



**WOOLWORTHS HOLDINGS LIMITED**

**APPLICATION OF KING III  
CODE PRINCIPLES 2017**

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017

Woolworths Holdings Limited (WHL) is the holding company of the three main operating subsidiary companies: Woolworths Proprietary Limited incorporated in South Africa (WVSA), David Jones Proprietary Limited (DJ), and Country Road Group Proprietary Limited (CRG) (both incorporated in Australia). This assessment highlights application of King III principles within WHL as a separate company, and the WHL Group as a whole. Any reference to 'the Board' relates to the WHL Board of Directors.

King IV was released on 1 November 2016, and a self-assessment was conducted against the 16 relevant principles as well as the related 208 recommended practices. While the effective date for disclosure on the application of King IV is only in respect of financial years starting on or after 1 April 2017, the Board is satisfied that the Group is already substantively aligned with the principles and are mindfully overseeing the adaptation of any relevant practices. The Board is fully committed to the four governance outcomes, namely: an ethical culture; good performance; effective control; and legitimacy.

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
<b>ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>				
The Board should provide effective leadership based on an ethical foundation.	1.1	✓		The Board has a Board charter and appropriate governance structures and processes are in place to ensure that the business is effectively led and conducted in an ethical manner. The Group's values are integrated into the performance management system that is used to review each individual staff member's performance annually, ensuring a culture of ethical conduct is cultivated. The Social and Ethics Committee monitors and reports to the Board on social and economic stakeholder impacts, as well as activities around ethics. The Sustainability Committee monitors and reports to the Board on environmental and sustainability matters.
The Board should ensure that the company is, and is seen to be a responsible corporate citizen.	1.2	✓		The Good Business Journey (GBJ) programme epitomises the Group's corporate citizenship activities, and the integration of social, transformation and environmental activities into the strategy of the Group. GBJ celebrated its 10 year anniversary this year. The corporate social investment programme is managed by The Woolworths Trust. The Group's corporate citizenship is reviewed by the Social and Ethics Committee, which fulfils the role for all subsidiaries.
The Board should ensure that the company ethics are managed effectively.	1.3	✓		The Group's related ethics policies are monitored by the Social and Ethics Committee. The Group's revised Conflict of Interest policy was approved by the Board during the 2017 financial year, and rolled out across the Group. An annual employee survey is conducted which, inter alia, tests the internal ethical performance of the company. A Supplier Code of Conduct adopted by our service providers aligns with our values. Substantial work on ethical sourcing, through the GBJ programme is achieved annually. The WHL Ethical Trade Position Statement is available on the website. The Whistle-blowing Hotline, already embedded in South Africa, was promoted in the Australasia operations during the 2017 financial year.
<b>BOARDS AND DIRECTORS</b>				
The Board should act as the focal point for, and custodian of corporate governance.	2.1	✓		Members of the Board accept responsibility as custodians of corporate governance within the company and Group, and have adopted the principles of King III and applied the relevant country specific legislation and regulations during the year. Where the recommendations are not directly applied, it has put mitigations and substitutions in place, as appropriate for the company and Group.

## APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
The Board should appreciate that strategy, risk, performance, and sustainability are inseparable.	2.2	✓		In assessing the strategy and performance of the company, the Board takes cognisance of sustainable development and risk management, which are managed and assessed mainly by the Sustainability and Risk and Compliance Committees, which provide a report at each quarterly Board meeting. The Group risk appetite framework was approved by the Risk and Compliance Committee during the 2017 financial year. Risk exposures are measured against formalised risk appetite statements which are further aligned to the company's strategic objectives in accordance to the strategic, financial, and performance imperatives of the Group.
The Board should provide effective leadership based on an ethical foundation.	2.3	✓		See principle 1.1 above
The Board should ensure that the company is, and is seen to be a responsible corporate citizen.	2.4	✓		See principle 1.2 above
The Board should ensure that the company ethics are managed effectively.	2.5	✓		See principle 1.3 above
The Board should ensure that the company has an effective and independent Audit Committee.	2.6	✓		The Group has an effective and independent Audit Committee. An external evaluation conducted on the effectiveness of the Committee reflected that the Committee was performing all required functions. The Audit Committee is established in terms of the Companies Act, and meets quarterly. Committee members are all Independent Non-executive Directors. Shareholders approve the re-election of Audit Committee members at the Annual General Meeting, and the committee Chairman is appointed by the WHL Board.
The Board should be responsible for the governance of risk.	2.7	✓		The Board recognises that risk management is an integral part of sound corporate governance. To this end the Group applies an integrated approach to risk management, which is aligned to international best practice frameworks including ISO 31000 and COSO Enterprise Risk Management (ERM). This integrated approach is defined in the WHL ERM policy, which articulates and gives effect to the approach and direction on ERM. The Board has delegated its responsibility to the Risk and Compliance Committee chaired by an Independent Non-executive Director. The Board receives quarterly reports and includes risk assessment as part of its strategy meetings.
The Board should be responsible for IT governance.	2.8	✓		The Board is responsible for IT governance and has delegated oversight to the Risk and Compliance Committee. The establishment of appropriate IT policy, framework and strategy has been delegated to management. The Board, through the Risk and Compliance Committee, receives independent assurance on the effectiveness of the IT internal controls, including outsourced IT services, and ensures that the IT strategy is effectively integrated with the Group's strategic and business processes.
The Board should ensure that the company complies with applicable laws, and considers adherence to non-binding rules, codes, and standards.	2.9	✓		The Board, through the Risk and Compliance Committee, assumes responsibility for and monitors the Group's compliance with applicable laws, and those non-binding rules, codes and standards that the company has voluntarily elected to comply with.

## APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
The Board should ensure that there is an effective risk-based internal audit.	2.10	✓		The role of internal audit is outlined in the Audit Committee terms of reference and the internal audit charter. The annual audit coverage plan is integrated with the ERM framework and combined assurance model, and is approved by the Audit Committee on an annual basis. Provision is made for time to be allocated to ad hoc special requests by the committee and/or management. An independent quality review of the internal audit function is performed as and when appropriate but at least every third year. PwC conducted the review in 2017 with no significant findings reported.
The Board should appreciate that stakeholders' perceptions affect a company's reputation.	2.11	✓		The Board acknowledges that perceptions of stakeholders may negatively affect corporate reputation. It considers the legitimate interests of all stakeholders to manage such perceptions and reputational risks. Reputation risk is specifically monitored through the Key Risk Report reviewed by the Risk and Compliance Committee.
The Board should ensure the integrity of the company's Integrated Report.	2.12	✓		The Board, assisted by the Audit Committee, assumes responsibility for the integrity of the Integrated Report, and ensures that the report fairly represents the integrated performance of the Group.
The Board should report on the effectiveness of the company's system of internal controls.	2.13	✓		Group internal audit provides a written assessment on the design, implementation and effectiveness of the Group's system of internal controls, and separately on internal financial controls, on an annual basis. This is supplemented by the work of the external auditors, and other assurance providers. Based on the results of these assessments, the Audit Committee is able to form an opinion on whether the internal financial controls form a sound basis for the preparation of reliable financial statements. The Audit Committee reports to the Board, and the results of the internal controls assessment is in turn reported in the Audit Committee Report within the Annual Financial Statements.
The Board and directors should act in the best interests of the company.	2.14	✓		The directors are aware of their fiduciary duties and legal requirements, and every effort is made to ensure that there are no conflicts of interest. All directors are required to disclose their interests quarterly, and confirm any conflict with items included on agendas prior to the commencement of each Board and committee meeting.
Consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	2.15	✓		The Board considers the going concern status of the company and to the extent that this may be necessary, the Board will consider such proceedings and mechanisms if and when appropriate. Currently the Group's operating companies are going concerns.
The Board should elect a Chairman of the Board who is an Independent Non-executive Director. The CEO of the company should not also fulfil the role of Chairman of the Board.	2.16		✓	The Board has appointed a Chairman who is a Non-executive Director but who is not considered independent due to his material shareholdings in WHL. In line with King III recommendations, and JSE Listings requirements, a Lead Independent Director (LID) was appointed who assists in matters where there may be a conflict of interest. The LID was further appointed Chairman of the Nominations Committee in accordance with JSE Listings Requirements. The roles of the Chairman and Group Chief Executive Officer remain separate.

