and the Delegations and Levels of Authority frameworks, have been designed to achieve effective decision-making.

Board committees are constituted to achieve a balanced distribution of power to prevent undue reliance being placed on any individual member and so that no individual has the ability to dominate decision-making. Each committee's composition is reviewed annually by the Nominations Committee, which take factors that include the following into account: the Board succession requirements; director performance as well as independence, based on the annual independence assessments and the Board's diversity policy.

Each committee is responsible for reviewing its Terms of Reference annually, ensuring appropriate interface of its responsibilities with the Delegations of Authority, and reporting to the Board on the outcome of the review. In this way, the Board is able to review the effectiveness of the arrangements for delegation of responsibilities to Board committees and executive management, as well as ensure alignment with relevant legislation and what is appropriate for the relevant company.

The Board does not relinquish accountability for responsibilities delegated to Board committees and management and, where the Board has reserved decision-making authority, it ensures that it performs those responsibilities effectively.

Effective collaboration between Board committees is achieved by cross-membership between committees (for example, all Board members are members of the Risk and Compliance Committee and the Sustainability and Social and Ethics Committees have common members). In addition, meetings are coordinated to prevent duplication or fragmented functioning and where more than one committee has jurisdiction over a similar matter (for example, combatting bribery and corruption), the specific role and positioning of each committee is defined with regard to that matter to prevent duplicating approaches. Every member of the Board is entitled to attend any committee meeting as an observer but is not entitled to vote and does not receive remuneration for attending the relevant meeting.

### OVERSIGHT

- AUDIT COMMITTEE
- SOCIAL AND ETHICS COMMITTEE
- SUSTAINABILITY COMMITTEE
- NOMINATIONS COMMITTEE
- REMUNERATION COMMITTEE
- RISK AND COMPLIANCE COMMITTEE
- BOARD

USEFUL LINKS FOR MORE DETAIL

## PRINCIPLE 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

### APPLICATION

The Board's policy is for Board and committee assessments to be conducted annually, alternating between assessments by an external service provider followed by peer reviews in the following year. Last year, an external service provider facilitated a workshop to enhance Board effectiveness. This year, the external Board evaluation process to establish the refreshed Board's view on the Board's effectiveness, areas of improvement, and vision was conducted amid the COVID-19 lockdown restrictions. Although the evaluation was suspended from April to June, as attention was diverted to dealing with COVID-19, it resumed in June 2020. At this time the report was in the process of being finalised, which prevents us from reporting in detail in this report.

Performance evaluations for the executives are conducted by the Remuneration Committee according to a formally approved process. The Nominations Committee evaluates directors who are required to retire at the Company's Annual General Meeting in terms of the Memorandum of Incorporation and nominates, for election or re-election to the Board, those who are eligible in terms of the Board's policies relating to individual performance, independence, diversity, and tenure limits. The Nominations Committee also reviews the performance of each member of the Audit Committee prior to nominating a director for appointment to the Audit Committee at the Annual General Meeting.

### OVERSIGHT

- NOMINATIONS COMMITTEE
- BOARD
- SHAREHOLDERS PARTICIPATING IN THE ANNUAL GENERAL MEETING



Woolworths, Summer 2020

## GOVERNING STRUCTURES AND DELEGATION

### PRINCIPLE 10

The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercising of authority and responsibilities.

### APPLICATION

The Group governance framework provides clarity by clearly delineating roles and areas of accountability, and recognises the independent roles and duties required to effectively govern the Group. The framework is supported by specific roles, each clearly delineated to ensure the effective exercising of authority and execution of responsibilities.

In addition, the Board Charter clearly delineates the roles of the Board, Chairman and Group Chief Executive Officer, who are accountable and report to the Board while also serving as the main link between management and the Board. The Group Chief Executive Officer is responsible for the implementation and execution of approved strategy, policy, and operational planning. The Group Chief Executive Officer is not a member of the Remuneration, Audit or Nominations Committees and attends meetings of these committees by invitation.

The Nominations Committee is responsible for overseeing the succession planning for the Group Chief Executive Officer, executive management, and other key positions to provide continuity of leadership. Succession planning is reviewed annually to ensure planning for the long-term, as well as unforeseen situations. The committee is, in addition, responsible for assessing the Group Chief

Executive Officer's performance against certain financial and non-financial KPIs annually, and for reporting to the Board in this regard. Disclosures in this regard are included in the Remuneration Report.

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority. Matters reserved for the Board and matters delegated to management are contained in the Delegations and Limits of Authority frameworks, which are reviewed regularly.

