

Sustainability report

Lewis Group recognises its responsibility as a company which forms part of society and which not only has rights but responsibilities towards society and the environment in which it operates.



Introduction

Sustainability for Lewis Group, as a company which has operated for over 80 years, means creating value for stakeholders by:

- Offering affordable, exclusive and quality household goods for customers
- Supporting our employees, customers and communities
- Creating long-term value for shareholders
- Ensuring that the business model remains sustainable

This report focuses on environmental and social aspects of sustainability. The detailed corporate governance report is available on the website on www.lewisgroup.co.za

Response to COVID-19

In the days leading up to the declaration of a national state of disaster, Lewis Group established a crisis management committee to deal with its response to the pandemic. The safety and well-being of employees and customers was the main priority of the business from the outset. Measures put in place when the national lockdown was declared on 23 March 2020 to the easing of the restrictions to lockdown level 3 include:

- The procurement of personal protective equipment including masks, shields and hand sanitisers;
- Ensuring that office-based employees had the necessary tools to work remotely;
- Private transport was provided for employees who had to be onsite and who used public transport;
- Strict protocols with a focus on health and safety were introduced onsite;
- Systems were put in place to enable customers to pay their accounts at national food and clothing retailers;
- Customer communication was sent regarding potential loss of income or loss of employment claims;
- No existing orders from suppliers were cancelled;

- Leniency on payments of loans to enterprise development partners; and
- Lewis Group also made donations to various care homes and Non-profit organisations.

Environment

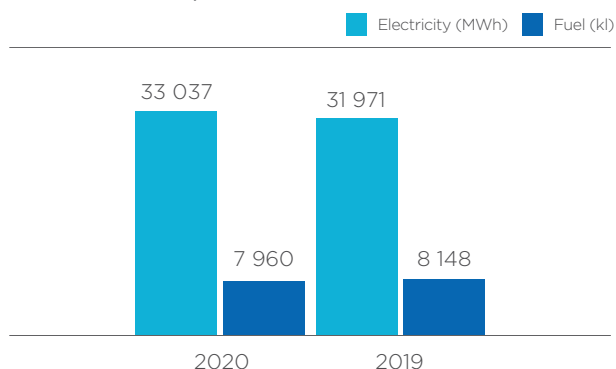
The group recognises the need to introduce and maintain environmentally sustainable business practices to ensure that it meets its responsibilities in sustaining the environment in which it operates.

The group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to be a responsible corporate citizen. The business is committed to aligning its sustainability reporting with the United Nations Sustainable Development Goals over the next five years.

Practices are guided by the group's environmental policy and the environmental management system.

The group, as part of tracking its carbon footprint, monitors electricity and fuel consumption throughout the business. Further performance indicators will be identified and monitored in the next two years.

Environmental performance indicators



Carbon footprint

The group's carbon footprint has been calculated in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)*.

Scope 1 emissions are emissions from company operations, which in the case of the Lewis Group comprise fuel combustion in all company-owned vehicles.

Scope 2 emissions are associated with the use of electricity consumed at the group's stores and head office.

Scope 3 emissions are those from external suppliers or customer operations and other activities including business travel and employee commuting. Only selected scope 3 emissions were quantified in this assessment.

The group's total scope 1 and 2 carbon footprint is estimated as 48 476 tonnes CO₂e for the financial year, with South African operations contributing 90% to this total. The results show an increase in emissions of 6.6% with a 2% decrease in scope 1 (fuel) emissions and a 13% increase in scope 2 (electricity) emissions compared to 2019 levels. The reduction in scope 1 emissions is due to a reduction in fuel purchased. The increase in scope 2 emissions is attributed to a slight increase in electricity consumption due to a net increase in store numbers and, more significantly, the increase in South Africa's grid emissions factor. Plans were introduced to roll out LED lighting in all stores across the group and the project is expected to be completed in 2021.

Scope 3 fuel- and energy-related activities increased by 4% as a result of increased electricity use across the

Lewis Group. Upstream transportation and distribution increased from 5 758 tCO₂e in 2019 to 7 329 tCO₂e in 2020 as a result of an increase in stock moved. Emissions from air travel decreased by 37%, due to significantly less international flights. Car hire emissions also decreased as a result of less frequent travel.

Employee commuting emissions increased proportionally with increased employee numbers.

Human resources

The development of core sales and branch manager skills, including trainee branch managers, is a priority for the group.

The group's human resources strategy 2018 to 2020 has focused on achieving the following objectives:

- Drive talent management through talent sourcing, talent development and reward management
- Create a high-performance culture through performance management, mentoring and coaching
- Deliver operational excellence through an HR information system as well as the development, monitoring and reporting on HR process metrics and trends.

