WHY

WOOLWORTHS HOLDINGS LIMITED

Register of application of King IV 2018

START HERE

APPLICATION OF KING IV

The King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV" or "the Code") was launched by the Institute of Directors in Southern Africa ("IODSA") on 1 November 2016 as a set of voluntary principles and leading practices with an application approach of 'apply and explain'. The Johannesburg Stock Exchange (JSE) requires listed companies to apply and report on the principles of King IV, with effect from 1 April 2017.

In keeping with the intention of the Code, the Board has been mindful in its application of King IV and has endeavoured to ensure that recommended practices are interpreted and applied in a way that is appropriate for the Group and the retail sector within which the Group operates. The Board in its application of King IV has considered how best to ensure the governance outcomes of ethical culture, effective control, good performance and legitimacy.

The Board has, therefore, elected to explain how it has applied the principles in this report. Disclosure can also be found in the financial year-end reporting suite: comprising of our Integrated Annual Report, Annual Financial Statements and Good Business Journey Report. Cross references are provided for each principle where stakeholders may find additional and supporting information relating to the principle.

The diagram below shows the role of the Board and committees, together with the committee membership. The Board oversees the application of all of the relevant King IV principles, and the supporting roles of the various Board committees are indicated under each principle.

Witchery, Summer 2018

AUDIT COMMITTEE

In addition to its statutory duties set out in the Companies Act, the committee provides independent oversight of the effectiveness of internal financial controls and the system of internal controls and assists the Board in overseeing the integrity of the Group's Annual Financial Statements and related external reports. The committee further oversees the effectiveness of the Group's external and internal assurance functions.

***Members:** Hubert Brody (Chairman), Patrick Allaway, Zarina Bassa, and Andrew Higginson*

RISK AND COMPLIANCE COMMITTEE

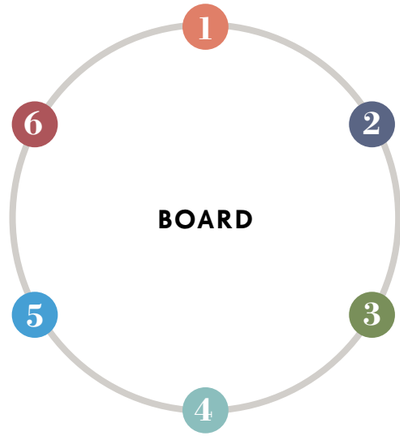
Assists the Board in setting the direction for the manner in which risk is approached and addressed throughout the Group. The committee oversees and directs the Group's implementation of an effective policy and plan for risk management and compliance.

***Members:** Zarina Bassa (Chairman), Simon Susman, Patrick Allaway, Hubert Brody, Andrew Higginson, Gail Kelly, Reeza Isaacs, Nombulelo Moholi, Sizakele Mzimela, Ian Moir, Sam Ngumeni, and Zyda Rylands*

REMUNERATION COMMITTEE

Ensures the employee value proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within the Group and which promotes the alignment of short-, medium-, and long-term performance objectives and outcomes between shareholders and employees. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies that aim to attract and retain top talent, deliver the Group's long-term strategy, and drive sustainable performance.

***Members:** Tom Boardman (Chairman), Simon Susman, Patrick Allaway, Zarina Bassa, Andrew Higginson, Gail Kelly, and Nombulelo Moholi*



NOMINATIONS COMMITTEE

Assists the Board with the appointment of directors and to ensure a transparent and accountable process to determine an optimally diverse Board and committee composition. The committee also has responsibility to ensure appropriate succession planning for the Chairman, directors, the Group CEO and Group Executive Committee members.

***Members:** Tom Boardman (Chairman), Simon Susman, Zarina Bassa, and Gail Kelly*

TREASURY COMMITTEE

SUB-COMMITTEE OF THE AUDIT COMMITTEE

Proactively manages the Group's treasury exposures within acceptable risk limits and in compliance with policy guidelines as approved by the Board.

***Members:** Reeza Isaacs (Chairman), Patrick Allaway, Hubert Brody, and Ian Moir*

SOCIAL AND ETHICS COMMITTEE

In addition to its statutory duties in terms of the Companies Act, the committee ensures that the Group's activities support its intent to be a responsible corporate citizen. The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct, approach, and manner in which the business is conducted, with due regard to value creation in society.

