



**WOOLWORTHS HOLDINGS LIMITED**

*2019 Our Governance Report*

*As extracted from the 2019 Integrated Annual Report*

# OUR GOVERNANCE



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# DIRECTORATE

BOARD OF DIRECTORS AND COMPANY SECRETARY

***WE HAVE CONTINUED TO FOCUS ON BUILDING A HIGH FUNCTIONING, RESILIENT AND DIVERSE BOARD.***



**SIMON SUSMAN** (69)  
*(South African)*

Non-independent, Non-executive Director and Chairman

Expertise: Retail

Joined the Board in 1995, became a Non-executive Director in 2010, and was appointed as Chairman in 2011



**IAN MOIR** (60)  
*(Australian)*

Executive Director and Group Chief Executive Officer

Expertise: Retail

Joined the Board in 2010



**REEZA ISAACS** (51)  
*(South African)*

Executive Director and Group Finance Director

Expertise: Retail and finance

Joined the Board in 2013



**DAVID KNEALE** (65)  
*(British)*

Independent Non-executive Director

Expertise: Retail and business leadership

Joined the Board in 2019



**ZARINA BASSA** (55)  
*(South African)*

Independent Non-executive Director and incoming Lead Independent Director

Expertise: Banking and finance

Joined the Board in 2011



**TOM BOARDMAN** (69)  
*(South African)*

Independent Non-executive Director, Lead Independent Director

Expertise: Business leadership, banking and retail

Joined the Board in 2010



**NOMBULELO MOHOLI** (59)  
*(South African)*

Independent Non-executive Director

Expertise: Business leadership and telecommunications

Joined the Board in 2014



**SAM NGUMENI** (51)  
*(South African)*

Executive Director and Group Chief Operating Officer

Expertise: Operations and finance

Joined the Board in 2014



**HUBERT BRODY** (55)  
*(South African)*

Independent Non-executive Director and Deputy Chairman

Expertise: Business leadership, finance and banking

Joined the Board in 2014



**CHRISTOPHER COLFER** (50)  
*(Canadian)*

Independent Non-executive Director

Expertise: Luxury Retail, E-commerce and business leadership

Joined the Board in 2019



**ZYDA RYLANDS** (55)  
*(South African)*

Executive Director and Chief Executive Officer – Woolworths South Africa

Expertise: Retail

Joined the Board in 2006



**THEMBISA SKWEYIYA** (46)  
*(South African)*

Independent Non-executive Director

Expertise: Corporate finance and legal

Joined the Board in 2019



**BELINDA EARL** (57)  
*(British)*

Independent Non-executive Director

Expertise: Retail, fashion and business leadership

Joined the Board in 2019



**ANDREW HIGGINSON** (62)  
*(British)*

Independent Non-executive Director

Expertise: Retail

Joined the Board in 2012



**CLIVE THOMSON** (53)  
*(South African)*

Independent Non-executive Director

Expertise: Business leadership and finance

Joined the Board in 2019



**CHANTEL REDDIAR** (43)

Group Company Secretary and Director: Governance, Legal, Risk and Compliance

[USEFUL LINKS](#)

[Directors' Biographies](#)



## WHL EXECUTIVE COMMITTEE

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**IAN MOIR**

*Group Chief Executive Officer and acting Chief Executive Officer:  
David Jones*



**REEZA ISAACS**

*Group Finance Director*



**ZYDA RYLANDS**

*Chief Executive Officer:  
Woolworths South Africa*



**SAM NGUMENI**

*Group Chief Operating Officer*



**SCOTT FYFE**

*Chief Executive Officer:  
Country Road Group*



**CHANTEL REDDIAR**

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



**RALPH BUDDLE**

*Director: Strategy and  
Business Development*

USEFUL LINKS

[Executive Committee biographies](#)



Witchery, Summer 2018

# OUR GOVERNANCE REPORT

**2019 - a year of significant change for the Board –**  
*We remain resolute in our purpose to deliver long-term value creation for all stakeholders.*

## OUR APPROACH TO GOVERNANCE

The Board remains resolute in its high standards of governance, ethics, and integrity. By setting an ethical tone at the top and leading effectively with integrity, the Board ensures that good corporate governance is channelled into all levels of the organisation in order to enhance our reputation, build trust and, ultimately, result in value creation for the business and stakeholders.

While the Board's primary focus is to play a key role in determining the Company's strategic direction, it is also responsible for providing continuous oversight of material matters and holding the executive management team accountable for their areas of responsibility in terms of managing the businesses. To enable the relationship between the Board and executive management to achieve results, the Board has adopted a governance framework and aligned practices that:

- Provide role clarity through the assignment of specific areas of accountability to Board committees, the Group Chief Executive and executive management
- Enable more effective decision-making by specifying decisions reserved for the Board and delegating decision-making powers to Board committees (in documented terms of reference) and executive management (in documented delegations of authority)
- Establish an effective enterprise risk management framework to provide the Board with a clear line of sight into the relevant key risks to enable the Board to evaluate risk exposure and mitigation strategies to safeguard stakeholder interests
- Enable the Board to appoint experienced and skilled non-executive directors and attract management talent
- Specify the information, and frequency of its provision, that the Board and its committees require from executive management to enable the Board and committees to prioritise their activities and provide effective leadership
- Embed a customer-focused and values-driven culture across the Group's operations, building trust in our brands and meaningful stakeholder relationships

