

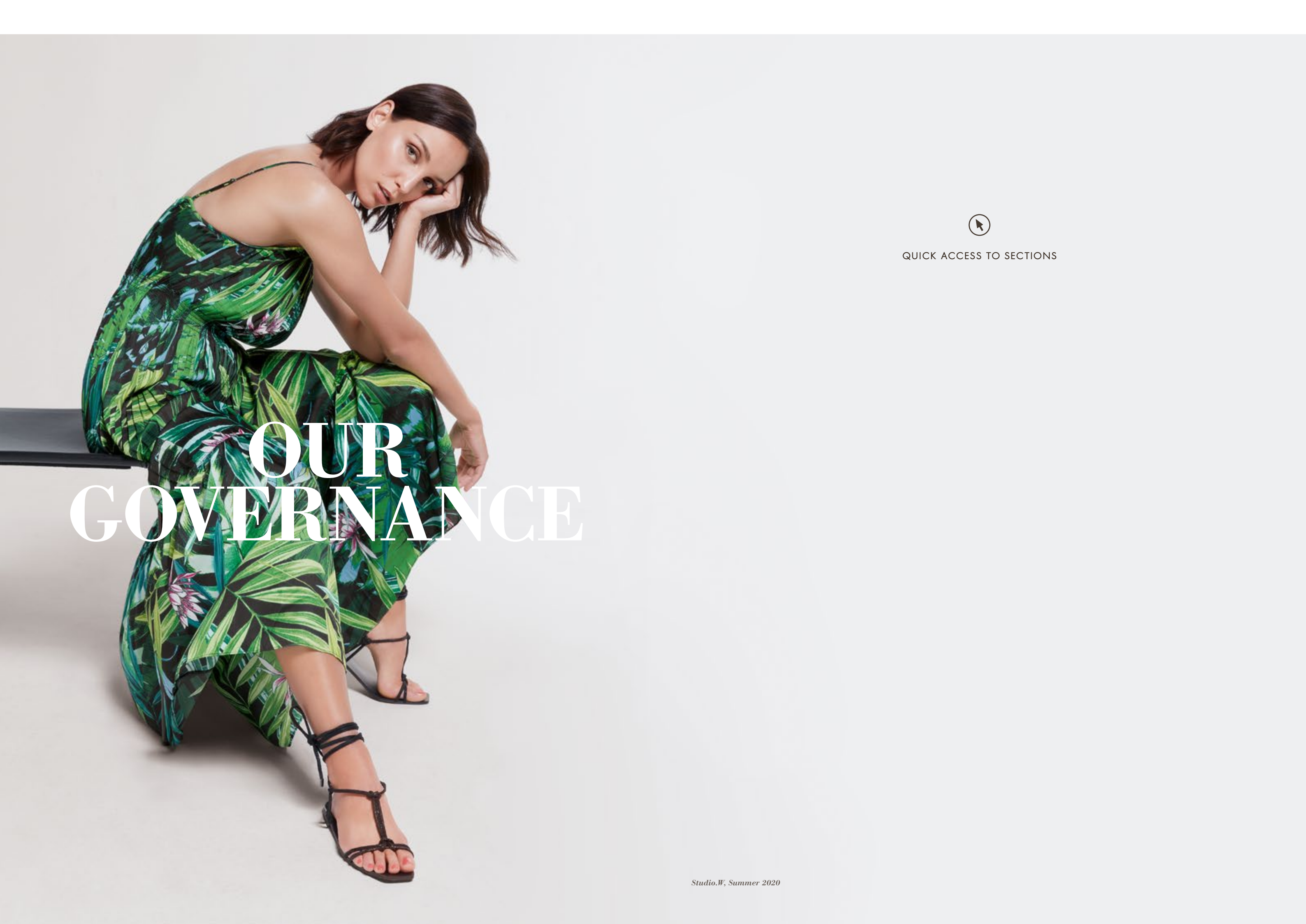


**WOOLWORTHS HOLDINGS LIMITED**

*2020 Governance Report*

*As extracted from the 2020 Integrated Annual Report*

**START**



# OUR GOVERNANCE



QUICK ACCESS TO SECTIONS

# OUR LEADERSHIP & GOVERNANCE

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*Inherent in our vision to be one of the world's most responsible retailers is the responsibility to ensure that the ethical culture and good governance practices in the Group remain as strong as ever, continue to be evolved to counter challenges, and remain relevant in a rapidly changing world.*

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As the custodian of ethical governance with collective responsibility for setting an ethical tone at the top, the Board steers this 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.

The culture and values embedded in our business have enabled the Board to focus on steering the Group through the initial tough trading conditions affecting the retail sector during the last half of 2019 and, subsequently a Black Swan event in the form of the COVID-19 pandemic in early 2020, in the knowledge that the ethical culture, high standards of governance, and integrity across the Group would hold firm. In addition, our governance framework contributed to the efficient functioning of our governance structures, allowing the Board and senior management to focus on the significant challenges and agile decision-making required to respond appropriately to the COVID-19 pandemic.

As governments across the world implemented strict measures and lockdown regulations to slow the spread of the virus, swift action was required to mitigate the impacts across our value chain. 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.

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*Further details on the governance framework and the supporting processes and policies, such as the Board Charter, committee terms of reference, and our governance policies, are available on our website, [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).*

**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.**











# DIRECTORATE

## BOARD OF DIRECTORS



**HUBERT BRODY (56)**  
SOUTH AFRICAN  
Chairman  
Independent Non-executive Director  
*Joined the Board in 2014*



**ROY BAGATTINI (57)**  
SOUTH AFRICAN  
Executive Director and  
Group Chief Executive Officer  
*Joined the Board in 2020*















**ZARINA BASSA (56)**  
SOUTH AFRICAN  
Lead Independent Director and  
Independent Non-executive Director  
*Joined the Board in 2011*








**CHRISTOPHER COLFER (51)**  
CANADIAN  
Independent Non-executive Director  
*Joined the Board in 2019*












**BELINDA EARL (58)**  
BRITISH  
Independent Non-executive Director  
*Joined the Board in 2019*











**REEZA ISAACS (51)**  
SOUTH AFRICAN  
Executive Director and  
Group Finance Director  
*Joined the Board in 2013*











**DAVID KNEALE (66)**  
BRITISH  
Independent Non-executive Director  
*Joined the Board in 2019*












**NOMBULELO MOHOLI (60)**  
SOUTH AFRICAN  
Independent Non-executive Director  
*Joined the Board in 2014*











**SAM NGUMENI (52)**  
SOUTH AFRICAN  
Executive Director and  
Group Chief Operating Officer  
*Joined the Board in 2014*