***Members:** Nombulelo Moholi (Chairman), Simon Susman, Tom Boardman, Ian Moir, and Zyda Rylands*

SUSTAINABILITY COMMITTEE

Ensures that the sustainability strategy positions the Group as a leader in retail in the countries in which it trades. The committee further ensures that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.

***Members:** Simon Susman (Chairman), Tom Boardman, Gail Kelly, Nombulelo Moholi, Ian Moir, and Zyda Rylands*

INFORMATION MANAGEMENT COMMITTEE

The role of the Committee is to proactively manage the Group's information in a way that supports the business, by setting and achieving its strategic objectives in compliance with policy guidelines as approved by the Board.

***Members:** Sam Ngumeni (Chairman), Reeza Isaacs, Chantel Reddiar and senior leadership team members of operating subsidiaries.*

SUBSIDIARIES

The Board and its committees are supported by the board and committees/panel of its three main subsidiaries: WSA, DJ, and CRG respectively. These, in turn each have an investment committee as well as an executive committee, which feed into the Group Executive Committee. The Group CEO chairs the main subsidiary boards, with each subsidiary committee/panel being chaired by an independent non-executive director.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

PRINCIPLE 1

The governing body should lead ethically and effectively.

APPLICATION

Directors are well versed in their roles and responsibilities and continue to exhibit, both collectively and individually, required levels of integrity, competency and responsibility when executing their fiduciary role. They are committed to the application of King IV and, based on the King IV gap assessment, have continued to adopt and apply recommendations as appropriate for the Group's structure and business operations.

For example, in matters where the non-independent, non-executive Chairman is perceived to have a potential conflict of interest, these are appropriately managed and handled through the appointment of a 'lead independent director', being Mr Tom Boardman. Further, all directors are required to disclose their financial and other interests quarterly and confirm any conflict with items included on agendas prior to the commencement of each Board and committee meeting.

The Board's 2018 performance assessment of individual directors contained questions relating to the governance and ethical display of conduct by each director and the results indicated that the ethical tone of the organisation is indeed supported from the top.

These examples pay credence to the ways in which directors are held accountable for their leadership role and the manner in which this role is executed.

PRINCIPLE OVERSIGHT:

4 NOMINATIONS COMMITTEE

PRINCIPLE 2

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

APPLICATION

The Group's various business integrity policies are monitored by the Group's Social and Ethics Committee. These policies reflect the interests of all stakeholders and address and mitigate key ethical risks.

Further, the awareness of and commitment to values and ethics within the Group are incorporated in the annual employee engagement survey.

Whistle-blowing hotlines are operational in both the Group's South African and Australian operations with regular awareness programmes to promote their use. Incidents reported through these channels are reported to the relevant Board committees.

Supplier Codes of Conduct incorporate the Group's ethics philosophy to ensure that suppliers also respect and adhere to the Group's ethics, vision and values. We endeavour to reinforce the Group's ethical stance throughout the supply chain.

PRINCIPLE OVERSIGHT

2 SOCIAL AND ETHICS COMMITTEE

USEFUL LINKS

Social and Ethics Committee Report

PRINCIPLE 3

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

APPLICATION

The Board, with support from the Social & Ethics and Sustainability Committees, sets the direction for good corporate citizenship, including compliance with the applicable laws, standards and internal policies and procedures, as well as alignment with the Group's purpose, strategy and conduct.

The Group's Good Business Journey (GBJ) programme has been in operation for more than ten years. The programme encompasses social, transformational and environmental aspects of the Group's value creation in a responsible manner. The programme consists of eight priority areas which include:

- People and transformation
- Social development
- Health and wellness
- Ethical sourcing
- Sustainable farming
- Waste
- Water
- Energy and climate

Targets are agreed for each of the eight focus areas, and are incorporated into business entities and operations.

The Woolworths Trust is the primary vehicle which manages corporate social responsibility for Woolworths South Africa. The reach of the Trust has now been extended to incorporate the African countries where Woolworths has a presence.

