

# Corporate Governance

New Clicks Holdings is fully committed to effective corporate governance. We believe that it is fundamental to the achievement of business objectives and the fulfilment of corporate responsibilities.

The Group supports the Code of Corporate Practices and Conduct as set out in the 2002 King Report and the Directors endorse the report's aim of conducting the affairs of the company and the group with integrity and in accordance with the highest standards of corporate practice.

The organisation strives for continuous improvement in matters of corporate governance. The Directors conducted a review of the group's compliance to the 2002 King Report and a readiness assessment and gap analysis was carried out. Certain of the King Report recommendations have been identified and prioritised for implementation.

## Board and directors

The Non-Executive Chairman, Mr Nurek, and the Group Leader, Mr Honneysett, have separate roles and responsibilities. The unitary board, comprising four executive Directors and four Non-Executive Directors, accepts accountability and responsibility for the performance of the company. The significant experience and skills of the Non-Executive Directors complement those of the Executive Directors.

The Board meets at least four times a year.

No less than one-third of the Directors are required by the Articles to retire from office each year in rotation. Retiring Directors are eligible for re-election at the annual general meeting.

All Directors have access to the advice and services of the company secretary and are entitled, at the company's expense, to seek independent professional advice about the affairs of the group, and are entitled to call a meeting of the board.

Strategies are drawn up by the group strategic forum and are ratified and adopted by the full board. The Executive Directors are responsible for

the implementation of strategies and the full board monitors implementation.

## Board committees

### Remuneration committee

The Remuneration Committee, which comprises three Non-Executive Directors, Messrs Nurek (Chairman of the Committee), Swartz and Osrin, is responsible for approving the remuneration and terms and conditions of employment of the executive directors and senior executives.

### Audit committee

The members of the Audit Committee are Messrs Nurek, Osrin and Swartz, all Non-Executive Directors. The audit committee has written terms of reference that deal adequately with the membership, authority and duties of the committee. The committee, under the chairmanship of Mr Osrin, meets formally twice a year. The Group Leader, the Head of Group Finance, the Internal Audit Manager and the external auditors attend all the audit committee meetings. The Internal Audit Manager has unrestricted access to the chairman of the audit committee. The overriding objective of the audit committee is to see that management has created and maintained an effective control environment in the organisation.

It is the audit committee's responsibility to:

- ensure that management imposes no limitation on the scope of the audits;
- review and approve the appropriateness of accounting and disclosure policies in the annual financial statements;
- assess the effectiveness of internal controls; and
- review action taken on major accounting problems.

## Accountability and audit

### Risk management

The Board accepts that it is responsible for setting risk policies, risk tolerance and risk management processes in the group.

Business continuity plans for our three distribution centres have been drawn up, documented and tested. As part of our disaster recovery plans and procedures, agreements have been signed and arrangements are in place for the recovery and resumption of our main computer operations at off-site third-party premises. Testing has confirmed that the recovery plans and procedures are adequate and workable. Business continuity plans are being drawn up for our national store support centre. Testing of the business continuity plans and disaster recovery plans will be ongoing.

### Internal audit

The company recognises that the internal audit function is an important part of corporate governance. Internal audit, which reports to the audit committee and has the support of the board and management, is an independent objective appraisal and assurance function. Internal audit strives to add value, assists the business in the achievement of its objectives and assists members of executive management in the effective discharge of their responsibilities.

The scope of the internal audit function includes reviews of the effectiveness of the systems of internal control, the means of safeguarding assets, the reliability and integrity of financial and operating information, the efficient management of the group's resources and the efficient conduct of its operations.

The internal audit plan is based on an assessment of risks, but it also allows for ad hoc assignments and reviews of new systems prior to and during implementation. It includes the review of general controls in the Information Technology areas of the group, and includes reviews of application controls.

### Internal and financial controls

The Board of Directors is responsible for the Group's systems of internal control designed to provide reasonable, but not absolute assurance against inaccurate internal financial information and other irregularities. The Board, through the Audit Committee, has reviewed the effectiveness of the systems of internal control for the year

under review. This review has revealed nothing that indicates that the systems of internal control were inappropriate or unsatisfactory.

The Board is satisfied that management has established a system of controls and procedures of a high standard to ensure the accuracy and integrity of the accounting records and to effectively monitor the Group's businesses and their performance. The system encompasses a wide range of checks and balances as well as interactive controls that include:

- an approval framework with clearly defined authority limits which sets levels of materiality on the full range of activities affecting the group;
- a comprehensive budgeting and forecasting system;
- monthly reporting of income statement, balance sheet and cash flow; and
- regular reporting on treasury, legal, pension, medical aid and insurance matters.

The controls provide reasonable assurance that:

- assets are safeguarded from loss or unauthorised use;
- the financial records may be relied on for preparing the financial statements; and
- accountability for assets and liabilities is maintained.

Organisational structures that provide for the division of responsibilities, and the careful selection and training of financial personnel augment these controls.

### Financial statements

The Directors are solely responsible for the preparation of the financial statements and related financial information that fairly represent the state of affairs and the results of the company and the group. The financial statements set out in this report were prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice. They are based on appropriate accounting policies that are supported by reasonable and prudent judgements and estimates. The external auditors are

responsible for independently reviewing and reporting on the financial statements.

## Going concern

The annual financial statements and group annual financial statements set out on pages 44 to 64 have been prepared on the going concern basis.

## Integrated sustainability reporting

In accordance with the recommendations of the King Report, we will be striving to measure our performance across a wider business model, taking account of stakeholder value. New Clicks has started the process, be this in matching social responsibility initiatives with our core business, considering the social effects of our corporate operations and the impact of our products, or building strong relationships with customers and suppliers.

We recognise that our responsibilities extend to three distinct areas:

- the workplace, including our employees and issues that affect their wellbeing;
- the marketplace, our suppliers, and the impact of our products and services on consumers' lives in the communities in which New Clicks operates; and
- the environment.

## Dealing in company securities

The company has two formalised closed periods during which directors and executives of the company and its subsidiaries are precluded from dealing in the company's securities. These closed periods commence at the end of the half-year and at the end of the financial year and continue until the release of results. If, at any time, any company activity results in price-sensitive information becoming available to directors and executives they are precluded from dealing in the company's securities until a public announcement is made. All directors are required to notify the company secretary of any dealings in the company's securities; these are notified to the JSE Securities

Exchange South Africa in terms of its listing requirements.

## Code of ethics

All employees of the group are required to maintain the highest ethical standards, ensuring that the group's business practices are conducted in a manner that is above reproach. Embedded in the culture of the organisation is a set of values and principles of behaviour which require employees to display honesty, integrity, respect for others, openness and the right and obligation to challenge others who are not living these values.