

# King IV\*

# APPLICATION REGISTER



## Principle 1

### The Governing Body should lead ethically and effectively.

The Supervisory Board of directors (the Board) of The Foschini Group Limited (TFG, company or Group) is the Governing Body and is committed to the corporate governance principles as set forth in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). The Board acknowledges that it is ultimately accountable for the strategy, direction, leadership, governance and performance of TFG. Transparency, openness and accountability remain the key principles on which all its business activities are conducted.

TFG has adopted a code of good ethical conduct which applies to all directors and the organisation as a whole in order to ensure that TFG maintains the highest level of integrity and ethical conduct. The directors come from diverse backgrounds in commerce and industry and as such their collective experience enables them to provide sound, independent and objective decision-making. The Board charter outlines the policies and practices of the Board on matters such as directors' dealings in securities of the company and declarations of conflicts of interest. The Board considers any conflicts of interest tabled and acts on untenable conflicts.

The Board is committed to driving the strategy based on an ethical foundation, in order to support a sustainable business. The Board acts in the best interests of the company, taking into account its stakeholders, the environment and society as a whole, as well as considering risks and overseeing and monitoring implementation and execution of strategy by management, thereby ensuring accountability for the company's performance. The Board exercises control through the governance framework of the company which includes detailed reporting to the Board and its committees.

## Principle 2

### The Governing Body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

The Board determines and sets the tone for TFG's values, including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen. Through the Social and Ethics Committee, the Board approves the TFG code of good ethical conduct based on responsibility, honesty, fairness and respect.

Management has been delegated the responsibility for implementation and execution of the code of good ethical conduct and the Board, with the assistance of the Social and Ethics Committee, exercises ongoing oversight of the management of ethics, monitors TFG's activities with regard to ethics and ensures that it is integrated in the operations of the company.

The code of good ethical conduct guides interactions with all stakeholders of the Group, including employees, and addresses the key ethical risks of the company. The ethics programme, including the whistle-blowing mechanisms and the dedicated effort to create awareness, detect and resolve ethical violations and provide training on anti-corruption behaviours, all contribute to a strong ethical foundation.

The code of good ethical conduct is included on the TFGLearn and Insite portals/intranet and referenced in supplier and employee contracts. A high level overview for governing and managing ethics is also disclosed in the integrated annual report (IAR).

The Board, assisted by its committees, is committed to maintaining an ethical culture on transformation within the Group, taking into account race and gender diversity; on fair, responsible and transparent remuneration; and on the continued development and training of its employees, while recognising the transformative role that TFG can play, to the benefit of all stakeholders, in the development of the communities within which it operates.

Feedback on material matters from the respective business units and the tip-off line is reviewed by the Audit Committee to ensure that appropriate follow-up and remedial action is taken. Significant issues, including fraud, are reported to the Board.

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**Principle 3**      **The Governing Body should ensure that the organisation is and is seen to be a responsible corporate citizen.**

It is a Group imperative to be a values-driven organisation, to deliver on the South African transformation agenda and to fulfil its legal and moral obligations as a good corporate citizen. In accordance with its oversight role the Board approves the strategy and priorities of the business with a particular focus on ESG and sustainability and the Social and Ethics Committee monitors the implementation plan. Through a stakeholder engagement programme TFG is committed to understanding and being responsive to the interests and expectations of all stakeholders.

The Board, with the support of the Social and Ethics Committee, oversees and monitors how the operations and activities of the company affect its status as a responsible corporate citizen. This is measured against performance targets set in support of the TFG strategic imperatives.

TFG's IAR, supplemented by the Inspired Living Report, details the Group's progress against its priorities and sustainability framework, within the context of material sustainability challenges, governance, ethics, human rights, addressing climate change and promoting effective utilisation of energy, water and other environmental resources to ensure an effective contribution to sustain the environment for the future.

Oversight and monitoring of TFG's approach to conducting its operations in a responsible manner are performed in the areas of the workplace, economy, society and the environment. Appropriate measures will be determined by management in these areas, subject to compliance with any overarching Group strategies and policies.

**Principle 4**      **The Governing Body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**

The Board embraces the responsibilities imposed by King IV and acknowledges that it is ultimately accountable for the strategy, direction, leadership, governance and performance of the company.