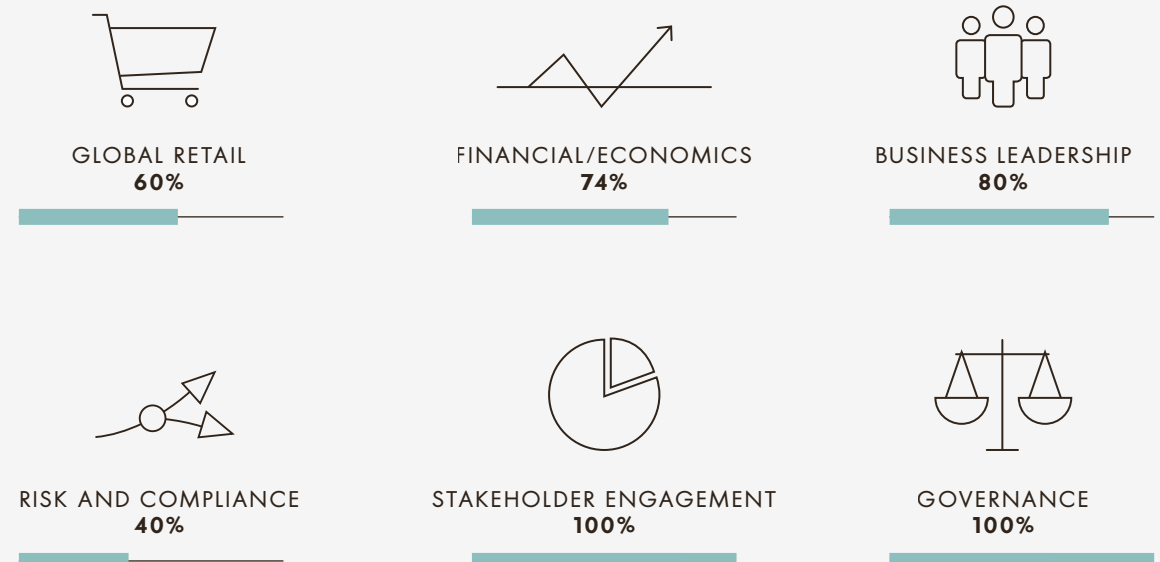
***These practices all collectively contribute to value creation.***

## EFFECTIVE LEADERSHIP

The Board is deeply invested in providing effective and ethical leadership to the Group and has spent a great deal of time during the year reflecting on how best to structure its membership given the challenges facing retail, digital disruption, persistent tough trading conditions, structural changes in retail, a decline in business confidence and the slowdown in consumer spending. In addition, corporate failures in both South Africa and Australia have emphasised the need for effectively governed companies and values-based leadership.

In response, the Board, in collaboration with the Nominations Committee, has continued to focus on building a high functioning, resilient and diverse Board comprising members with the capability and capacity to provide fresh perspectives; relevant strategic input; to act independently of mind and to contribute to value-creation through their diverse experiences. The Board's Diversity Policy is based on factors such as geographical backgrounds, age, gender, race, experience and expertise. The Board believes that diversity and independence of mind lead to richer debate, disrupts group consensus and prevents groupthink.

## BOARD SKILLS AND EXPERIENCE



## BOARD SUCCESSION AND RELATED PRACTICES

We reported last year that Board succession was top-of-mind, specifically in relation to planning for succession of the key leadership positions of Chairman, Lead Independent Director, and Group Chief Executive. Against this background and with regard to the Board's succession strategy, the following changes occurred on our Board:

- We announced that our Chairman, Simon Susman, would step down from the Board on conclusion of the Company's 2019 Annual General Meeting after having diligently led the Board for a nine-year term. In the interests of retaining Simon's deep retail and institutional knowledge, the Board requested Simon, and he has agreed, to remain available to provide support and advice and to continue his deep association with the Group by helping to advance broader participation in civil and corporate society
- We announced that Tom Boardman, our Lead Independent Director, would similarly step down on conclusion of the Company's 2019 Annual General Meeting after having served a nine-year term as a non-executive director and lead independent director
- As a result of our succession planning and to enable a seamless transition in the key leadership roles following the simultaneous exit of Simon and Tom, we announced that Hubert Brody had been appointed as Deputy Chairman in anticipation of him being nominated for appointment as Chairman of the Board at the 2019 Annual General Meeting. We also announced that Zarina Bassa had been nominated as the incoming Lead Independent Director to succeed Tom as the Board has determined the role of the Lead Independent Director to be an instrumental position and the role will therefore be retained even though the incoming Chairman is independent

The Board has continued to expand and strengthen its collective skills and experience set specifically in the areas of global retail – recruiting new independent non-executive directors with exceptional retail experience, as well as e-commerce and digital innovation. The Board is satisfied that the directors collectively and individually possess the qualities and characteristics, as well as the appropriate qualifications, to lead and oversee the activities of a Group of our size, scale, and geographic reach.

During the year, three independent non-executive directors resigned and five were appointed, as follows:

- Sizakele Mzimela resigned on 5 November 2018
- Gail Kelly and Patrick Allaway resigned on 8 February 2019
- David Kneale and Thembisa Skweyiya were appointed on 11 March 2019
- Belinda Earl and Christopher Colfer were appointed with effect from 1 July 2019
- Clive Thomson was appointed on 19 August 2019

Comprehensive induction programmes over a number of days are conducted for all newly appointed directors.

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 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 has an approved Appointment of Directors Policy under which all such appointments are considered.

## EXECUTIVE SUCCESSION

The Nominations Committee (supplemented for this purpose with all non-executive directors), is responsible for the succession of the Group Chief Executive Officer, Ian Moir.

We reported last year that the Nominations Committee was working with an independent advisor to ensure appropriate succession was in place.

The Board has furthermore announced that it has commenced the process of recruiting a successor for the Group Chief Executive Officer. Whilst the process has been extensive, the Board is satisfied with its continued progress.

Ian has worked extensively with the Nominations Committee in ensuring that the best possible decision is made in selecting the most appropriate leader to take the Group into the future.

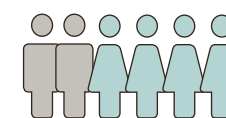
The Nominations Committee also oversees succession for the Group Exco. Replacement of the David Jones Chief Executive Officer remains a critical objective and Ian continues to act as the interim Chief Executive Officer which enables the process to find a suitable candidate for this complex business to be as thorough and considered as possible.

