

Social, ethics and transformation committee report

The Social, Ethics and Transformation Committee (the committee) is a committee of the board operating in compliance with the Companies Act. The committee assists the board in monitoring the group's activities relating to ethics, employment equity, training, talent and skills development, preferential procurement, enterprise development, diversity, socio-economic development, environmental sustainability and engaging with our stakeholders.

The chairperson of the committee presents the following report to shareholders for the 2019 financial year, in accordance with the requirements of the Companies Act of South Africa.

Responsibilities of the committee

Social and ethics

- Monitor activities relating to social and economic development, including the principles of the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
- Good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, elimination of corruption, contribution to the development of communities, and record of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of the group's activities and of its products and services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the group's employment relationships and its contribution toward the educational development of its employees.

Transformation

- Developing and maintaining a transformation strategy
- Approving the transformation programme
- Determining targets in terms of the Codes of Good Practice of the Department of Trade and Industry (DTI)
- Reviewing reports from verification agencies
- Annual evaluation of the group's performance against the DTI scorecard.
- Legislative compliance.

Composition and functioning

The committee comprises four independent non-executive directors, namely Professor Fatima Abrahams (chairperson), Daphne Motsepe, Hilton Saven and Alan Smart, and executive director Johan Enslin. Senior management in the human resources, merchandise, socio-economic development and risk departments attend by invitation. Biographical details of the committee members appear on pages 12 and 13. The effectiveness of the committee is assessed as part of the annual board and committee evaluation process.

The members of the committee believe that the group is substantively addressing the issues required to be monitored by the committee in terms of the Companies Act.

Transformation

The group supports the principles and objectives of broad-based BEE contained in the 2015 amended DTI Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the DTI scorecard.

Following the introduction of the amended codes in the 2016 financial year, the group only achieved a total score of 41.54 points and was assigned a non-compliant status as it did not meet the required 40% minimum in the priority elements of equity ownership and enterprise and supplier development.

The group made a concerted effort to achieve the minimum requirements in the priority elements and achieved a total score of 71.89 points and a level seven contributor status for the 2018 financial year.

Lewis Group was unable to maintain its level 7 B-BBEE rating achieved in 2018 owing to a timing delay in integrating unemployed learners into the business. A decision was made in 2018 to recruit and select unemployed disabled learners as part of the group's social responsibility programme. The recruitment process took longer than anticipated as the workplace had to be adapted to accommodate the disabled learners.

The learners were absorbed into the business based on the organisation's needs and this fell outside the timeframe of the B-BBEE audit. The B-BBEE points for providing learnerships to the unemployed disabled learners will be included in the 2019 B-BBEE audit.

This rating was verified by AQRate, an accredited empowerment rating agency.

BEE element	Weighting	2019	2018	2017
Equity ownership	25	6.93	8.50	7.46
Management control	19	8.63	8.39	7.89
Skills development	20	14.96	19.68	17.21
Enterprise and supplier development	40	30.60	30.30	18.73
Socio-economic development	5	5.00	5.0	5.0
Total score		66.12	71.87	56.29
B-BBEE status		Level 8	Level 7	Level 8

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 94.5% of the staff complement, with females comprising 57.8%.

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) at 31 March 2019 is contained in the following table:

Occupational levels	Female				Total	Male				Total	Grand total
	Asian	Black	Coloured	White		Asian	Black	Coloured	White		
Top management								2	4	6	6
Senior management		3	2	9	14		2	4	24	30	44
Middle management	9	33	28	32	102	4	42	26	58	130	232
Junior management	15	336	112	66	529	8	224	67	35	334	863
Semi-skilled	24	2 225	652	93	2 994	5	1 708	400	14	2 127	5 121
Unskilled		4	2		6		13	5		18	24
Non-permanent	1	71	28	6	106		27	25	7	59	165
Grand total	49	2 672	824	206	3 751	17	2 016	529	142	2 704	6 455

Social, ethics and transformation committee report continued

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 was opened in Bloemfontein. The centre is being utilised 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 efforts in 2019 include:

- 10 864 training interventions
- Black staff accounted for 93% of total employees trained (2018: 94%)
- 222 employees enrolled on an adult basic education and training course with a view to assisting these employees to obtain a grade 12 certificate
- 194 students enrolled in the Lewis internship programme (2018: 209)
- Six learnerships offered to young people and four offered full-time positions

Preferential procurement and enterprise development

The group's merchandise strategy is to offer exclusive, differentiated and value-for-money products to customers. 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.

