



2024

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2024

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 during the reporting period. A report on the Group's application of the principles is presented on the website at www.lewisgroup.co.za/governance/king-iv/.

BOARD OF DIRECTORS

Name	Status	Appointment date
Non-executive directors		
Hilton Saven	Independent non-executive director (Chairperson)	22 June 2004
Prof. Fatima Abrahams	Independent non-executive director	1 September 2005
Adheera Bodasing	Independent non-executive director	1 June 2017
Brendan Deegan	Independent non-executive director	15 August 2022
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

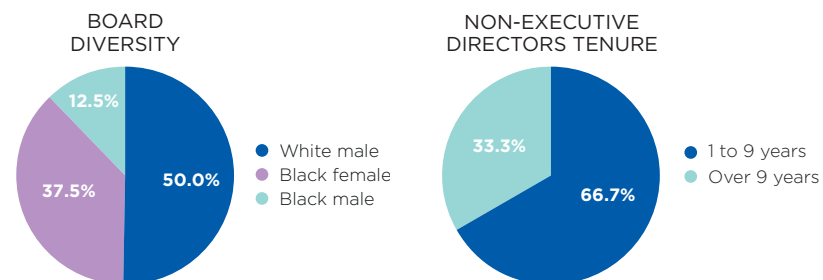
BOARD COMPOSITION

The board consists of six independent non-executive directors and two executive directors.

The board is satisfied that it has a diverse mix of knowledge, skills, industry experience, background, gender and race 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 39 to 40 of the Integrated Report.



Key responsibilities

The board is governed in terms of a charter that sets out its key roles and responsibilities, which include:

- 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.

Corporate Governance Report

BOARD OF DIRECTORS

There were no changes in the composition of the board during the period under review.

Independent non-executive director Prof. Fatima Abrahams stepped down as a member of the audit committee and did not avail herself for re-election at the annual general meeting (AGM) held on 12 October 2023. Prof. Abrahams continues to attend audit committee meetings as an invitee and provides her expertise and services to the committee.

Directors appointed during the year are required to have their appointments ratified at the following AGM. The Chairperson is elected every second year by the board.

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. Independent non-executive director Hilton Saven reached the age of 70 during the reporting period. The board considered and satisfied itself that he makes an invaluable contribution to board and committee affairs with his skills, expertise and experience, and that he should continue to hold office.

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 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 and was therefore not classified as independent. These consulting services ended in 2021 and Adheera commenced a two-year 'cooling-off' period. This period has since ended and she is now 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, culture, business acumen and tenure, with an appropriate mix of knowledge, skills, age, experience and independence. The board's diversity policy considers and promotes areas for enhancing broader diversity such as gender, race, culture, age, field of knowledge, skills and experience when vacancies arise.

In 2024, the board retained the voluntary targets of 30% for female representation and racial diversity.

Currently 38% of the directors are female and 38% are black in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Act. Independent non-executive director Tapiwa Njikizana is Zimbabwean and is 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 Chairperson, Chief executive officer and the Company secretary as well as the individual directors. In addition, the Chairperson has individual sessions with each director where necessary.

The 2024 board evaluation concluded that the board was satisfied with its overall functioning and governance.

Chief financial officer and finance function evaluation

The audit committee conducted a formal evaluation of the appropriateness of the expertise of the Chief financial officer, 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.

Corporate Governance Report

Company secretary

Marisha Gibbons is the Company secretary of the Group. The Company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors, providing advice to directors on governance, compliance and their fiduciary responsibilities, and is responsible for liaising with the JSE and the Companies and Intellectual Property Commission.

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 Chairperson 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 71 of 2008 (Companies Act).

The board is satisfied that it has an arms-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.

Governance structure

The board of directors delegated specific responsibilities to five board committees, the executive directors and executive committee of the main operating company, Lewis Stores. The board committees are all chaired by independent non-executive directors.

Committees have terms of reference and function according to a year plan. 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.