The Board oversees and monitors, with the support of its committees, the implementation and execution by management of the policies and priorities and ensures that the company accounts for its performance by, among others, reporting and disclosure. The Audit and Risk Committees assist the governance of risks and monitor the effects of the identified risks and mitigating controls. More details regarding the company's performance against its strategic objectives are reported in the IAR.

**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.**

The Board, through the Audit Committee, ensures that the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures.

Reporting frameworks are approved by the Audit Committee and the Audit Committee oversees the integrated reporting process and reviews the annual financial statements (AFS). The IAR is signed off by the full Board, the AFS by the Audit Committee and the Inspired Living Report by the Social and Ethics Committee prior to release.

TFG ensures that the annual reports, including the AFS, IAR and sustainability reports and any other information relevant to stakeholders are published on the company's website, as well as through other media as is appropriate.

**Principle 6**      **The Governing Body should serve as the focal point and custodian of corporate governance in the organisation.**

The Board serves as the focal point and custodian of corporate governance in the Group. The Board has a formal charter which it reviews annually. The charter sets out its governance responsibilities and membership requirements. The Board as well as any director or committee may obtain independent, external professional advice at the company's expense pertaining to matters within the scope of their duties, and the directors may request documentation from and set up meetings with management as and when required.

An appropriate governance framework and the necessary policies and processes are in place to ensure all entities in the Group adhere to essential Group requirements and minimum governance standards. As a direct or indirect shareholder, the company exercises its rights and is involved in the decision-making of its subsidiaries on material matters. TFG's governance framework and corporate governance practices are disclosed in the IAR.

**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.**

The capacity of each director is categorised as defined in the JSE Listings Requirements, King IV and in terms of other factors as outlined in the Board charter. The Board comprises a majority of independent non-executive directors. A rigorous review of the independence and performance of independent non-executive directors serving more than nine years is undertaken by the Board, with the support of the Nomination Committee, on an annual basis.

Currently all non-executive directors are required to complete an independence questionnaire annually to establish whether they meet the objective independence criteria in King IV. In terms of the company's MOI, one-third of non-executive directors must retire at every annual general meeting (AGM) and are eligible for re-election.

The Group has appointed an independent non-executive member as Lead Independent Director. The Lead Independent Director performs specific duties primarily aimed at strengthening the Chair of the Board of Directors. These duties include inter alia overseeing the evaluation of the Chair, being a sounding board for the Chair, being an avenue of communication for the other directors on any issues relating to the Chair, and chairing discussions and decision making where the Chair has a conflict of interest.

When considering appointments or re-election of directors the Board, with the support of the Nomination Committee, gives due consideration to the knowledge, skills and resources required as well as its size, diversity and demographics to ensure its effectiveness. The processes are transparent and are formalised in the Nomination Committee charter. The Chairman of the Nomination Committee provides regular reports and feedback to the Board. The process for appointment and election of directors is set out in the company's MOI and the director appointment policy.

There is a clear distinction drawn between the roles of CEO and the Chairman and these positions are occupied by separate individuals.

A brief CV for each director standing for election or re-election at the AGM accompanies the notice of AGM. Newly appointed directors are inducted in TFG's business, Board matters and their duties and governance responsibilities as directors under the guidance of the Company Secretary, in accordance with each director's specific needs. An induction file and programme as well as ongoing training and access to the business are provided.

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

Board committees have been established to assist the Board in discharging its responsibilities. The committees of the Board comprise the Audit Committee, the Nomination Committee, the Remuneration Committee, the Social and Ethics Committee and the Risk Committee. The committees are appropriately constituted, with each committee having at least three members appointed by the Board, with the exception of the Audit Committee whose members are nominated by the Board and elected by shareholders. The Nomination Committee reviews the composition of each committee, taking into account factors such as diversity and skills.

External advisors and members of management attend committee meetings by invitation. Terms of reference are established and approved for each committee and these are reviewed regularly.

The Board considers the allocation of roles and responsibilities and the composition of membership across committees holistically, to achieve the following:

- > effective collaboration through cross-membership between committees, coordinated timing of meetings, and the avoidance of duplication or fragmented functioning in so far as possible;
- > where more than one committee has jurisdiction to deal with a similar matter, the specific role and positioning of each committee in relation to such a matter is defined to ensure complementary rather than competing approaches; and
- > there is a balanced distribution of power in respect of membership across committees so that no individual has the ability to dominate decision-making, and no undue reliance is placed on any individual.