## DIVERSITY POLICY

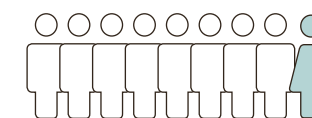
The Board has committed, in terms of its Diversity Policy, to maintain a minimum of 33% female representation and 33% black member representation on the Board and has set an aspirational goal of increasing those levels of representation to 40% in 2020. Based on the current membership, which includes Simon Susman and Tom Boardman who will be stepping down after the 2019 Annual General Meeting, the Board composition fully aligns with the diversity policy.

### DIVERSITY OF RACE

6 BLACK



9 WHITE



### DIVERSITY OF GENDER

2 MALE 4 FEMALE

8 MALE 1 FEMALE

BLACK MEMBERS  
FEMALE MEMBERS





**TERM OF OFFICE, ROTATION, AND RETIREMENT**

Non-executive directors are subject to a nine-year term limit (i.e., three terms of three years) 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.

The Board may, on an exception basis, agree to extend a non-executive director’s tenure beyond nine years on the basis of there being good cause to do so Executive directors retire at the age of 63 in terms of the Group’s retirement policy.

**DIVERSITY OF TENURE  
(NON-EXECUTIVE DIRECTORS ONLY)**



**BOARD EVALUATIONS**

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. During the year under review, the Board engaged the services of an independent consultancy to further refine effective ways of working as a Board. The collective output from these assessments and workshops continue to guide the Board in its ongoing deliberations.

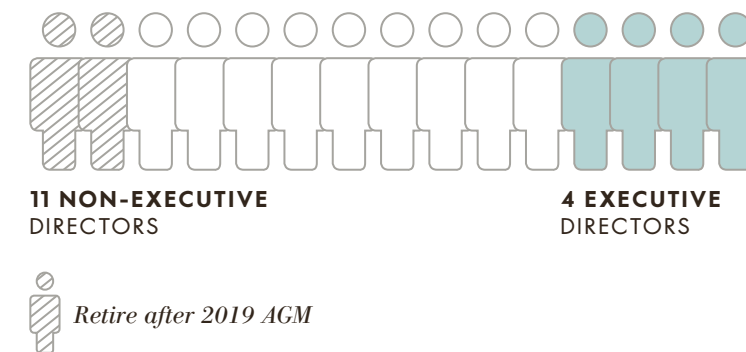
**BOARD COMPOSITION**

The Board has a unitary structure and, during the year under review, was comprised of a majority of independent non-executive directors at all times.

All non-executive directors remain classified as independent following the independence assessment conducted this year, with the exception of our Chairman, Simon Susman, who, due to his shareholding in the Company, was classified as not being

independent. In instances of conflict or potential conflict, our Lead Independent Director, Tom Boardman, assumed the chair for the relevant discussions at any Board and/or committee meetings as was appropriate.

At the time of this report, the Board comprised 11 non-executive directors, 10 being independent, and four executive directors.



**DIRECTOR INDEPENDENCE AND MANAGING CONFLICTS OF INTEREST**

The Board places a premium on maintaining high levels of independent thinking and objective judgement by its members and, to this end, the independence of each non-executive director is assessed annually in this regard. In addition to assessing non-executive directors against the criteria recommended by King IV™, the independence assessment 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.

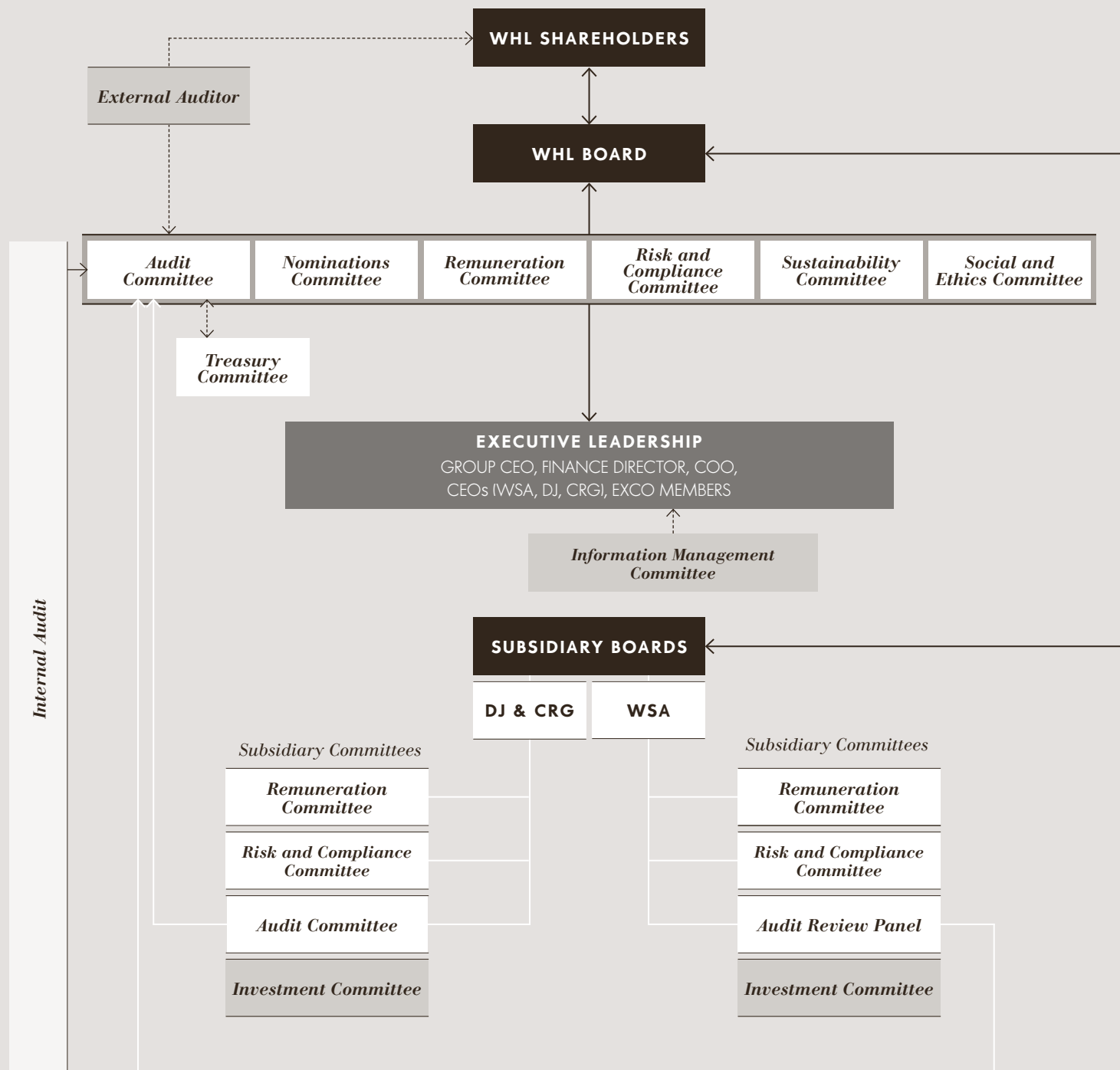
Our suite of policies governing the management of conflicts of interests, the protection of confidential or price-sensitive information, and dealing in the Company’s shares provides relevant guidance to our Board.