Board meetings

2024 meeting attendance

MEETINGS HELD	B	AC	RC	REM	NOM	SET
Non-executive directors	4	5 [#]	4	3 [#]	2	2
H Saven	4 ⁺	5 [*]	4	3	2 ⁺	2
F Abrahams	4	5 [^]	4	3 ⁺	2	2 ⁺
A Bodasing	4	5 [*]	4	3	2	-
B Deegan	4	5	4	3	2	-
D Motsepe	4	5 ⁺	4 ⁺	3	2	2
T Njikizana	4	5	4	3	2	-
Executive directors						
J Enslin	4	5 [*]	4	3 [*]	2 [*]	2
J Bestbier	4	5 [*]	4	-	-	-

COMMITTEE KEY	B	BOARD
	AC	AUDIT
	RC	RISK
	REM	REMUNERATION
	NOM	NOMINATIONS
SET	SOCIAL, ETHICS AND TRANSFORMATION	

- ⁺ Chairperson.
- ^{*} Attends by invitation.
- [#] The audit committee holds an ad hoc meeting annually to approve the Integrated Report. The remuneration committee held a special meeting on 27 November 2023.
- [^] Did not avail herself for re-election as a member of the audit committee; attended three committee meetings as a member and two meetings as an invitee.

Corporate Governance Report

Audit committee

Members

Daphne Motsepe (Chairperson)

Brendan Deegan

Tapiwa Njikizana

The members of the committee are independent non-executive directors. The committee met five 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 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 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

The key focus areas are unchanged for the forthcoming year.

Refer to the Audit committee report in the Audited Annual Financial Statements for more detail on pages 4 to 7.

Corporate Governance Report

Risk committee

Members

Daphne Motsepe (Chairperson)

Prof. Fatima Abrahams

Jacques Bestbier (Chief financial officer)

Adheera Bodasing

Brendan Deegan

Johan Enslin (Chief executive officer)

Tapiwa Njikizana

Hilton Saven

The committee consists of six independent non-executive directors 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 15 to 18 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;
- Oversight of IT systems development enabling the business to continue to function effectively inclusive of cyber security
- Overseeing the implementation of the compliance policy and plan and the effective execution of compliance management
- Continuously enhance the business continuity plan and disaster recovery plan
- Monitoring compliance with legislation

The key focus areas are unchanged for the forthcoming year.

Corporate Governance Report

Remuneration committee

Members

Prof. Fatima Abrahams (Chairperson)

Adheera Bodasing

Brendan Deegan

Daphne Motsepe

Tapiwa Njikizana

Hilton Saven

The committee consists of six independent non-executive directors. The Chief executive officer attends meetings at the invitation of the committee. The remuneration committee met three times 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
- Recommending non-executive directors' fees for shareholder approval
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contributions
- Reviewing share 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 key focus areas are unchanged for the forthcoming year.

Corporate Governance Report

Nominations committee

Members

Hilton Saven (Chairperson)

Prof. Fatima Abrahams

Adheera Bodasing

Brendan Deegan

Daphne Motsepe

Tapiwa Njikizana

The committee consists of six independent non-executive directors. 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

The key focus areas are unchanged for the forthcoming year.

Corporate Governance Report

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 Human resources director as well as the 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 on www.lewisgroup.co.za/investors/integrated-annual-reports/.*

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:

- Continued monitoring of the code of ethics, including values and ethics awareness
- Monitoring customer relationships and compliance with consumer laws
- Increasing focus on environmental, social and governance (ESG) reporting, including supporting the board and management with the implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures
- Monitoring employee training and leadership programmes
- Supporting learnerships for disabled and able-bodied learners
- Continue to support initiatives aimed at improving retention rates of branch managers and regional controllers
- Promoting and supporting enterprise and supplier development
- Increasing focus on transformation and diversity
- Continuing support for socio-economic development programmes

The key focus areas are unchanged for the forthcoming year.

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

Corporate Governance Report

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 (Chief executive officer and Chairperson)

Waleed Achmat (Human resources)

Jacques Bestbier (Chief financial officer)

Rinus Oliphant (Operations)

The board consists of four executive directors. Meetings are also attended by the 20 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 (RWG)

The RWG comprises the Chief executive officer, Chief financial officer, the Chief risk officer and all relevant executives and senior management of the Group.

