

CORPORATE GOVERNANCE REPORT

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Lewis
Group Ltd

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Through the application of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), 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 respects applied King IV. A report on the Group's application of the principles is 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 September 2005
Adheera Bodasing	Non-executive director	1 June 2017
Daphne Motsepe	Independent non-executive director	1 June 2017
Tapiwa Njikizana	Independent non-executive director	19 August 2019
Executive directors		
Johan Enslin	Chief executive officer	1 October 2009
Jacques Bestbier	Chief financial officer	1 April 2018

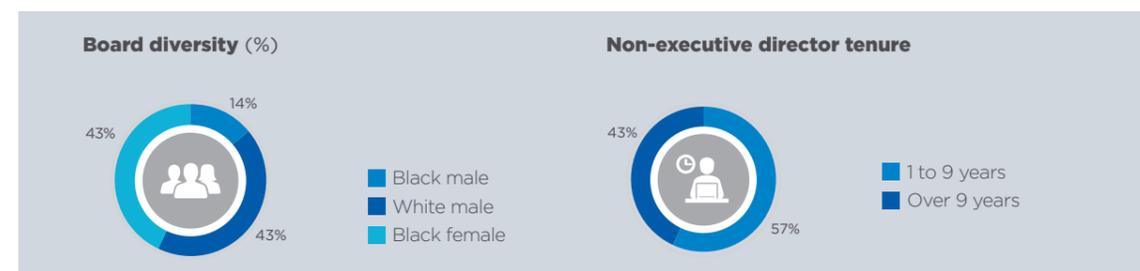
BOARD COMPOSITION

The board consists of five non-executive directors and two executive directors. Four 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.

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.

The age, tenure, experience and expertise of board members is set out briefly on the Board of directors report on pages 44 to 45 of the Integrated report.



KEY RESPONSIBILITIES

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 strategy, as developed by management, is reviewed and approved;
- providing oversight of performance against targets and objectives;
- providing effective leadership based 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 a responsible corporate citizen.

CHANGES TO THE BOARD OF DIRECTORS

Independent non-executive director Duncan Westcott sadly passed away on 19 August 2021. His passing necessitated changes to certain board committees, with Daphne Motsepe being appointed as the chairperson of the audit committee on 17 September 2021 and chairperson of the risk committee on 22 November 2021. Prof. Fatima Abrahams was appointed as a member of the audit committee on 17 September 2021.

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 conflict of interest in relation to matters on the agenda at board meetings. The nominations committee further reviews the independence of all non-executive directors when reviewing the composition of the board.

Non-executive director Adheera Bodasing previously provided consulting services to Lewis Stores through Polarity Consulting. These services were ended in 2021 and Adheera commenced a two-year 'cooling-off' period before she can be classified as an independent non-executive director.

The board was satisfied that all directors exercise independent judgement and act in an independent manner.

BOARD DIVERSITY

The board is diverse in terms of gender, race, business acumen and tenure, with an appropriate mix of knowledge, skills, experience and independence. The board's diversity policy considers and promotes areas for enhanced diversity such as gender, race, culture, age, field of knowledge, skills and experience when vacancies arise.

In 2021, the board retained the voluntary targets for female representation and racial diversity on the board at 30%. Currently, 43% of the directors are female and 43% are black in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Act. Independent non-executive director Tapiwa Njikizana, is Zimbabwean by birth and therefore not included 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 as well as the individual directors. In addition, the chairman has individual sessions with each director where necessary.

There were no major concerns that were raised during the 2022 board evaluation. The evaluation concluded that the board was satisfied with its overall functioning and governance.



CORPORATE GOVERNANCE REPORT CONTINUED

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 senior members of management responsible for the financial function.

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

COMPANY SECRETARY

After the end of the reporting period, the company secretary, Ntokozo Makomba, resigned with effect from 30 April 2022. Ryan Lepart was appointed as the acting company secretary for an interim period before the permanent appointment of Marisha Gibbons with effect from 1 June 2022.

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 as set out in section 88 of the Companies Act.

The board is satisfied that it meets the King IV requirement 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 executive directors and executive committee of Lewis Stores (Proprietary) Limited (Lewis Stores). 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 committee charters are available at www.lewisgroup.co.za/governance/board-committees.

All board and committee meetings during the year were held virtually.

