



WOOLWORTHS HOLDINGS LIMITED

Register of application of King IV™ 2019

APPLICATION OF KING IV

The Board has continued to meaningfully apply the principles recommended in the King IV Report on Corporate Governance for South Africa™, 2016 (King IV™) in a manner appropriate for the Group and the retail sector within which the Group operates. The Board's primary objective in terms of applying the King IV™ principles is to ensure that the governance outcomes relating to an ethical culture, effective control, good performance and legitimacy are firmly embedded within the organisation.

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

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

The Group governance framework detailed in the Integrated Annual Report provides additional clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to govern the Group effectively. The governance framework aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels. The governance 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. The Board Charter, Committee Terms of Reference and our governance policies are also available on our website at www.woolworthsholdings.co.za.

At WHL Board level, the governance framework includes the Board committees that have been formally appointed by the Board or by a committee of the Board (for example, the Treasury Committee appointed by the Audit Committee), 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, and each of the committees' focus areas is described in the Governance 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 board committees, similarly, operate according to their own Terms of Reference.

Further details on the governance framework and the purpose of each of the Board committees are provided in our Governance Report in the Integrated Annual Report.



LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

PRINCIPLE 1

The governing body should lead ethically and effectively.

APPLICATION

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.

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

An example of how structure and practice combine to good effect is demonstrated by the consistent manner in which conflicts of interests are managed on the Board. The Board has appointed a Lead Independent Director whose main function is to provide leadership and advice to the Board (without diminishing the authority of the Chairman) particularly when there may be perceived conflicts of interest pertaining to the Chairman (Simon Susman, who has material holdings in WHL) so that these may be effectively managed. The Board has, furthermore, determined the role of the Lead Independent Director to be an instrumental position and elected to retain the role after Simon retires post the 2019 Annual General Meeting, even though the incoming Chairman (Hubert Brody) is independent.

The application of policies governing conflicts of interest, insider trading, prohibition on the use of price-sensitive information, and trading in the Company's shares, provides guidance that prevents potential conflicts of interest. Furthermore, all directors are required to disclose their financial and other interests on a quarterly basis and to declare any conflicts with agenda items at the commencement of each Board and committee meeting.

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

The Board collectively participated in an independently facilitated workshop that focused on enhancing Board effectiveness and promoting ways of working in steering through challenging times. There is a strong belief held by the Board that the Group's solid ethical foundation, built on deeply entrenched values, will ensure that the Group weathers the current economic times.

The Board has also refreshed its constituency and has ensured smooth transitions to newly appointed directors.

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

OVERSIGHT:

 NOMINATIONS COMMITTEE

 BOARD

PRINCIPLE 2

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

APPLICATION

The Group's values reflect the Board's commitment to doing good business for our customers, our people, and our planet. The Board's approach to the governance of ethics is supported by the governance and ethics policies covering areas such as anti-bribery and corruption, whistleblowing, Code of Business Principles, conflicts of interest, gifts, entertainment, insider trading, and price-sensitive information. Policies are reviewed annually and updated when necessary.

Further, the awareness of and commitment to values and ethics within the Group are incorporated in employee engagement surveys, and our Supplier Codes of Conduct require that the Group's ethics philosophy is adopted by our suppliers, who have the same ethical requirements that we expect from our employees. The Group rolled out its refreshed anti-corruption and bribery policy during the year and participated in the GIBS Ethics survey in South Africa this year.

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

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

OVERSIGHT

 SOCIAL AND ETHICS COMMITTEE

 RISK AND COMPLIANCE COMMITTEE

 BOARD

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

PRINCIPLE 3

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

APPLICATION

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

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

To give effect to the Board’s commitment to respect human rights, promote equality and eradicate discrimination as these relate to relationships with employees and third parties, the Group is a signatory to the UN Global Compact. Furthermore, the International Labour Organisation principles, Organisation for Economic Co-operation and Development guidelines, country-specific legislation and regulatory requirements have all been adopted into the codes of conduct, policies and procedures, and business operations. Our business partners are required to align with our human rights values, and we do not hesitate to cancel arrangements in the rare instances where our suppliers may have been found to have wilfully breached our Supplier Code of Business Principles.

