Lewis Group – 2021 King IV Report

Lewis Group is committed to good governance through meaningful consideration and where appropriate, application of the King IV governance principles to achieve the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

The board confirms that its primary governance role and responsibilities are to:

- Steer and set the strategic direction of the group;
- Approve policy and planning;
- Oversee and monitor; and
- Ensure accountability.

The Lewis Group is committed to achieving good corporate governance based on the principles of integrity, transparency and accountability in dealing with all stakeholders. This report explains how the group has applied each of the King IV principles and how its implementation supports the achievement thereof.

Leadership

Principle 1: The governing body should lead ethically and effectively:

Recommended practices	Status	Explanation
• Members of the governing body should individually and collectively cultivate the following characteristics and exhibit them in their conduct: ○ Integrity ○ Competence ○ Responsibility ○ Accountability ○ Fairness ○ Transparency • The governing body should embody the above ethical characteristics in order to offer effective leadership that results in achieving strategic objectives and positive outcomes over time.	Applied – full compliance	The board is responsible for providing effective leadership on an ethical foundation. This board is committed to good corporate governance based on the principles of integrity, transparency and accountability in its dealings with all stakeholders. All individual directors as well as the company secretary conduct an annual fit and proper test. Directors declare any conflict of interest at the commencement of meetings for matters on the agenda as well as annually declare any other interests. The Code of Ethics is reviewed periodically by the board.

• Disclose how members of the governing body are being held to account for ethical and effective leadership.		All directors participate in the annual evaluation of board performance. This evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability and governance practices.

Organisational Ethics

Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

Recommended practices	Status	Explanation

The governing body should assume responsibility for the governance of ethics
• Approve codes of conduct and ethics policies and ensure that they include all stakeholders and address the key ethical risks.
• Ensure that there are ways for all stakeholders to be made aware of the codes of conduct and ethics policies. These arrangements should include:
  o publishing the groups codes of conduct and policies on the website, intranet and any other media;
  o incorporating the relevant codes of conduct and policies in supplier and employee contracts as well as in employee induction and training programmes.
• 'Delegate implementation and execution of the codes of conduct and ethics policies to management.
• Exercise ongoing oversight of the management of ethics and, in particular, oversee that it results in such matters as recruitment, employee remuneration, supplier selection, breach management, whistleblowing and independent assessments.
• Disclose how ethics are being managed at Lewis Group, the focus areas for the current year, monitoring measures, how ethical outcomes are addressed and future areas of focus
	Applied	The group strives to achieve the highest standards of ethical conduct. The board-approved ethics framework, code of conduct and core values outline the standards of honesty, integrity and mutual respect which employees are required to observe. The Lewis group code of conduct and supplier code of conduct and acceptance thereof is available on the Lewis Group website.
		
		The Internal Audit Executive reports summary information on the whistleblowing hotline to the Audit committee on a quarterly basis.
		
		In 2021 the group focused on monitoring the ethics programme.
		
		Breach of ethics is dealt with decisively and employees are informed of any dismissals following disciplinary action arising from breach of ethics or misconduct periodically.
		The group will focus on creating ongoing awareness regarding the whistle-blower hotline and ethics matters.

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Responsible Corporate citizen

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

Recommended practices	Status	Explanation
The governing body should assume responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the organisation. • The governing body should ensure that the organisation's responsible corporate citizenship efforts include compliance with the Constitution of South Africa (including the Bill of Rights), the law, leading standards, and adherence to its own codes of conduct and policies. • The governing body should oversee that the organisation's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen. • The governing body should oversee and monitor how the consequences of the organisation's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring should be performed against measures and targets agreed with management in all of the following areas: economy, society and the environment. • Disclose the arrangements for governing and managing responsible corporate citizenship, including the key areas of focus, monitoring measures, how the key outcomes were addressed and future areas of focus.	Applied – full compliance	This principle is embodied in the Lewis Group board charter which confirms that the directors are responsible for ensuring that the company is playing its role as a responsible corporate citizen. The Lewis Group is committed to act responsibly within every country in which the business operates and to comply with all laws and regulations. The board, through the Social, ethics and transformation committee monitors the activities relating to good corporate citizenship. These activities include the promotion of transformation and specifically monitoring progress on the B-BBEE codes, employment equity, skills development, preferential procurement and enterprise development, socio-economic development and environmental sustainability. In 2021 the group The Group appointed consultants specialising in environmental and climate risk to assist with the formulation of a climate risk framework..