The RWG meets quarterly and reports to the Lewis Stores board as well as to the Lewis Group risk committee and Monarch Insurance Company Limited's (Monarch) audit and risk committee. *Refer to page 69 of the Integrated Report for their responsibilities, which are supervised by the Lewis Group risk committee.*

Information technology steering committee

The steering committee meets three times a year and comprises the Chief executive officer, Chief financial officer, IT general manager, Chief risk officer 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 on the Group
- 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

Corporate Governance Report

Social and ethics working group

The social and ethics working group (Working Group) is a sub-committee of the board's social, ethics and transformation committee, with the membership comprising of the Human resources director, Chief financial officer, Operations director, Human resources manager, Chief risk officer and Company secretary. Senior members of the internal audit department attend by invitation. The sub-committee reports to the Chief executive officer.

The Working Group supports the social, ethics and transformation committee in meeting its responsibilities by monitoring the Group's activities with a specific focus on operational best practices, risk mitigation and ethical compliance throughout the Group.

The Working Group meets twice a year and supports the social, ethics and transformation committee by:

- Monitoring the Group's activities in terms of legislation, regulation or codes of best practice relating to ethical practices, whistleblowing, and environmental issues
- Monitoring the Group's B-BBEE programme in terms of the:
 - approved transformation strategy;
 - approved B-BBEE targets in terms of the Codes of Good Practice of the Department of Trade, Industry and Competition;
 - reviewing B-BBEE scorecards from the verification agency; and
 - evaluating the Group's performance against approved targets.
- Ensuring an ethical working environment by monitoring attendance of ethics training and reviewing whistle blowing reports to identify trends relating to unethical practices and breaches
- Monitoring sustainability and climate-related impacts on the business
- Reviewing relevant Company policies, specifically relating to human resources

Property committee

The property committee comprises the Chief executive officer, Chief financial officer, Operations director, Human resources director, Operational general managers, IT general manager, Credit general manager and four Leasing managers and meets five times a year. The committee reports to the Chief executive officer and is responsible for the approval of:

- New stores
- Store relocations where trading patterns have changed
- Closure of non-performing stores
- Lease renewal terms for existing stores

Corporate Governance Report

MONARCH

Monarch board

Members

Independent non-executive

Hilton Saven (Chairperson)

Prof. Fatima Abrahams

Brendan Deegan

Mholi Shandu

Non-Executive

Robert Shaw

Executive

Morne Mostert (Monarch Chief executive officer)

Monarch's board consists of four independent non-executive directors, one non-executive director and one executive director. Ray Sanger retired as a director of Monarch and member of its audit and risk committee with effect from 1 October 2023. 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, with the report 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



Corporate Governance Report

Monarch audit and risk committee

Members

Prof. Fatima Abrahams (Chairperson)

Brendan Deegan

Mholi Shandu

The committee consists of three independent non-executive directors. With the retirement of Ray Sanger as a member of the audit and risk committee, a vacancy arose and Mholi Shandu was appointed as a member of the audit and risk committee with effect from 30 August 2023. 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's Chief executive officer and Chief financial officer attend by invitation. The committee meets four times a year and meetings are also attended by the Company secretary, Internal audit executive, the Chief risk officer and the external auditors.

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
- 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

Governance committee of Monarch

Monarch insurance investment sub-committee

The investment sub-committee comprises the Chief executive officer of Monarch and Chief financial officer of Lewis Stores, and meets four times a year with the portfolio manager of the investment fund. The sub-committee reports to the Monarch board.

The sub-committee is responsible for:

- Efficient management of Monarch's investments
- Reviewing the investment strategy and making recommendations to Monarch's board
- Overseeing the execution of Monarch's board-approved asset allocation strategies for the investment portfolio
- Ensuring compliance with regulatory standards, and solvency and liquidity requirements
- Appointing portfolio manager/s
- Monitoring the performance of portfolio manager/s and investments
- Annual review of the investment policy for review and approval by Monarch's board
- Execution and monitoring conformance with the investment policy



Corporate Governance Report

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 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 RWG is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. The business units in the Group assess the risks on a quarterly basis. The RWG reviews the registers with a focus on:

- Completeness of risks identified across the Group
- Causes of risks
- The residual risk ratings
- The tolerance levels based on risk indicators
- The need for further management action

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

Senior executives and line management are responsible for implementing the risk appetite and reporting any material deviations above the approved threshold limits.

