

CORPORATE GOVERNANCE REPORT

Introduction

Lewis Group remains committed to the highest standards of corporate governance based on the principles of integrity, transparency and accountability in its dealings with all stakeholders.

Through the application of the King IV governance principles the group aims to achieve the following governance outcomes: ethical culture, good performance, effective control, and legitimacy.

The board confirms that the group has in all material aspects applied King IV. A report on the group's application of the principles are presented on the website: www.lewisgroup.co.za/governance-sustainability/king4/

Board of directors

Name	Status	Appointment date
Non-executive directors		
Hilton Saven	Independent non-executive director (chairman)	22 June 2004
Prof. Fatima Abrahams	Independent non-executive director	1 Sep 2005
Adheera Bodasing	Non-executive director	1 June 2017
Daphne Motsepe	Independent non-executive director	1 June 2017
Duncan Wescott	Independent non-executive director	1 Dec 2017
Tapiwa Njikizana	Independent non-executive director	19 Aug 2019
Executive directors		
Johan Enslin	Chief executive officer	1 Oct 2009
Jacques Bestbier	Chief financial officer	1 April 2018

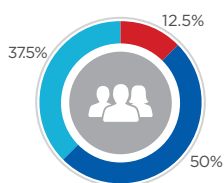
Board composition

The board consists of six non-executive directors and two executive directors. Five of the non-executive directors are independent, with the majority of the board being composed of independent non-executive directors.

The board is satisfied that it has the appropriate mix of knowledge, skills, experience, diversity and independence to objectively discharge its governance role and responsibilities.

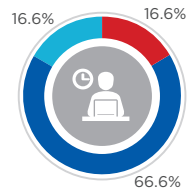
Board composition

Demographics (%)



White Male
Black Male
Black Female

Non-executive director tenure



0-5 years
6-10 years
11-15 years
Over 16 years

The board is chaired by Hilton Saven, an independent non-executive director. The implementation of the strategy and the ongoing management of the business is delegated to Johan Enslin, the chief executive officer.

Key responsibilities

The age, tenure, experience and expertise of board members is set out briefly in the board of directors report on pages 30 to 32 of the integrated annual report.

The board is governed in terms of a charter which sets out its role and responsibilities, which mainly include the following:

- ensuring that the company's short, medium and long-term strategy, as developed by management is reviewed and approved;
- providing oversight of performance against targets and objectives;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- ensuring appropriate remuneration policies and practices;
- overseeing relationships with stakeholders of the company along sound governance principles; and
- ensuring that the company is playing its role as responsible corporate citizen.

Changes to the board of directors

During the reporting period, Tapiwa Njikizana was appointed to the board and as a member of the audit, risk, remuneration and nomination committees. Alan Smart retired from the board on 2 April 2020. Hilton Saven resigned from the audit committee and Daphne Motsepe was appointed to the audit committee.

Directors do not have a fixed term of appointment and are subject to retirement by rotation and re-election by shareholders at the AGM at least every three years. Directors are required to retire at the next AGM after they turn 70 unless the board decides at its discretion that a director may continue to hold office.

Directors appointed during the year are required to have their appointments ratified at the following AGM. The chairman is elected by the board after the AGM each year.

Executive directors are subject to 12 to 24 month notice periods.

Independence of directors

Directors are required to annually evaluate their independence and declare their interests in other entities. They are further required to declare any conflicts of interest in relation to matters on the agenda at board meetings. The Nominations Committee further reviews the independence of all non-executive members when reviewing the composition of the board. Adheera Bodasing provides consulting services to Lewis Stores through Polarity Consulting. While these services are not significant to the group or Polarity Consulting, the Nominations Committee has classified her as a non-executive director. The board was satisfied that all directors exercise independent judgement and act in an independent manner.

Board diversity

The board's diversity policy is aimed at enhancing diversity, with voluntary targets of 25% representation for gender and racial diversity. Currently 38% are female and 38% are black in terms of the BBBEE Act.*

* Tapiwa Njikizana is not considered black for purposes of the B-BBEE Act.

Board evaluation

All directors participate in the 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. In addition, the chairman has individual sessions with each director where necessary.

The evaluation concluded that the board was satisfied with its overall functioning and governance.

Chief financial officer and finance function evaluation

The audit committee conducted a formal evaluation of the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of management responsible for the financial function.

