



+18,8%*

Abra continued to grow its footprint and perform well. It delivered solid revenue growth of 11,7% with operating profit improving by 18,8% in Polish currency terms.

**In Polish currency*

Service quality...



Abra – Poland

Sustainability and stakeholder review

JD Group's commitment to sustainability

Introduction

The Group's strategic intent and commitment is to build sustainable wealth and create value for its stakeholders.

As a foundation for the Group's sustainability commitment, the King Report on Corporate Governance forms the backbone against which the Group develops its approach, strategies and corporate behaviours in ensuring that the Group promotes integrated sustainability.

The goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their own needs. JD Group, as one of the leading retailers in South Africa, firmly believes that it has a critical role to play and a responsibility to assist the country to achieve this goal as stated and outlined by the Group's executive chairman, David Sussman.

"JD Group believes that the future prosperity of our country, as well as that of the Group, hinges, amongst other things, on the positive transformation and upliftment of our communities. It is the effects of this transformation process on standards and quality of life of our people that are at the heart of our concerns in achieving a sustainable economy."

JD Group further believes and is committed to ensuring the financial, economic, social and environmental prosperity of the Group, today, tomorrow and into the future.

The challenge that remains for the Group is how, whilst recognising the current market and financial environment within which it trades, the Group can maintain its commitments to realise the overall benefits of a more sustainable Group and country.

Developments

Positive developments for the year under review include, but are not limited to, the following:

- **Shareholders** – Our shareholders have once again been provided with the facts of the Group's business performance that is headed in the correct direction to meet and

potentially exceed the Group's strategic business goal and shareholders' expectations. Notwithstanding the tough economic conditions, the shareholders received a dividend of 41 cents per share as a return on their investment.

- **Employees** – The formal launch of the Group's *'Art of Service'* business initiative will undoubtedly benefit our employees as internal customers.

Employees including those in the bargaining unit qualified for and received salary increases despite the current state of the economy.

- **Customers** – More affordable and quality merchandise was provided by virtue of the strengthening of relationships with suppliers.

Customers enjoyed the benefit of lower insurance costs and enhanced consumer rights with the application of the National Consumer Act (NCA).

- **Suppliers** – The strengthening of relationships with suppliers of both merchandise and services, assists such suppliers to become improved corporate citizens.

- **Organised labour** – The Group continues to foster and herald the benefits of managing and experiencing solid, transparent and sound relationships with the various trade unions it recognises in southern Africa and with whom formal relationships have been negotiated and concluded.

Unions enjoy representation at various levels in the Group.

- **Government and Regulators** – Have once again experienced the Group's commitment to proactively meeting its requirements with regard to applicable legislation and has driven industry initiatives in this regard. R795 million has been paid to Government and Regulators comprising of taxes, licenses and fees.

- **Communities** – The Group has maintained its forward thinking approach by positively contributing to various initiatives in the communities within which it operates and serves.

Challenges

Challenges in maintaining and achieving progress in sustainability include, but are not limited to the following:

- Attracting and recruiting, especially at senior management levels, the best possible available talent to the Group to meet the EE targets and to ensure continuity and sustainability.
- During the year under review the Group has launched a number of major, large scale projects with wide reaching change management implications for the Group and its employees alike, which projects are aligned to deliver on the new business and operating model. The challenge is to manage change fatigue and successful implementation.

2010 and beyond

JD Group is committed to delivering on the Group's new business and operating model, which is crucial for the realisation of benefits for all stakeholders and in so doing, believe the following will be achieved:

- **Shareholders** – The shareholders will benefit from the anticipated improved business performance as the Group recoups its winning ways and meets the challenging targets that have been set, giving rise to significantly improved earnings yields.
- **Employees** – The execution of the Group's *'Art of Service'* business initiative will equally benefit the employees as internal customers, given the delivery of

an improved shopping experience for our customers which should result in a higher market share and consequential business expansion, more job opportunities, improved remuneration and better conditions of employment.

- **Customers** – An improved shopping experience being provided by committed employees embracing the Group's *'Art of Service'* initiative through a new and inculcated way of life.
- **Suppliers** – With the new business and operational model and the aggression with which the Group will continue to take market share, suppliers will as a natural consequence of the higher demand for merchandise, benefit from the improvement in business performance.
- **Organised labour** – There will be a continued focus on striving for sound, solid, fair and equitable employee relations' engagements, agreements and enhanced benefits.
- **Government and Regulators** – Will continue to experience the Group's open, transparent and proactive approach to compliance it has enjoyed to date on all fronts, as both parties strive to attain sustainability through constructive dialogue and agreements.

In addition, Government and Regulators will continue to benefit from the Group's contribution to the revenue authorities and the Group's role in providing jobs in the economy.
- **Communities** – The Group will continue to plough back into the communities within which it operates and serves, both financially and in sweat equity.

Sustainability and stakeholder review

continued

The table below provides an indication of the progress achieved for the period under review, within the sustainability categories and elements as measured against the JD Group commitments.