A delegation by the Board of its responsibilities to a committee will not by or of itself constitute a discharge of the Board's accountability. The Board applies its collective mind to the information, opinions, reports and statements presented by the Chairperson of each committee.

#### **Audit Committee**

The Board has an Audit Committee comprising independent non-executive directors only and its independence and effectiveness is reviewed on an annual basis. The Audit Committee is constituted as a statutory committee of TFG and fulfils its statutory duties in terms of section 94(7) of the Companies Act of South Africa, No. 71 of 2008, as amended.

The members of the Audit Committee are elected by shareholders on an annual basis at the AGM.

The members of the committee, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively. The responsibilities of the Audit Committee as well as significant matters dealt with during the year are disclosed in the IAR.

#### **Remuneration Committee**

The Remuneration Committee is responsible for oversight of remuneration. All members of the committee, including the Chairman, are independent, non-executive directors.

#### **Social and Ethics Committee**

The Social and Ethics Committee is responsible to oversee and report on social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship and assisting the Group in discharging its business responsibilities thereto. It is also responsible for executing the statutory duties set out in the Companies Act. The majority of the members of the Social and Ethics Committee, including the Chairperson, are independent non-executive directors.

#### **Nomination Committee**

The Board has delegated oversight of, among others, the following to the Nomination Committee: (i) the process for nominating, electing and appointing members of the Board, (ii) succession planning of directors, and (iii) evaluation of the performance of the Board and its committees.

All members of the Nomination Committee are independent non-executive directors.

#### **Risk Committee**

The Risk Committee is responsible for overseeing risk governance and comprises both executive and non-executive members with the majority being non-executive members of the Board.

#### **Ad hoc Finance Committee**

An ad hoc Finance Committee, comprising both non-executive and executive directors and chaired by an independent non-executive director, assists the Board in a number of areas, including making dividend recommendations to the Board, implementing and monitoring treasury and liquidity KPIs and specifically considering and investigating all potential acquisition opportunities and their funding.

**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.**

The Board, with the assistance of the Nomination Committee, is responsible for evaluating its own performance and that of its own committees, its Chair and the individual directors. A formal process is followed at least every two years and, every alternate year, the Board schedules in its yearly work plan an opportunity for consideration, reflection and discussion of its performance. The Lead Independent Director is responsible for inter alia overseeing the evaluation of the Chair.

**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.**

The role and function of the CEO is specified in the Board charter and the performance of the CEO is evaluated by the Board against agreed performance measures and targets. The Nomination Committee is responsible for ensuring that succession plans are in place for the position of CEO.

The Board regularly reviews and approves the delegation of authority framework in terms of which matters are delegated to the CEO. The CEO is the highest executive decision-making authority of the Group and is delegated with authority from and accountable to the Board for successful implementation of the Group strategy and the overall management and performance of the Group, consistent with the primary aim of enhancing long-term shareholder value.

The CEO is not a member of the Remuneration, Audit or Nomination Committee, but attends these meetings by invitation in order to contribute pertinent insights and information.

The Board ensures that key management functions are led by competent and appropriately authorised individuals and that they are adequately resourced.

#### **Company Secretary**

The Group Company Secretary has been duly appointed by the Board in accordance with the Companies Act.

The Group Company Secretary is accountable to the Board and all directors have access to his professional corporate governance advice and services. He has unfettered access to the Supervisory Board, but at the same time maintains an arm's length relationship with it and is not a director of the company. The Company Secretary is independent and functionally reports to the Board on company secretarial matters.

The Group Company Secretary's duties include but are not limited to those listed in section 88 of the Companies Act.

Every two years, as part of the Board evaluation process, the directors assess whether the Group Company Secretary has fulfilled the required obligations and duties. The assessment questionnaire also gives directors the opportunity not only to evaluate the Company Secretary, but to raise any concerns they may have.

Following this assessment in the 2023 financial year, the Board believes that the Group Company Secretary is an objective, suitably qualified, competent and experienced individual who is able to provide the Supervisory Board with the requisite support for its effective and efficient functioning and discharge of its duties as prescribed by the Companies Act, King IV and the JSE Listings Requirements. The Board further believes that the office of the Company Secretary is empowered and that the position carries the necessary authority.