Country Road Group and David Jones have well-established relationships with key charities which support breast cancer, mental health awareness and ovarian cancer.

The Social and Ethics and Sustainability Committees are also responsible for the oversight of components of the GBJ programme. For the South African operations in particular, the Social and Ethics Committee oversight includes employment equity targets and application to the Broad-Based Black Economic Empowerment Codes.

PRINCIPLE OVERSIGHT

2 SOCIAL AND ETHICS COMMITTEE

3 SUSTAINABILITY COMMITTEE

USEFUL LINKS

2018 Good Business Journey Report

Social and Ethics Committee Report

STRATEGY, PERFORMANCE AND REPORTING

PRINCIPLE 4

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

APPLICATION

The Board steers and sets the direction, purpose, and strategy of the Group. The implementation of the approved strategic plans is delegated to management. This implementation and value creation is measured against the agreed performance targets.

The Group has a well-established annual strategy process. The three-year Medium-Term financial Plan (MTP) is updated annually and is aligned with the Group's strategy. The Board approves strategic initiatives and considers the performance against strategy at dedicated strategy sessions which also include an assessment of the risks and opportunities based on the operating context and the needs and expectations of stakeholders.

The Group CEO and his executive team report to the Board on the performance against the strategy on a quarterly basis, with an analysis of targets achieved against the Group's balanced scorecard. Medium-term targets are communicated to shareholders and other stakeholders and are incorporated into the short- and long-term remuneration incentive schemes.

A quarterly robust risk assessment and monitoring process is undertaken by the Risk and Compliance Committee for the Group and at each of the operating subsidiaries. All directors are members of the Risk and Compliance Committee so as to ensure that they have a good understanding and knowledge of the risks and opportunities that may influence and impact the strategy.

PRINCIPLE OVERSIGHT

6 RISK AND COMPLIANCE COMMITTEE

PRINCIPLE 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

APPLICATION

The Group publishes an extensive suite of reports, approved by the Board and appropriate committees, and these reports are made available on the Group's website www.woolworthsholdings.co.za.

The reports are prepared using the appropriate frameworks, which assist management in identifying the content and requirements of the reports. The Board oversees that the various reports are compliant with the requisite legal reporting requirements and meet the reasonable and legitimate needs of material stakeholders. Most importantly, the Board and its various committees review and approve the integrity of the data contained in all external reports to stakeholders.

Results presentations are held after the interim and year-end financial results where directors are available to address any concerns that investors may have. These result presentations are published on the Group's website.

Regular trading updates are also published on the JSE Limited Stock Exchange News Service (SENS), providing updates on the Group's performance.

External assurance is obtained on the Annual Financial Statements and aspects of the Good Business Journey Report.

PRINCIPLE OVERSIGHT

1 AUDIT COMMITTEE

USEFUL LINKS

- *2018 Integrated Annual Report*
- *2018 Annual Financial Statements Report*
- *2018 Good Business Journey Report*

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 6

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

APPLICATION

The Board operates within the ambit of the Board Charter. The Board Charter is reviewed on an annual basis, and directs the roles, responsibilities and processes that are followed to ensure that it remains the focal point of corporate governance for the Group. The Board Charter forms an integral part of the Group's governance framework.

Regular updates, facilitated by the Group Company Secretary, ensure that the Board and its committees are kept up to date and abreast of best practice governance recommendations.

Directors have unrestricted access to executive management and Group information, as well as the resources required to carry out their duties and responsibilities. Access to external specialist advice is available to directors at the Group's expense, in terms of the approved policy on independent professional advice.

PRINCIPLE OVERSIGHT

BOARD

Witchery, Winter 2018

GOVERNING STRUCTURES AND DELEGATION

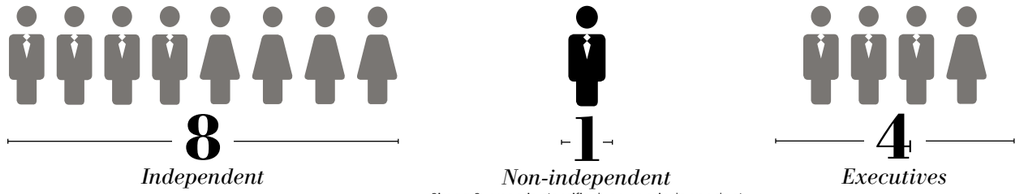
PRINCIPLE 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

APPLICATION

The Group has a unitary Board consisting of 13 directors, with eight independent non-executive directors, one non-independent non-executive director and four executive directors.