**ZYDA RYLANDS (55)**  
SOUTH AFRICAN  
Executive Director and Chief  
Executive Officer: Woolworths  
*Joined the Board in 2006*













**THEMBISA SKWEYIYA (47)**  
SOUTH AFRICAN  
Independent Non-executive Director  
*Joined the Board in 2019*














**CLIVE THOMSON (54)**  
SOUTH AFRICAN  
Independent Non-executive Director  
*Joined the Board in 2019*



### SKILLS AND EXPERIENCE



BOARD ATTENDANCE FOR THE FINANCIAL YEAR ● 100% ● 80% ● BELOW 80%



**CHANTEL REDDIAR (44)**  
SOUTH AFRICAN  
Group Company Secretary  
and Director: Governance, Legal,  
Risk and Compliance

USEFUL LINK

## BOARD COMPOSITION

We commenced the financial year having implemented a number of Board changes aimed at enabling a seamless transition of the key leadership roles when Simon Susman and Tom Boardman stepped down at the 2019 Annual General Meeting. We also supplemented the existing skills on the Board with a diverse range of fresh perspectives, skills, and experience with the appointment of five new independent non-executive directors, namely, David Kneale, Thembisa Skweyiya, Belinda Earl, Christopher Colfer, and Clive Thomson, between March and August 2019.

At the 2019 Annual General Meeting, Hubert Brody was appointed as Chairman of the Board and Zarina Bassa assumed the role of Lead Independent Director. Although Hubert 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.

During the year we also announced the resignation of Andy Higginson with effect from 31 March 2020. Andy was a highly valued member of the Board and his contribution over the eight years he served on the Board, was significant.

The Board, under the leadership of Hubert Brody, has worked diligently to find the appropriate expertise and skills to refresh its composition and is comfortable that the current composition comprises the right balance of skills, experience, and independence to make a meaningful contribution to the business of the Company. The Board will nevertheless continue to monitor the structural changes in the retail industry and the challenges and opportunities facing the business, to ensure that the collective experience and skills on the Board remain appropriate for sustainable value creation.



The Board has a unitary structure, comprising an independent Chairman, a Lead Independent Director, the Chief Executive Officer, and an appropriate number of executive directors and non-executive directors, with a majority of non-executive directors. Our Board's diverse knowledge, skills, experience, and independence enable varied and objective perspectives to be brought into Board discussions and decision-making. All non-executive directors remain classified as independent following the independence assessment conducted this year. At the time of this report, the Board comprised eight independent non-executive directors and four executive directors.

## WHL EXECUTIVE COMMITTEE



**ROY BAGATTINI**  
Executive Director and  
Group Chief Executive Officer



**REEZA ISAACS**  
Executive Director and  
Group Finance Director



**SAM NGUMENI**  
Executive Director and  
Group Chief Operating Officer



**ZYDA RYLANDS**  
Executive Director and Chief  
Executive Officer: Woolworths



**SCOTT FYFE**  
Chief Executive Officer:  
Country Road Group



**IAN MOIR**  
Acting Chief Executive Officer:  
David Jones



**CHANTEL REDDIAR**  
Group Company Secretary  
and Director: Governance,  
Legal, Risk and Compliance



**JEANINE WOMERSLEY**  
Director: Strategy and Investor  
Relations

USEFUL LINK

## DIVERSITY

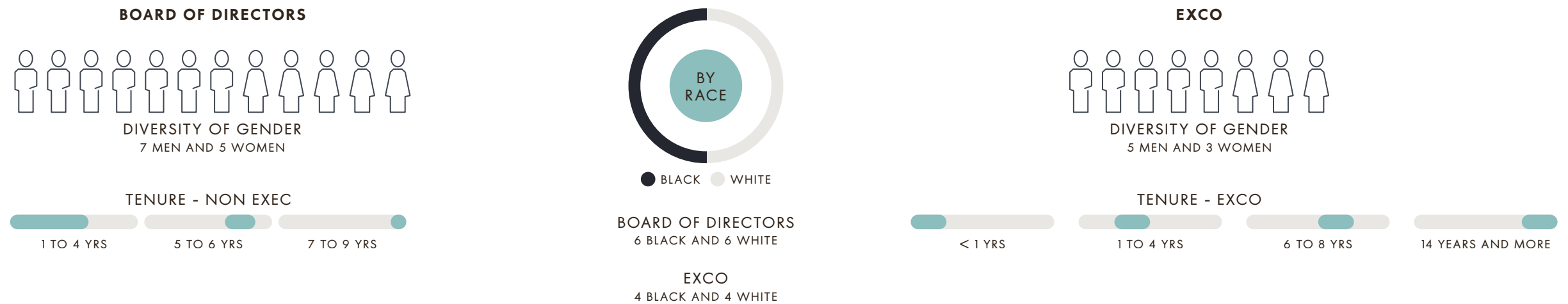
Our Board and Exco currently comprise a comprehensive blend of skills, qualifications, and experience which we believe are appropriate for the nature and scale of our business and are aligned with the corporate culture of the Group. The Board recognises the importance of having an appropriate combination of skills to respond to the existing and, more specifically, the future retail landscape.

The current mix of skills and experience represented on the Board, is illustrated below:



In addition to ensuring that its membership comprises the necessary depth of skills and expertise to lead a top publicly 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.

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 maintaining 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.





## BOARD EVALUATION

Last year, we reported on the work conducted by an external service provider to facilitate Board effectiveness. This year, the commencement of the external Board evaluation process in February 2020 was delayed as attention was then diverted to dealing with COVID-19 matters. We recommenced the process with Deloitte, our external service provider, in June 2020, given the need to establish the refreshed Board's view on Board effectiveness, areas that were working well and those that may require further improvement.

The findings from the 2020 external Board evaluation reflected that the Board was meeting all of the requirements expected of a listed entity and as set out in King IV™. The main areas identified for further improvement related to:

- Simplifying the Group's governance structure and reporting without compromising on the high levels of governance and compliance
- Redesigning the subsidiary board structures to facilitate further effectiveness
- Realignment of the Group's strategy and performance against strategy.

The Board have engaged on the ways in which these focus areas will be addressed and will continue to engage on additional steps to be implemented in order to further build on the Board effectiveness foundation.

The Board commissioned an independent investor perception survey in the year under review, to gauge perceptions of among other things, the effectiveness of the Board. The key findings of this survey are highlighted later in this report.