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

Targets for each of the eight Good Business Journey focus areas are incorporated into business entities and operations, and Ernst & Young Inc. (EY) has been engaged for the 2019 financial year to perform a limited assurance engagement on certain quantitative information contained in the Good Business Journey Report as follows:

- Water usage for Woolworths head office, stores, and distribution centres
- Percentage of Woolworths branded fashion, beauty and homeware locally sourced

The Group’s social development strategy comprises four pillars that are closely aligned with our overall business strategy, are relevant to the national development priorities in the markets in which we operate, and incorporate the global Sustainable Development Goals.

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

Engagement with stakeholders is open and inclusive to help better understand their needs and concerns. During the year, the stakeholder engagement programme continued to focus on building new relationships and enhancing existing ones with the South African government, non-governmental organisations, and other relevant interest groups as well as expanding the government relations programme into the rest-of-Africa business. This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative, and political landscape; provides ongoing macro-environmental insights; develops goodwill ambassadors; and, ultimately, ensures our continued social licence to operate.

Simon Susman, our current Chairman, is also the Group’s representative on business organisations in South Africa that are steering meaningful change, such as YES, and he will continue to represent the Group in meaningful organisations after he steps down as Chairman – we believe that as a responsible corporate organisation, we have to actively lead positive change initiatives in the environments within which we operate.

OVERSIGHT

-  SOCIAL AND ETHICS COMMITTEE
-  SUSTAINABILITY COMMITTEE
-  BOARD

STRATEGY

PRINCIPLE 4

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

APPLICATION

The Board acknowledges the inseparability of the elements of the value creation process and ensures that risks and opportunities, strategy, the business model, performance, and sustainable development receive the necessary level of attention in all components of the governance framework. This is clearly illustrated in the value creation process and approach to strategy, which are described on pages 10 to 13 of the Integrated Annual Report.

Two separate strategy meetings are held each year at which Group Exco and, in particular, the Chief Executive Officers of each operating subsidiary, present the subsidiary’s strategy, together with budgets. Business plans supporting strategy implementation are also considered. The Board critically evaluates such strategies, including, inter alia, the positioning of assets to meet future demands, real estate requirements for a future-fit business, on-line and digital disruption as well as the quality of data available to identify customer preferences across the omni-channel shopping experience. The three-year medium-term financial plan is updated annually and aligned to the Group strategy. Material risks and opportunities, based on the operating context and the needs and expectations of stakeholders, are reviewed and mitigation measures considered.

The Group Chief Executive Officer reports to the Board quarterly on performance against the strategy, providing an analysis of targets achieved against the Group’s balanced scorecard.

The governance framework and practices incorporating the various Board committees all assist the Board in its role and contribute to the creation of value by –

- Effectively governing risk and setting the direction for enterprise risk management throughout the Group, which includes deliberating on the opportunities that may be associated with strategic risk governance
- Ensuring that the sustainability strategy positions the Group as a leader in responsible retailing in the countries in which it trades, that the sustainability initiatives and objectives are effectively integrated into the business, and that the Group operates in an environmentally responsible manner
- Ensuring that the Group’s activities support its intent to be a responsible corporate citizen
- Attracting the right talent by ensuring that the Employee Value Proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within the Group
- Overseeing performance of the Group and driving a culture of high performance

OVERSIGHT

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

USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

[2019 Integrated Annual Report](#)

STRATEGY

PRINCIPLE 5

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

APPLICATION

The Board ensures that the Annual Financial Statements, Good Business Journey Report, and the Integrated Annual Report not only comply with legal requirements – these should also meet the information needs of a diverse range of stakeholders. The Audit Committee assists the Board in this regard.

The suite of reports is prepared in accordance with global reporting standards (such as, respectively, the Integrated Reporting Framework and Global Reporting Initiative; International Accounting Standards and International Financial Reporting Standards; and International Standard on Assurance Engagements ISAE 3000 (Revised)). All aim to provide a level of disclosure that will enable all stakeholders to make informed assessments of the Group's performance and to increase their understanding of the Group's operations.

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

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

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

OVERSIGHT

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

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 6

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

APPLICATION

The Board acknowledges its responsibility as the custodian of corporate governance for the Group and guides and directs the roles, responsibilities, and conduct by means of the governance framework and related policy suite comprising the Board Charter, Committee Terms of Reference, Delegations of Authority and the Board policies. The Board champions the Group's governance philosophy and embraces its role as custodian of governance in the organisation. Initiatives such as the Group's governance information sessions, held across the organisation, are under the oversight of the Board.