At year end the total number of employees was 8 248, with 6 864 in South Africa and 1 384 in the group's operations in the rest of Africa.

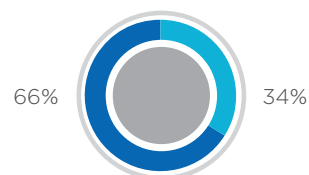
Employees represented by trade unions

Trade union recognition agreements are in place with the following trade unions:

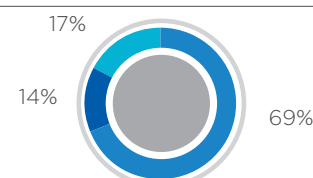
South Africa ■ SACCABU Membership ■ Non-Union Members



Botswana ■ BWFRWU Membership ■ Non-Union Members



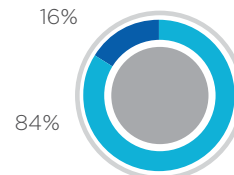
Lesotho ■ NUCCAW Membership ■ Non-Union Members
■ LEWCAWU Membership



Namibia ■ NWRWU Membership ■ Non-Union Members



Eswatini ■ SCAWU Membership ■ Non-Union Members



South Africa	South African Commercial Catering and Allied Workers Union (SACCABU)
Namibia	Namibian Wholesale and Retail Union (NWRWU)
Lesotho	National Union of Commerce Catering and Allied Workers (NUCCAW) Lesotho Wholesalers Catering and Allied Workers Union (LEWCAWU)
Botswana	Botswana Wholesale Furniture and Retailers Workers Union (BWFRWU)
Eswatini	Swaziland Commercial and Allied Workers Union (SCAWU)

Sustainability report continued

Black economic empowerment

The group supports the principles and objectives of Broad-Based Black Economic Empowerment (B-BBEE) contained in the 2015 Amended Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the B-BBEE scorecard.

In 2019 the group obtained a level 8 B-BBEE rating and committed to improving the level of compliance. The ownership element of the scorecard has proved challenging as over 57% of the group's shares are held by international shareholders.

The group made significant progress by moving from a level 8 to a level 6 contributor within a period of 12 months by pursuing key strategic initiatives especially on the Management control and Enterprise and supplier development elements. Lewis Group achieved full points and met the targets for both "Exercisable voting rights of black female board members" and "Black female employees in the junior management" as a percentage of junior management. This rating was verified by AQRate, an accredited empowerment rating agency.

Similarly, Lewis Group has shown support for local supplier industries as well as increasing its preferential procurement spend. This resulted in a significant increase in the score for this element.

BEE element	Weighting	2020	2019	2018
Equity ownership	25	7.83	6.93	8.50
Management control	19	11.30	8.63	8.39
Skills development	20	16.71	14.96	19.68
Enterprise and supplier development	40	37.68	30.60	30.30
Socio-economic development	5	5.00	5.00	5.00
Total score		78.52	66.12	71.87
B-BBEE status		Level 6	Level 8	Level 7

Employment equity

The group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

Management is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which it trades. Black staff account for 95% of the staff complement, with females comprising 58%.

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) at 31 March 2020 is contained in the following tables.



Female

Occupational levels	African	Coloured	Indian	White	Total
Top management					–
Senior management	7	6	2	15	30
Middle management	26	27	7	29	89
Junior management	379	111	15	71	576
Semi-skilled	2 338	631	31	78	3 078
Unskilled	3	1			4
Non-permanent	151	50		6	207
Grand total	2 904	826	55	199	3 984



Male

African	Coloured	Indian	White	Total	Grand total
	2		4	6	6
7	2	1	25	35	65
49	28	3	53	133	222
242	68	5	36	351	927
1 827	404	10	16	2 257	5 335
	3			3	7
66	27		2	95	302
2 191	534	19	136	2 880	6 864

Training, talent and skills development

The group's training and development programmes are geared towards creating opportunities for all employees from basic sales and product knowledge to training key talent for branch managers and management positions over time.

The group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom based and e-learning programmes in all aspects of retail, management and leadership training.

As part of the commitment to staff development, a central learning and development centre in Bloemfontein is used for the development of management for store operations in the five countries in which the group operates. Key outputs from the group's training and development programme in 2020 include:

- 12 263 training interventions (2019: 10 864)
- Black staff accounted for 92% of total employees trained (2019: 93%)
- 187 employees enrolled on an adult basic education training course with a view to assisting these employees to obtain a grade 12 certificate (2019: 222)
- 158 students enrolled on the disability learnership programme for 2020 (2019: 194)
- 16 interns/learnerships were absorbed and offered full-time positions

Enterprise and supplier development

The group continued to contribute towards enterprise and supplier development with the total spend amounting to R8 million in the reporting period.