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	2.17	✓		The Board has appointed a Group Chief Executive Officer (Group CEO) who is responsible for the overall day-to-day operations of the Group. Individual Chief Executive Officers are responsible for the South African and Australian entities and report to the Group CEO. The Group Delegation of Authority effectively sets out the Group CEO's authorities.
The Board should comprise a balance of power, with a majority of Non-executive Directors.	2.18	✓		WHL has a unitary Board consisting of 15 directors, with nine Independent Non-executive Directors, one Non-independent Non-executive Director, and five Executive Directors.
Directors should be appointed through a formal process.	2.19	✓		The Appointment of Directors' Policy sets out the formal process for the Board as a whole, assisted by the Nominations Committee, in appointing directors. The Committee ensures a transparent and accountable process to determine an optimally diverse Board and committee composition, and that there is appropriate succession planning for the Chairman and directors.
The induction of and ongoing training, and development of directors should be conducted through formal processes.	2.20	✓		There is an induction process to ensure new directors are made aware of their duties, and are provided with the necessary supporting documentation. A programme is set up for any new director to ensure that they meet members of the Executive Committee and key members of management. Site visits to Group operations are also organised. Ongoing director development is facilitated through Board meetings, updates, presentations and site visits, as and when required.
The Board should be assisted by a competent, suitable qualified and experienced Company Secretary.	2.21	✓		The Board is assisted by a competent, suitably qualified, and experienced Group Company Secretary. The Board, through the Nominations Committee, assesses the competency on an annual basis.
The evaluation of the Board, its committees, and the individual directors should be performed every year.	2.22	✓		This year the Group conducted an external evaluation process utilising the services of The Board Practice. External evaluations are conducted every third year. The results of the external evaluation were presented to the Board, and its Committees at the May 2017 meetings. The performance of Executive Directors is also reviewed annually through the company's integrated performance management process. The Nominations Committee reviews the performance and independence before the re-election of the directors retiring by rotation at the Annual General Meeting.
The Board should delegate certain functions to well-structured committees without abdicating its own responsibilities.	2.23	✓		The Board has delegated certain functions to the Audit, Nominations, Remuneration, Risk and Compliance, Social and Ethics, and Sustainability Committees. The terms of reference for each committee are reviewed and approved by the Board on an annual basis. The Chairman of each committee reports to the Board each quarter, and committee minutes are circulated to all directors.
A governance framework should be agreed between the Group and its subsidiary boards.	2.24	✓		The Board has approved governance frameworks for its South African and Australian subsidiaries. The frameworks, together with the delegations of authority, ensure that the Board oversees the governance of the subsidiary companies.

## APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
Companies should remunerate directors and executives fairly and responsibly.	2.25	✓		Oversight of the group remuneration policy and implementation are handled by the Remuneration Committee, which considers both Executive and Non-executive Directors' remuneration on an annual basis. Benchmarking exercises are conducted to ensure market-related remuneration is paid. Non-executive Directors' fees for WHL directors are approved by shareholders at the Annual General Meeting.
Companies should disclose the remuneration of each individual director and certain senior executives.	2.26	✓		Directors' remuneration is disclosed in the Annual Financial Statements and Remuneration Report included in the Integrated Report. Disclosure for subsidiary companies will be included in respective 2017 financial statements as required by local regulations.
Shareholders should approve the company's remuneration policy.	2.27	✓		The Group's remuneration policy is tabled for approval by shareholders at the Annual General Meeting through a non-binding vote.
<b>AUDIT COMMITTEE</b>				
The Board should ensure that the company has an effective and independent Audit Committee.	3.1	✓		See principle 2.6 above
Audit Committee members should be suitably skilled and experienced Independent Non-executive Directors.	3.2	✓		See 2.6 above. The members of the WHL Audit Committee are all Independent Non-executive Directors with the necessary skills and expertise. Members collectively have a thorough understanding of the complexities of International Financial Reporting Standards (IFRS), Australian and South African Accounting Practices. Global Reporting Initiative (GRI) standards, and any other financial reporting framework and set of standards applicable.
The Audit Committee should be chaired by an Independent Non-executive Director.	3.3	✓		The Audit Committee is chaired by an Independent Non-executive Director.
The Audit Committee should oversee integrated reporting.	3.4	✓		The Audit Committee reviews the Integrated Report and recommends it to the Board for approval.
The Audit Committee should ensure that the combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	3.5	✓		A combined assurance model has been adopted by the Board under the oversight of the Audit and Risk and Compliance Committees. The Risk and Compliance Committee considers the completeness of the risks covered by the model. It is tabled at the Audit Committee on an annual basis, which reviews the level of assurance obtained over the risks.
The Audit Committee should satisfy itself on the expertise, resources and experience of the company's finance function.	3.6	✓		The expertise, resources and experience of the company's finance function as well as that of the Group Finance Director are assessed annually by the Audit Committee. Assessments of respective Chief Financial Officers for the operating subsidiaries are performed annually, and feedback is provided at the WHL Audit Committee.
The Audit Committee should be responsible for overseeing of internal audit.	3.7	✓		The Group Internal Audit function reports to the Audit Committee, and the Head of Internal Audit attends all Audit Committee meetings. The committee approves the scope of the internal audit plan and the resources required to achieve it.