## DIRECTOR INDEPENDENCE

The Board considers the independence of non-executive directors and the demands of their other professional commitments when they are first appointed, and this is then assessed annually. The purpose of this assessment is to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily. 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, having conducted its annual assessment, is of the view that all non-executive directors are independent in accordance with the independence criteria recommended by King IV™ and the Company's Memorandum of Incorporation. The Board is satisfied that the non-executive directors have all demonstrated independent and objective judgement in decision-making, and do not have any interests or associations which, when considered from the perspective of a reasonable and informed third party, are likely to influence their judgement or cause bias in their decision-making.

In addition to the annual independence assessment, the Board deemed it prudent in the interests of continuity, to consider Zarina Bassa's tenure, given that she will have served on the Board for nine years in November 2020, one year after her appointment as Lead Independent Director. As there is no hard rule requiring a director to step down after serving a term of nine years, the Board considered the King IV™ recommendation which, while requiring a board to establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives, also envisages the retention of valuable knowledge, skills and experience to maintain continuity.

In addition, WHL's Memorandum of Incorporation provides that after an independent non-executive director has held office for a continuous period of nine years, the Board must robustly assess the continued independence of such director. This provision is supplemented by the Appointment of Directors policy, which includes a provision for the Board, on an exceptions basis and with good cause, to extend an independent non-executive director's tenure after three terms of three years.

Having considered all of the above, and the short tenure of the five newly appointed non-executive directors on the Board, the Board agreed that there was merit in retaining Zarina's experience and knowledge on the Board and, after robustly considering her independence, found there was good cause to extend her tenure on the Board for a further year after she reaches her nine-year term at the end of 2020. The Board will again consider Zarina's independence in accordance with our standing conventions in a year's time.



## POLICIES AND PRACTICES

Our suite of policies governing the management of conflicts of interests, the protection of confidential or price-sensitive information, and dealing in the Company's shares provides relevant guidance to our Board. Comprehensive registers of individual director's interests in and outside the Company are maintained and updated, and signed by the directors, with details noted by the Board at each quarterly Board meeting. A director is automatically recused from any decision-making where a cross-directorship exists, such as with the Company's funders and banks.

## ROTATION AND SUCCESSION

Directors are subject to staggered rotation after three years in terms of the Company's Memorandum of Incorporation. Furthermore, provided directors continue to be eligible, as 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. The rotation provisions apply to both executive and non-executive directors.

Non-executive directors are subject to a nine-year term limit (i.e., three terms of three years); however, the Board may, on an exception basis, agree to extend a non-executive director's tenure beyond nine years, subject to the Board robustly assessing the continued independence of the director concerned, as applied in the case of Zarina Bassa, detailed above.

Executive directors retire at the age of 63 in terms of the Group's retirement policy.

With five newly appointed non-executive directors, there has been a comprehensive induction programme conducted over the year. This programme entails visits to all key operations (stores, distribution centres and head offices) across both South Africa and Australia; one-on-one meetings with key levels of management across both territories; and relevant governance and regulatory briefings. Directors have been immersed in Company, and more generally, retail-specific experiences, and have direct access to management and their teams at all times.

## CREATING AND PRESERVING VALUE THROUGH OUR GOVERNANCE STRUCTURES

Board and committee meetings take place quarterly over three to four days. The practice has been to hold two meetings each in South Africa and Australia to enable the Board to visit and experience operations globally and to meet with the broader leadership teams in both key territories. This pattern of meetings was, however, significantly disrupted this year with only one physical meeting being held in each of South Africa and Australia, and the remaining meetings held by way of

digi-conference, given the travel restrictions as a result of COVID-19. The Group's secure and advanced technology mediums provided an efficient and practical way for the Board's ongoing communications as detailed below.

In addition to the quarterly Board meetings, the Board receives update reports from the Group Chief Executive 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.

**Given the travel restrictions and disruption as a result of COVID-19, the Board did not travel to Australia during the review period.**

The number of Board calls increased significantly following the Board and committee meetings in February 2020. The Board initially convened weekly to receive updates from the Group Chief Executive on the COVID-19 impacts, and then every two to three weeks to deliberate on the key strategic initiatives that had been launched to protect and strengthen our balance sheet and position the Group for sustainable, longer-term growth. In addition, the Board received weekly written updates from the Group Chief Executive on the trading performance of each of the businesses and considered a range of matters that had impacted operations as a result of the COVID-19-related lockdown restrictions, particularly the wellbeing of our people and customers, supply chain performance, inventory management, availability, and waste.

As at the date of this report, the Board has continued with its virtual meetings on a monthly basis, together with its scheduled meetings, and we contemplate that the frequency of meetings will continue until the Group has emerged from the unprecedented COVID-19 crisis.

The Board composition and attendance at Board and committee meetings are provided in the facing table, which excludes details of the digi/teleconferences.

## BOARD ATTENDANCE FOR THE YEAR UNDER REVIEW

	DATE OF APPOINTMENT	BOARD	STRAT	AUDIT	NOM	R&C	REM	SEC	SUS	TC
Hubert Brody <sup>1</sup>	01/07/2014	4/4	2/2	2/2	2/2	4/4	4/4	1/2	1/2	4/4
Roy Bagattini <sup>2</sup>	17/02/2020	2/2	1/1	-	-	2/2	-	-	-	1/1
Zarina Bassa	17/11/2011	4/4	2/2	4/4	2/2	4/4	4/4	-	-	4/4
Tom Boardman <sup>3</sup>	27/09/2010	2/2	1/1	-	1/1	2/2	2/2	1/1	1/1	
Christopher Colfer	01/07/2019	4/4	2/2	3/3	1/1	4/4	2/2	-	-	
Belinda Earl	01/07/2019	4/4	2/2	-	-	4/4	-	-	1/1	
Andrew Higginson <sup>4</sup>	01/06/2012	2/3	0/1	2/3	1/1	2/3	2/3	-	-	
Reeza Isaacs	26/11/2013	4/4	2/2	-	-	4/4	-	-	-	4/4
David Kneale	11/03/2019	4/4	2/2	-	2/2	4/4	4/4	-	-	
Nombulelo Moholi <sup>5</sup>	01/07/2014	4/4	2/2	-	-	4/4	4/4	2/2	2/2	
Ian Moir <sup>6</sup>	01/10/2010	2/2	2/2	-	-	2/2	-	1/1	1/1	2/3
Simon Susman <sup>7</sup>	18/11/2010	2/2	1/1	-	1/1	2/2	2/2	1/1	2/2	
Sam Ngumeni	12/02/2014	4/4	2/2	-	-	3/3	-	-	-	
Zyda Rylands	22/08/2006	4/4	2/2	-	-	3/3	-	2/2	2/2	
Thembisa Skweyiya <sup>8</sup>	11/03/2019	4/4	2/2	4/4	-	3/3	-	-	1/1	
Clive Thomson <sup>9</sup>	19/08/2019	4/4	2/2	4/4	-	3/3	-	1/1	-	3/3