Race and gender diversity

In November 2016, the board approved a gender diversity policy in support of the principles and objectives of B-BBEE. In 2018, this policy was extended and the board adopted a combined gender and race policy to further improve diversity within the group. The board approved a combined gender and race policy target of 25% for the composition of the board. These targets have been exceeded as 38% of the directors are black and 38% female.

Socio-economic development

The committee reviews the socio-economic development strategy of the group on an annual basis 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, upliftment of disadvantaged communities and long-term sustainable community upliftment programmes. The group has also committed to map the distribution of socio-economic development spend to be more reflective of the group's footprint in South Africa, Namibia, Botswana, Lesotho and eSwatini.

The group has invested R7.5 million to socio-economic development in 2019.



Primary projects

Rotary Club/Early Childhood Development Centres

In partnership with the Rotary Club of Claremont in Cape Town, the group continues to upgrade and refurbish early childhood development (ECD) centres in the Brown's farm and Samora Machel area of Phillippi, a hugely underprivileged area with multiple ECD centres.

Peninsula School Feeding Association

The Peninsula School Feeding Association (PSFA) provides daily meals to children in primary, secondary and special-needs schools across the Western Cape. Lewis continues to support 11 adopted schools in the Western Cape where meals are provided for 1 200 children each school day. In many cases, this is the only meal these children have each day. PSFA regularly reviews optimal nutritional meals for the children.

Children of the Dawn

Children of the Dawn support and reinforce rural community initiatives which focus on caring for HIV/AIDS orphans and vulnerable children. Lewis supports children located in Bushbuckridge, Mangweni and Ermelo in Mpumalanga, QwaQwa in the Free State, Mpumaze in KwaZulu-Natal, Matatiele in the Eastern Cape, Mathabatha and Lenyenye in Limpopo.

The sponsorship provides the children with essential basic requirements: educational, nutritional, clothing, hygiene, transport, and integration into the community (aftercare centres, school trips) emotional and moral support, health matters including management of HIV/AIDS symptoms and other *ad hoc* projects. The organisation also sends monthly food parcels to families who assist in taking care of the children.

Lewis sponsors approximately 150 children each month. We also contribute additional funding to a fortified nutrition programme for these children and assist with various other requests, including a year-end excursion for these children. The overall health and well-being of these children has vastly improved by the holistic care and nutrition managed by the organisation's programme.

Lesedi La Batho

The Lesedi la Batho centre in Mabopane, Gauteng, was specifically created to address unemployment in the area and now provides basic skills training in sewing and beadwork, baking and computer studies. One of their divisions manufactured Amogelang Diphetogo teddy bears which helps sustain approximately 20 women and their families in the Mabopane community.

Lewis supports this project by ordering bears which are donated to children in hospitals, hospices, children's homes and places of safety. To date, the group has donated 2 750 bears.

Employee community engagement

Employees are encouraged to propose and forward details of deserving local community projects. This initiative ensures that staff are involved in assisting communities that support the company and helps create staff awareness of social investment endeavours. Projects included the following:

- Worthy ventures which assist and uplift the communities in which our customers and employees live
- AIDS orphan's home
- Shelters for abused and vulnerable children
- Homes for disabled children
- Educational support for the underprivileged
- Feeding schemes/soup kitchens for the underprivileged
- Homes for the aged/hospices/home-based care programmes
- Informal organisations which support communities in term of shelter, medical assistance, education, training and development
- Youth and sports development

The group's socio-economic development programmes also extend to Namibia, Botswana, Lesotho and eSwatini.

Namibia

Lewis increased its annual donation to R100 000 to the Cancer Association of Namibia which supports less privileged Namibian cancer fighters by funding towards cancer wards at hospitals, pap smear and breast examination clinics, and caregivers.

Botswana

Funding was provided to Francistown Centre for the Deaf, Khagisano Women's shelter and Botswana Football.

Lesotho

Lewis assisted the Ministry of Hope, SOS Children's Village and Mantsase Children's Home in Lesotho.

eSwatini

Lewis provided support to the eSwatini Epilepsy Organisation, eSwatini Breast and Cervical Cancer Association and Cheshire Homes of eSwatini.

Social, ethics and transformation committee report

continued

Bursaries

Internal bursaries

Internal bursaries are split into school education assistance and university or college assistance. School going children of employees receive R500 each on approved application. Tertiary student applications for bursaries are assessed and the students selected qualify for bursaries based on results. The approved bursaries are paid directly to the relevant institutions for tuition, books and residence.