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
The Audit Committee should be an integral component of the risk management process.	3.8	✓		The Audit Committee reviews the report by the external auditors on significant matters, including key audit matters, relating to the past financial year, and ensures that the processes of financial reporting risks, internal financial controls, IT risk (as it relates to financial reporting) and fraud risk (as it relates to financial reporting) are adequately managed. Most members of the Audit Committee are also members of the Risk and Compliance Committee to promote effective cross functioning.
The Audit Committee is responsible for recommending the appointment of the external auditor, and overseeing the external audit process.	3.9	✓		The Audit Committee recommends the appointment of the external auditor. It evaluates the external audit function against audit quality indicators including: qualifications; expertise and resources; effectiveness; and independence on an annual basis.
The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	3.10	✓		The Chairman of the Audit Committee reports to the Board verbally at each quarterly Board meeting. Annually, the report of the Audit Committee is disclosed in the Annual Financial Statements which are approved by the Board, and presented to shareholders at the AGM.

THE GOVERNANCE OF RISK				
The Board should be responsible for the governance of risk.	4.1	✓		See principle 2.7 above.
The Board should determine the levels of risk tolerance.	4.2	✓		Defined risk appetite statements and risk tolerance thresholds are utilised to clarify risk materiality, and facilitate risk-based decision-making in the context of the strategy. The levels of risk tolerance for the Group are tabled at each quarterly Risk and Compliance Committee meeting. The budget and/or targets are used to determine tolerance levels.
The Risk Committee or Audit Committee should assist the Board in carrying out its risk responsibilities.	4.3	✓		The Board is assisted by the Risk and Compliance Committee to carry out the responsibilities of risk management. During the 2017 financial year, the Group ERM and Business Continuity policies were approved.
The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	4.4	✓		The design and implementation of the enterprise-wide risk management plan is performed by the dedicated Group ERM. Day-to-day operational risk management, responsibility, and accountability over the control of environment are the direct responsibilities of management. Each of the key risks has been assigned to an Executive Committee member as the responsible owner. This drives integration of risk management into the day-to-day activities of the Group. The annual risk profile guides management to focus on specific areas, and ensures that key risk management process actions are completed during the year.
The Board should ensure that risk assessments are performed on a continual basis.	4.5	✓		The Group's risk profile is reviewed annually. As part of the risk management plan, business units review their risk registers twice a year. Emerging risks are considered for formal inclusion onto the new risk profile, and tracked and reported on a quarterly basis at the Risk and Compliance Committee meetings. Ad hoc risk profiles are performed on specific projects and key strategic initiatives.