Lewis continues to support the local furniture industry through a focused enterprise development strategy to strengthen the local supply base and stimulate job creation in the domestic economy. Large volumes of locally sourced merchandise, goods and services are purchased from small businesses which are mainly black-owned.

The support provided to enterprise development partners includes raw material sourcing, product development and design, quality control, and administrative business support.



CASE STUDY

One of the success stories of the enterprise development programme is Indigo Furniture, a lounge suite manufacturer supplying exclusively to the Lewis Group. Indigo is a 100% black-owned, BBBEE level 1 business and employs 100 people. The business supplies the group's stores in South Africa and in the neighbouring countries.

Lewis Group has supported Indigo Furniture through interest free loan funding since 2019. This has enabled the factory to acquire machinery, a generator and purchase raw materials.

The procurement of raw materials is predominantly through support of local businesses which stimulates job creation. Employees have also benefited through on-the-job training ensuring they are well equipped to perform their duties.

The exclusive partnership between Indigo Furniture and the Lewis Group's buying team ensures that lounge suites produced are competitive in the market in terms of unique designs at competitive rates. The Lounge category is one of the most important categories in the furniture industry and the group will continue to build on this strategic relationship to ensure the sustainability of the factory and continue to support local businesses in the future.

Sustainability report continued

Socio-economic development

The board's social, ethics and transformation committee reviews the socio-economic development strategy of the group annually and monitors progress against stated objectives. The group is committed to contributing to the communities where customers live. Many of these communities are affected by a lack of education, poverty and poor health services.

Community investment is focused on educational infrastructure, educational bursaries, nutrition programmes and long-term sustainable upliftment of disadvantaged communities. The group is committed to allocating the socio-economic development, the spend is reflective of the group's footprint in South Africa, Namibia, Botswana, Lesotho and Eswatini. The group invested R7 million in socio-economic development in 2020.

Primary projects

Lewis-Rotary Club Injongo Project – Early Childhood Development Centres

A seven-year partnership with The Rotary Club of Claremont has impacted positively on the lives and the futures of thousands of young children. The Injongo Project has included the addition of new classrooms, ablution blocks, upgrades, renovations and restoration of numerous early childhood development centres (ECD) in the Brown's Farm and Samora Machel areas of Philippi, an underprivileged area in the Western Cape.

In addition to infrastructure contribution, principals and educators are trained and assessed regularly, and health and safety measures are reviewed to ensure regulatory compliance. The team strives to achieve the qualifying criteria for the ECD centres to be registered to meet the requirements for social development funding.

The most recent project in Samora Machel, Philippi comprised extensive upgrades to an ECD centre, including two additional classrooms and two ablution blocks. Since the inception of the Injongo Project a combined partnership spend of R22 million has benefited five ECD centres. The Injongo Project has been widely recognised as an ECD model of excellence and has developed into one of the biggest ECD programmes of its kind in South Africa.



Peninsula School Feeding Association (PSFA)

Lewis continues to support its 11 adopted schools in the Western Cape where we provide two meals for approximately 1 200 children each school day. The number of children requiring feeding at each of the adopted schools is reviewed each year. PSFA regularly reviews optimal nutritional meals for the children. The group's annual contribution towards this nutritional programme is R540 000.

Children of the Dawn

Children of the Dawn supports and reinforces rural community initiatives which focus on caring for HIV/AIDS orphans and vulnerable children in the country. Lewis sponsors 138 children located in eight locations in Mpumalanga, Free State, KwaZulu-Natal, Eastern Cape and Limpopo.

The sponsorship provides children with essential basic requirements, including education, nutrition, clothing, hygiene, transport, integration into the community, emotional and moral support, and health matters including management of HIV/AIDS symptoms.

Lewis contributes additional funding to a fortified nutrition programme for the children. The overall health and well-being of the children has vastly improved through the holistic care and nutrition managed by the programme. The group's annual spend is R700 000.

TSIBA

The group funds 10 scholarships annually to TSIBA Education, a private provider of higher education in business. TSIBA offers a unique foundation year certificate in business administration followed by an enriched bachelor's in business administration degree focused on entrepreneurial leadership.

TSIBA partners with corporate and individual funders who sponsor the operations and management of the institution. The TSIBA degree is accredited by the Department of Education and the Council of Higher Education.

Students are offered a four-month internship at the group's head office and are offered a one year employment contract with Lewis after completing their degree. Ongoing development of the Lewis/TSIBA internship programme has resulted in several scholarship students being appointed as permanent employees. The group's contribution to TSIBA scholarships totalled R800 000 in 2020.