TSiBA

TSiBA Education is a private provider of higher education in business. TSiBA targets scholars and potential students who would otherwise not have access to tertiary level education, by offering full tuition scholarships. TSiBA offers a unique Foundation Year Certificate in Business Administration followed by an enriched Bachelor's Administration focused on Entrepreneurial Leadership.

TSiBA partners with corporate and individual funders who sponsor the operations and management of the institution. The TSiBA degree is registered and accredited by the Department of Education and the Council of Higher Education. In 2019, Lewis continued to fund bursaries for 10 students. The scholarship agreement requires students to work for Lewis for one year after completing their degree.

Lewis sponsored 50 cycling shirts for the 2019 TSiBA Charity Cape Town Cycle Tour team to assist in raising funds for the organisation.



Prof Fatima Abrahams and Les Davies presenting a TSiBA Scholarship award

Environmental sustainability

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

The group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to being a responsible corporate citizen.

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

Energy and carbon

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 supplier or customer operations and other activities including business travel and employee commuting. Only selected scope 3 emissions were quantified in this assessment.

Fuel and electricity consumption totals are given in the table below for the 2019 financial year.

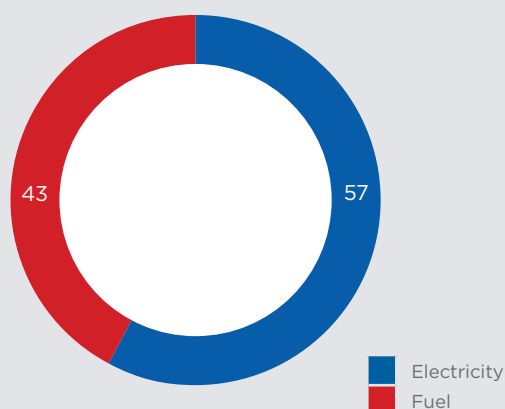
	Petrol consumption (kl)	Electricity (MWh)
South Africa	7 113	27 387
International	1 035	4 584
Total	8 148	31 971

Scope 1 and 2 carbon footprint results

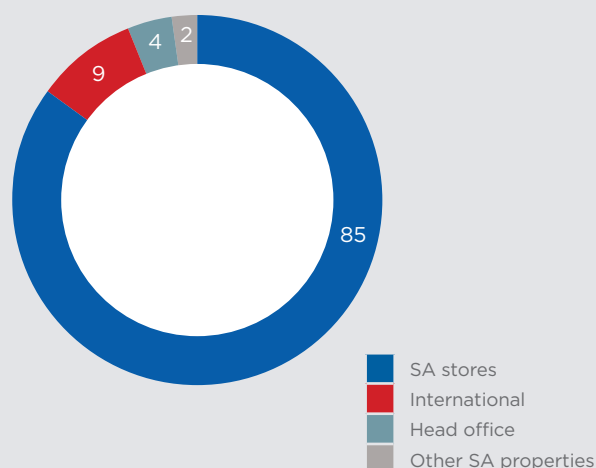
The Lewis Group's total scope 1 and 2 carbon footprint is estimated as 45 459 tonnes CO₂e for the 2019 financial year, with South African operations contributing 90% to this total. The breakdown of these emissions is provided in the table below along with a comparison of the previous year's assessment.

Scope	Source	2018 CO ₂ e	2019 CO ₂ e
Scope 1	South Africa fuel	16 917	16 730
	International fuel	2 559	2 434
	Total scope 1	19 476	19 164
Scope 2	South Africa electricity	23 354	24 036
	International electricity	2 510	2 259
	Total scope 2	25 864	26 295
Total scope 1 and 2		45 340	45 459
Total South Africa		40 271	40 766
Total international		5 069	4 693

Emmissions breakdown by emissions type (%)



Scope 2 (electricity) emissions breakdown by property type (%)



The results show a slight increase in emissions of less than 0.5% with a 2% decrease in scope 1 emissions and a 2% increase in scope 2 (electricity) emissions compared to 2018 levels. It is assumed that the reduction in scope 1 emissions is due to a reduction in fuel purchased. The increase in scope 2 emissions is attributed to an increase in electricity consumption due to the addition of 10 foreign stores.

Scope 3 carbon footprint results

A summary of the assessed scope 3 emissions is presented in the table below. Emissions were only assessed in selected scope 3 categories, and the assessment of upstream distribution was limited to South

African road logistics, omitting international shipping. Partial assessment of scope 3 emissions is accepted practice and is compliant with the GHG protocol, as conducting a comprehensive scope 3 assessment is often prohibitively data- and resource-intensive.

The implication, however, is that the total of these figures should not be interpreted as the complete “scope 3 carbon footprint” for the assessment year.