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Strategy and performance

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Recommended practices	Status	Explanation
Steer and set the direction, purpose and strategy of the organisation. Delegate to management the formulation of the group's strategy and approve the strategy. When considering the proposed strategy for approval, the governing body should challenge it constructively with reference to: • Timelines and parameters • Risks and opportunities • Resources and relationships connected to the forms of capital • Legitimate expectations of material stakeholders • Changes to the forms of capital • Interconnectivity and interdependencies The governing body should approve the policies and operational plans developed by management to give effect to the approved strategy. These should include the key performance measures and targets for assessing the achievement of strategic objectives and positive outcomes. The governing body should exercise oversight of the implementation of strategy and operational plans by management. It should continually assess and respond responsibly to any negative consequences of its activities and outputs, its solvency and liquidity and going concern status.	Applied	The board approves the strategy after taking into account the factors that affect its implementation. Executive management formulate the Lewis Group's strategy and budget annually and take into account the following factors in relation to the six forms of capital: • Internal and external factors • risks and opportunities • resources and relationships; and, • key interdependencies. The board reviews, interrogates and approves the strategy in March each year and thereafter monitors the execution by management, taking into account the expectations of material stakeholders. The board reviews the group's performance on a quarterly basis and assesses its solvency and liquidity and going concern status on a half-year and annual basis. Further details on Lewis Group's strategy and targets as well as the material issues and risks are set out in the Integrated Annual Report.

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Reporting

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.

Recommended practices	Status	Explanation
The board should assume responsibility for the group's reporting, by approving management's determination of reporting frameworks, taking into account legal requirements and intended purpose of each report. The board should ensure that the group issues an integrated report and that the annual financial statements, sustainability reports and all other board committee reports are issued in compliance with legal provisions. The board should approve the basis for determining group materiality for the integrated annual report and King IV disclosures.	Applied – full compliance	The Lewis board, through the audit committee, approves the reporting framework, taking into account amongst others the JSE Listings Requirements, IFRS and King IV. The group has compiled and issued an annual report every year since listing on the JSE in 2004. The integrated report and annual financial statements are reviewed by the audit committee who oversee the integrated reporting process as well as the company's financial and reporting function.

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Primary role and responsibilities of the governing body

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

Recommended practices	Status	Explanation
The governing body should exercise its leadership role by steering the organisation and setting its strategic direction, approving policy and planning, overseeing and monitoring of implementation and execution by management and ensuring accountability for organisational performance by means of reporting and disclosure. The governing body should have a board charter which outlines its role, responsibilities and membership requirements and this charter should be regularly reviewed. It should approve the protocol to be followed for non-executive directors to obtain independent, external professional advice as well as the protocol for requesting documentation from, and setting up meetings with management. The governing body should disclose the number of meetings held, attendance and whether the governing body is satisfied that it has discharged its responsibilities in accordance with its charter.	Applied – full compliance	A formal board charter confirms that the directors are accountable to shareholders with a clear division of responsibility and delegation of authority to the chief executive officer. Lewis has an approved protocol for non-executive directors to obtain independent, external professional advice as well for requesting additional information and setting up meetings with management. The Lewis board meets four times a year but could only meet three times in the current period. Further details on meeting attendance for board and other committees is disclosed in the Corporate Governance section of the Integrated Annual Report as well as the full corporate governance report available on the company's website. The board was satisfied that it discharged its responsibilities in accordance with its charter based on the annual work plan.

