

sustainability report



Thembalitsha Foundation – Graceland Pre-School

Lewis Group recognises the need to enhance sustainability management practices to ensure the longer-term prosperity of the business and the communities it serves, while at the same time meeting the shorter-term needs of providing superior returns to shareholders.

Introduction

Over the past year the group has continued to transform the employee profile, invest in staff training and development, support community upliftment through corporate social investment and assist small businesses through procurement and enterprise development practices.

Monte Christo Feeding Centre – Upgrade of kitchen

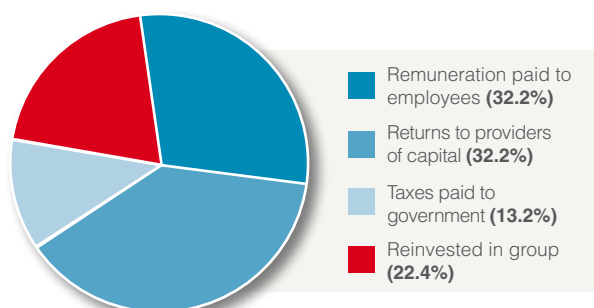


Value added statement

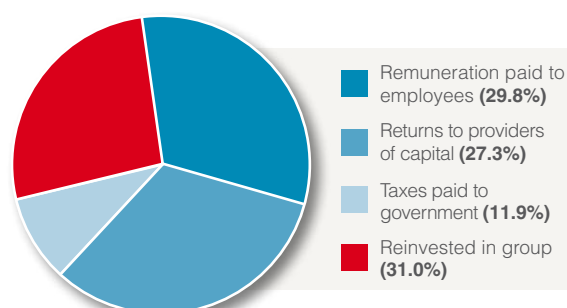
	Group			
	2009		2008	
	Rm	%	Rm	%
Revenue	3 807.1		3 596.4	
Paid to suppliers for goods and services	2 133.2		1 902.7	
Value added by operating activities	1 673.9		1 693.7	
Distributed as follows:				
Remuneration to employees	538.4	32.2%	504.2	29.8%
Returns to providers of capital	539.6	32.2%	463.1	27.3%
To provide lenders with a return on their capital utilised	108.5		68.2	
To provide lessors with a return for the use of their premises	146.8		132.2	
To provide shareholders with a return on their equity	284.3		262.7	
Taxes paid to governments	221.4	13.2%	202.1	11.9%
Income taxation	217.7		199.2	
Municipal rates	3.7		2.9	
Reinvested in the group	374.5	22.4%	524.3	31.0%
Depreciation and amortisation	45.8		40.9	
Deferred taxation	46.0		103.8	
Net earnings retained	282.7		379.6	
Total wealth distributed	1 673.9	100.0%	1 693.7	100.0%

Distribution of value added

2009



2008



sustainability report *continued*

Employees

Lewis acknowledges that employees are the drivers of business performance. The group's human resources strategy is aimed at enhancing business performance through staff recognition schemes, training and development, sound employee relations and an employee well-being programme.

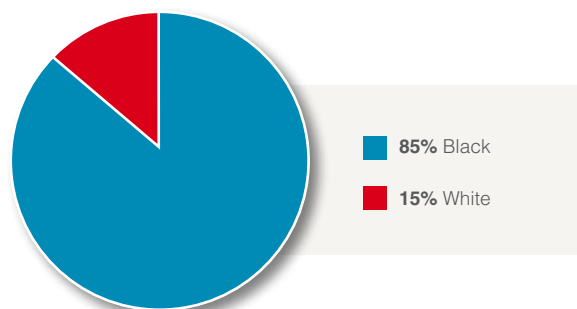
A results-driven culture pervades the business and individuals are managed according to targets which are directly linked to the group's goals and objectives.

Employment equity

The group is committed to ensuring that its employee profile is representative of the customer base it serves and the communities in which Lewis trades. Black staff now account for approximately 85% of the total staff complement, with females comprising 55%.