### NOTES

- Chairman
- Appointed to the Board and to the Treasury, Risk and Compliance, Sustainability, and Social and Ethics Committees on 17 February 2020.
- Retired from the Board on 27 November 2019.
- Resigned from the Board on 31 March 2020.
- Appointed to the Nominations Committee on 26 August 2020.
- Resigned from the Board on 16 February 2020.
- Retired from the Board on 27 November 2019; however, continued to chair the Sustainability Committee.
- Appointed to the Social and Ethics and Treasury Committees on 26 August 2020.
- Appointed to the Treasury Committee on 19 August 2019.

STRAT	STRATEGY	AUDIT	AUDIT COMMITTEE	NOM	NOMINATIONS COMMITTEE	R&C	RISK & COMPLIANCE COMMITTEE	REM	REMUNERATION COMMITTEE	SEC	SOCIAL & ETHICS COMMITTEE	SUS	SUSTAINABILITY COMMITTEE	TC	TREASURY COMMITTEE
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# BOARD & COMMITTEES

● INDEPENDENT NON-EXECS ● EXECS

## BOARD FOCUS AREAS

### KEY MATTERS IN 2020

- Considered progress and the recommendations by the Nominations Committee on the Group Chief Executive Officer selection process and approved the appointment of Roy Bagattini as the Group's new Chief Executive Officer
- Engaged with key stakeholders and considered advice and criticism as and when received, as well as through the results of an independent investor perception survey
- Reviewed David Jones' strategic leasing plan, and monitored progress with regard to the restructure of the David Jones network of stores/locations and reduction in floor space
- Monitored completion of the redevelopment of the Elizabeth Street store and subsequent trading and performance
- Closely monitored the impact of the COVID-19 pandemic on trade and the subsequent business response
- Elected to cease paying dividends over the short-term as a result of the uncertainty brought about by COVID-19
- Approved the sale of the Group's property at 299 Bourke Street, Melbourne, Australia ('Bourke Street Mens')
- Reviewed the growth strategy for Woolworths Food and monitored progress and challenges in relation to the execution of the Woolworths Fashion, Beauty and Home business turnaround
- Received regular updates with regard to the performance of the online channels and data analytics capability
- During the first part of the year, oversaw and approved the refinancing across the Australasian entities of all debt facilities, including an inaugural bond market issue
- Monitored engagements with funders in South Africa and Australasia relative to potential covenant impacts as a result of COVID-19 and the adverse trading environment in the geographies in which the Group operates, and to secure suspension of covenant testing due to reduced headroom over certain of the covenant periods
- Approved the provision of funding support of A\$75 million to the Australasian businesses from WHL, in the form of a loan secured by a second lien, conditional on the suspension of covenant testing being secured from the Australasian funders, and the provision of an additional A\$25 million of further in-principle support to the business, to the extent this is required
- Continued oversight to protect the Group's financial position, optimise its liquidity and capital structure, and to reposition the business to deliver sustainable long-term shareholder value

### FOCUS AREAS FOR 2021

- Oversee and monitor strategic planning with an emphasis on developing trends in retail and considering the economic outlook brought about by the COVID-19 pandemic
- Monitor the capital structure review of the Australasian entities and restructuring of their borrowings to ensure a more sustainable funding structure and a return of capital to WHL Group
- Oversee the turnaround of the Woolworths Fashion, Beauty and Home business
- Oversee the development of a more engaging digitally enabled business model, rationalised store footprint and an innovative in-store experience
- Oversee the transition towards an optimal, sustainable store network configuration for our Australasian businesses and an expedited commercial resolution of lease exits with landlords
- Monitor capital allocation and drive returns
- Consider the effects of climate change and long-term impacts on the Group's operations and oversee the related strategy implementation

## AUDIT COMMITTEE

### MEMBERS

Clive Thomson (Chairman),  
Zarina Bassa, Christopher Colfer,  
and Thembisa Skweyiya



The committee's purpose is to provide independent oversight of the effectiveness of the internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the Group's Annual Financial Statements and related external reports. The committee further oversees the effectiveness of the Group's external and internal assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting.

[USEFUL LINK FOR MORE DETAIL](#)

## KEY MATTERS IN 2020

- Provided oversight over the Australasian entities' debt refinancing and the renegotiation of the debt covenants during the first half of the financial year, and agreed to proceed with the debt funding on a secured basis in the form of a General Security Arrangement and Real Property Mortgages as recommended by the Group Treasury Committee
- Reviewed management's proposals on the accounting policies for the implementation of IFRS 16: Leases for which management had elected to adopt the modified retrospective approach, and monitored the accounting implications arising from the implementation of IFRS 16
- Recommended to the Board that the interim dividend be based on the same rationale as the final dividend in 2019, i.e., excluding the Australasian entities, and that the dividend be applied on an IFRS 16 reported headline earnings basis
- Considered and recommended to the Board that funding support of A\$75 million be provided to the Australasian businesses from WHL in the form of a loan secured by a second lien, conditional upon securing the suspension of covenant testing from the Australasian funders. In-principle support to the value of A\$25 million was also approved to the extent this would be required
- Monitored the process with the lending groups in Australia and South Africa for suspension of the covenant testing at the June and December 2020 calculation dates and resultant amendments of the funding documents, given that the COVID-19 impacts and the challenging trading environment were expected to reduce headroom for the June and December covenant periods
- Considered management's proposed review of the capital structure of the Australasian entities, including the restructuring of their borrowings to ensure a more sustainable funding structure, with any proceeds arising from these initiatives being applied to the repayment and cancellation of debt facilities
- Proposed amendments to the Treasury Committee terms of reference to align them with those of the other Board committees, following the Board's decision to reconstitute the Treasury Committee as a committee of the Board
- Satisfied itself as to the independence, JSE accreditation, and performance of the external auditor based on Audit Quality Indicators
- Considered the rotation of lead signing partner of WHL and satisfied itself as to the independence and JSE accreditation of the incoming lead signing partner of WHL
- Considered the findings of the detailed impairment assessments of non-current assets, the carrying amount of inventories, the recoverable amount of financial assets, the recoverability of deferred tax assets, and the solvency, liquidity and going concern assessments

### FOCUS AREAS FOR 2021

- Conclude the capital restructure of the Australasian entities
- Continue to strengthen the Group's balance sheet
- Progress the tender project for mandatory audit firm rotation before the mandatory implementation date
- Review the dividend policy

### TREASURY COMMITTEE

#### MEMBERS

Clive Thomson (Chairman), Zarina Bassa, Hubert Brody, Roy Bagattini, Reeza Isaacs, Thembisa Skweyiya, and Ian Thompson.