The committee is satisfied that the expertise and experience of the chief financial officer and the finance function is appropriate to meet the required responsibilities of the position.

Company secretary

The company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with 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.

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. No directors exercised this right during the year.

The board conducted a formal evaluation of the company secretary, 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 comfortable that it meets the King IV principle of having an arm's-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 arm's-length relationship has been maintained between the board and the company secretary.

Governance structure

The board of directors has delegated specific responsibilities to five board committees and the management committee. The board committees are all chaired by independent non-executive directors.

Each committee has a charter and a year plan and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

The number of meetings that the board and its committees could hold during the year was affected by the national lockdown declared in terms of the Disaster Management Act, 2002 by the government on 27 March 2020.

2020 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	3	3	3	2[^]	2[^]	1
Non-executive directors						
H Saven	3⁺	3	3	2	2⁺	1
F Abrahams	3	3⁺	3	2⁺	2	1⁺
A Bodasing	3	3⁺	3	2	2	-
T Njikizana (appointed 19 August 2019)	1	1	1	1	1	-
D Motsepe	3	3⁺	3	2	2	1
A Smart (retired 2 April 2020)	3	3	3	2	2	1
D Westcott	3	3⁺	3⁺	2	2	-
Executive directors						
J Enslin	3	3⁺	3	2⁺	2⁺	1⁺
J Bestbier	3	3⁺	3	-	-	-

+ Chair.

* Attends by invitation.

[^] One meeting was an ad hoc meeting.

Lewis Group audit committee

Members

Duncan Westcott (chairman)
 Daphne Motsepe (appointed 18 November 2019)
 Tapiwa Njikizana (appointed 19 August 2019)
 Hilton Saven (resigned 24 October 2019)
 Alan Smart (retired 2 April 2020)

The members of the committee are independent non-executive directors. The committee met three times during the year.

The members are financially literate and suitably qualified to perform their role. The remaining non-executive directors attend by invitation. Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive, chief risk officer and the external auditors.

Key responsibilities

The audit committee is a statutory committee which carries out its statutory duties in accordance with the Companies Act. The committee also provides independent oversight in relation to external audit, internal audit and the finance function. It further assists the board in overseeing the integrity of the annual financial statements.

Key focus areas

The key focus areas during the period under review were in line with the committee's terms of reference and included:

- Overseeing the implementation of IFRS 16.
- Approving the internal audit plan and overseeing the work of internal audit.
- Reviewing the audit plan of the external auditors and approving non-audit services.
- Assessing the independence and objectivity of the external auditors.
- Reviewing the adequacy of internal controls and internal financial controls.
- Overseeing regulatory compliance.
- Overseeing the integrated reporting process.
- Reviewing the expertise, resources and experience of the company's financial function and financial director.
- Assessing the effectiveness of internal financial controls based on assurance gained from management and written assessment from Internal Audit.
- Reviewing of the decision-making framework.

Focus areas for the year ahead

- The committee will focus on monitoring the implementation of the Internal audit plan under the new internal audit executive.

Refer to the audit committee report in the audited annual financial statements for more detail.

Lewis Group risk committee

Members

Duncan Westcott (chairman)
Prof. Fatima Abrahams
Jacques Bestbier (CFO)
Adheera Bodasing
Johan Enslin (CEO)
Daphne Motsepe
Tapiwa Njikizana (appointed 19 August 2019)
Hilton Saven
Alan Smart (retired 2 April 2020)

The committee consists of six independent non-executive directors, one non-executive director and two executive directors. The risk committee met three times during the year.

Meetings are also attended by the company secretary, internal audit executive, the chief risk officer, the IT director and the information technology general manager.

Key responsibilities

Risk governance is overseen by the risk committee. The committee reviews the risk profile of the group on a quarterly basis to ensure that the relevant risks are reflected on the risk profile. The material issues and risks are disclosed on pages 14-17 of the integrated report.

Key focus areas

The key focus areas during the period under review were in line with the terms of reference and included:

- Reviewing the company risk profile which includes a review of the following:
 - Risk Registers;
 - Emerging risk register;
 - Compliance Risk; and
 - Risk appetite and tolerance levels.
- Monitoring the implementation of the risk management policy and plan.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.
- Evaluating the combined assurance model.
- Reviewing and advising on the adequacy of insurance cover for recommendation to the board.
- Overseeing IT governance and the function of the IT steering committee by:
 - Ensuring that an IT charter and policies are established and implemented;
 - Ensuring that an IT internal control framework is adopted and implemented; and
 - Receiving independent assurance on the effectiveness of the IT internal controls.
- Overseeing the implementation of the compliance policy and plan and the effective execution of effective compliance management.
- The implementation of the business continuity plan and Disaster recovery plan.