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 banks.

**USEFUL LINKS**

[Board Members’ Biographies](#)

# GOVERNANCE FRAMEWORK



Our governance framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to effectively govern the Group. The governance framework aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels. The framework is supported by the Board Charter, committee terms of reference and our governance policies, which provide guardrails to steer performance in a manner aimed at creating value.

At WHL Board level, the governance framework includes the Board committees that have been formally appointed by the Board and these function within the powers delegated or assigned to them by the Board. The committees' full terms of reference are available on our website, [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za) and an overview is provided later in this report.

Our main 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 subsidiary Boards are chaired by the Group Chief Executive Officer and comprise members of executive management and non-executive directors of the WHL Board. Non-executive directors who serve on the Boards of subsidiary companies are deemed to be related parties and are recused from participating in decisions at WHL level when matters affecting the subsidiary are being decided on.

Subsidiary committees are each chaired by an independent non-executive director of the WHL Board. The subsidiary committees operate in terms of delegated powers and clearly defined areas of responsibility and accountability. In addition, the WHL Audit Committee and the Social and Ethics Committee act on behalf of WHL and all subsidiaries to the extent that the Committees' mandates align with the laws of the countries in which the respective subsidiaries operate.

## OUR BOARD

The Board Charter is based on the provisions of the Companies Act, the Company's Memorandum of Incorporation, the JSE Listings Requirements, and other relevant laws, and sets out the responsibilities of the Board collectively, as well as the roles of chairman, lead independent director and directors.

## STRATEGY

In addition to the Board's custodianship of corporate governance, it is also responsible for guiding strategy and overseeing and monitoring how management implements and executes the strategy to position the Company for long-term success.

Each year, two separate strategy meetings are held where the Group Exco and in particular the CEO of each subsidiary, presents the subsidiary's strategy, together with the budgets and business plans supporting strategy implementation. In reviewing the strategy presented in

May this year, the Board critically evaluated product strategies, positioning of assets to meet future demands, real estate requirements for a future-fit business, online and digital disruption, as well as the quality of data available to identify customer preferences across the omni-channel shopping experience. Material risks and opportunities based on the operating context and the needs and expectations of stakeholders were also reviewed and mitigation measures considered.

### USEFUL LINKS

[Board Charter and committees' terms of reference](#)



## BOARD MEETINGS

A minimum of four Board meetings are held every year and, together with the quarterly committee meetings, take place over a period of three to four days every quarter. Two Board meetings are held each in South Africa and in Australia to enable our Board to visit and experience operations globally and to meet with the broader leadership teams in both key territories.

In addition, the Board receives a monthly update report from the Group Chief Executive Officer, and Board teleconferences are held between the quarterly Board meetings for the purpose of discussing these updates from the Group Chief Executive. In addition, the non-executive directors held teleconferences on five further occasions to consider matters of importance.

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

### BOARD ATTENDANCE FOR THE FINANCIAL YEAR UNDER REVIEW

NAME OF DIRECTOR	DATE OF APPOINTMENT	STATUS	ATTENDANCE	BOARD	STRATEGY	AUDIT	NOMINATIONS	RISK AND COMPLIANCE	REMUNERATION	SOCIAL AND ETHICS	SUSTAINABILITY	DIRECTORS STANDING FOR ELECTION
Simon Susman <sup>1</sup>	18/11/2010	Non-independent Non-executive	100%	4/4	2/2		3/3	4/4	3/3	3/3	2/2	
Patrick Allaway <sup>2</sup>	01/12/2014	Independent Non-executive	100%	2/2	1/1	2/2		2/2	1/1			
Zarina Bassa	17/11/2011	Independent Non-executive	100%	4/4	2/2	4/4	3/3	4/4	3/3			
Tom Boardman	27/09/2010	Independent Non-executive	100%	4/4	2/2		3/3	4/4	3/3	3/3	2/2	
Hubert Brody <sup>3</sup>	01/07/2014	Independent Non-executive	100%	4/4	2/2	4/4	1/1	4/4	1/1	1/1		
Christopher Colfer <sup>4</sup>	01/07/2019	Independent Non-executive	Refer to note 4	-	-	-	-	-	-	-	-	Election
Belinda Earl <sup>5</sup>	01/07/2019	Independent Non-executive	Refer to note 5	-	-	-	-	-	-	-	-	Election
Andrew Higginson <sup>6</sup>	01/06/2012	Independent Non-executive	100%	4/4	2/2	4/4	1/1	4/4	3/3			
Reeza Isaacs	26/11/2013	Executive	100%	4/4	2/2			4/4				
Gail Kelly <sup>7</sup>	01/10/2015	Independent Non-executive	100%	2/2	1/1		1/1	2/2	1/1		1/1	
David Kneale <sup>8</sup>	11/03/2019	Independent Non-executive	100%	1/1	1/1		1/1	1/1	1/1			Election
Nombulelo Moholi	01/07/2014	Independent Non-executive	100%	4/4	2/2			4/4	3/3	3/3	2/2	
Ian Moir	01/10/2010	Executive	100%	4/4	2/2			4/4		3/3	2/2	
Sizakele Mzimela <sup>9</sup>	01/07/2018	Independent Non-executive	100%	1/1				1/1				
Sam Ngumeni	12/02/2014	Executive	100%	4/4	2/2			4/4				
Zyda Rylands	22/08/2006	Executive	80%	3/4	1/2			3/4		3/3	2/2	
Thembisa Skweyiya <sup>10</sup>	11/03/2019	Independent Non-executive	100%	1/1	1/1	1/1		1/1				Election
Clive Thomson <sup>11</sup>	19/08/2019	Independent Non-executive	Refer to note 11	-	-	-	-	-	-	-	-	Election