**Principle 11****The Governing Body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

The Board has the direct responsibility for the governance of risk and approves the TFG risk policy that gives effect to its set direction on risk. The Board has delegated risk management oversight jointly to the Risk Committee and the Audit Committee. The Risk Committee reviews significant risks and their related mitigations and reports back to the Board at each meeting. The Audit Committee focuses predominantly on financial risks and reviews the effectiveness of the risk process. The Group annually reviews the level of risk it is willing to accept to achieve its strategic objectives, and in pursuit of creating and maintaining value for all stakeholders.

TFG's Enterprise Risk Management (ERM) framework provides a structured, dynamic and consistent approach to risk management. It is an integrated approach and recognises that effective risk management is critical to the achievement of strategic objectives and the long-term sustainable growth of the business. Risks are reviewed throughout the year and this continuous process informs any updates to the Group's risk registers and combined assurance plan. The framework draws on internationally-accepted best practices and is in line with relevant standards.

The Group continuously seeks to improve and enhance the risk management process, while maintaining a practical and business-minded approach. Updates on current and emerging risks and related mitigations are provided quarterly to the Executive Risk Committee for discussion. The Executive Risk Committee consists of senior executives representing various business divisions across the Group. The outcome of discussions within the Executive Risk Committee along with the required levels of assurance are discussed at the Risk Governance Committee. This committee includes the Group Chief Executive Officer and Chief Financial Officer. Significant matters and any revisions to risks are reported to the Risk Committee.

The Supervisory Board adopts a conservative approach to risk, without inhibiting or unduly restricting the Group's ability to utilise and capitalise on risk-adjusted opportunities. The Operating Board and Chief Executive Officer utilise the Executive Risk Committee and senior management to manage the respective components of risk. Each business area is responsible for identifying, assessing and managing the risks in their respective area.

Risks and opportunities are identified throughout the year through regular interaction with the business and assessed on the likelihood of occurrence and the potential impact on the Group (risk exposure).

Mitigations are identified against each risk and the remaining residual risk is assessed according to defined criteria. This includes annual workshops held across business divisions to review critical strategic risks, significant trends in the operating environment and relevant interests of key stakeholders.

The risks with the highest exposure for the Group are presented to the Operating Board for review. The outcome of the review is submitted to the Risk Committee and ultimately to the Supervisory Board for approval. This process is facilitated by the Group Enterprise Risk Management function.

**Principle 12****The Governing Body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**

The Board is ultimately accountable for the governance of information and technology. The Board, through the Audit and Risk Committees, oversees and monitors the governance of information technology (IT) in the Group. An IT charter is in place which articulates and gives effect to the Group's employment of technology and information. The IT strategy is aligned to the TFG business needs and sustainability objectives.

The Audit and Risk Committees monitor technology and information governance initiatives to ensure these do not pose a risk to the continuity of the Group's operations.

Developments in technology are monitored closely by TFG's IT department through close relationships with service providers and attendance at the relevant conferences and trade shows. These are discussed in detail by the Operating Board.

## 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.**

Responsibility for the implementation and execution of effective compliance management is delegated to management. The Board retains ultimate responsibility for compliance with applicable laws, adopted non-binding rules, codes and standards. There is a compliance policy in place which requires all Group companies and their directors and employees to comply with all applicable laws. Legal compliance systems and processes are in place and are continuously improved to mitigate risk of non-compliance with the laws in the various jurisdictions in which TFG does business, and also to ensure appropriate responses to changes and developments in the regulatory environment.

The Board receives regular reports on compliance matters and to the extent that legal and regulatory matters have an impact on the AFS, such reports are presented to the Audit Committee. Specific areas of law have been identified as key Group legal compliance risk areas, and risk mitigation and control steps have been identified for each of these areas.

## 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.**

The Board assumes responsibility for the governance of remuneration and sets the direction for remuneration across the Group. The Group's remuneration policy seeks to ensure that the Group's executives and managers are fairly rewarded for their individual and joint contributions to the company's performance and that the company remunerates fairly, responsibly and transparently at all levels to enable the company to achieve its strategic objectives and secure positive outcomes in the short, medium and long term. The remuneration policy and the implementation report are reported on in detail in the IAR.

The Remuneration Committee is tasked by the Board to independently approve and oversee the implementation of the remuneration policy.