Focus areas for the year ahead

- Continued review of the of the risk profile.
- Effective implementation of business continuity plan.
- Implementation of protection of personal information laws
- Enhancement of the disaster recovery plan
- IT Systems which enable the business to continue to function effectively.
- Actively monitoring and addressing COVID-19 related business impacts

Lewis Group remuneration committee

Members

Prof. Fatima Abrahams (chairperson)
Adheera Bodasing
Daphne Motsepe
Tapiwa Njikizana
Hilton Saven
Alan Smart (retired 2 April 2020)
Duncan Westcott

The committee consists of six non-executive directors. The chief executive officer attends meetings at the invitation of the committee. The Remuneration Committee met twice during the year.

Key responsibilities

The committee is tasked with ensuring that a policy is in place which is in line with the company's performance-orientated culture and which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives.

Refer to page 77 of the integrated report for the complete remuneration report

Key focus areas

The key focus areas during the period under review were in line with the charter and terms of reference and included:

- Reviewing the remuneration policy and implementation report.
- Reviewing and approving compensation of executive directors, and senior executives.
- Recommending non-executive directors' fees for shareholder approval.
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Ensuring practices are compliant with relevant legislation and regulation.

The current key focus areas will be relevant as the focus areas for the year ahead.

Lewis Group social, ethics and transformation committee

Members

Prof. Fatima Abrahams (chairperson)
Johan Enslin
Daphne Motsepe
Hilton Saven
Alan Smart (retired 2 April 2020)

The committee consists of three independent non-executive directors and one executive director. Meetings are also attended by the company secretary, the heads of human resources and merchandise and senior managers responsible for socio-economic development and sustainability. The social, ethics and transformation committee met once during the current year. See social, ethics and transformation committee Report for more information on www.lewisgroup.co.za.

Key responsibilities

The committee, in addition to its statutory duties oversees that the company's values, strategy and conduct are those of a responsible corporate citizen.

Key focus areas

The key focus areas during the period under review were in line with the terms of reference and included:

- Continued monitoring of values and ethics awareness.
- Evaluating the B-BBEE strategy and implementation thereof.
- Skills development.
- Evaluating progress in employment equity.
- Overseeing health and safety policies and reviewing incidents.
- Reviewing the environmental management report.
- Monitoring stakeholder engagement.

Focus areas for the year ahead

Monitoring impact of COVID-19 on the group's stakeholders.

- Overseeing health and safety plan for COVID-19.
- Continued support to promote enterprise and supplier development
- Socio-economic development in line with the company's vision to develop early childhood centres as well as other initiatives.

Lewis Stores (Proprietary) Limited

Lewis Stores (Proprietary) Limited is the main trading subsidiary of the group and operational responsibility has been delegated to the Lewis Stores board for the ongoing management of the business.

Members

Johan Enslin (CEO and chairman)
Waleed Achmat (Human resources)
Jacques Bestbier (CFO)
Les Davies (IT and Insurance)
Derek Loudon (Merchandise)
Rinus Oliphant (Operations)

The board consists of six executive directors. Meetings are also attended by the executive committee which is made up of executive directors and senior managers. The board meets three times a year.

Key responsibilities

- Adoption of strategic plans.
- Providing strategic direction to senior management.
- Management and monitoring operational performance
- Ensuring integrity of financial statements, accounting records and all related financial information
- Accountability and effective utilisation of company assets.
- Monitoring key performance indicators of the business.
- Ensuring regulatory and legislative compliance.
- Risk management.
- Overseeing the corporate code of conduct

Governance committees of Lewis Stores Proprietary Limited

Risk Working Group

The risk working group consists of the CEO, CFO, the chief risk officer and all relevant executives and senior management of the group.

The group meets quarterly and reports to the Lewis Stores board as well as to the Lewis Group risk

committee and Monarch audit and risk committee. Refer to page _ of the Integrated Report for their responsibilities, which are supervised by the Lewis Group risk committee.