2021/2022 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	4	4	4	2	2	2
Non-executive directors						
H Saven	4*	4*	4	2	2*	2
F Abrahams	4	4#	4	2*	2	2*
A Bodasing	4	4*	4	2	2	-
T Njikizana	4	4	4	2	2	-
D Motsepe^^	4	4*	4*	2	2	2
D Westcott*^	1	1*	1*	1	-	-
Executive directors						
J Enslin	4	4*	4	2*	2*	2
J Bestbier	4	4*	4	-	-	-

* Chairperson

* Attends by invitation

Attended as an invitee for two meetings and thereafter attended as a member once appointed on 17 September 2021

^ Passed away on 19 August 2021

^^ Appointed chairperson of the audit committee on 17 September 2021 and chairperson of the risk committee on 22 November 2021

Audit Committee

Members

Duncan Westcott (chairperson until 19 August 2021)
Daphne Motsepe (chairperson from 17 September 2021)
Prof. Fatima Abrahams (appointed 17 September 2021)
Tapiwa Njikizana

The members of the committee are independent non-executive directors. The committee met four 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 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 charter and included:

- Overseeing the implementation of new IFRS standards
- Approving the internal audit plan and overseeing the work of the internal audit
- Reviewing the audit plan of the external auditors and approving non-audit services
- Assessing the independence and objectivity of the external auditors
- 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 the internal audit
- Reviewing the decision-making framework
- Appointing the new external auditor in terms of the mandatory audit firm rotation policy

Focus areas for the year ahead

- Overseeing that measures are implemented to ensure a smooth transition between the current auditor, PricewaterhouseCoopers (PwC) and Ernst & Young Inc. (EY) for the 2024 financial year
- Overseeing the implementation of IFRS 17 for the 2024 financial year

Refer to the audit committee report in the Audited Annual Financial Statements for more detail.

Risk Committee

Members

Duncan Westcott (chairperson until 19 August 2021)
Daphne Motsepe (chairperson from 22 November 2021)
Prof. Fatima Abrahams
Jacques Bestbier (CFO)
Adheera Bodasing
Johan Enslin (CEO)
Tapiwa Njikizana
Hilton Saven

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

Meetings are also attended by the internal audit executive, the chief risk officer and the IT 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 risks and action plans are disclosed on pages 16 to 19 of the Integrated report.

Key focus areas

The key focus areas during the period under review were in line with the committee's charter and year plan, 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 the internal audit on the effectiveness of internal controls and risk management
- Approval of the combined assurance plan
- 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 compliance management
- The implementation of the business continuity plan and disaster recovery plan

CORPORATE GOVERNANCE REPORT CONTINUED

Focus areas for the year ahead

- Continuously review the risk profile
- Further implementation of the business continuity plan
- Monitoring compliance with protection of personal information legislation
- Enhancement of the disaster recovery plan
- Oversight of IT systems development enabling the business to continue to function effectively inclusive of cyber security

Remuneration Committee

Members

Prof. Fatima Abrahams (chairperson)
 Adheera Bodasing
 Daphne Motsepe
 Tapiwa Njikizana
 Hilton Saven

The committee consists of four independent non-executive directors and one non-executive director. 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.

Key focus areas

The key focus areas during the period under review were in line with the committee's charter and year plan, and included:

- Reviewing the remuneration policy and implementation report
- Reviewing and approving compensation of executive directors, and senior executives based on a benchmarking exercise that was done during the year
- Recommending non-executive directors' fees for shareholder approval
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contributions
- 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 focus areas will remain the focus for the coming year.

Nominations Committee

Members

Hilton Saven (chairperson)
 Prof. Fatima Abrahams
 Adheera Bodasing
 Daphne Motsepe
 Tapiwa Njikizana

The committee consists of four independent non-executive directors and one non-executive director. The chief executive officer attends meetings at the invitation of the committee. The committee met twice during the year.

Key responsibilities

The committee is tasked with:

- Establishing a formal process for the appointment of directors
- Overseeing a formal induction programme for new directors and continuing development programmes for all directors
- Ensuring directors receive regular briefings on changes in risks, laws and the environment in which the Group operates
- Ensuring succession plans are developed for the chief executive officer and senior management
- Confirming annually that none of the directors have become disqualified (fit and proper test)
- Ensuring the board has the required skills, experience and qualities

Key focus areas

The key focus areas during the period under review were in line with the committee's charter and year plan, and included:

- Reviewing the composition of the Lewis and Monarch boards
- Reviewing the skills and experience of board members
- Overseeing the board evaluation process
- Ensuring that succession planning is in place and confirming that to the board

Social, Ethics and Transformation Committee

Members

Prof. Fatima Abrahams (chairperson)
 Johan Enslin
 Daphne Motsepe
 Hilton Saven

The committee consists of three independent non-executive directors and one executive director. Meetings are also attended by the heads of human resources and merchandise as well as senior managers responsible for socio-economic development and finance. The social, ethics and transformation committee meets twice a year. See social, ethics and transformation committee report for more information.