To give effect to its mandate, the Board meets at least four times a year, but more regularly if required. In addition, the Board receives a monthly update report from the Group Chief Executive, and Board teleconferences are held between the quarterly Board meetings for the purpose of discussing these updates from the Group Chief Executive. The number of meetings held and the attendance at the meetings are reported on in the Governance Report included in the Integrated Annual Report.

The Board Charter forms an integral part of the Group's governance framework and outlines the composition, scope of authority, responsibilities, powers, and functions of the Board. The Board Charter is reviewed annually to ensure that it remains relevant, appropriate and in line with governance best practice. Similarly, Committee Terms of Reference and Board policies are reviewed annually and the outcome reported to the Board.

The Board Charter provides that directors are permitted to take independent professional advice related to their duties at the company's expense and sets out the procedure by which such advice may be obtained. Board committees are similarly entitled to obtain independent professional advice at the company's expense on any issue within the committee's scope and subject to following a Board-approved process.

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

OVERSIGHT

-  **BOARD**
-  **COMPANY SECRETARY**



Witchery, Winter 2019

[2019 Good Business Journey Report](#)

[Meeting Attendance Schedule](#)

USEFUL LINKS: FOR MORE DETAIL

[2019 Integrated Annual Report](#)

[2019 Annual Financial Statements](#)

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 7

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

APPLICATION

The Group has a unitary Board, comprising a majority of independent non-executive directors. The Board composition aligns with the relevant King IV™ principles as well as with the Board's policies governing gender, race and skills diversity, independence, and conflicts of interest.

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

In addition to planning for the appropriate skills and diversity attributes on the Board, the Board's policies relating to gender and race diversity, individual performance, rotation and tenure limits 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.

Non-executive directors are expected to exercise high levels of independent thinking and objective judgement and their performance in this regard is assessed annually by the Nominations Committee. The independence assessment is framed against the criteria recommended by King IV™ and takes into account whether the non-executive director has demonstrated an independent state

of mind and objective judgement in relation to matters affecting the Group. The assessment also takes into account whether the non-executive director has an interest, position, association or relationship which, when considered from the perspective of a reasonable and informed third party, is likely to influence the director unduly or cause bias in the director's decision-making.

The Lead Independent Director provides leadership and advice to the Board at times when there are perceived conflicts of interest pertaining to the Chairman (Simon Susman, who has material holdings in WHL). The Board has, furthermore, determined the role of the Lead Independent Director to be an instrumental position and has elected to retain the role after Simon retires post the 2019 Annual General Meeting, even though the incoming Chairman (Hubert Brody) is independent. Zarina Bassa will assume the role of Lead Independent Director when Tom Boardman steps down at the 2019 Annual General Meeting. In addition, the Board welcomed five new Board members this year – David Kneale, Thembisa Skewyiya, Belinda Earl, Christopher Colfer and Clive Thomson.

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

OVERSIGHT

- NOMINATIONS COMMITTEE
- BOARD

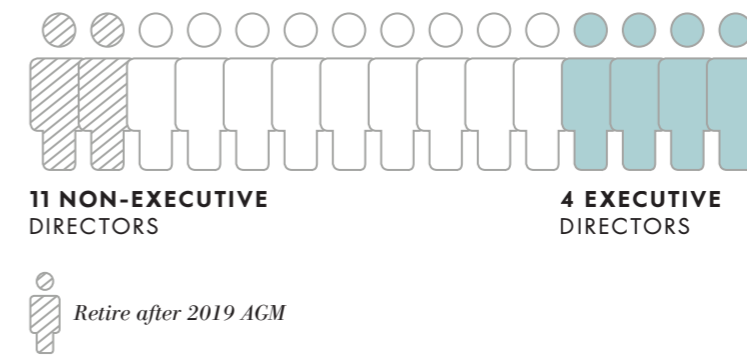
BOARD COMPOSITION

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.