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The Treasury Committee was reconstituted as a committee of the Board, having previously been a sub-committee appointed by the Audit Committee. The committee's purpose is to oversee all treasury risk management functions and policies and to proactively manage the Group's treasury exposures within acceptable risk limits and in compliance with the Group Treasury Policy guidelines as approved by the Board.

### KEY MATTERS IN 2020

- Reviewed various capital structure options relative to the Australasian entities' debt refinancing and the renegotiation of the debt covenants, and recommended that the funding be applied for on a secured basis in the form of a General Security Arrangement and Real Property Mortgages
- Monitored the liquidity position of the Group following the onset of COVID-19
- Reviewed the COVID-19 impacts on the Australian liquidity and covenants, and monitored the solvency and going concern status
- Deliberated on the rationale for a proposed investment of c.A\$75m to the Australasian group by WHL in the form of a second lien secured loan, and subsequently recommended the proposal to the Audit Committee
- Reviewed the stress-testing methodology and the impacts on the fixed-charge cover ratio and changes to the EBITDA headroom
- Recommended the proposal to base the dividend on headline earnings as previously reported, on a post-IFRS 16 basis, to the Audit Committee

### FOCUS AREAS FOR 2021

- Monitor balance sheet management risks as well as stress and scenario testing
- Oversee the capital restructuring of the Australasian entities

### INFORMATION MANAGEMENT COMMITTEE

#### MEMBERS

Sam Ngumeni (Chairman), Reeza Isaacs, Chantel Reddiar, and senior leadership team members of operating subsidiaries.



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As a management committee, the committee's role is to proactively manage, leverage, and protect the Group's information assets in a way that supports the business and enables it to achieve its strategic objectives in compliance with policy guidelines as approved by the Board.

### RISK AND COMPLIANCE COMMITTEE

#### MEMBERS

Zarina Bassa (Chairman), Roy Bagattini, Hubert Brody, Christopher Colfer, Belinda Earl, David Kneale, Reeza Isaacs, Nombulelo Moholi, Sam Ngumeni, Zyda Rylands, Thembisa Skweyiya, and Clive Thomson.



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The committee plays a vital role in the Board's governance of risk and assists the Board in setting the direction for enterprise risk management throughout the Group. The committee oversees and holds management accountable for the implementation of effective risk management and compliance.

### KEY MATTERS IN 2020

- Reviewed the Group risk report and risk trends, together with the key issues identified by management
- Conducted a strategic risk workshop, the inputs from which were aggregated and incorporated into the revised Group Risk Profile for 2020
- Reviewed the potential initial impacts of COVID-19 on product delivery, supply chain, people, and staff travel as well as the mitigation strategies identified by management
- Reviewed a deep dive risk analysis of the consequential effects of COVID-19, as well as consequential challenges that were likely to emerge over the medium- to long-term (six to 18 months)
- Considered the efficacy of the Group's business continuity plans and reviewed an update on the plans, taking into account the key learnings and experience gained during the COVID-19 pandemic
- Considered the adequacy of internal capability and agility to interpret and respond to the volume of regulations issued in Australia and South Africa as a result of the spread of COVID-19 and management's response to changes impacting regulatory compliance in the Group as a whole
- Reviewed IT governance reports, including the strategic alignment and execution of IT projects
- Received feedback from the Information Management Committee on its activities with regard to the management of the Group's information, as well as the IT strategy

### FOCUS AREAS FOR 2021

- Continue strengthening information management capability in the Group
- Ongoing review of the consequential effects and challenges of COVID-19 over the medium-to long-term (six to 18 months), focusing on potential risk scenarios and their likelihood; changing risk trends or new emerging risks; as well as the adequacy of management's implementation of mitigation strategies
- Monitor the continued effectiveness of the health and safety programme and the protocols to mitigate the spread of COVID-19 cases to ensure ongoing safety for our people and customers in the working and trading environments
- Monitor execution risk as the business evolves and innovates for the digital economy

**USEFUL LINKS FOR MORE DETAIL**

## NOMINATIONS COMMITTEE

### MEMBERS

Hubert Brody (Chairman), Zarina Bassa, Christopher Colfer, David Kneale, and Nombulelo Moholi.



The committee assists the Board with the nomination, election, and appointment of directors in accordance with Board policies and the succession strategy, ensuring that the process is transparent and delivers to expectations. The committee is also responsible for executive succession.

## KEY MATTERS IN 2020

- Conducted the Group Chief Executive Officer succession process and identified the most appropriate candidate for Board consideration and appointment
- Determined an appropriate handover and succession from Ian Moir to Roy Bagattini and subsequent to the COVID-19 outbreak, agreed the extension of Ian Moir's tenure as acting CEO of David Jones in the interests of the Group
- Assessed the independence and performance of non-executive directors to ensure a balanced, independent Board
- Considered the tenure of the lead independent director (LID) who will have served on the Board for nine years in November 2020, a year after being appointed as LID, and deliberated on the benefit of retaining continuity in the role and her experience on the Board against the rationale for applying a nine-year term limit. Subsequently obtained the Board's support for the LID's term to continue until November 2021, after which she will be assessed annually on independence requirements in accordance with the provisions of the Company's Memorandum of Incorporation
- Reviewed the composition of the Board in relation to diversity as well as the voluntary targets (for race and gender) in terms of the Board Diversity Policy
- Proposed the increase of the voluntary race and gender Board targets, given that the 2020 targets of a minimum of 40% female and black member representation each on the Board had substantially been met as at February 2020, which was before the committed date
- Reviewed the compositions of Board committees, finalised the reconstitution of the Treasury Committee as a Board committee and recommended non-executive directors for appointment as Board committee members as well as key management for appointment to the Treasury Committee
- Agreed the 2020 key performance measures and subsequently evaluated the Group Chief Executive Officer's performance for the 2019 financial year
- Agreed the key performance measures for the incoming Group Chief Executive Officer and conducted the performance evaluation over the period under review
- Reviewed the succession of executive management
- Managed the external 2020 Board and committee evaluation process

## FOCUS AREAS FOR 2021

- Finalise the Group Chief Executive Officer's performance targets for the 2021 financial year
- Oversee the appointment of a new Chief Executive Officer for David Jones
- Ongoing review of the Board's composition with due regard to the structural changes in the retail industry and the challenges and opportunities facing the business, to ensure that the Board's collective skills contribute to future value creation

## REMUNERATION COMMITTEE

### MEMBERS

Zarina Bassa (Chairman), Hubert Brody, Christopher Colfer, David Kneale, and Nombulelo Moholi.