1. Chairman.

2. Resigned from the Board on 8 February 2019.

3. Appointed to the Nominations Committee, Remuneration Committee, Sustainability Committee and Social and Ethics Committee from 18 February 2019.

4. Appointed to the Board in the new financial year on 1 July 2019, and had not attended meetings in the financial year under review.

5. Appointed to the Board in the new financial year on 1 July 2019, and had not attended meetings in the financial year under review.

6. Appointed to the Nominations Committee from 18 February 2019.

7. Resigned from the Board on 8 February 2019.

8. Appointed to the Board on 11 March 2019.

9. Resigned from the Board on 5 November 2018.

10. Appointed to the Board on 11 March 2019.

11. Appointed to the Board in the new financial year on 19 August 2019, and had not attended meetings in the financial year under review.

\* Belinda Earl, Christopher Colfer and Clive Thomson were appointed subsequent to the year under review and all have attended 100% of all meetings since being appointed.



# OUR BOARD COMMITTEES

## AUDIT COMMITTEE

Members: Hubert Brody (Chairman), Zarina Bassa, Andrew Higginson, and Thembisa Skweyiya during the financial year. Christopher Colfer and Clive Thomson subsequently appointed.

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.

### KEY MATTERS IN 2019

(more detail is provided in the Audit Committee Report in the Annual Financial Statements)

- Recommended to the Board that the Group dividend be reduced by way of an Australian dividend holiday to reduce the level of the Group's interest-bearing debt, with a specific target to reduce debt levels in Australia to approximately A\$200 million
- Considered the findings of the impairment review of the carrying value of David Jones assets and recommended an impairment charge of A\$437.4 million (net of deferred tax) to be recognised at the period ended 30 June 2019, reducing the valuation of David Jones to approximately A\$965 million
- Provided oversight over the Australian entities' debt refinancing and the renegotiation of the debt covenants which remain in progress as at date of this report
- Agreed to defer audit firm rotation by one year in order to allow time for new systems and procedures to accommodate IFRS 16: Leases to be embedded and refined in the Group before appointing a new external auditor, and for the audit profession in South Africa to stabilise following the recent events and reputational concerns that have impacted this profession
- Provided oversight over Phase 1 of the simplification of the Group's corporate structure
- Satisfied itself as to the independence, JSE accreditation, and performance of the external auditor based on Audit Quality Indicators
- Continued oversight of the David Jones systems implementation and control environment

### FOCUS AREAS FOR 2020

- Continuing to strengthen the Group's balance sheet
- Progressing the tender project for mandatory audit firm rotation

## TREASURY COMMITTEE

Members: Reeza Isaacs (Chairman), Zarina Bassa, Hubert Brody, Ian Moir, and Ian Thompson during the financial year. Clive Thomson subsequently appointed.

The Treasury Committee was previously a sub-committee appointed by the Audit Committee for the purpose of proactively managing the Group's treasury exposures within acceptable risk limits and in compliance with policy guidelines as approved by the Board. This committee is being reconstituted as a committee of the Board.

## RISK AND COMPLIANCE COMMITTEE

Members: Zarina Bassa (Chairman), Simon Susman, Tom Boardman, Hubert Brody, Andrew Higginson, David Kneale, Reeza Isaacs, Nombulelo Moholi, Ian Moir, Sam Ngumeni, Zyda Rylands, and Thembisa Skweyiya during the financial year. Christopher Colfer, Belinda Earl and Clive Thomson subsequently appointed.

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 2019

(more detail is provided in the Risk and Compliance section of this Report)

- Reviewed and approved the Group Enterprise Risk Management Policy and Framework
- Reviewed and recommended the effectiveness of the risk management process as well as the adequacy and effectiveness of the Group's Business Continuity Programme
- Reviewed IT governance reports, including the strategic alignment and execution of IT projects
- Considered the activities of the Information Management Committee to ensure that appropriate strategies are in place to manage the Group's information
- Reviewed the Group Anti-Bribery and Corruption Policy and recommended updates to the Board
- Reviewed the processes and systems in place to prevent and detect fraud
- Reviewed regulatory changes and management's response to those impacting regulatory compliance in the Group
- Reviewed the insurance programmes for South Africa, other countries in Africa where we operate, and Australia to ensure their adequacy to moderate against key insurable risks
- Reviewed the design of the Group health and safety programme to ensure a safe, healthy, and accident-free working and trading environment

### FOCUS AREAS FOR 2020

- Cascading of risk appetite and tolerance framework to entities
- Further evolving the Group insurance programme and cell captives
- Developing a third-party risk framework for the Group
- Continue strengthening information management capability in the Group

## INFORMATION MANAGEMENT COMMITTEE

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

The role of the committee 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.