Information Technology Steering Committee

The steering committee meets quarterly and comprises the CEO, CFO, IT director and IT general managers as well as business systems and IT operations managers. The committee reports into the risk committee.

The committee is responsible for:

- Ensuring that the implementation of the IT policy and plan conforms to the objectives of the IT charter
- Aligning IT with the business needs of the group;
- Prioritising investment decisions relating to IT resources;
- Sourcing decisions relating to IT services;
- Identifying and exploiting IT opportunities;
- Administrative and contractual decisions which have a significant impact;
- Monitoring IT costs and capital expenditure;
- Monitoring, prioritising and co-ordinating the IT project portfolio;
- Reporting to the risk committee on the performance of its duties;
- Business continuity planning;
- Implementing COBIT as its principle IT internal control framework; and
- Implementing ISO 27000 as the Information Security Management System (“ISMS”) standard.

Monarch Insurance Company Limited (Monarch)

Monarch Board

Members

Independent Non-executive

Prof. Fatima Abrahams

Ray Sanger

Hilton Saven(Chair)

Duncan Westcott

Non-Executive

Robert Shaw

Executive

Les Davies

Alan Smart (deceased 23 April 2020)

The Lewis Group chief executive officer and chief financial officer attend meetings at the invitation of the committee. The Monarch board meets four times a year.

Monarch is the group’s short-term insurer. Knowledge and experience of short-term insurance is considered in appointing directors to the board. Robert Shaw, a non-executive director, provides insurance advisory services to Monarch.

A formal report on the investment portfolio by Sanlam Investment Management, who manage the portfolio on Monarch’s behalf, is presented at each board meeting, covering market conditions and expectations, asset allocation, investment returns, review of the investment portfolios and recommendations on the investment strategy

Key responsibilities

- Approval and oversight of strategic plans for the insurer within the parameters of the overall strategic direction of the group.
- Approval of budgets.
- Providing oversight of performance against targets and objectives.
- Providing effective leadership on an ethical foundation.
- Overseeing relationships with stakeholders.
- Regular review of underwriting criteria.
- Adoption of asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management.
- Review of the performance of the investment portfolio against benchmarks.
- Ensuring regulatory compliance.
- Oversee key performance and risk areas.
- Ensuring effective risk management and internal control.
- Assessing director selection, orientation and evaluation.
- Approving significant accounting policies.
- Approving the annual financial statements.

Monarch audit and risk committee

Members

Duncan Westcott (chairman)

Ray Sanger

Hilton Saven

The committee consists of three independent non-executive directors. The members are financially literate and suitably qualified to perform their role. The remaining non-executive directors, Monarch chief executive officer and Lewis Group chief executive officer and chief financial officer attend by invitation. Meetings are also attended by the company secretary, internal audit executive, the chief risk officer and the external auditors.

The Monarch audit and risk committee meets four times a year.

In terms of the Companies Act, non-executive director Robert Shaw is deemed to be a material supplier to Monarch and is therefore precluded from being a member of the audit and risk committee.

Key responsibilities

- Reviewing the internal and external audit plans relative to the group’s audit plan.
- Providing guidance on non-audit services.
- Considering significant differences of opinion between management and internal or external auditors.
- Ensuring regulatory compliance. The committee is also responsible for the group’s compliance with the Financial Advisory and Intermediary Services Act.
- Reviewing the financial reporting system, evaluating and approving accounting policies and approving the financial statements.
- Reviewing the adequacy of internal controls and internal financial controls.
- Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan.

- Addressing risks specific to the company that have been identified in the group risk management process.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.

Risk management

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

The Risk Working Group (RWG) 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 on a quarterly basis. The RWG reviews the registers with a focus on:

- completeness of risks identified across the group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The RWG also develops the risk appetite and obtains board approval through the risk and audit committees. Senior executives and line management are responsible for implementing the risk appetite and reporting any material deviations above the approved threshold limits.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the group risk assessment are reported to the risk committee of Lewis Group and the audit and risk committee of Monarch Insurance.

The key risks are documented in the Material issues and risks report on page 14 – 17 of the Integrated report.

The group's external insurance and self-insurance programmes cover a wide range of risks.

The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.

Internal control

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable but not absolute assurance that assets are safeguarded and the risk facing the business is being adequately managed.

The board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks.