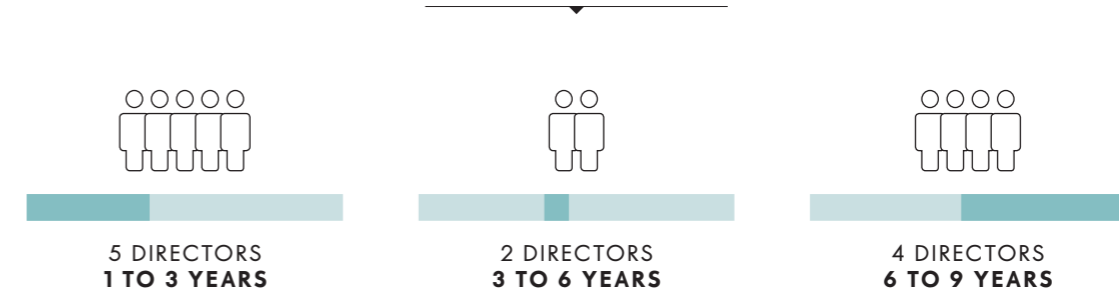
All non-executive directors remain classified as independent following the independence assessment conducted this year, with the exception of our Chairman, Simon Susman, who, due to his shareholdings in

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.



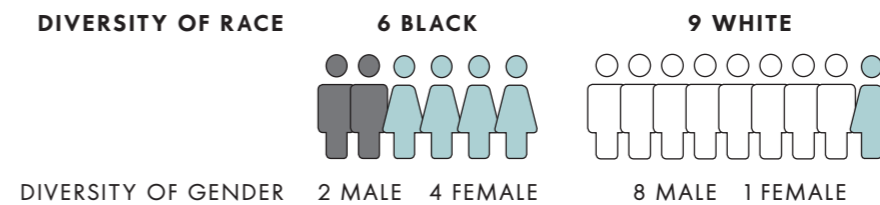
DIVERSITY OF TENURE (NON-EXECUTIVE DIRECTORS ONLY)



OUR BOARD DIVERSITY

The Board published its voluntary commitment to maintaining female representation and black member representation at a minimum of 33%. The Board's composition at the time of this report exceeded the target. Female representation comprised 33% of the Board,

while black member representation comprised 40% of the Board. Going forward, the Board will endeavour to move towards a 40% level of representation for female directors by 2020 and to maintain black director representation at 40%.



USEFUL LINKS: FOR MORE DETAIL

[Governance Report](#)

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 8

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

APPLICATION

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

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

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

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

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

OVERSIGHT

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

PRINCIPLE 9

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

APPLICATION

The 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 continues to guide the Board in its ongoing deliberations.

The Board, in collaboration with the Nominations Committee, evaluates the performance of non-executive directors and Board committees. The Remuneration Committee evaluates the performance of executive directors. The Lead Independent Director

leads the evaluation of the Chairman. Performance evaluations are conducted according to a formally approved process.

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

OVERSIGHT

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



Woolworths, Summer 2019

USEFUL LINKS: FOR MORE DETAIL

[Governance Report](#)

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 10

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

APPLICATION

The Group governance framework, described in the Integrated Annual Report's Governance section, provides clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to effectively govern the Group. The framework is supported by specific roles, each clearly delineated to ensure the effective exercise of authority and execution of responsibilities.

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




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

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

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

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

OVERSIGHT

-  NOMINATIONS COMMITTEE
-  REMUNERATION COMMITTEE
-  BOARD

GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 11

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

APPLICATION

The Board, as the ultimate custodian of risk governance, ensures that risk considerations are observed as an integral part of decision-making in the Group. Risks and opportunities are assessed in relation to the operating context, medium- to long-term strategies and the capitals which are employed and impacted by the Group's activities.

The Board Charter reflects that the Board is responsible for the total process of risk management and risk governance and specifies that the Board has delegated the management of risk to the Risk and Compliance Committee. The Risk and Compliance Committee's Terms of Reference similarly set out the committee's obligations for risk management and compliance. The Board treats risk as integral to its decisions and the manner in which it executes its duties.

The Board sets the direction for how risk is approached and addressed and the Risk and Compliance Committee oversees and directs the implementation of an effective policy and plan for risk management and compliance. The Group applies an integrated Risk Management approach that is aligned to international best-practice frameworks, including ISO 31000 and COSO Enterprise Risk Management (ERM), and is responsive to a retail business. The integrated approach is based on: assurance and oversight

which is executed through the Board reporting process and the combined assurance model; process improvement and optimisation executed as part of the business unit risk review process and control improvement; value-add embedded approach in providing management with risk insights as input into business decision-making; and business resilience executed through business continuity management and the insurance programme.

Each business is responsible for formally identifying and assessing its risks annually, measuring them against defined criteria, and considering the likelihood of occurrence and the potential business impact. The Group risk function facilitates a similar exercise with the Board and executive committee members before combining these perspectives to create a consolidated Group risk profile. Risk exposures are measured against formalised risk appetite statements.