INDEPENDENT THINKING

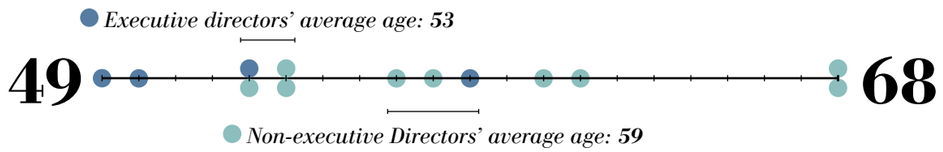


The Board categorises non-executive members as independent when they conclude, pursuant to proper assessment, that there are no factors which could cause (or be perceived to cause) undue influence or biased decision-making, as a result of 'non-independence'. This assessment is conducted on an annual basis.

A Lead Independent Director (LID) has been appointed appointed, being Mr Tom Boardman, as the Chairman of the Board is not considered independent due to his material shareholding in the Group. The LID chairs the Board on matters where there may be a perceived conflict of interest, and manages the performance assessment of the Chairman.

An Appointment of Directors Policy sets out the formal process for appointing directors. The Policy ensures that there is a transparent and accountable process to support an optimally diverse Board and committee composition. Board succession is top-of-mind, with the issue receiving considerable focus on the agendas of the Nominations Committee and the Board.

DIVERSITY OF AGE



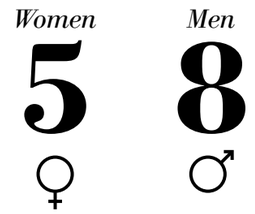
DIVERSITY OF NATIONALITY

SKILLS AND EXPERIENCE

APPLICATION (CONTINUED)

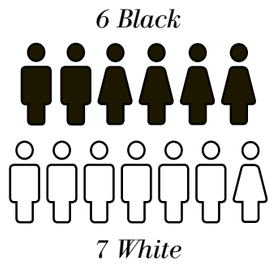
The Board has a Diversity Policy which further guides its composition. This policy deals with a number of diversity attributes including race and gender. The policy encourages and promotes diversity of Board appointments. The Board is pleased that it has made good progress towards achieving its race and gender diversity targets.

DIVERSITY OF GENDER



*Target for the year under review. Aspirational target of 40%.

DIVERSITY OF RACE



*Target for the year under review. Aspirational target of 40%.

The Group's Memorandum of Incorporation (MOI) requires that one-third of directors be re-elected by way of rotation at the Annual General Meeting, which provides for shareholders to consider the suitability of the directors on a regular basis.

Board members proactively declare and recuse themselves from any item of discussion in which they may have a direct, indirect or a potential conflicting interest. Such declarations are managed by the Chairman, or where applicable the Lead Independent Director, and Group Company Secretary as deemed appropriate.

The Board is assisted by a competent, suitably qualified and experienced Group Company Secretary.

PRINCIPLE OVERSIGHT

4 NOMINATIONS COMMITTEE

USEFUL LINKS

Directors' Biographies

GOVERNING STRUCTURES AND DELEGATION

PRINCIPLE 8

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

APPLICATION

The Board is assisted by six committees whose roles and responsibilities are directed through the Board, The Company's delegation of authority framework, the Companies Act and any other relevant legislation. The committees are the Audit, Nominations, Risk and Compliance, Remuneration, Social and Ethics, and Sustainability Committees. The Board approved the appointment of a Treasury Committee as a sub-committee of the Group's Audit Committee. This committee was previously a management executive committee however given the Group's significant treasury requirements, it was agreed that its status be elevated to a level of oversight by the Audit Committee of the Board.

Each committee has its own terms of reference which are reviewed and approved on an annual basis by the Board to ensure that they are reflective of the governance principles and processes to which the Group subscribes.