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	4.6	✓		<p>The following components of the revised ERM framework are currently in place:</p> <ul style="list-style-type: none"> <li>• Group risk appetite framework</li> <li>• impact, probability and control effectiveness assessment tables</li> <li>• strategic high-level and business unit risk identification and assessment</li> <li>• combined assurance</li> <li>• monitoring of emerging risks as part of the quarterly review of the Key Risk Report</li> <li>• monitoring and reporting of key operational risk indicators as part of the Operational Risk Report</li> </ul> <p>As part of the quarterly risk reporting to the Risk and Compliance Committee, emerging risks are identified and monitored. Both the impact and likelihood of emerging risks are considered, and probability of the risk materialising continually assessed. These risks are escalated onto the key risks list when the likelihood of occurrence increases to high</p>
The Board should ensure that management considers and implements appropriate risk responses.	4.7	✓		<p>The quarterly Group Key Risk Report identifies the processes and controls in place to manage key risks. In addition, the report enables management to track the progress of current and future mitigation of each of the risks. This is done in the context of the risk metrics for each risk. The above is complemented by quarterly reports on the processes and controls in place to manage specialist risks, which include business continuity planning, occupational health and safety, legal and compliance risks, and insurance.</p>
The Board should ensure continual risk monitoring by management.	4.8	✓		<p>The processes and controls to manage the key risks are documented, and their adequacy and effectiveness are reviewed. New operational plans are developed, on an ongoing basis, to address Group key risks, and these are reported to the Risk and Compliance Committee. Through the quarterly feedback to the Risk and Compliance Committee, the Board receives assurance that key risks are continuously monitored and managed by the business.</p>
The Board should receive assurance regarding the effectiveness of the risk management process.	4.9	✓		<p>The Board receives assurance from the Risk and Compliance Committee, which reviews the results of the effectiveness assessment of the risk management process performed, by Group internal audit.</p>
The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate, and accessible risk disclosure to stakeholders.	4.10	✓		<p>The risk management framework and processes for the Group are disclosed in the Integrated Report. Risks inherent to business operations and strategic risks are also disclosed.</p>



# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
<b>THE GOVERNANCE OF INFORMATION TECHNOLOGY (IT)</b>				
The Board should be responsible for IT governance.	5.1	✓		See principle 2.8 above
IT should be aligned with the performance of sustainability objectives of the company.	5.2	✓		The IT strategy is integrated with the strategic focus areas of the business to both support and drive operational efficiencies, including sustainability objectives.
The Board should delegate to management the responsibility for the implementation of an IT governance framework.	5.3	✓		Management is responsible for the implementation of all the structures, processes and mechanisms of the IT governance framework. The Chief Information Officers in South Africa and Australia have access to and regular interaction on strategic matters with the Board, and executive management through the Group Chief Operating Officer.
The Board should monitor and evaluate significant IT investments and expenditure.	5.4	✓		IT investments and expenditure are governed in terms of the delegation of authority, and major IT projects are reviewed at the monthly Investment Committees in South Africa and Australia, and monitored by the Board through the IT Governance Report tabled quarterly at the Risk and Compliance Committee meetings.
IT should form an integral part of the company's risk management.	5.5	✓		IT is an integral part of the risk management process and where key risks are identified, the necessary assurance levels obtained, and key risks managed and reported through the Risk and Compliance Committee. Management regularly demonstrates to the Board that the Group has adequate business resilience arrangements in place for IT disaster recovery.
The Board should ensure that information assets are managed effectively.	5.6	✓		A Group information management strategy is in place to ensure security, confidentiality, integrity, and availability of information. A Group Information Management Committee was constituted during 2017 to develop the Information Management Policy for the WHL Group which will serve as the framework to manage information effectively and ethically.
A Risk Committee and Audit Committee should assist the Board in carrying out its IT responsibilities.	5.7	✓		The Risk and Compliance, and Audit Committees assist the Board in carrying out its IT responsibilities. The Risk and Compliance Committee monitors that IT risks are adequately addressed through its risk management and monitoring processes. The Audit Committee oversees the assessment of internal controls, including IT, performed by internal audit
<b>COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>				
The Board should ensure that the company complies with applicable laws, and considers adherence to non-binding rules, codes, and standards.	6.1	✓		See principle 2.9 above
The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes, and standards of the company and its business.	6.2	✓		Legislative and regulatory compliance is monitored by the Group Risk, Compliance and the legal teams. The Board is regularly kept abreast of changes in the regulatory and legislative landscape. Processes are in place to ensure that the Board is continually informed of relevant laws, rules, codes, and standards. Regulatory updates are reported to the relevant committees on a quarterly basis, and additional training performed as and when required.