## REMUNERATION COMMITTEE

Members: Tom Boardman (Chairman), Simon Susman, Hubert Brody, Zarina Bassa, Andrew Higginson, David Kneale, and Nombulelo Moholi during the financial year. Christopher Colfer subsequently appointed.

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 2019

(more detail is provided in the Remuneration Committee Report)

- Engaged with shareholders on the 2018 Remuneration Implementation Report due to the Report not receiving more than 75% support by shareholders who participated in the 2018 Annual General Meeting
- Reviewed the recommendations of the committee's external advisors on changes to the Group's Remuneration Policy
- Recommended the adoption of malus and clawback provisions for the Group's incentive schemes
- Recommended prospective and more detailed disclosures in respect of long-term incentive performance measures and targets in the 2019 Remuneration Policy and Implementation Report
- Recommended the removal of the Group gatekeeper principle as it relates to the short-term incentive scheme
- Approved executive remuneration and recommended non-executive director fees

### FOCUS AREAS FOR 2020

- To further progress the work conducted on minimum shareholding requirements for executives
- To further improve remuneration disclosures where appropriate
- To further evolve Group talent reviews, particularly with a view to promoting gender diversity

## SOCIAL AND ETHICS COMMITTEE

Members: Nombulelo Moholi (Chairman), Simon Susman, Tom Boardman, Hubert Brody, Ian Moir, and Zyda Rylands during the financial year. Clive Thomson subsequently appointed.

In addition to its statutory duties in terms of the Companies Act, the committee ensures that the Group's activities support its intent to be a responsible corporate citizen. The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct, approach, and the manner in which the business is conducted, with due regard to value creation in society.

### KEY MATTERS IN 2019

(more detail is provided in the Social and Ethics Committee Report)

- Monitored progress to address challenges and barriers in the achievement of Employment Equity and disability targets in South Africa
- Accepted responsibility for the role of Social and Ethics Committees of subsidiary companies
- Reviewed the impact assessment of the Group's training programmes in assisting career development including return on investment on Learning and Development
- Reviewed the Group's activities relating to collective bargaining, working conditions, and employment relationships
- Reviewed the updates on Group Social Development, including the Group's contribution to the development of communities and donations and charitable giving across the Group
- Reviewed talent succession plans for the Group, with due regard to diversity and female representation at senior management levels
- Reviewed the stakeholder engagement strategy and an update on key stakeholder engagement across the Group
- Reviewed the Group Anti-Bribery and Corruption Policy and management's approach to the provision of awareness and refresher training

### FOCUS AREAS FOR 2020

- Review of the impact of the Group's Social Development initiatives
- Monitor the Group's talent succession plans
- Monitor the new transformation vision in Woolworths South Africa

#### USEFUL LINKS:

[Board Charter and committees' terms of reference](#)

[Social and Ethics Committee Report](#)

## NOMINATIONS COMMITTEE

Members: Tom Boardman (Chairman), Simon Susman, Hubert Brody, Zarina Bassa, Andrew Higginson, and David Kneale during the financial year. Christopher Colfer subsequently appointed.

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 2019

- Attended to the succession for the Chairman and Lead Independent Director who retire at the 2019 Annual General Meeting having served nine year tenures
- Recommended the appointment of the incoming Chairman and retention of the role of Lead Independent Director
- Progressed the succession of the Group Chief Executive Officer
- Considered and recommended the appointments of five new independent non-executive directors
- Assessed the independence of each non-executive director
- Considered and recommended new chairmen, where required, for the Board committees
- Evaluated the Group Chief Executive Officer's performance for the 2019 financial year

### FOCUS AREAS FOR 2020

- Oversee Group Chief Executive Officer's performance for the 2020 financial year
- Oversee the appointment of a new Chief Executive Officer for the Group and for David Jones
- Ensure new directors are fully inducted and the Board's ways of working are settled
- Oversee the 2020 Board and committee evaluation

## SUSTAINABILITY COMMITTEE

Members: Simon Susman (Chairman), Tom Boardman, Hubert Brody, Nombulelo Moholi, Ian Moir, and Zyda Rylands during the financial year. Belinda Earl and Thembe Skweyiya subsequently appointed.

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 2019

- Reviewed the Group's sustainable development (Good Business Journey) strategy and performance
- Discussed contextualisation of the Group's 2020 water target, taking into account the wide variety of work the Group is undertaking with regard to water stewardship, quality, and efficiency
- Considered customer feedback on their perceptions of the Good Business Journey with particular reference to packaging
- Monitored the roll-out and implementation of our zero packaging waste to landfill vision and commitments
- Considered feedback on various local and internal stakeholder engagements as well as the ongoing partnerships in initiatives to remain at the forefront of sustainability
- Monitored international developments in sustainable fibres and the Group's ethical sourcing strategy
- Monitored the restructuring of the regional sustainability team in Australia and alignment of the Australian group's programme with that of the Good Business Journey
- Considered assurance coverage of the Good Business Journey focus areas and appointed the report's assurance service provider

### FOCUS AREAS FOR 2020

- Continue to monitor the ethical sourcing strategy, including sustainable fibres
- Continued focus on packaging and developments in that field
- Evaluating the effects of climate change and its impacts on our value chain
- Closing out on our 2020 Group sustainability goals and commitments and identifying the next set of forward-looking goals and targets

#### FOR MORE DETAILS:

[2019 Good Business Journey Report](#)

[Remuneration Report](#)





#### GROUP COMPANY SECRETARY

Chantel Reddiar continued to serve as Group Company Secretary, maintaining an arms-length relationship with directors while remaining accessible to the Board to provide guidance and advice on Board and governance matters. She was also responsible for ensuring compliance with Board and committee procedures, terms of reference, and relevant legislation and regulations.

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.

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

#### RISK AND COMPLIANCE

The Board acknowledges its accountability for the Group's legal and regulatory obligations and is committed to ensuring that the Group conducts business in accordance with the applicable legislative and regulatory requirements of the countries in which the Group operates.