The Group Company Secretary provides professional and independent guidance on corporate governance and the legal obligations of the Board and its committees. The Board has assessed the competence and expertise of the Group Company Secretary (Chantel Reddiar) and is satisfied that she has the appropriate qualifications, experience and competence to carry out the duties on behalf of a public company. In accordance with the governance practices relating to company secretaries as advocated by King IV™, the Group Company Secretary is not a director and is deemed by the Board to be suitably independent. The Group Company Secretary has unfettered access to the Board but maintains an arm's-length relationship with directors.

### OVERSIGHT

 NOMINATIONS COMMITTEE

 REMUNERATION COMMITTEE

 BOARD

USEFUL LINKS FOR MORE DETAIL

## GOVERNANCE FUNCTIONAL AREAS

### PRINCIPLE 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

### APPLICATION

The Board sets the direction for the manner in which risk management is approached and addressed in the Group. The Risk and Compliance Committee, which comprises all directors, oversees and directs management's implementation of an effective framework and plans for risk management. As the ultimate custodian of risk governance, the Board ensures that risk considerations are observed as an integral part of decision-making at both strategic and operational levels across the Group, and that risk management is fully aligned to the Group's strategy.

The Group's approach to risk management has been robustly tested during the COVID-19 crisis as certain group risks accelerated and new risks emerged. The agility built into the Group's risk management processes and the maturity of the risk systems embedded throughout the Group, nevertheless facilitated decisive and informed decision-making at a time of significant uncertainty.

The Board Charter reflects that the Board is responsible for the total process of risk management and risk governance, and specifies that the Board has delegated the management of risk to the Risk and Compliance Committee. The Risk and Compliance Committee's Terms of Reference similarly set out the committee's obligations for risk management and compliance, as well as management's obligations to provide the Committee with regular feedback on all risk-related activities. The Board treats risk as integral to its decisions and the manner in which it executes its duties. The Board sets the direction for how risk is approached and addressed and the Risk and Compliance Committee oversees and directs the implementation of an effective policy and plan for risk management and compliance.

Our risk approach has a dedicated focus on trending risks and opportunities in the radically changing world of retail. Sound management of risks enables us to anticipate and respond to changes in the operating context, as well as make well-considered decisions under conditions of uncertainty. The Group Risk Framework is annually reviewed to ensure it remains fully aligned with evolving business needs and our governance responsibilities. The Group risk function facilitates an annual top-down review of risks with the Board and Group executives. A similar exercise is performed with each of our businesses and business units: identifying and assessing its risks; measuring them against defined criteria; and considering the likelihood of occurrence and the potential business impact. These risk perspectives are combined to create a consolidated Group risk profile which facilitates oversight over the Group's material risks. The Group level risk exposures are measured against formalised risk appetite statements that are further aligned to the Group strategic objectives. Risk appetite and tolerance are core considerations for our risk response plans as they consider the relationship between the potential impact of key risks and the effectiveness of mitigating controls or management actions.

The Group's key risks for the year under review are described in detail in the Integrated Annual Report, and readers are invited to review the Group's risk methodology and mitigating controls by reviewing the report. The Board receives independent assurance on the effectiveness of risk management from the Internal Audit Function.

### OVERSIGHT

 RISK AND COMPLIANCE COMMITTEE

 BOARD



# GOVERNANCE FUNCTIONAL AREAS

## PRINCIPLE 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

### APPLICATION

The Board exercises ongoing oversight of the governance of technology and information and, in particular, oversees that it results in the strategic leveraging of information as an asset to sustain and enhance the Group's intellectual capital, protection of the privacy of personal information, continual monitoring of security of information, and protection of the integrity of information. The Board has delegated authority to the Risk and Compliance Committee for setting the approach for technology governance (including adoption of appropriate frameworks and standards) and managing related information and technology risks. The committee views information and technology as an integral part of the risk management process, and where key risks are identified, the necessary assurance is obtained on the effectiveness of the IT internal controls, including outsourced information and technology services.

Key technology risks are managed and reported to the Board through the Risk and Compliance Committee. The establishment of an appropriate information and technology governance policy, framework and strategy has been delegated to management.

The role of the Information Management Committee, as constituted by management, is to proactively manage the Group's information in a way that supports the business, by setting and achieving its strategic objectives in compliance with policy guidelines as approved by the Board.

The role of the Information Management Committee is supplemented by the appointment of Chief Information Officers for both the South African and Australian operations. The Chief Information Officers report to the Group Chief Operating Officer who has access to, and regular interaction on, strategic matters with the Board and executive management. Major information and technology investments, expenditure and projects are governed in terms of the Delegations and Levels of Authority frameworks and are reviewed at the monthly Investment committees in South Africa and Australia. The Risk and Compliance Committee monitors IT investments and expenditure by means of the IT Governance Report tabled quarterly at committee meetings, details of which are subsequently reported to the Board.