The Group's key risks for the year under review are described in detail in the Integrated Annual Report and readers are invited to review the Group's risk methodology and mitigating controls by reviewing the report.

The Board receives independent assurance on the effectiveness of risk management from the Internal Audit Function.

OVERSIGHT

-  RISK AND COMPLIANCE COMMITTEE
-  BOARD



USEFUL LINKS: FOR MORE DETAIL

[Board Charter and Committees' Terms of Reference](#)

[2019 Integrated Annual Report](#)

GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 12

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

APPLICATION

The Board exercises ongoing oversight of the governance of technology and information and, in particular, oversees that it results in the strategic leveraging of information as an asset to sustain and enhance the Group's intellectual capital, protection of the privacy of personal information, continual monitoring of security of information, and protection of the integrity of information.

The Board has delegated authority to the Risk and Compliance Committee for setting the approach for technology governance (including adoption of appropriate frameworks and standards) and managing related information and technology risks. The committee views information and technology as an integral part of the risk management process, and where key risks are identified, the necessary assurance is obtained on the effectiveness of the IT internal controls, including outsourced information and technology services. Key technology risks are managed and reported to the Board through the Risk and Compliance Committee.

The establishment of an appropriate information and technology governance policy, framework and strategy has been delegated to

management. The role of the Information Management Committee, as constituted by management, is to proactively manage the Group's information in a way that supports the business, by setting and achieving its strategic objectives in compliance with policy guidelines as approved by the Board. The role of the Information Management Committee is supplemented by the appointment of Chief Information Officers for both the South African and Australian operations. The Chief Information Officers report to the Group Chief Operating Officer who has access to and regular interaction on strategic matters with the Board and executive management.

Major information and technology investments, expenditure and projects are governed in terms of the Delegations and Levels of Authority frameworks and are reviewed at the monthly Investment committees in South Africa and Australia. The Risk and Compliance Committee monitors IT investments and expenditure by means of the IT Governance Report tabled quarterly at committee meetings, details of which are subsequently reported to the Board.

OVERSIGHT

- RISK AND COMPLIANCE COMMITTEE
- BOARD
- INFORMATION MANAGEMENT COMMITTEE

PRINCIPLE 13

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

APPLICATION

The Board is ultimately responsible for overseeing the Group's compliance with laws as well as the non-binding rules, codes, and standards that have been adopted to ensure the Group continues to operate ethically and as a good corporate citizen.

The Board has delegated responsibility for compliance management to the Risk and Compliance Committee. The committee is responsible for ensuring that the compliance framework provides the appropriate level of oversight to ensure compliance with the laws, regulations, non-binding rules, codes, and standards applicable to the businesses.

The Group Compliance Policy, the oversight of which also falls within the remit of the Risk and Compliance Committee, is reviewed annually. The Policy provides a framework for monitoring and risk management. Legislative and regulatory compliance is monitored by management through the Group's Risk, Compliance and the Legal

teams, while the Compliance Department assists the businesses with implementation of applicable laws and other regulatory requirements, presents training and awareness programmes, and conducts monitoring exercises on high-risk legislation in accordance with the approved compliance monitoring framework.

The Risk and Compliance Committee receives quarterly reports from the Compliance teams which provide regulatory updates, compliance monitoring feedback, regulatory complaints, and updates on special projects.

The Internal Audit function annually reviews the effectiveness of the internal controls intended to ensure compliance with laws, rules, codes, and standards in order to provide assurance to the Board that these are sufficiently robust to fulfil the intended compliance purpose.

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

OVERSIGHT

- RISK AND COMPLIANCE COMMITTEE
- BOARD



GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 14

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

APPLICATION

The Board, with the assistance of the Remuneration Committee, approves the Remuneration Policy, which articulates and gives effect to fair, responsible and transparent remuneration that aims to achieve the Group's strategic objectives and to attract, motivate, retain, and reward employees and executive management. The policy is aligned with the Group's Employee Value Proposition (EVP) and is regularly reviewed to ensure that it remains appropriate for the Group's business model and operations.

A fair and responsible pay barometer has been implemented to monitor the guaranteed and variable remuneration across the Group's operations in South Africa, Australia, and New Zealand in relation to gender, race, and job levels.

The Remuneration Report, published as part of the Integrated Annual Report, comprises three components: a background statement; the Remuneration Policy; and an Implementation Report which contains details of all remuneration awarded to executive management and non-executive directors during the reporting period. The Remuneration Committee regularly reviews the Remuneration Policy to ensure that it remains appropriate for the Group's business model and operations, in addition to benchmarking it with market-specific best practice.