The table indicating the percentage of the permanent workforce that is from previously disadvantaged groups is provided below:

Employees by race



	October 2008	October 2007	October 2006	October 2005	October 2004
Senior management	14.3%	17.9%	17.2%	6.3%	6.1%
Specialists and middle management	27.8%	28.0%	19.7%	35.0%	29.1%
Skilled technical and junior management	54.3%	47.7%	42.8%	42.9%	41.4%
Semi and unskilled employees	88.7%	87.9%	83.9%	82.3%	81.7%
Total	83.4%	81.4%	77.1%	75.7%	74.9%



Staff benefits

Lewis aims to create an environment where loyal staff are rewarded for their contribution to the success of the group. This is reflected in the remuneration structures and benefits offered to staff. These include:

- compulsory membership of the Lewis Provident Fund or the SACCAWU National Provident Fund;
- voluntary medical aid, subsidised by the company;
- home loan assistance;
- educational bursaries;
- subsidised canteen facilities at head office;
- counselling facilities;
- discounts on merchandise; and
- low-cost funeral and personal accident insurance.

Industrial relations

A recognition agreement exists with the South African Commercial and Allied Workers' Union (SACCAWU) and other trade unions.

Recognition agreements have also been concluded with unions in Botswana, Lesotho and Swaziland.

During the year settlements were reached in all countries, with no man days lost to industrial action.

Training

An extensive range of training courses are offered to all employees to enhance their performance and skills. During the 2009 financial year, 2 148 staff attended training courses, with 80% of the delegates being previously disadvantaged staff. A specific focus has been on the training of branch managers and assistant managers.

Courses per job category	No. of delegates
Regional Controllers/ Branch managers/ Assistant managers	934
Sales advisers	494
Credit clerks/collectors	398
Stock clerks	150
Other	172

The group's training department is accredited as a training provider with the Wholesale and Retail Sector Education and Training Authority (W&R SETA) and offers a range of computer-based training in areas such as management development, sales training, induction training and other job-specific skills training. A further 2 568 staff were trained through these computer-based courses.

Lewis Live, a weekly training programme broadcast on the in-house television system, enables the group to expose all branches to standardised skills training and the latest product information. The programme features two products per week and all sales people are tested on their knowledge of these products.

Human resources priorities for 2010

- Further enhance retention of high performing and critical staff
- Increase the effectiveness of the talent management process
- Leadership development
- Build the Lewis brand as an employer of choice in the furniture retail and financial services sectors.



sustainability report *continued*



HIV/AIDS

Lewis has an HIV/AIDS awareness programme which is integrated into the regular company training programmes available to staff. The aim of the programme is to advise staff members of the effects of HIV/AIDS and available preventative methods. Brochures are regularly distributed to staff.

An HIV/AIDS management programme has been made available to permanent staff and their immediate families. The programme is run by an external service provider which offers access to post-HIV exposure counselling through a care centre and covers initial medication, free consultations and assistance in locating a clinic for treatment.

Participation by employees and their families is voluntary and counselling is confidential. The group meets the cost of this cover for employees.

Transformation

Procurement and enterprise development

The group strives to provide customers with differentiated, exclusive and value-for-money merchandise. To meet the needs of customers, merchandise is sourced from local suppliers and through imports, mainly from the Far East. While imports account for 24% of merchandise, the group

continues to work in partnership with local suppliers to design merchandise which is appealing to the customer base.

A substantial volume of merchandise is procured from small businesses which are mainly owned by persons from designated groups. Payment terms are 30 days which supports the cash flows of these suppliers.

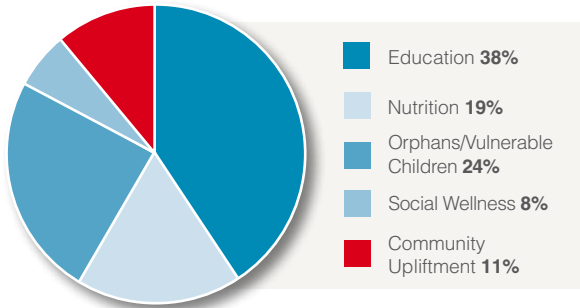
During the year approximately 40% of furniture was bought from BEE suppliers, 90% of vehicles were bought from a BEE dealership and some 30% of rental premises are owned or controlled by previously disadvantaged individuals.