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 committee's charter and year plan, and included:

- Increasing focus on environmental, social and governance (ESG) reporting, including supporting the board and management in the implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures

- Obtaining accreditation for the Retail Supervisory Programme, the first of its kind in South Africa
- Resuming employee training and leadership programmes through virtual platforms
- Improving retention rates of branch managers and regional controllers
- Ongoing monitoring of the impact of Covid-19 on the Group's employees, customers and suppliers
- Promoting enterprise and supplier development, including assisting suppliers to ensure the sustainability of their businesses and securing current and new suppliers
- Increasing focus on transformation and diversity
- Continuing support for socio-economic development programmes

Focus areas for the year ahead

Current focus areas will remain for the year ahead.

The social, ethics and transformation committee report is available on <https://www.lewisgroup.co.za/investors/integrated-annual-reports/>.



CORPORATE GOVERNANCE REPORT CONTINUED

LEWIS STORES

Lewis Stores is the main trading subsidiary of the Group and operational responsibility has been delegated to Lewis Stores' board for the ongoing management of the business.

Lewis Stores board

Members

Johan Enslin (CEO and Chairman)
Waleed Achmat (Human resources)
Jacques Bestbier (CFO)
Derek Loudon (Merchandise)
Rinus Oliphant (Operations)

The board consists of five executive directors. Meetings are also attended by the 18 executive committee members. The board meets three times a year.

Key responsibilities

Lewis Stores' board is tasked with:

- Adopting strategic plans
- Providing strategic direction to senior management
- Monitoring operational performance and management
- Ensuring integrity of financial statements, accounting records and all related information
- Accountability and effective utilisation of 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

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's audit and risk committee. Refer to pages 92 to 94 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 and IT general manager 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
- Overseeing the IT control framework and information security management

MONARCH INSURANCE COMPANY LIMITED (MONARCH)

Monarch board

Members

Independent non-executive

Hilton Saven (chairman)
Prof. Fatima Abrahams
Ray Sanger
Mholi Shandu (appointed 1 March 2022)

Non-executive

Robert Shaw

Executive

Morne Mostert

Monarch's board consists of four independent non-executive directors, one non-executive director and one executive director. The Lewis Group chief executive officer and chief financial officer attend meetings at the invitation of the committee. Monarch's board meets four times a year.

Monarch is the Group's 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

Monarch's board is tasked with:

- Approving and overseeing strategic plans for the insurer within the parameters of the overall strategic direction of the Group
- Approving budgets
- Providing oversight of performance against targets and objectives
- Providing effective leadership on an ethical foundation
- Overseeing relationships with stakeholders
- Regularly reviewing underwriting criteria
- Adopting asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management
- Reviewing the performance of the investment portfolio against benchmarks
- Ensuring regulatory compliance
- Overseeing 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 (chairperson until 19 August 2021)
Prof. Fatima Abrahams (chairperson from 3 September 2021)
Ray Sanger

The committee consists of two independent non-executive directors. The members are financially literate and suitably qualified to perform their role. The remaining non-executive directors, Monarch's 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. Duncan Westcott sadly passed away on 19 August 2021 and there is a vacancy on the committee.

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

The committee is tasked with:

- 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

ASSURANCE

Risk management

The board is responsible for the oversight of the risk management process and has delegated specific responsibilities to the risk committee.

The committee is responsible for ensuring that the Group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

The 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. Business units are accountable for managing risk in achieving their financial and operating objectives.

The risk management process focuses 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
- the need for further management action

The RWG also develops the risk appetite and obtains board approval through the risk and audit committees.

CORPORATE GOVERNANCE REPORT CONTINUED

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 pages 16 to 19 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 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 current financial position, as well as the budget and cash flows for the year to 31 March 2023. 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.



EXTERNAL AUDIT FIRM ROTATION

In accordance with the mandatory audit firm rotation rule issued by the Independent Regulatory Board for Auditors, the Group has conducted a formal tender process to appoint a new firm of external auditors.

The committee has recommended EY as the external auditor with effect from the financial year ending 31 March 2024.

The appointment is still subject to approval by shareholders at the AGM to be held in 2023.

The incumbent external auditors PwC, will continue to act as the external auditors for the financial year ending 31 March 2023.

PwC's appointment will be terminated upon the conclusion of the audit of the financial year ending 31 March 2023.

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 was approved by the audit committee.

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 governance and compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards. The Group has a zero-tolerance policy in respect of non-compliance or breach of compliance measures which have been put in place to ensure compliance.

The directors confirm that the Company is in compliance with the provisions of the Companies Act, specifically relating to its incorporation and operates in compliance with its memorandum of incorporation.

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 RWG. 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:

- 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
- 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.

Credit compliance

The company as a registered credit provider, considers compliance with the National Credit Act and responsible lending as the foremost priority.

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 one of nine official languages 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 interest of customers and the business. Only once the call centre agent has successfully completed the review with the customer, will the transaction be approved. Without this approval, no transaction exists and the goods cannot be delivered or invoiced.

The company 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.

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

Ethics remain a key focus for the board and management. 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 interest 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.

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.

When the chairman of the board wants to deal in shares, he 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.