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

Key risks are documented in the Material issues and risks report on pages 15 to 18 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

The Group has a well-established control environment that incorporates risk management and internal control procedures. The Group's internal controls exist to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being adequately managed.

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

PricewaterhouseCoopers (PwC) was appointed to conduct an independent assessment of the internal audit and risk management processes. No significant findings were highlighted by PwC, and the board is satisfied with the outcome of the assessment and the internal audit and risk management processes that are in place.

External audit firm appointment

Following the board's recommendation, Ernst & Young Inc. was appointed as the Company's external auditor by shareholders at the AGM on 12 October 2023. The appointment was effective from the financial year ended 31 March 2024.

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 performed a written assessment confirming the effectiveness of the Company's system of internal control and risk management, including internal financial controls. The role of internal audit is detailed in the internal audit charter which has been approved by the audit committee.

Refer to the audit committee report in the Annual Financial Statements on pages 4 to 7.

Corporate Governance Report

Information Technology governance

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 in to 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 75 of 1997
- Companies Act 71 of 2008
- Consumer Protection Act 68 of 2008
- Financial Advisory and Intermediary Services Act 37 of 2002
- Financial Intelligence Centre Act 38 of 2001
- Financial Markets Act 19 of 2012
- Insurance Act 18 of 2017
- JSE Listings Requirements
- Long-term Insurance Act 52 of 1998
- National Credit Act 34 of 2005

- Promotion of Access to Information Act 2 of 2000
- Protection of Personal Information Act 4 of 2013
- Short-term Insurance Act 53 of 1998

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.

Credit is granted centrally to ensure that credit risk policies are consistently applied, removing all subjectivity in the credit granting process. Advanced credit granting systems are in place involving collection of relevant information used to assess the creditworthiness of the customer and determine an acceptable level of risk.

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 completion of this process, final approval is subject to a successful interview with a specialised compliance call centre. Customers can engage with a call centre agent in one of the 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.

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.

Corporate Governance Report

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 (Code of Ethics) outline the standards of honesty, integrity and mutual respect which employees are required to observe.

The Code of Ethics provides guidance on conflict of interest which is aimed at ensuring that 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. An anonymous tip-off hotline which is run independently, is available to all employees and other stakeholders to report suspected incidents of fraud or dishonesty. The tip-offs and outcomes of investigations into incidents are reported to the audit committee each quarter.

Personal share dealings

An insider trading policy restricts directors and specific staff from dealing in the shares of Lewis Group during closed periods. 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 Chairperson of the board prior to dealing.

When the Chairperson of the board wants to deal in shares, the Chairperson is required to obtain written permission from the Chairperson 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

Prior to the conversion of Monarch's licence under the Insurance Act, Monarch provided goods and credit life insurance cover to policyholders exclusively under the Short-term Insurance Act and therefore as a short-term insurer. Historically, Monarch was not categorised as an accountable institution in terms of the Financial Intelligence Centre Act (FICA), as only insurers conducting long-term insurance business were categorised as such.

On conversion of Monarch's short-term insurance licence to that of a composite micro-insurer on 30 June 2020, and as a consequence of credit life insurance falling under the life class of insurance under the Insurance Act, the credit life insurance cover provided by Monarch was deemed to be long-term insurance.

Following Monarch's deemed classification as an accountable institution and the resultant obligation to comply with FICA in 2022, Monarch proactively disclosed its non-compliance to the Prudential Authority and implemented processes and procedures to ensure compliance with the Insurance Act. Following engagements, the Prudential Authority notified Monarch of its intention to impose a nominal administrative fine of R1 260 000 and afforded Monarch an opportunity to appeal the fine. Monarch submitted written representations during January 2024 and awaits the Prudential Authority's decision.

The directors confirm that, to their knowledge, the Group was not involved in nor associated with any material transgressions or other associated penalties in the reporting period.



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