Corporate social investment

Lewis is committed to uplifting the communities in which it operates and seeks to be recognised by these communities as a dependable, caring and ethical corporate citizen. This is projected in the group's corporate social investment (CSI) programme which supports communities close to its business operations and close to where staff live.

The CSI strategy is to identify projects which are sustainable, show measurable results and offer the greatest social impact and value for the company. The primary focus areas are education and training, followed by health and social development.

CSI



The main projects supported by Lewis over the past year were:

- *Project Build* provides educational and community facilities for disadvantaged communities in rural KwaZulu-Natal. The project brings together communities, funders, sponsors and local builders to develop these facilities while creating employment and providing classrooms for children. In partnership with Project Build, Lewis has built five classrooms for schools in rural areas of Stanger and Tongaat.
- *Monte Christo* is a feeding kitchen in Paarl. Lewis has funded equipment to enable the facility to provide daily meals for over 3 600 children in accordance with guidelines from the Peninsula School Feeding Association.
- *Children of the Dawn* supports rural community initiatives which focus on caring for HIV/AIDS orphans and other vulnerable children. Lewis has increased its sponsorship from 45 to 83 children and the funding covers schooling, food, clothing and health care, including HIV/AIDS treatment.

Two classrooms built for Kwelifuphi Primary School, Upper Tongaat

- *SA Children's Home* in Gardens, Cape Town, provides a home for boys and girls who have generally been placed in the home via the social services. Lewis supports the home with furniture and funds schooling needs of the children.
- *Family Reunion Centre* is based in Paarl and also has a facility in Krugersdorp in Gauteng. This care centre provides impoverished pensioners in the Boland with food parcels, as well as caring for homeless people and single mothers and operating a soup kitchen for schoolchildren.

Other projects supported by Lewis are the Peninsula School Feeding Association in the Western Cape, the Amy Biehl Foundation and the Community Chest.



sustainability report *continued*

The CSR programme includes communities in the neighbouring countries of Botswana, Lesotho, Namibia and Swaziland where the group has a retail presence. The group supports the SOS Children's Homes in these countries with merchandise as well as funding for operating expenses.

Customers

Customer profile

Customers of Lewis and Best Home and Electric are middle class consumers in the LSM 4 to 7 categories. Customers are generally family oriented and from black communities, with 58% of customers being female. The group ensures that customers are serviced by staff from their own communities, with stores located close to where Lewis customers work, shop, live and commute.

Lewis is committed to providing customers with quality products and excellent service. High levels of repeat sales are an indication of service satisfaction and customer loyalty, with the group achieving consistently high scores in client service performance evaluations.

A range of research tools are used to monitor customer service levels, including mystery shopping, telephonic assessments and courtesy surveys among new customers.

Independent mystery shoppers visit all stores across the three retail businesses on a regular basis. These "shoppers" assess the professionalism of sales staff, the store image, sales skills and product knowledge of store staff, merchandise presentation and pricing, and gain an

overall impression of the customers' visit to a store.

A random sample of new customers is surveyed each month to evaluate their purchasing experience, with ongoing surveys being undertaken over the account life cycle.

A Service Excellence Club motivates and rewards staff for their outstanding customer service. Staff are nominated based on feedback from customers, reports from mystery shopping research or by senior management. Club members qualify for attractive incentives.

Environment

While environmental management is at an early stage at Lewis, management recognises that business activities do affect the environment and are taking active steps to reduce the impact. Focus areas include:

- minimising electricity and water consumption;
- contracting waste disposal companies to recycle consumables such as stationery, paper and plastic; and
- optimising fuel and oil consumption by ensuring that vehicles operate efficiently and that deliveries are efficiently executed.

An environmental policy is being developed to enable the group to manage the impact of its activities and to measure performance. The policy covers compliance with environmental legislation, measuring and reducing environmental impacts and reporting on impacts. The group also encourages suppliers to manage the environmental impact of their business activities.

Three classrooms built at St. Christophers Primary School, Sakhamakhanya, Stanger