Compliance is embedded within the Group through the Risk and Compliance function. Each business has its own unique regulatory universe which is assessed against defined criteria.

The constantly changing regulatory landscape is carefully monitored to ensure that key regulatory changes are identified by jurisdiction, impact on the business is determined, and appropriate response plans are developed to ensure compliance.

The compliance programme comprises the following key elements:

- Compliance risk identification and assessment
- Compliance monitoring
- Regulator interaction
- Compliance training

Training and awareness of key legislation is of utmost importance for the business and the Risk and Compliance team develops training modules and facilitates user awareness sessions in this regard.

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.

#### STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement characterised by open communication builds trust and promotes mutually-beneficial exchanges. Our stakeholder universe is extensive and includes our employees, customers, investors, shareholders, suppliers, communities, business partners, unions, NGOs, academia, industry bodies, government, regulators, and the media, among others. Although we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders on pages 19 and 20 of this Integrated Report, while we go into more depth regarding a broader range of stakeholders in our Good Business Journey Report, which is accessible on our website, [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

For the purposes of this report, we have focused on internal and external engagements relating to governance. We engaged with our employees on governance topics during 'Governance Week', held over a period of 14 days in both South Africa and Australia. During this period, a series of formal presentations were made and panel discussions were held on topics such as the prevention of bribery and corruption, the provision of reporting mechanisms and protection for whistle-blowers, how to identify conflicts of interest when company and personal interests collide, what constitutes insider trading and price-sensitive information, responsible use of social media, understanding intellectual property rights and anti-competitive practices, planning for the unexpected through business continuity, the individual's role in cyber security, and the protection of own and others' data.

Roadshows are held before the Annual General Meeting when we engage with investors on governance issues as well as the resolutions to be tabled at the Annual General Meeting. For the resolutions to be tabled at the 2019 Annual General Meeting, please refer to the Notice published on our website as indicated above.

Post the publication of the Notice of Annual General Meeting for 2018, and in keeping with the Company's policy of continuing dialogue with key stakeholders on critical corporate governance matters, management invited

key shareholders to one-on-one meetings to discuss the resolutions that would be tabled for approval at the Annual General Meeting. In addition, investor roadshows were held preceding the 2018 Annual General Meeting. During these engagements investors raised concerns in respect of the 2018 Remuneration Implementation Report; however, as the majority of the concerns and comments related to actions that had already been implemented, the Board was not able to address these in 2018. The comments have, nevertheless, provided insight into the views and expectations of investors in terms of remuneration-related decisions as well as the content and structure of future remuneration-related reports. These concerns and the manner in which these have been addressed are set out extensively in the Group's 2019 Remuneration Report on pages 153 to 186.

This year we have also commissioned an independent investor perception audit (engaging existing key shareholders and potential shareholders) whose insights and perspectives are important for us to hear. We will be in a position to report on these findings next year as the survey is still underway.

The Board is committed to continuing its open communication with stakeholders and will ensure that an opportunity is provided for engagement prior to the 2019 Annual General Meeting.

Our stakeholders have a standing invitation to engage with us at any time via [Governance@woolworths.co.za](mailto:Governance@woolworths.co.za).

**THE BOARD IS COMMITTED TO CONTINUING ITS OPEN COMMUNICATION WITH STAKEHOLDERS AND STAKEHOLDERS HAVE A STANDING INVITATION TO ENGAGE WITH US**

#### USEFUL LINKS:

[Board Charter and committees' terms of reference](#)

[2019 Annual Financial Statements](#)

#### FOR MORE DETAILS:

[2019 Good Business Journey Report](#)

[Social and Ethics Committee Report](#)

[Remuneration Report](#)



## ETHICS AND CORPORATE CITIZENSHIP

The Group's values reflect the Board's commitment to doing good business, for our customers, our people, and our planet. We strive to be customer obsessed, inspirational, responsible, collaborative and committed to quality across all our entities and geographies.

The Board's approach to ethical governance and good corporate citizenship is supported by our governance and ethics policies covering areas such as anti-bribery and corruption, whistleblowing, Code of Business Principles, conflicts of interest, gifts, entertainment, insider trading, and price-sensitive information. Policies are reviewed annually and updated when necessary.

In addition, this year, the South African operations participated in the Gordon Institute of Business Science (GIBS) Ethics Barometer for South African businesses. The Ethics Barometer enables organisations to measure and improve their ethical conduct in relation to employees, customers, suppliers and broader society and is designed to help organisations test how well they are living up to Business Leadership South Africa's (BLSA's) Integrity Pledge. As a member of BLSA, we are a signatory to this Pledge, which commits that:

- We shall actively combat corrupt practices wherever we encounter them
- We shall not act anti-competitively
- We shall have zero tolerance for corruption in our midst
- We shall protect whistle-blowers

## COMPLIANCE

The Board is of the opinion that the Group currently applies the governance principles contained in King IV™ and the Group complies with all requirements of the Companies Act and the JSE Listings Requirements. Our application of the King IV™ principles is set out in the King IV™ application report, available at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

It is vital for the Board to understand whether our people believe, as we do, that we are a responsible and ethical corporate citizen.

As a signatory to the UN Global Compact, we have committed to operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. We continue to align with the UN Sustainable Development Goals (SDGs), as well as national development priorities of all the countries in which we operate.

The social and ethical implications of manufacturing in a global supply base are seriously considered. All our suppliers and service providers, whatever their location, are bound by our Codes of Conduct which are aligned with the International Labour Organisation's conventions in relation to ethical trade and the Ethical Trade Initiative base code, as outlined in our Ethical Trade position statement. Suppliers undergo regular social compliance checks conducted by independent auditors or are required to supply audit reports from independent auditors, to ensure they meet the standards of the Codes. For more details in this regard, please refer to our Good Business Journey Report on our website, [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za) and to the Report of the Social and Ethics Committee on pages 139-152.