The remuneration policy aims to enable the attraction and retention of skilled resources and is designed to achieve the following principal objectives:

- > External equity: employees are rewarded in line with national and retail market benchmarks, taking all relevant and appropriate factors into account.
- > Internal equity: employees are remunerated fairly in relation to one another and in recognition of their individual contribution and accountability.
- > Performance alignment: employees are aware of the requirements for sustained performance in terms of rewards.
- > An appropriate remuneration mix: employees are aware of the need to establish a balance between cash salary, benefits, annual incentives and deferred LTIs to drive the performance and values-based behaviours.

The Remuneration Committee engages at least annually with the Group's major investors on a one-on-one basis to discuss enhancements and/or refinements to the Group's remuneration policy. The Remuneration Committee considers shareholders' contributions thoroughly and incorporates them into the policy where these enhancements align with the Group's strategy. TFG discloses the remuneration of each director individually in the AFS.

In line with the recommended practices in King IV, both the remuneration policy and the implementation report will be tabled for separate non-binding advisory votes by the shareholders at the AGM in September 2023.

The remuneration policy provides for the measures that TFG commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the AGM.

Further information is disclosed in the remuneration report in the IAR.

## 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.**

The Board is responsible for the integrity of the IAR, AFS and other external reports issued by the organisation. The Board, with the support of the Audit Committee and Risk Committee, satisfies itself that the combined assurance model is effective and sufficiently robust for the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports.

The Board has approved the charters for both the Audit and Risk Committees, which gives effect to assurance over internal controls. The Group maintains a system of internal financial control that is designed to provide assurances on the maintenance of proper accounting records and the reliability of financial information used within the business and for publication. The system contains self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

A combined assurance model has been implemented which aligns and optimises assurance and ensures that significant risks are adequately addressed. The model recognises the five lines of defence. Regular communication between assurance providers optimises areas of reliance and enhances value delivery to stakeholders. Assurance providers collectively provide assurance to the Board.

An internal audit charter is in place and outlines the responsibilities of the internal audit function. The Audit Committee has been delegated the responsibility for overseeing that assurance services are executed in line with the charter.

The Audit Committee considers the resource capacity and skills of the internal audit division on an ongoing basis and ensures that there is an effective risk-based internal audit department within TFG which is well staffed and has the technical skills to carry out its functions.

The Head of Internal Audit reports functionally to the Audit Committee Chairman and is seen to be objective and independent. Senior executive management openly supports the work of internal audit. The internal audit function does not assume responsibility for any operational line functions. It is important that internal audit is an independent department within TFG, thereby ensuring the veracity of its reports.

In terms of the Audit Committee charter, the Audit Committee is responsible for the appointment and performance assessment of the Head of Internal Audit. The Head of Internal Audit has direct and unencumbered access to the Chairman of the Audit Committee. This is supported by explicit statements in the internal audit charter. The Head of Internal Audit has a standing invitation to attend meetings of the TFG Operating Board and/or of the divisional management teams, but is not a member of these committees in order to protect independence.

Internal audit follows a risk-based approach to develop its annual internal audit plan and the plan is presented to the Audit Committee for approval. The internal audit plan takes into account TFG's strategy and considers the organisational risk profile. The Audit Committee will also propose and/or approve changes to the internal audit plan.

## 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.**

TFG is committed to a stakeholder-inclusive approach, based on the principle of shared value, thereby ensuring that all stakeholder issues have been identified, prioritised and appropriately addressed.

The Board has approved a formal policy for stakeholder engagement in terms of which the Board, through the Social and Ethics Committee, considers issues around stakeholder engagement and management. Through regular reporting by management to the Social and Ethics Committee and the Chairperson of that committee to the Board, the Board is equipped with the necessary information to enable it to take the legitimate interests and expectations of stakeholders into account in all decision-making.

It is a business imperative that the Group understands and is responsive to the needs and interests of key stakeholders which includes: customers, employees, unions, shareholders, suppliers, governments, regulators and the communities in which TFG operates.

Interaction with stakeholders takes place during the normal course of business at multiple levels across the Group. The role of investor relations, the custodian of the stakeholder engagement approach, as well as associated processes and standards, ensures a coordinated and consistent approach is applied across the Group. The Investor Relations department acts as an enabler to the organisation with the goal to systematically embed and continuously improve how stakeholders are managed. Timeous communication on material developments of the business is conducted via the SENS platform, ensuring proactive information and communication. The Board also engages with shareholders at the results presentations, the AGM and on an ad hoc basis as and when required.

A Group governance framework assists in setting the direction for how the relationships and exercise of power within the Group should be approached and conducted.