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Composition of the governing body

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.

Recommended practices	Status	Explanation
Composition The governing body should direct and approve the process for attaining the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The governing body should consider an appropriate size for itself, with reference to the optimal mix of knowledge, skills, experience, the mix of executive, non-executive and independent non-executives, sufficiency in numbers for its committees, quorum and regulatory requirements and diversity targets. **Nomination, election and appointments** The nomination of candidates for election should be approved by the governing body as a whole and the process should be formal and transparent. **Independence and conflicts** Subject to legal provisions, each member of the governing body should submit a declaration of all financial, economic and other interests at least annually or where there are significant changes. At the beginning of each meeting, members should be required to declare any conflicts of interest and any such conflicts should be proactively managed.	Applied– full compliance	Lewis has a unitary board structure consisting of six non-executive directors, five of whom are independent and two executive directors being the CEO and CFO. The board, through the Nominations committee ensures that the it has the required skills, experience, diversity and independence to operate objectively and efficiently. The board acknowledges that diversity is an important element for promoting better decision-making and effective governance and as such has adopted a race and diversity policy and set minimum targets of 30% representation. Nomination, election and appointments The board, through the Nominations committee has established a formal process for the appointment of directors. Independence and conflicts Each director submits an annual declaration of interests to the company secretary and declaration of conflicts of interest is a standing item on the agenda.

The governing body should determine the independence of members if it concludes that there is no interest, position or association or relationship which, when judged from the perspective of a reasonable person, is likely to unduly influence or cause bias in decision-making in the best interests of the organisation. **<u>Chair of the governing body</u>** The governing body should elect an independent non-executive member as chair. **Lead Independent** The governing body should appoint an independent non-executive member as the lead independent to lead in the absence of the chair, to serve as a sounding board for the chair, to act as an intermediary, to deal with shareholders concerns, to strengthen independence, to chair discussions and decision making on matters where the chair has a conflict of interest and to lead the performance appraisal of the chair. The chair should not be a member of the audit committee but may be a member of the remuneration committee but not its chair, a member of the nominations committee and also its chair, a member of the risk committee but not its chair and may also be a member of the social, ethics and transformation committee but should not be its chair.		The independence of board members is assessed in a holistic manner by the Nominations committee. Various criteria are used to determine independence, including length of service on the board, whether the member is a significant provider of financial capital, or provides ongoing professional advice to the company, other than as a member of the board and is entitled to remuneration contingent on the performance of the group. Hilton Saven was re-elected as board chairman in 2021. The Lewis board annually evaluates whether a lead independent director should be appointed. In 2021 the board appointed Fatima Abrahams as a lead independent director. The chairman is not a member of the audit committee.

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Committees

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Recommended practices	Status	Explanation
Ensure that composition, roles and responsibilities of committees are complementary, not fragmented or duplicated and that there is no undue reliance or dominance by any member. Allow any member to attend any committee meeting as an observer, and allow management to attend by standing or ad-hoc invitation.	Applied – full compliance	Lewis Group has established five committees and each one is formally constituted with terms of reference and delegated authority. Each committee is chaired by an independent non-executive director with the requisite skills and expertise. Furthermore all non-executive directors attend the committees by invitation. **Lewis board committees** / **Composition** • Audit committee: Three independent non-executives • Risk committee: Five independent non-executives, one non-executive and two executives • Remuneration committee: Five independent non-executives and one non-executive • Nominations committee: Five independent non-executives and one non-executive • Social, ethics and transformation committee: Three independent non-executives and one executive Full details of board committees are disclosed in the Integrated Annual Report as well as the Corporate Governance Report published on the company's website.

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Evaluation and performance

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.