The role of the committee is to ensure that the Employee Value Proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within the Group while adopting a stakeholder-inclusive approach. Furthermore, the committee ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies aimed at attracting and retaining top talent with the capacity to drive the Group's long-term strategy and sustainable performance.

## KEY MATTERS IN 2020

- Continued engagement with shareholders and reviewed input relative to the 2019 Remuneration Implementation Report received prior to the Annual General Meeting
- Invited shareholders who had participated at the Annual General Meeting to engage with the committee due to the Remuneration Implementation Report not receiving more than 75% shareholder support
- Conducted a comprehensive remuneration workshop to consider shareholder proposals relating to remuneration policy and additional prospective disclosures in the Remuneration Report with regard to short-term incentives (within JSE constraints)
- Concluded the remuneration package for the incoming Group Chief Executive Officer and the details in relation to the outgoing Group Chief Executive Officer
- Considered and endorsed Exco's proposal to not implement a general salary increase in 2021; approved the principle of not increasing executive remuneration in 2021; recommended no increases in non-executive director fees in 2021
- Reviewed the succession planning for direct reports to the CEO and other key leadership roles
- Reviewed the talent landscape and talent management strategies within the Group and the promotion of gender diversity generally; monitored potential risks and consequent mitigation actions
- Reviewed the Group's approach to fair pay and the measures already implemented and those being planned for future implementation; monitored inclusion of disclosures in this regard in the Remuneration Report

## FOCUS AREAS FOR 2021

- Continue to refine the Remuneration Policy to ensure alignment with the Group's strategic direction and adjustments arising from COVID-19 challenges

## USEFUL LINKS FOR MORE DETAIL



### SOCIAL & ETHICS COMMITTEE

#### MEMBERS

Nombulelo Moholi (Chairman), Roy Bagattini, Hubert Brody, Zyda Rylands, Thembisa Skweyiya, and Clive Thomson.



The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct and approach, and ensuring that the manner in which the business is conducted supports the Group's intent to be a responsible corporate citizen. In addition, the committee carries out the statutory duties in terms of the Companies Act.

### KEY MATTERS IN 2020

- Reviewed updates on Group Social Development in relation to the Group's contribution to the development of communities, the extent to which the Group's contributions align with global and national development agendas, and progress made regarding the development of lead indicators to enable consistent measurement of the impact of the Group's Social Development initiatives
- Monitored progress on employment equity plans, barriers to the achievement of employment equity and disability targets in South Africa and the actions to overcome the barriers
- Reviewed the Group's talent succession plans, particularly with regard to diversity, inclusivity, and female representation at senior management levels
- Monitored the 2025 Transformation vision in Woolworths South Africa and the strategy to improve the Company's contributor status in terms of the BBBEE Codes
- Reviewed the community outreach projects implemented in Australasia following the Australian bush fires, and in both South Africa and Australasia as a result of COVID-19
- Reviewed a benchmark analysis of the Group's practices and initiatives as they relate to relationships with employees and connected parties, with regard to each of the principles supporting the protection of human rights, promotion of equality and prevention of unfair discrimination as provided in the International Labour Organisation's protocol and legal framework indicators on decent work and working conditions, international best practices (OECD Principles, UN Global Compact Principles, and ETI Base Code) as well as country-specific regulatory requirements
- Reviewed the stakeholder engagement strategy and the Group's self-assessment of stakeholder engagement
- Reviewed the Group Anti-Bribery and Corruption Policy for alignment with the OECD recommendations and current legislation and management's approach to the provision of awareness and refresher training
- Accepted responsibility for the role of Social and Ethics Committees of subsidiary companies

### FOCUS AREAS FOR 2021

- Continue to monitor the impact of the Group's Social Development initiatives
- Monitor performance in relation to achieving the Group's 2025 Transformation vision
- Continue to provide oversight of the Group's activities related to diversity and inclusion

### SUSTAINABILITY COMMITTEE

#### MEMBERS

Simon Susman\* (Chairman), Roy Bagattini, Hubert Brody, Belinda Earl, Nombulelo Moholi, Zyda Rylands, and Thembisa Skweyiya.



The committee ensures that the sustainability strategy positions the Group as a leader in responsible retailing in the countries in which it trades. It further oversees that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.

### KEY MATTERS IN 2020

- Reviewed the closing out of our 2020 Group sustainability goals and commitments, and oversaw the sustainability strategy refresh to 2025
- Reviewed the Group's sustainable development (Good Business Journey) strategy and performance
- Considered stakeholder feedback on sustainable development
- Monitored progress on the journey towards achieving our zero waste to landfill vision and the significant improvements that had been made in relation to the use of recyclable or reusable product packaging
- Monitored the combined assurance approach to sustainability reporting and approved the appointment of the Good Business Journey Report's external assurance provider and the related assurance scope
- Monitored international developments in climate change and sustainable development
- Monitored the ethical sourcing strategy, including sustainable fibres
- Reviewed and recommended the Sustainability Report (Good Business Journey Report) for 2020 for approval by the Board
- Reviewed and recommended the revised Code of Business Principles for Suppliers for approval by the Board

### FOCUS AREAS FOR 2021

- Evaluate the effects of climate change and its impacts on our value chain
- Continued focus on packaging and evolution of targets beyond 2020
- Continued focus on water in the value chain and development of a roadmap towards our 2050 target
- Monitor renewable energy sourcing across the Group
- Continue to monitor the ethical sourcing strategy, increasing the product range with sustainability attributes, including sustainable fibres, and expanding our approach to the circular fashion economy

### USEFUL LINKS FOR MORE DETAIL

\* Simon continues to chair the committee for an interim period, given his expertise in this area.

## STAKEHOLDER ENGAGEMENT

Details of our extensive stakeholder universe and our approach to engagement planning are reported in the opening sections of this Integrated Report (on pages 19 to 30).