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
Compliance risk should form an integral part of the company's risk management process.	6.3	✓		Compliance risk management forms an integral part of the Group's overall risk management programme, which is aligned with international best practice.
The Board should delegate to management the implementation of an effective compliance framework and process.	6.4	✓		<p>The Board has delegated to management the implementation of an effective compliance risk management framework and process. The framework incorporates the complete WHL Group structure. The Group Compliance Policy was approved by the Risk and Compliance Committee during the 2017 financial year. The Compliance Department:</p> <ul style="list-style-type: none"> <li>• constantly informs the business of any developments in legislation that are pending or forthcoming and which will impact the business;</li> <li>• assists the business in implementing applicable laws and other regulatory requirements;</li> <li>• regularly furnishes the business with legal and compliance advice;</li> <li>• designs and presents training and awareness programmes on key regulatory requirements in an easy to understand manner, to the affected business areas;</li> <li>• conducts monitoring exercises on high-risk legislation in accordance with the approved compliance monitoring plan;</li> <li>• maintains and fosters relationships with key stakeholders, such as industry bodies, regulators, government; and</li> <li>• produces a quarterly Compliance Report tabled at the Risk and Compliance Committee, which consists of: <ul style="list-style-type: none"> <li>- regulatory updates on current and forthcoming legislation that impact the business;</li> <li>- compliance monitoring feedback;</li> <li>- regulatory complaints; and</li> <li>- updates on special projects.</li> </ul> </li> </ul>

INTERNAL AUDIT				
The Board should ensure that there is an effective risk based internal audit.	7.1	✓		See principle 2.10 above
Internal audit should follow a risk based approach to its plan.	7.2	✓		The internal audit plan is risk-based and the approach is informed by the strategy and risks of the Group.
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	7.3	✓		Internal audit forms an integral part of the combined assurance model as an independent assurance provider. Internal audit provides a written assessment of the design, implementation and effectiveness of the Group's system of internal controls as well as the effectiveness of the risk management function on an annual basis. Based on the results of the Internal Audit assessment and the work of other assurance providers, including the External Auditors, the WHL Audit Committee and the Board are able to form an opinion on the internal financial controls and whether they form a sound basis for the preparation of reliable financial statements.
The Audit Committee should be responsible for overseeing internal audit.	7.4	✓		The Head of Internal Audit reports to the Audit Committee and meets regularly with the Chairman of the Committee to discuss matters relating to the internal audit.

# APPLICATION OF KING III CORPORATE GOVERNANCE PRINCIPLES 2017 (CONTINUED)

KING III PRINCIPLE	REFERENCE	APPLY	DO NOT APPLY	APPLICATION OF PRACTICE
Internal audit should be strategically positioned to achieve its objectives.	7.5	✓		The internal audit function is independent and objective, and reports to the Audit Committee. The committee reviews the resources and skills of the function on an annual basis to ensure they are adequate to provide the necessary assurance requirements to the committee.

GOVERNING STAKEHOLDER RELATIONSHIPS				
The Board should appreciate that stakeholders' perceptions affect a company's reputation.	8.1	✓		See principle 2.11 above
The Board should delegate to management to proactively deal with stakeholder relationships.	8.2	✓		The Board has delegated to the respective management teams in the Group, the responsibility to manage and implement the formal stakeholder engagement framework across the Group. Management proactively deals with stakeholder relationships as part of the day-to-day operations of the business.
The Board should strive to achieve the appropriate balance between its various stakeholder Groupings, in the best interest of the company.	8.3	✓		Stakeholder engagement must facilitate value creation in order for it to be beneficial to the Group and the stakeholder. Engagements are based around issues that are both salient for the business and aligned to national priorities.
Companies should ensure the equitable treatment of shareholders.	8.4	✓		In line with the JSE Listings Requirements, the Board makes every effort to treat all shareholders equally.
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	8.5	✓		The Group provides information to its stakeholders that is complete, timely, relevant, accurate, and accessible. The degree of corporate transparency and communication is considered with reference to the relevant legal requirements, and the maintenance of the company's competitive advantage.
The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	8.6	✓		Dispute resolution clauses are contained in all contracts and agreements entered into by the company and its subsidiaries.

INTEGRATED REPORTING AND DISCLOSURE				
The Board should ensure the integrity of the company's Integrated Report.	9.1	✓		See principle 2.12 above
Sustainability reporting and disclosure should be integrated with the company's financial reporting.	9.2	✓		The Integrated Report includes information from the Group's financial statements and GBJ Report including commentary that provides sufficient information on the key issues affecting the Group, its stakeholders, and the communities in which it operates.
Sustainability reporting and disclosure should be independently assured.	9.3	✓		Selected metrics are independently assured by the external auditor and included in the GBJ Report available on the Group's website.

*[www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za)*