Recommended practices	Status	Explanation
The governing body should assume responsibility for the evaluation of its own performance and that of its committees, its chair and its individual members by determining how it should be approached and conducted. The governing body should appoint an independent non-executive member to lead the evaluation of the chair's performance if a lead independent is not in place. A formal process, either externally facilitated or not in accordance with methodology approved by the governing body, should be followed for evaluating the performance of the governing body, its committees, its chair and its individual members at least every two years. Every alternate year, the governing body should schedule in its yearly work plan an opportunity for consideration, reflection and discussion of its performance and that of its committees, its chair and its members as a whole.	Applied – full compliance	All directors participate in an annual evaluation of the board's performance. The questionnaire-based evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability and governance practices. The process also includes an assessment of the performance of the chairman, chief executive officer and the company secretary. Directors also evaluate it other individually. In addition the chairman has individual feedback sessions with each director following the completion of the questionnaire should it be necessary. In 2021 a formal evaluation was conducted internally. It concluded that the board's overall functioning and governance met the required standards.

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Appointment and delegation to management

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.

Recommended practices	Status	Explanation
CEO appointment and role The governing body should appoint the CEO and the CEO should be responsible for leading the implementation and execution of the strategy and be accountable to the governing body. The CEO should not be a member of the remuneration, audit or nomination committees but should attend by invitation. The governing body should ensure that there is a succession plan for the CEO and should evaluate the performance of the CEO against agreed upon performance measures and targets.	Applied – full compliance	The Lewis board appointed the current CEO in October 2009 and he is responsible for formulating and implementing the group strategy which is presented to the board for approval. The CEO is accountable and reports to the board. The board formally evaluates the performance of the CEO and has a succession plan. The CEO has a notice period of 24 months.
Delegation The governing body should approve a delegation of authority framework, including specifically to satisfy itself that there is succession planning in place for executive management and key positions		Delegation The board reviews the Decision making framework on an annual basis. Succession planning for executives is considered by the remuneration committee and is in place.
Professional corporate governance services to the governing body The governing body should ensure that it has access to professional and independent guidance on corporate governance and its legal duties, and also that it has support to coordinate the functioning of the governing body and its committees. The governing body should ensure that the office of the company secretary or other professional providing corporate		The Lewis Group company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with company statutory and JSE regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities. The company secretary acts as secretary for all board committees.

governance services is empowered and that the position carries the necessary authority. The governing body should approve the appointment, including the employment contract and remuneration of the company secretary or other professional providing corporate governance services. .		The directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. The board conducted a formal evaluation of the company secretary (Ms Ntokozo Makomba), as required by the JSE Listings Requirements. The directors are satisfied that the company secretary has the requisite competence, qualifications and experience to perform the role. The board is satisfied that it meets the King principle of having an arms-length relationship with the company secretary and confirms that the company secretary is not a director of any of the group companies and is not related to any of the directors. As such, the board confirms that an arms-length relationship has been maintained between the board and the company secretary.

Risk Governance

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Recommended practices	Status	Explanation
The governing body should assume responsibility for the governance of risk by setting the direction for how risk should be approached and addressed in the organisation. Risk governance should encompass both opportunities and associated risks when developing strategy, and the potential positive and negative effects. The governing body should treat risk as an integral part of decision making and execution of duties, approve the risk management policy, the risk appetite and the limit of potential loss. The governing body should exercise ongoing oversight of risk management, including an assessment of risks and opportunities, the design and implementation of appropriate risk responses, the establishment of business continuity, the integration and embedding of risk management in the business activities and culture and receive periodic independent assurance on the effectiveness of risk management. Disclose the nature and extent of risks and opportunities, an overview of the risk management system, key areas of focus, key risks, risks taken outside tolerance levels and actions to monitor an address risk management.	Applied – full compliance	The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk Committee. The committee is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant. A dedicated Chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, risk appetite, relevant responsibilities and the risk management plan. Executive management have established a Risk Working Group (RWG), chaired by the CEO and attended by the senior management team. The RWG meets quarterly and is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives. The focus of the risk management process is on strategic and key operational risks. A top-down approach is applied by the business units in the group in assessing the risks. The link between strategic objectives, material risks and actions plans are disclosed in the Integrated Annual Report.