With the onset of COVID-19, we escalated the frequency of engagement with stakeholders to communicate the changes that were taking place in the workplace and at our stores as we realigned operations to help 'flatten the curve'. Management maintained communications with our people while our marketing teams engaged on all channels with our customers. In addition, the Board issued trading updates on the Stock Exchange News Service (SENS) to keep shareholders and investors informed of the impact the virus was having on the business in Southern Africa and Australasia, and to outline the key strategic initiatives that had been launched to protect and strengthen our balance sheet and position the Group for sustainable, longer-term growth.

This section of our report focuses on internal and external stakeholder engagements relating to governance matters. Our internal governance engagement process takes the form of an annual 'Governance Week' held over 14 days in South Africa and Australasia. This year, 'Governance Week' will take a different form, given the social distancing protocols as a result of COVID-19, and will be held over the period 29 September 2020 and 7 October 2020 in Australia and 5 to 9 October 2020 in South Africa. 'Governance Week' will primarily comprise a series of webinars, tutorials and video-enabled meetings with panel discussions on a range of topics that will include: dealing with ethical dilemmas; managing conflicts of interest; approaches to prevent bribery and corruption; whistle-blowing and protection afforded to whistle-blowers; insider trading and price sensitive information; protection of personal information; cyber security; intellectual property rights; and anti-competitive practices.

We engaged with our external stakeholders on Environmental, Social and Governance (ESG) matters by means of the following:

- Hubert Brody and Zarina Bassa, together with the Group Company Secretary, Chantel Reddiar, 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
- Invitations to shareholders to engage with management in one-on-one meetings to discuss the resolutions to be tabled for approval at the Annual General Meeting, following the publication of the Notice of Annual General Meeting

We will conduct similar engagements relative to governance issues as well as the resolutions to be tabled at the 2020 Annual General Meeting once the Notice of Meeting has been published. In this regard, please refer to the notice published on our website, for the resolutions to be tabled at the 2020 Annual General Meeting. In addition, and in keeping with tradition, we encourage shareholders to attend the Annual General Meeting as this provides them with another opportunity to communicate with us. An open invitation to do so at the 2020 Annual General Meeting stands even though the meeting will be held electronically this year in the interests of protecting all stakeholders and in the spirit of responsible corporate citizenship. All shareholders will be able to join the meeting online to hear from the Chairman and Board, ask questions and vote on our resolutions. Information on how to participate electronically, both in advance and on the day, is included in the Notice of Meeting on our website.

We reported last year that an independent investor perception survey had been conducted (engaging existing key shareholders, potential shareholders and analysts) and that we would report on the findings this year. The survey was quantitative in nature and was

conducted by an independent contractor specialising in investor relations. A total of 43 investors were selected, comprising both local and international institutions, with the survey being conducted both before and after the publication of our Annual Financial Results on 29 August 2019. Respondents provided their feedback on a non-attributable basis with the following themes emerging: execution of strategy; the future and turnaround of the David Jones business; 'Fashion failures' in the FBH division; extent of focus on the core customer; succession planning; staff turnover in some divisions; and the quality of

guidance on performance across key divisions. The Board has taken these expressed sentiments seriously and an extensive amount of work has been conducted to realign the business to deliver on the strategy and create value for all stakeholders. The Chairman, Lead Independent Director and the Group Company Secretary conducted a shareholder engagement roadshow following the finalisation of the survey report and have undertaken to shareholders to demonstrate visible actions in response to these concerns.



**ALL SHAREHOLDERS WILL BE ABLE TO JOIN THE MEETING ONLINE TO HEAR FROM THE CHAIRMAN AND BOARD, ASK QUESTIONS AND VOTE ON OUR RESOLUTIONS. INFORMATION ON HOW TO PARTICIPATE ELECTRONICALLY, BOTH IN ADVANCE AND ON THE DAY, IS INCLUDED IN THE NOTICE OF MEETING ON OUR WEBSITE.**

USEFUL LINKS

USEFUL LINKS



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## GROUP COMPANY SECRETARY

Our Group Company Secretary, Chantel Reddiar, continued to provide the Board and its committees with guidance and advice on governance matters. While not a member of the Board, the Group Company Secretary is responsible for engaging with the Board Chairman and committee chairs on meeting agendas, ensuring compliance with Board and committee procedures, terms of reference, and relevant legislation and regulations. The Board is satisfied that an arm's length relationship exists between it and the Group Company Secretary.

The Board has assessed the competence and expertise of the Group Company Secretary 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 in King IV™, the Group Company Secretary is not a director of the Company and is deemed by the Board to be suitably independent.

In addition to the company secretarial functions, the Group Company Secretary is responsible for the Group's governance, risk, compliance and legal functions and is supported by a suitably qualified team.

## RISK AND COMPLIANCE

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 WHL directors, oversees and directs the Group's implementation of an effective risk management and compliance framework and plan. The risk management process comprises a formalised system to identify and assess risk, both at a strategic and an operational level. Further details on the entire risk management process in the Group is provided in the Risk Management section of this report on [page 69](#).

With regard to Group compliance, the Board is committed to conducting business in accordance with the legal and regulatory requirements applicable in the countries in which the Group operates and recognises its accountability and responsibilities to all stakeholders. The Board has, accordingly, approved an effective compliance programme as part of the risk management framework.

Management is responsible for the design, implementation and monitoring of compliance structures as well as for integrating regulatory compliance into business processes. Each business has its own unique regulatory universe

which is assessed against defined risk criteria and informs the compliance monitoring plan for the relevant business. Compliance monitoring forms an essential component of the compliance process and is designed to examine business activities to enable management and the Board to ensure that business is conducted in compliance with relevant regulatory requirements. Key regulatory items are monitored more frequently and reported to the Risk and Compliance Committee every quarter.

Management continually strives to integrate compliance as a key component of organisational culture. This culture is further entrenched through ongoing training and awareness of regulatory modules which are designed and administered by the compliance team.

The compliance function forms part of the Group combined assurance model which covers the three lines of defence, namely, management control, risk control, and compliance oversight functions, as well as independent assurance.

The Board is not aware of the Group having breached any material regulatory requirements or having failed to meet any statutory obligations during the year under review.

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## COMPLIANCE

The Board considers good corporate governance to be a significant contributor to value creation and ensures that the practices recommended in association with the King IV™ principles are incorporated into the Group's governance framework and related policies and practices.

The Board is of the opinion that the Group currently complies with all governance principles contained in King IV™, as well as with all requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements.