*Edition, Autumn 2019*

### USEFUL LINKS:

[2019 King IV™ Application Report](#)

[Anti-Bribery and Corruption Policy](#)

[Our Global Compact Letter of Commitment](#)

# GLOSSARY





## ABBREVIATIONS USED IN THIS INTEGRATED ANNUAL REPORT

**12mma:** 12-month moving average; Used to refer to average market share over a rolling 12-month period

### A

**aPBT:** Adjusted profit before taxation

**aEBIT:** Adjusted earnings before interest and taxation

**AGM:** Annual General Meeting; Annual shareholder meeting held in terms of the Companies Act

### B

**BBBEE:** Broad-Based Black Economic Empowerment; Legislation which aims to increase the participation of the majority of South Africans in the economy. Aims to redress the inequalities experienced under apartheid

**BPS:** Basis points

### C

**CEO:** Chief Executive Officer

**COO:** Chief Operating Officer

**CPI:** Consumer Price Index

**CPS:** Cents per share

**CRG:** Country Road Group; wholly owned trading subsidiary of WHL based mainly in Australia. Owns the Country Road, Trenery, Witchery, Mimco and Politix brands

**CSI/SD:** Corporate Social Investment; Component of the BBBEE scorecard which encourages support of charitable and non-profit organisations

**CTS:** Cost to sell; Expenses expressed as a percentage of turnover

### D

**DC:** Distribution Centre; The food and Fashion, Beauty and Home distribution centres

**DJ:** David Jones Proprietary Limited; Wholly owned, trading subsidiary of WHL based mainly in Australia

**dti:** Department of Trade and Industry

### E

**EBITDA:** Earnings before interest, taxation, depreciation and amortisation

**EPS:** Earnings per share; Profit earned for the period divided by the weighted average number of shares in issue

### F

**FBH:** Fashion, Beauty and Home; An operating segment in Woolworths South Africa which aggregates clothing, footwear, accessories, homeware, beauty and cell phone product buying groups

**FD:** Group Finance Director

**FTE:** Full-time equivalent; Number of hours worked by store staff equated back to a person working a 40-hour week

**FY:** Financial Year

### G

**GBJ:** Good Business Journey; Woolworths Holdings Limited's programme to assist it in achieving its vision of becoming one of the world's most responsible retailers by managing the environmental, social and transformational activities of the Group

**GP:** Guaranteed Pay; Annual salary and benefits paid to employees

**GRC:** Governance, Risk and Compliance; Business unit which provides governance, risk, legal and compliance solutions to the business and the Board

### H

**HEPS:** Headline earnings per share; Key measurement of normalised profit per share in South Africa

**HDSA:** Historically disadvantaged South Africans

### I

**IPM:** Integrated Performance Management; Performance appraisal mechanism to measure employees' achievement against performance goals and behaviours

### J

**JAWS:** JAWS ratio; The percentage increase in sales ahead of increase in expenses

**JSE:** Johannesburg Stock Exchange; Stock exchange in South Africa on which the company is listed

### K

**KPI:** Key Performance Indicator; Measurable value of performance against target which demonstrates how effectively the Group is achieving its key business objectives

### L

**LFL:** Like for like; Used to compare sales in comparable stores i.e., those stores that are not new and have not had any extension or modernisation to them. Calculated on a 24-month period

**LID:** Lead Independent Director

**LTi:** Long-term incentive; Variable remuneration subject to the achievement of performance conditions. Generally a 3-year period

**LTIP:** Long-term incentive plan; Share scheme instrument allocated to employees in terms of long-term incentive scheme

**LTO:** Labour turnover; Percentage of employees leaving the business over a defined period

### M

**MTP:** Medium Term Plan; 3-year financial strategic plan

### R

**ROCE:** Return on Capital Employed

**ROE:** Return on Equity

**ROS:** Return on sales; Profit after tax expressed as a percentage of turnover

**RSP:** Restricted share plan; Share scheme instrument allocated to employees in terms of retention scheme

### S

**SARS:** Share appreciation right scheme; Share scheme instrument allocated to employees in terms of long-term incentive scheme

**SEC:** Social and Ethics Committee; A statutory committee in terms of the South African Companies Act which ensures that a company conducts business in a sound and ethical manner

**SRI:** Socially Responsibility Index; An index created by the JSE to measure the social responsibility criteria of companies listed on the JSE. The South African equivalent of the Dow Jones Index

**STI:** Short-term incentive; Variable remuneration subject to the achievement of performance conditions. Generally a 1-year period

### T

**TCoE:** Total cost of employment; Total salary and benefits of employees

### V

**VP:** Variable pay; Remuneration that varies according to the achievement or not of performance conditions

### W

**WACC:** Weighted average cost of capital

**WFS:** Woolworths Financial Services (Pty) Limited; A joint venture between Woolworths and Barclays Africa Group that supports the Woolworths retail business by providing financial services to Woolworths' customers through in-store cards, credit cards and personal loans

**WHL:** Woolworths Holdings Limited; Southern hemisphere retail Group that has been listed on the Johannesburg Stock Exchange Limited (JSE) since 1997. The Group trades through three operating subsidiaries, including Woolworths Proprietary Limited (Woolworths or WSA), Country Road Group Proprietary Limited (Country Road Group or CRG), and David Jones Proprietary Limited (David Jones or DJ). Woolworths Financial Services Proprietary Limited (WFS) is a joint venture with Barclays Africa Group, which holds the controlling interest

**WHST:** Woolworths Holdings Share Trust; The Trust through which the shares allocated for the long-term incentive schemes are managed

**WSA:** Woolworths/Woolworths SA; A wholly owned trading subsidiary of WHL, mainly based in South Africa

### Y

**YES:** Youth Employment Service; A CEO-led government initiative launched by President Cyril Ramaphosa aimed at providing one million youth with work experience and helping them gain valuable skills

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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