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Technology and information governance

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

Recommended practices	Status	Explanation
The governing body should assume responsibility for the governance of technology and information by setting the direction for how technology and information should be approached and addressed in the organisation. The governing body should exercise ongoing oversight of technology and information management and oversee results of management's implementation of the leveraging of information to sustain and enhance the organisations intellectual capital, an information architecture that supports confidentiality, integrity and availability of information, the protection of privacy and continual monitoring of security of information. Furthermore, it should oversee that the technology architecture enables the achievement of strategic and operational objectives, the management of risks pertaining to sourcing of technology, the responses to new technology developments. The governing body should consider the need to receive periodic independent assurance on the effectiveness of the organisation's technology and information arrangements, including outsourced services.	Applied – full compliance	The board is responsible for the governance of technology and information and has delegated specific responsibility to the Lewis Information Technology steering committee. A key focus of the oversight role of the board is to ensure that information technology (IT) is aligned to the business strategy and that IT enables the business to function efficiently and effectively. IT is a key enabler of the Lewis business model, from the centralised credit assessment and approvals to managing the customer relationships by stores as well as the sourcing and supply chain of merchandise. The Lewis Information Technology Steering Committee meets quarterly and comprises the CEO, CFO, IT general manager as well as key outsource partners The committee reports quarterly into the Risk Committee.

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Compliance

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.

Recommended practices	Status	Explanation
The governing body should assume responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes and standards by setting the direction for how compliance should be approached and addressed in the organisation. The governing board should approve the policy that directs compliance and: • Delegate to management the responsibility for implementing compliance management • Oversee compliance and ensure that it results in compliance being understood, that it relates holistically and is responsive to changes and developments following continuous monitoring of the regulatory environment .	Applied – full compliance	The Lewis Group board charter confirms that the directors are responsible for overseeing legislative, regulatory and governance compliance. The group's compliance policy is approved by the board and is reviewed on an annual basis. The monitoring of compliance is delegated to the risk committee and the responsibility for implementing compliance management is delegated to the CEO and executive management. The Chief risk officer facilitates the compliance monitoring framework and operational plan and reports quarterly to the RWG and the board's risk committee. The board is satisfied that the legal and compliance framework is operating effectively.

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Remuneration governance

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.

Recommended practices	Status	Explanation
The governing body should set the direction for how remuneration should be approached and addressed on an organisation-wide basis. Approve the policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration. remuneration policy should be designed to achieve the following objectives: - To attract, motivate, reward and retain human capital. - To promote the achievement of strategic objectives within the organisation's risk appetite. - To promote positive outcomes. - To promote an ethical culture and responsible corporate citizenship. Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation. The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates; and/or all the capitals that the organisation uses or affects. If the organisation is a company, the voting by shareholders on the remuneration policy and implementation report, and for the implementation of related responding measures as outlined under voting on remuneration. The governing body should oversee that the implementation and execution of the remuneration policy achieves the objectives of the policy.	Applied – full compliance	Lewis Group strives to create a performance orientated culture which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives. Lewis has an approved remuneration policy which is reviewed annually and is designed on the principles of alignment to the group's strategy, aligning executive rewards with the interests of stakeholders, promoting a performance-based culture, offering appropriate short and long-term performance-based rewards which are fair and achievable, attracting and retaining talented individuals and managing employment costs effectively. A detailed remuneration report is disclosed in three parts in the Integrated Annual Report and the remuneration policy and implementation reports will again be subject to a non-binding advisory vote by shareholders at the AGM. At AGM in October 2020, the Remuneration Policy was endorsed by shareholders and received 93.0% of the votes cast while the Implementation Report received 56.0% support (79.9% and 82.9% respectively in 2019). In accordance with the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 and paragraph 3.84(j) of the JSE Limited Listings Requirements, dissenting shareholders were invited to participate in an engagement process through an announcement published on SENS on 23 October 2020. The engagement process was held on 16 November 2020. There was one participant representing less than 1% of the shares held. The Remuneration committee considered matters

The governing body should ensure that remuneration is disclosed by means of a remuneration report in three parts: a) A background statement. b) An overview of the main provisions of the remuneration policy c) An implementation report which contains details of all remuneration awarded to individual members of the governing body and executive management during the reporting period.		that were raised.