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USEFUL LINKS

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USEFUL LINKS



## OUR KING IV™ COMPLIANCE IN SUMMARY

The following summary describes how the King IV™ principles have been applied in the Group. A more detailed application register is available on our website, [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

PRACTICES	GOVERNANCE OUTCOMES
<b>LEADERSHIP, ETHICS AND GOOD CORPORATE CITIZENSHIP</b>	
<ul style="list-style-type: none"> <li>Set the tone of the Company's values, promoting ethical business practice, respect for human rights and dignity in the workplace and the supply chain</li> <li>Signatory to the UN Global Compact committing to operating in a way that promotes human rights, fair labour practices, minimises harm to the environment and is ethical</li> <li>Reviewed governance and ethics policies and received feedback on protected disclosure and whistle-blowing mechanisms</li> <li>Approved the revised whistle-blower policy and Code of Business Principles requiring our suppliers and connected parties to adopt fair labour and ethical practices</li> <li>Disclosed directors' dealings in accordance with JSE Listings Requirements</li> <li>Monitored conflicts of interest subject to legal provisions and ensured appropriate disclosures of any conflicts</li> <li>Promoted a culture of independent, informed and effective judgement on material decisions</li> <li>Updated the Group's Good Business Journey strategy to continue delivering on our vision of being one of the world's most responsible retailers</li> </ul>	<ul style="list-style-type: none"> <li>Ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes over time</li> <li>Sound, ethical foundation throughout the business, reflected in our interaction with stakeholders</li> <li>Responsible corporate citizenship status and leader in a number of sustainability initiatives as outlined in our Good Business Journey Report</li> </ul>
<b>STRATEGY, PERFORMANCE AND REPORTING</b>	
<ul style="list-style-type: none"> <li>Received presentations on and debated strategically significant matters, constructively challenging strategic direction with regard to risks, opportunities, and resources</li> <li>Held an annual risk and two strategy workshops to debate, refine and approve strategy, critically evaluating product and the positioning of assets to meet future demands</li> <li>Reviewed strategy performance reports every quarter and considered related strategy execution risks</li> <li>Approved management's determination of relevant reporting frameworks and basis for determining materiality</li> <li>Approved the Integrated Annual Report, including the Remuneration Policy and Implementation Report</li> <li>Approved the Annual Financial Statements prepared on a going-concern basis</li> <li>Applied a combined assurance model to optimise the assurance obtained from management and internal and external assurance providers with certain specific disclosures in the Annual Financial Statements and Good Business Journey Report confirmed by external assurance providers</li> </ul>	<ul style="list-style-type: none"> <li>Well-governed Company delivering on its purpose and in a manner that creates and protects stakeholder value</li> <li>Reliable external reports enabling informed assessments of the Company's performance by stakeholders</li> <li>Remuneration Policy and Implementation Reports included in the Integrated Annual Report</li> <li>Fair, responsible and transparent remuneration with alignment between executive director and stakeholder interests</li> <li>Provision for shareholders to vote on the Remuneration Policy and Implementation Report</li> <li>Consistently ranked in Excellent category of the EY Excellence in Integrated Reporting Awards since inception of the awards in 2011</li> </ul>

PRACTICES	GOVERNANCE OUTCOMES
<b>CORPORATE GOVERNANCE</b>	
<ul style="list-style-type: none"> <li>Strengthened experience and diversity on the Board to deliver on strategy</li> <li>Board composition aligns with the relevant King IV™ principles</li> <li>Board and committee compositions are reviewed annually and succession plans adjusted in line with requirements to ensure continuity when directors retire or resign</li> <li>Considered the independent Board evaluation report and implemented action plans</li> <li>Reviewed the governance policy suite comprising the Board Charter, committee terms of reference and Board policies relating to diversity, the appointment of directors, insider trading, price sensitive information, and conflicts of interest</li> </ul>	<ul style="list-style-type: none"> <li>Continued improvement in the performance and effectiveness of the Board</li> <li>Achieved voluntary gender and race diversity targets at Board level and set new targets for achievement by 2023</li> <li>Substantially complied with the spirit and principles of King IV™</li> <li>Governance framework and practices enabled governance in action during the height of the COVID-19 challenges which called for swift action and decision-making</li> </ul>
<b>RISK, OVERSIGHT AND COMPLIANCE</b>	
<ul style="list-style-type: none"> <li>Reviewed and evaluated strategic risks and associated opportunities</li> <li>Reviewed revised business continuity arrangements taking into account the key learnings and experience gained during the COVID-19 pandemic</li> <li>Considered the impact of the South African sovereign rating downgrade, COVID-19 and balance sheet risks</li> <li>Reviewed solvency, liquidity and going-concern status, and agreed the interim dividend payment and suspension of further dividend payments until the situation arising from COVID-19 stabilises</li> <li>Oversaw technology and information management</li> <li>Approved the Integrated Report, Annual Financial Statements, financial results and results announcements</li> <li>Received quarterly reports providing regulatory updates, compliance monitoring feedback, regulatory complaints and updates on special projects</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate governance structures and processes in place to ensure effective control of the Company</li> <li>Risk and compliance management practices that support the Company in setting and achieving its strategic objectives</li> <li>Ethical and responsible use of technology and information</li> <li>Submission of the annual compliance certificate, confirming the Company's compliance with the JSE Listings Requirements</li> <li>Assurance services enable an effective control environment to support internal decision-making and external reporting</li> </ul>
<b>STAKEHOLDER RELATIONSHIPS</b>	
<ul style="list-style-type: none"> <li>Reviewed the stakeholder engagement strategy in relation to identified material stakeholders</li> <li>Conducted independent perception survey with investors and analysts</li> <li>Engaged with various institutional investors regarding remuneration and other governance matters, and considered feedback</li> <li>Monitored facilitation by management of regular, authentic, open and inclusive stakeholder engagements, the establishment of long-term relationships and appropriate communication with shareholders</li> </ul>	<ul style="list-style-type: none"> <li>A stakeholder-inclusive approach adopted in the execution of the Board's governance roles and responsibilities</li> <li>Reasonable needs, interests and expectations of stakeholders taken into account and balanced against the best interests of the Company over time</li> </ul>

This report should be read together with the Annual Financial Statements and Good Business Journey Report which make up the Group's year-end reporting suite.

To find out more about what  
we're doing, visit

We appreciate any feedback on our Integrated Annual Report.  
[Please contact InvestorRelations@woolworths.co.za](mailto:InvestorRelations@woolworths.co.za)

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