### OVERSIGHT

- RISK AND COMPLIANCE COMMITTEE
- BOARD
- INFORMATION MANAGEMENT COMMITTEE

USEFUL LINKS FOR MORE DETAIL

## PRINCIPLE 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

### APPLICATION

The Board is ultimately responsible for overseeing the Group's compliance with laws as well as the non-binding rules, codes, and standards that have been adopted to ensure the Group continues to operate ethically and as a good corporate citizen. The Board has delegated responsibility for compliance management to the Risk and Compliance Committee. The committee is responsible for ensuring that the compliance framework provides the appropriate level of oversight to ensure compliance with the laws, regulations, non-binding rules, codes, and standards applicable to the businesses. The Group Compliance Policy, the oversight of which also falls within the remit of the Risk and Compliance Committee, is reviewed annually. The Policy provides a framework for monitoring and risk management. Legislative and regulatory compliance is monitored by management through the Group's Risk, Compliance and the Legal teams, while the Compliance Department assists

the businesses with implementation of applicable laws and other regulatory requirements, presents training and awareness programmes, and conducts monitoring exercises on high-risk legislation in accordance with the approved compliance monitoring framework. The Risk and Compliance Committee receives quarterly reports from the Compliance teams which provide regulatory updates, compliance monitoring feedback, regulatory complaints, and updates on special projects. The Internal Audit function annually reviews the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes and standards, in order to provide assurance to the Board that these are sufficiently robust to fulfil the intended compliance purpose.

There were no instances of material regulatory breaches, litigation or fines incurred during the year under review.

### OVERSIGHT

- RISK AND COMPLIANCE COMMITTEE
- BOARD



Woolworths, Summer 2020

# GOVERNANCE FUNCTIONAL AREAS

## PRINCIPLE 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently, so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

## APPLICATION

The Board, with the assistance of the Remuneration Committee, approves the Remuneration Policy, which articulates and gives effect to fair, responsible and transparent remuneration that aims to achieve the Group's strategic objectives and to attract, motivate, retain, and reward employees and executive management. The policy is aligned with the Group's Employee Value Proposition (EVP) and is regularly reviewed to ensure that it remains appropriate for the Group's business model and operations. A fair and responsible pay barometer has been implemented to monitor the guaranteed and variable remuneration across the Group's operations in South Africa, Australia and New Zealand in relation to gender, race and job levels.

The Remuneration Report, published as part of the Integrated Annual Report, comprises three components: a background statement; the Remuneration Policy; and an Implementation Report which contains details of all remuneration awarded to executive management and non-executive directors during the reporting period. The Remuneration Committee regularly reviews the Remuneration Policy to ensure that it remains appropriate for the Group's business model and operations, in addition to benchmarking it with market-specific best practice. Non-executive directors' fees are benchmarked on an annual basis and advice is obtained from external independent consultants. The fees are proposed by management and recommended for approval by the Remuneration Committee and the Board to shareholders for approval.

The Group has continued to apply the King IV™ recommendation with regard to including the Remuneration Policy and the Remuneration Implementation Report in its Integrated Annual Report. In addition, shareholders are provided with the opportunity to exercise non-binding advisory votes on both the policy and implementation report at the Company's Annual General Meeting.

Post the publication of the Notice of Annual General Meeting for 2019, and in keeping with the Company's policy of continuing dialogue with key stakeholders on critical corporate governance matters, the Group Company Secretary invited key stakeholders to one-on-one meetings to discuss the resolutions that would be tabled for approval at the Annual General Meeting. In addition, the Chairman and Lead Independent Director, together with the Group Company Secretary, conducted face to face engagements with key stakeholders at the end of 2019, to gauge first-hand some of the key concerns held by shareholders. The Board convened a separate Remuneration workshop to deliberate on the various issues set out in the table below, and the detailed changes have been incorporated into the 2020 Remuneration Policy and Implementation Report.

## OVERSIGHT

- BOARD
- REMUNERATION COMMITTEE

## PRINCIPLE 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

## APPLICATION

The Board has adopted a combined assurance model that has been designed and implemented to effectively cover significant risks and material matters through a combination of assurance service providers and functions appropriate for the Group. The Board has delegated oversight of the combined assurance model to the Audit and Risk and Compliance Committees to enable an effective internal control environment; ensure the integrity of information used for internal decision-making by the Board, its committees and management; and to support the integrity of external reports. The combined assurance model covers the line functions that own and manage risks, specialist functions that facilitate and oversee risk management and compliance, and the internal and external auditors.