Assurance

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.

Recommended practices	Status	Explanation
The governing body should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The governing body should delegate to the audit committee, the responsibility for overseeing that those arrangements are effective in achieving the objectives of enabling an effective internal control environment, supporting the integrity of information used for internal decision-making and the integrity of all external reports. Ensure a combined assurance model is applied that covers the significant risks and material matters through a combination of the organisation's line functions, risk and compliance functions, internal auditors, fraud examiners, safety assessors, actuaries and external auditors. The governing body should assume responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed. The governing body should assume responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. The governing body should delegate oversight of internal audit to the audit committee	Applied – full compliance	The Lewis board is responsible for all the assurance arrangements of the group, including the integrity of all external reports issued by the company and approving the assurance approach and planning, the internal audit function and assessing the output of the combined assurance approach. Specific responsibility is delegated to the audit committee and the objectives and specific activities with regard to the annual financial statements, Integrated Annual Report, external auditors, internal audit and internal financial controls and compliance are set out in the Audit committee report. Lewis has adopted an integrated assurance approach which is intended to optimise assurance obtained from management, corporate functions, and internal and external assurance providers on the risks affecting the business. The combined assurance model is integrated within the risk management process, including reporting to and oversight from the audit and risk committees. Embedding combined assurance throughout the group will be a continued area of focus. The audit committee recommended the Integrated Annual Report, the interim results and year-end financial statements, including the public announcements of the company's financial results, to the board for approval by the directors. The board accordingly approved the 2021 Integrated Annual Report and Annual Financial Statements for release to stakeholders.

		The audit committee reviewed and approved the existing internal audit charter which ensures that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. Furthermore, the board through the remuneration committee reviewed and approved the remuneration of the group's internal audit executive. The internal audit executive is not a member of executive management but is invited to attend all executive meetings and reports functionally to the chair of the audit committee and administratively to the chief financial officer. The audit committee approves the internal audit plan on an annual basis and ensures that a risk-based approach is followed and that internal audit provides the board with an overall assessment of the group's effectiveness with regards to governance, risk management and control processes.

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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.

Recommended practices	Status	Explanation
Oversee the management of stakeholder relationships including methodology for identification, material stakeholders, management of stakeholder risk, formal mechanisms for engagement and communication and measurement of quality stakeholder engagement The governing body should approve the stakeholder management policy, delegate to management the responsibility for implementation and execution and exercise ongoing oversight of stakeholder relationship management and, in particular, oversee that it results in a methodology for identifying stakeholders, the determination of material stakeholders, the management of stakeholder risk, formal mechanisms for engagement and communication and the measurement of the quality of material stakeholder relationships. Disclose and overview of the arrangements for governing and managing stakeholder relationships, key areas of focus, monitoring and management and the future areas of focus.	Applied – full compliance	Stakeholder engagement is central to the group's sustainability and the Lewis board has overall responsibility for stakeholder engagement and monitors its application through the Social, ethics and transformation (SET) committee. Lewis Group has an approved stakeholder engagement policy which is reviewed annually and sets out the board and management responsibilities, key processes and the stakeholder engagement management plan. The level and frequency of engagement with the various stakeholder groups differ according to the needs of the business and the expectations, concerns and preferences of each stakeholder. The group's engagement programme focuses on key stakeholders who have an interest in the business or who could influence the business in a positive or negative manner and those who can influence the group's ability to create sustainable value. The group's key stakeholders include customers, shareholders, employees, suppliers, communities in which the group operates and industry regulators. The CEO reports formally to the SET committee on all stakeholder engagements. .