Going concern

The board is satisfied that the group will be a going concern for the foreseeable future, based on the budget and cash flows for the year to 31 March 2021, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The board is apprised of the group's going concern status at the board meetings coinciding with the interim and final results.

Internal audit

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. Internal audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The role of internal audit is detailed in the internal audit charter which has been approved by the audit committee.

During the reporting period, Justin Boucher was appointed as the internal audit executive to replace Vince van der Merwe who resigned from the group.

Refer to the audit committee report in the annual financial statements.

Information technology governance

Information technology (IT) governance is integrated into the group's operations, and governance practices and frameworks are reviewed as part of the annual internal audit plan. The IT steering committee is responsible for IT governance and reports into the risk committee.

Legal Compliance

The board is responsible for the governance of compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards. The group has a no-tolerance policy to non-compliance or breach of measures which have been put in place to ensure compliance.

The group's approach to compliance is risk based and guided by the company's regulatory universe as well as the King IV principles on compliance. Compliance is monitored by the risk committee which in turn has delegated the execution of compliance to the risk working group. The group's compliance obligations include legal and regulatory compliance as well as non-regulatory compliance.

Legal and Regulatory Compliance

The group's regulatory universe identifies the following legislation as core for the group, amongst others:

- Basic Conditions of Employment Act, Act 75 of 1997;
- Companies Act, Act 71 of 2008;
- Consumer Protection Act, Act 68 of 2008;
- Financial Advisory and Intermediary Services Act, Act 37 of 2002;
- Financial Markets Act, Act 19 of 2012;
- JSE Listings Requirements;
- National Credit Act, Act 34 of 2005;

- Short Term Insurance Act, Act 53 of 1998;
- Promotion of Access to information Act, Act 2 of 2000; and
- Protection of Personal Information Act, Act 4 of 2013.

The group has completed a risk assessment of the statutes to determine the seriousness and probability of non-compliance in order to compile an implementation plan based on the high-risk compliance requirements.

National Credit Act

The company, as a credit provider, takes all complaints received seriously. Matters referred from the National Credit Ombudsman are monitored by the social ethics and transformation committee until they have been resolved.

Credit compliance

A specialised call centre has been effective in enhancing compliance, transparency and oversight of the company's in-store sales and credit application process.

The in-store credit sale application process includes a comprehensive affordability assessment and an interview with the store manager during which the components of the contract are explained, including the optional services and fees, and the total cost of credit. Following the completion of this process and before finalising the transaction, the manager will ensure that the customer speaks to a call centre agent. Customers can engage with a call centre agent in a language of their choice. The call between the customer and the call centre agent is undertaken without any intervention from the store manager or store staff.

Call centre agents ensure that customers understand all critical elements of the contract. All calls are recorded and stored to protect the interests of customers and the business. Only once the call centre agent has successfully completed the review with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists and the goods cannot be invoiced or delivered.

Non-regulatory compliance

The group subscribes to the Consumer Goods and Services Code. All complaints referred to the company from the Consumer Goods and Services Ombud are resolved expeditiously and efficiently. The social, ethics and transformation committee has oversight of all complaints received and monitors their status until they are resolved.

The group is also a member of various industry bodies including the Consumer Goods Council of South Africa, Credit Industry Forum and the South African Insurance Industry Association.

Behavioural and ethical compliance

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.

A conflict of interest policy is aimed at ensuring employees act in the best interests of the group and do not profit from their position in the company.

The policy governs employees' relationships with suppliers, serving as office bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and reporting of fraud. A tip-offs anonymous hotline which is run independently is available to all employees and other stakeholders to report suspected incidents of fraud or dishonesty.

During the year under review, initiatives were undertaken to create ethics awareness through training for branch staff throughout the business as well as the rollout of the company's values.

Personal share dealings

An insider trading policy restricts directors and specific staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the group is trading under a cautionary statement.

Directors are required to obtain written clearance from the chairman of the board prior to dealing.

The chairman is required to obtain written permission from the chairman of the audit committee. It is mandatory to notify the company secretary of any dealings in the company's shares within three business days. This information must be published on SENS within 24 hours of the notification of such dealing. A register of share dealings by directors is maintained by the company secretary and reviewed by the board.

Non-compliance

The directors confirm that to their knowledge the group was not involved in or associated with any material transgressions or associated penalties in the reporting period.