Non-executive directors' fees are benchmarked on an annual basis and advice is obtained from external independent consultants. The fees are proposed by management and recommended for approval by the Remuneration Committee and the Board to shareholders for approval.

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

Post the publication of the Notice of Annual General Meeting for 2018, and in keeping with the Company's policy of continuing dialogue with key stakeholders on critical corporate governance matters, management invited key stakeholders to one-on-one meetings to discuss the resolutions that would be tabled for approval at the Annual General Meeting. In addition, investor roadshows were held preceding the 2018 Annual General Meeting. During these engagements, investors raised concerns in respect of the 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 of the Integrated Annual Report.

OVERSIGHT

- BOARD
- REMUNERATION COMMITTEE

PRINCIPLE 15

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

APPLICATION

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

The combined assurance model covers the line functions that own and manage risks, specialist functions that facilitate and oversee risk management and compliance, and the internal and external auditors. The Risk and Compliance Committee considers the completeness of the risks covered by the model, and the Audit Committee reviews the level of assurance obtained over the risks.

Internal audit forms an integral part of the combined assurance model as an independent assurance provider. Specifically, internal audit provides a written assessment of the design, implementation and effectiveness of the Group's system of internal controls and internal financial controls, as well as the effectiveness of the risk management function on an annual basis. The scope and approach of the internal audit plan, approved by the Audit Committee, is informed by the strategy and the risks facing the Group. The committee reviews the resources and skills of the internal audit function on an annual basis to ensure they are adequate to provide the necessary assurance requirements to the committee. The

Head of Internal Audit attends all Audit and Risk and Compliance Committee meetings.

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

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

Ernst & Young Inc. (EY) has performed a limited assurance engagement for the following information contained in the 2019 Good Business Journey Report: total water usage at head office, distribution centres and stores; percentage of Woolworths branded fashion, beauty and homeware locally sourced.

The Board is satisfied that the combined assurance model is effective and sufficiently robust for it to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports.

OVERSIGHT

- AUDIT COMMITTEE
- RISK AND COMPLIANCE COMMITTEE
- BOARD

USEFUL LINKS: FOR MORE DETAIL

[Remuneration Policy and Implementation Report](#)

USEFUL LINKS: FOR MORE DETAIL

[EY's 2019 Independent Assurance Report](#)

[The Reporting Suite](#)

STAKEHOLDER RELATIONSHIPS

PRINCIPLE 16

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

APPLICATION

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

The Social and Ethics Committee is responsible for the Group stakeholder engagement strategy and the respective management teams in the Group have been delegated responsibility for managing and implementing the formal stakeholder engagement framework across the Group.

Management is required to proactively deal with stakeholder relationships as part of the day-to-day operations and in a manner that ensures value creation for the Group and its stakeholders. Management executes its responsibility by establishing and maintaining authentic, open and inclusive long-term relationships. These relationships foster an environment conducive to the growth and prosperity of the Group and enable us to better understand and benefit from stakeholder insights and concerns, mitigate risks to the business, and build mutual trust and respect.

Price-sensitive information is provided to all stakeholders equally and in a timely, accurate and accessible manner. The degree of

corporate transparency and communication is considered with reference to the relevant legal requirements and the maintenance of the Group's confidential information.

All contracts and agreements entered into by the companies in the Group include dispute resolution clauses.

The relationship between WHL and its subsidiaries is governed in accordance with the Group governance framework, which aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels. The governance framework deals with governance matters as is appropriate for the Group and makes provision for the delineation of roles and areas of accountability, recognising the independent roles and duties required to effectively govern the Group and the delegation of certain responsibilities of the Board (without abdicating accountability) to committees subject to agreed reporting arrangements.

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

OVERSIGHT

 SOCIAL AND ETHICS COMMITTEE

 BOARD

The Board continues to support the mindful application of King IV™ principles – the objective being to achieve the governance outcomes relating to an ethical culture, effective control, good performance, and legitimacy. While there are always areas in which we seek to improve, the Board is comfortable with the Group's application of the King IV™ principles during the year under review.



RE:, Summer 2019

USEFUL LINKS: FOR MORE DETAIL

[Board Charter and Committees' Terms of Reference](#)

[Our Governance policies](#)

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