The Nominations Committee reviews the committee membership on an annual basis to ensure that these are appropriately constituted. Succession plans are considered to ensure continuity when directors retire or resign.

PRINCIPLE 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

APPLICATION

In assuming responsibility for the overall performance of directors, the Board conducted an independent external evaluation process utilising the services of an external service provider (The Board Practice) during the 2017 financial year. During FY2018, the Board and committees continued to refine the implementation actions that arose out of those evaluation findings.

This year, the Board conducted a peer assessment of each member of the Board to evaluate individual director performance. A review of the performance of directors standing for re-election was undertaken before nominating any retiring directors for re-election. The Board supports directors standing for re-election at the Annual General Meeting based on this performance review.

The Nominations Committee reviews the performance of Audit Committee members prior to recommending the relevant directors to shareholders for appointment.

PRINCIPLE OVERSIGHT

4 NOMINATIONS COMMITTEE

PRINCIPLE 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

APPLICATION

The Group has appointed a Group Chief Executive Officer (Group CEO) who is an executive director of the Group. He is an active participant of the Board and attends all committee meetings either as a member or by invitation so that he is available for questions.

The Board Charter clearly delineates the role of the Chairman, the Group CEO and the Board in terms of roles and responsibilities, thereby ensuring clear role clarity.

The Group Delegation of Authority provides clarity to the Group CEO on the responsibilities management have authority over in execution of the Group's strategy.

The Board is supported by a suitably qualified and experienced company secretary who is also responsible for the governance, risk and compliance, legal and company secretarial functions of the Group. She is not a member of the Board and her independence and performance is confirmed annually by the Nominations Committee.

PRINCIPLE OVERSIGHT

4 NOMINATIONS COMMITTEE

5 REMUNERATION COMMITTEE

GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 11

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

The Risk and Compliance Committee sets the methodology for risk governance, including evaluating opportunities and risks when developing medium- to long-term strategies. The Board, as the ultimate custodian of risk management, ensures that risk considerations are observed as an integral part of decision-making in the Group.

Operating under the guidance provided by the Group Enterprise Risk Management (ERM) and Business Continuity policies, management is responsible for the management of the day-to-day operational risk management, responsibility and accountability over the control environment.

The design and implementation of the enterprise-wide risk management plan is performed by the dedicated Group ERM department which reports to the Risk and Compliance Committee.

Components of the ERM framework currently in place are:

- risk appetite framework;
- impact, probability and control effectiveness assessment tables;
- strategic high-level and business unit risk identification and assessment;
- combined assurance;
- monitoring of emerging risks on a quarterly basis;
- monitoring and reporting of key operational risk indicators; and
- monitoring of specialist risks, which include business continuity planning, occupational health and safety, legal and compliance risks, and insurance.

The levels of risk tolerance for the Group are tabled at each quarterly Risk and Compliance Committee meeting. Both financial and non-financial metrics are used to determine tolerance levels.

The Group's risk profile is reviewed annually aligned to the Board strategic review. Defined risk appetite statements and risk tolerance thresholds are used to clarify risk materiality and facilitate risk-based decision making in the context of the strategy. Ad hoc risk profiles are performed on specific projects and key strategic initiatives.

As part of the quarterly risk reporting to the Risk and Compliance Committee, emerging risks are identified and monitored. Both the impact and likelihood of emerging risks are considered and the probability of the risk materialising is continually assessed.

Group internal audit performs an annual effectiveness assessment of the risk management process.

The material issues – their risks and opportunities, together with the risk management framework and processes for the Group – are disclosed in the Integrated Report.

PRINCIPLE OVERSIGHT

6 RISK AND COMPLIANCE COMMITTEE

USEFUL LINKS

2018 Integrated Annual Report

PRINCIPLE 12

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

APPLICATION

TECHNOLOGY

The Risk and Compliance Committee has oversight of IT governance and sets the approach for technology governance (including adoption of appropriate frameworks and standards).

The establishment of an appropriate IT governance policy, framework and strategy has been delegated to management. Assurance is obtained on the effectiveness of the IT internal controls, including outsourced IT services, and ensures that the IT strategy is effectively integrated with the Group's strategic and business processes.