The Risk and Compliance Committee considers the completeness of the risks covered by the model, and the Audit Committee reviews the level of assurance obtained over the risks. Internal audit forms an integral part of the combined assurance model as an independent assurance provider. Specifically, internal audit provides a written assessment of the design, implementation and effectiveness of the Group's system of internal controls and internal financial controls, as well as the effectiveness of the risk management function on an annual basis.

The scope and approach of the internal audit plan, approved by the Audit Committee, is informed by the strategy and the risks facing the Group. The committee reviews the resources and skills of the internal audit function on an annual basis to ensure they are

adequate to provide the necessary assurance requirements to the committee. The Head of Internal Audit attends all Audit and Risk and Compliance Committee meetings. The Audit Committee evaluates the expertise, resources and experience of the finance function, as well as that of the Group Finance Director, annually and reports back on the outcome to the Board. At subsidiary level, the audit committee/review panel assess the expertise and experience of the respective Chief Financial Officers on an annual basis and provide feedback to the Group's Audit Committee.

The Board, assisted by the Audit Committee, assumes responsibility for the integrity of the Integrated Annual Report and ensures that it fairly represents the integrated performance of the Group. The Integrated Annual Report includes information from the Group's financial statements and the Good Business Journey Report, including commentary to provide sufficient information on the key issues affecting the Group, its stakeholders, and the communities in which it operates.

Environmental Resources Management Southern Africa (ERM), a leading global provider of environmental, health, safety, risk, and social consulting services, was engaged to perform a 'Moderate' Type II level assurance engagement in accordance with the AccountAbility AA1000 Assurance Standard (2008 with 2018 Addendum) for selected information contained in the GBJ Report. The Board is satisfied that the combined assurance model is effective and sufficiently robust for it to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports.

## OVERSIGHT

- AUDIT COMMITTEE
- RISK AND COMPLIANCE COMMITTEE
- BOARD

## STAKEHOLDER RELATIONSHIPS

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### PRINCIPLE 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

### APPLICATION

The Board assumes responsibility for the governance of stakeholder relationships and is assisted with this by the Social and Ethics Committee. The Board recognises that a broad range of stakeholders has an interest in the Group, its products, activities and initiatives, and that these simultaneously have an impact on stakeholders. Accordingly, the Group's operations should create value for all stakeholders who may have an impact on, or influence, the Group's operations.

The Social and Ethics Committee is responsible for the Group stakeholder engagement strategy, and the respective management teams in the Group have been delegated responsibility for managing and implementing the formal stakeholder engagement framework across the Group. Management is required to proactively deal with stakeholder relationships as part of the day-to-day operations and in a manner that ensures value creation for the Group and its stakeholders. Management executes its responsibility by establishing and maintaining authentic, open and inclusive long-term relationships. These relationships foster an environment conducive to the growth and prosperity of the Group and enable us to better understand and benefit from stakeholder insights and concerns, mitigate risks to the business, and build mutual trust and respect. Price-sensitive information is provided to all stakeholders equally and in a timely, accurate and accessible manner.

The degree of corporate transparency and communication is considered with reference to the relevant legal requirements and the maintenance of the Group's confidential information. Contracts and agreements entered into by the companies in the Group include dispute resolution clauses. The relationship between WHL and its subsidiaries is governed in accordance with the Group governance framework, which aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels. The governance framework deals with governance matters as is appropriate for the Group and makes provision for the delineation of roles and areas of accountability, recognising the independent roles and duties required to effectively govern the Group and the delegation of certain responsibilities of the Board (without abdicating accountability) to committees, subject to agreed reporting arrangements.

The major operating subsidiaries, namely, Woolworths South Africa, David Jones and Country Road Group, are separate legal entities, each with a separate Board of Directors operating according to independently defined responsibilities and authority, as set out in their respective Memoranda of Incorporation and Board Charters. The governance framework makes provision for the extent to which policies of the Board are adopted by subsidiary companies in the Group, as well as the reporting arrangements between the Group Board/committees and the boards/committees of subsidiary companies.

### OVERSIGHT

 SOCIAL AND ETHICS COMMITTEE

 BOARD

USEFUL LINKS FOR MORE DETAIL

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*As the custodian of ethical governance with collective responsibility for setting an ethical tone at the top, the Board steers the evolution of culture and governance, ensuring the mindful application of King IV™ principles to achieve the governance outcomes relating to an ethical culture, effective control, good performance and legitimacy. The Board is comfortable with the Group's application of the King IV™ principles during the year under review.*

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Woolworths, Summer 2020