The group is committed to improving the direct impact of its business activities in the areas of fuel consumption, electricity and water consumption, material usage reduction, and recycling paper and packaging materials.

Scope 3 category	Emission source	Comment	2018 CO ₂ e	2019 CO ₂ e
Fuel- and energy-related activities	Oil, gas and coal extraction, transport and conversion to liquid fuels; transmission and distribution losses on the electricity grid	Complete assessment	17 182	15 701
Upstream transportation and distribution	Outsourced road distribution in South Africa	Partial assessment: Outsourced transport within South Africa; does not include shipping or other transport	2 679	4 652
Business travel	Domestic and international flights	Complete assessment	223	427
	Car hire	Complete assessment	59	52
Employee commuting	Staff transport emissions travelling to and from work	Complete, but indicative value due to method used	4 822	4 239

Social, ethics and transformation committee report continued



Values and ethics

The group's values are core to its business philosophy and guides the way the group conducts its business practices. A formalised policy details the group's code of ethical and acceptable conduct in line with the Principles of the United Nations Global Compact. This policy, together with the group's behavioural code and code of conduct, is made available to all employees.

In addition, the group has a formal policy regarding the acceptance of gifts from current or prospective suppliers and participation in recreational events sponsored by these suppliers.

Lewis enhanced its ethical awareness campaign which includes anti-corruption awareness focusing on ethical conduct, behaviour and reporting.

Employees and suppliers have the responsibility to report observed or suspected unethical behaviour via a toll free number, an ethics email address, by post and telephone.

Freedom of association

The group allows staff to belong to trade unions of their choice in the respective countries. The group maintains a proactive relationship with the unions and has not experienced any labour disruption due to strike action in the year under review.

Suppliers and supplier contracts

The supplier code of conduct includes the principles of the United Nations Global Compact. This code of conduct is implemented with suppliers as the agreements are renewed.

Political party support and lobbying activities

The group supports the multi-party democratic process but does not make donations to any political parties in South Africa or elsewhere. The group does not provide corporate resources to political candidates or parties.

Stakeholder engagement

GROUP	RATIONALE FOR ENGAGEMENT	MEANS OF ENGAGEMENT	ISSUES OF ENGAGEMENT
Customers	<ul style="list-style-type: none"> Customers purchase household goods for cash or on credit Customer loyalty and retention Brand and product awareness Sustainable revenue stream to generate returns to shareholders 	<ul style="list-style-type: none"> Customer contact in stores Media advertising In-store promotions Market research Mystery shopper programme 	<ul style="list-style-type: none"> High levels of customer retention Improved credit offerings Improved service levels
Shareholders and investment community	<ul style="list-style-type: none"> Ensure access to capital by attracting investors Provide relevant and timeous information Balanced analysis of the company 	<ul style="list-style-type: none"> Annual and interim results presentations Integrated annual report Investor website Shareholder meetings, including annual general meeting SENS announcements Brokers conferences Meetings with local and international investors and analysts 	<ul style="list-style-type: none"> Trading environment Performance Credit management Store expansion Capital management Strategy Regulation Prospects
Employees	<ul style="list-style-type: none"> Attract and retain talent Employee motivation Increased productivity Loyalty Rewards 	<ul style="list-style-type: none"> Electronic staff communications Intranet In-store review meetings Regular meetings with unions Teamtalk magazine Induction and training courses 	<ul style="list-style-type: none"> Highly trained and skilled staff Performance-linked incentives and awards Reduced staff turnover Employment equity
Product suppliers	<ul style="list-style-type: none"> Securing reliable and sustainable supply of goods and services Consistent quality of exclusive merchandise 	<ul style="list-style-type: none"> Regular supplier meetings Factory visits Supplier audits Service level agreements 	<ul style="list-style-type: none"> Quality standards Product availability Product exclusivity Pricing Delivery lead times
Regulatory bodies	<ul style="list-style-type: none"> Legislative and regulatory compliance Sound governance 	<ul style="list-style-type: none"> Statutory reporting Regulatory submissions Liaison with regulators Membership of industry bodies and forums 	<ul style="list-style-type: none"> Insight into regulatory changes Submissions to draft regulation Compliance Statutory reporting and returns
Communities	<ul style="list-style-type: none"> Responsible corporate citizen 	<ul style="list-style-type: none"> Community investment and upliftment through CSI programmes and local support through stores 	<ul style="list-style-type: none"> Continued investment in CSI programme Store and staff involvement in CSI projects

Prof Fatima Abrahams

Chairperson

Social, ethics and transformation committee