IT investments and expenditure are governed in terms of the Group's Delegation of Authority, and major IT projects are reviewed at the monthly Investment Committees in South Africa and Australia and monitored by the Board through the IT Governance Report tabled quarterly at the Risk and Compliance Committee meetings.

IT is an integral part of the risk management process and where key risks are identified, the necessary assurance obtained. Key technology risks are managed and reported through the Risk and Compliance Committee. Management regularly demonstrates to the Board that the Group has adequate business resilience arrangements in place for IT disaster recovery.

Chief Information Officers have been appointed for the South African and Australian operations. They have access to and regular interaction on strategic matters with the Board and executive management through the Group Chief Operating Officer.

INFORMATION

Information governance was identified as a focus area as part of the King IV self-assessment. It was recognised that while there is robust governance and assurance to ensure that data is protected, the strategic leveraging of information as an asset should be formalised across the Group. An Executive Information Management Committee was constituted to facilitate information asset governance. The Group's information management strategy ensures security, confidentiality, integrity and availability of information. A Group Information Management Policy outlines the framework to manage information effectively and ethically. The committee is chaired by the Group's Chief Operating Officer.

PRINCIPLE OVERSIGHT

6 RISK AND COMPLIANCE COMMITTEE

Witchery, Winter 2018

GOVERNANCE FUNCTIONAL AREAS

PRINCIPLE 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

APPLICATION

From an overall perspective, the Risk and Compliance Committee directs and ensures the governance of compliance to applicable laws, non-binding rules, codes and standards, as adopted by the Group.

The Group Compliance Policy, which is reviewed annually by the Risk and Compliance Committee, provides the framework for the monitoring and compliance with these applicable laws and non-binding rules, codes and standards. Compliance risk management forms an integral part of the Group's overall risk management programme.

Legislative and regulatory compliance is monitored by the Group Risk, Compliance and the Legal teams. The Board is regularly kept abreast of changes in the regulatory and legislative landscape. Processes are in place to ensure that the Board is continually informed of relevant laws, rules, codes and standards. Regulatory updates are reported to the relevant committees on a quarterly basis and additional training performed as and when required.

A Compliance Department assists the business in implementing applicable laws and other regulatory requirements, designs and presents training and awareness programmes, and conducts monitoring exercises on high-risk legislation in accordance with the approved compliance-monitoring plan.

A quarterly Compliance Report tabled at the Risk and Compliance Committee, providing regulatory updates on current and forthcoming legislation that impact the business, compliance monitoring feedback, regulatory complaints and updates on special projects.

The Group maintains and fosters relationships with key stakeholders, such as industry bodies, regulators and government.

PRINCIPLE OVERSIGHT

6 RISK AND COMPLIANCE COMMITTEE

PRINCIPLE 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

APPLICATION

The Group has a comprehensive remuneration policy designed to attract, motivate, retain and reward employees and executive management. The policy is aligned to and is an integral part of the Group's Employee Value Proposition (EVP).

A fair and responsible pay barometer has been implemented to monitor the guaranteed and variable remuneration across the Group. The barometer details the two components across geography, gender, race and job levels.

The Committee regularly reviews the remuneration policy to ensure that it remains appropriate for the Group's business model and operations, in addition to benchmarking it with market-specific best practice.

The Group applied the King IV recommendation with regards to reporting. The three-part remuneration report is included in the Group Integrated Report. For FY2018, the concept of single figure remuneration has been implemented using the guidance as provided by the South Africa Rewards Association. The value of unvested share awards is also disclosed, thereby providing shareholders with a view of the manner in which the remuneration for FY2018 is aligned with the financial performance periods. Disclosure will continue to be enhanced in future years.

Non-executive directors' fees are benchmarked on an annual basis and advice is obtained from external independent consultants. The fees are proposed by management and recommended for approval by the Remuneration Committee and the Board to shareholders for approval.

The committee engages with shareholders and, more specifically, in advance of the Annual General Meeting on any matters that they may have relating to the remuneration policy and implementation report. This engagement allows the committee to discuss views with shareholders in matters relating to remuneration in advance of the meetings.

PRINCIPLE OVERSIGHT

5 REMUNERATION COMMITTEE

USEFUL LINKS

Remuneration Report

PRINCIPLE 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

APPLICATION

The Board ensures that a combined assurance model is applied within the Group that covers the significant risks and material matters through a combination of the Group's line functions, risk and compliance functions, internal auditors, external auditors, and other assurance providers and regulatory bodies.

A combined assurance model has been adopted by the Board under the oversight of the Audit and Risk and Compliance Committees. The Risk and Compliance Committee considers the completeness of the risks covered by the model, and the Audit Committee reviews the level of assurance obtained over the risks.

Internal audit forms an integral part of the combined assurance model as an independent assurance provider. Specifically, internal audit provides a written assessment of the design, implementation and effectiveness of the Group's system of internal controls as well as the effectiveness of the risk management function on an annual basis.

The Group Internal Audit function is independent and objective and reports to the Audit Committee. The scope and approach of the internal audit plan, approved by the Audit Committee, is informed by the strategy and the risks facing the Group. The committee reviews the resources and skills of the internal audit function on an annual basis to ensure they are adequate to provide the necessary assurance requirements to the committee. The Head of Internal Audit attends all Audit and Risk and Compliance Committee meetings.

PwC conducted an external independent quality review of the internal audit function in 2017 with no significant findings reported.

Based on the results of the Internal Audit assessment and the work of other assurance providers, including the External Auditors, the Group's Audit Committee and the Board are able to form an opinion on the internal financial controls and whether they form a sound basis for the preparation of reliable financial statements.

As a key area responsible for the Group's financial information, the expertise, resources and experience of the company's finance function, as well as that of the Group Finance Director, are assessed annually by the Audit Committee. The assessments of respective Chief Financial Officers for the operating subsidiaries are also performed annually with feedback tabled at the Group's Audit Committee.

The Board, assisted by the Audit Committee, assumes responsibility for the integrity of the Integrated Report and ensures that the report fairly represents the integrated performance of the Group. The Integrated Report includes information from the Group's financial statements and GBJ report including commentary that provides sufficient information on the key issues affecting the Group, its stakeholders and the communities in which it operates. Selected metrics are independently assured by the External Auditor and included in the GBJ Report, available on the Group's website.

PRINCIPLE OVERSIGHT

1 AUDIT COMMITTEE

Woolworths, Mall of Africa

STAKEHOLDER RELATIONSHIPS

PRINCIPLE 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

APPLICATION

King IV emphasises the critical role of stakeholders in the governance process, and, as such, the Board will always consider the legitimate and reasonable needs, interests and expectations of stakeholders. The Group has a number of diverse groups of stakeholders.

The Board acknowledges that the Group's operations should create value for all stakeholders who may impact and/or influence the Group's operations. The Board has delegated to the respective management teams in the Group the responsibility to manage and implement the formal stakeholder engagement framework across the Group. Management proactively deal with stakeholder relationships as part of the day-to-day operations of the business.

Stakeholder engagement is facilitated in a manner that ensures value creation to the Group and the various stakeholders. Engagements are based around issues that are both salient for the business and aligned to national priorities.

In line with the JSE Listings Requirements, the Board makes every effort to treat all shareholders equally.

The Group provides information to its stakeholders that is complete, timely, relevant, accurate and accessible. The degree of corporate transparency and communication is considered with reference to the relevant legal requirements and the maintenance of the company's competitive advantage.

Dispute resolution clauses are contained in all contracts and agreements entered into by the company and its subsidiaries.

The Board has approved governance frameworks for its South African and Australian subsidiaries. The frameworks, together with the delegations of authority, ensure that the Board oversees the significant aspects and transactions of the subsidiary companies.

PRINCIPLE OVERSIGHT

2 SOCIAL AND ETHICS COMMITTEE

USEFUL LINKS

Governance Report

The Board trusts that these explanations of the manner in which the King IV principles are applied within the Group, enables stakeholders to formulate an informed assessment of the quality of governance applied through the Group. We will continue with the refinement of these principles, always with the intention to promoting the desired governance outcomes.

To find out more about what we're doing, visit

www.woolworthsholdings.co.za

We appreciate any feedback on our Integrated Annual Report.
Please contact InvestorRelations@woolworths.co.za