The Group's sustainability commitment overview			
Sustainability category	Sustainability elements	JD Group commitment	Progress on commitments for the period under review
Economic	Shareholders	<ul style="list-style-type: none"> • Delivery of the business and operating model and its targets. 	<ul style="list-style-type: none"> • Strategic projects have commenced and the realisation of benefits remains in scope for 2011. See page 9 for strategic goals.
	Employees	<ul style="list-style-type: none"> • Continual investment in skills and development. 	<ul style="list-style-type: none"> • 32 963 training interventions. • 10 301 employees trained.
	Customers	<ul style="list-style-type: none"> • Retention and acquisition of customers. • Growing market share. • Improved channels of communication. • Conduct regular customer focus group sessions. • Customer education. 	<ul style="list-style-type: none"> • Customer acquisition and retention strategies are continually being honed and pursued. • The Group's strategy of organic and non-organic business growth remains a strategic focus. • Two large scale contact centres operational. • Reputable international consultants were appointed and conducted independent customer focus groups on behalf of the Group and its brands. • Continual customer education regarding credit is conducted daily through the contact centres and at stores.
	Suppliers	<ul style="list-style-type: none"> • Supplier and procurement appointments. 	<ul style="list-style-type: none"> • B-BBEE compliance audits have been conducted with all suppliers of merchandise and services.
	Organised labour	<ul style="list-style-type: none"> • Retention and enhancement of the relationships forged and fostered with recognised trade unions. 	<ul style="list-style-type: none"> • Annual wage, terms and conditions agreements concluded. • Successful operational requirements exercise conducted across Traditional Retail and Financial Services divisions.

Sustainability category	Sustainability elements	JD Group commitment	Progress on commitments for the period under review
	Government and Regulators	Fulfilment of obligations with regard to: <ul style="list-style-type: none"> • compliance; • legislation; • governance; and • economic contribution. 	<ul style="list-style-type: none"> • Established a compliance committee. • Appointed a risk officer and a legal and compliance officer. • SARS tax settlement. • Conducted a governance assessment in respect of King Code III. • Conducted a compliance assessment in respect of the South African Companies Act, 2008. • Money exchanges with Government of R795 million.
	Communities	<ul style="list-style-type: none"> • To continue practising community engagement within which the brands operate and serve. 	<ul style="list-style-type: none"> • Maintained and strengthened our existing relationships with communities. See pages 67 and 68.
Environmental	Materials	<ul style="list-style-type: none"> • Paper management. 	<ul style="list-style-type: none"> • Paper management operational processes implemented to achieve reductions in paper utilisation.
	Energy	<ul style="list-style-type: none"> • Reduction of energy usage. 	<ul style="list-style-type: none"> • A number of operational changes have been implemented to conserve energy utilisation.
	Water	<ul style="list-style-type: none"> • Reduction of water usage. 	<ul style="list-style-type: none"> • A number of operational changes have been implemented to manage water usage.
	Biodiversity	<ul style="list-style-type: none"> • Awareness. 	<ul style="list-style-type: none"> • Relationships with associated authoritative bodies are being sought.
	Emissions, effluents and waste	<ul style="list-style-type: none"> • Waste management. 	<ul style="list-style-type: none"> • Operational directives implemented regarding waste management.
	Suppliers	<ul style="list-style-type: none"> • Risk mitigation. 	<ul style="list-style-type: none"> • Suppliers' contracts are being reviewed to ensure adequate risk mitigation.
	Merchandise	<ul style="list-style-type: none"> • Awareness and consideration. 	<ul style="list-style-type: none"> • Suppliers are monitored with regard to their adoption of environmental awareness procedures.
	Compliance	<ul style="list-style-type: none"> • Compliance with legislation and regulations. 	<ul style="list-style-type: none"> • Established a compliance committee. • Appointed a risk officer and a legal and compliance officer. • The Group has not received any environmental related correspondence or fines.

Sustainability and stakeholder review

continued

The Group's sustainability commitment overview (continued)

Sustainability category	Sustainability elements	JD Group commitment	Progress on commitments for the period under review
	Transport	<ul style="list-style-type: none"> Fleet optimisation. 	<ul style="list-style-type: none"> As part of the Group's strategic intent the fleet is being reduced and routing optimised, reducing environmental emissions.
Social	Employment	<ul style="list-style-type: none"> Being an employer of choice. 	<ul style="list-style-type: none"> Annual review and upgrading of employee practices, benefits and reward policies take place.
	Labour relations	<ul style="list-style-type: none"> Solid relationship with organised labour. 	<ul style="list-style-type: none"> Negotiated agreements are in place and strictly managed and adhered to.
	Health and safety	<ul style="list-style-type: none"> Compliance with the Occupational Health and Safety Act. 	<ul style="list-style-type: none"> Policy and procedures implemented and are being applied in accordance with the Act.
	Training and education	<ul style="list-style-type: none"> Continual investment in employees' skills training and development. 	<ul style="list-style-type: none"> 32 963 training interventions. 10 301 employees trained.
	Diversity and opportunity	<ul style="list-style-type: none"> Equal opportunity employer. 	<ul style="list-style-type: none"> Employment equity ratio of middle management increased to 73% of previously disadvantaged people, against a target of 68%.
	Human rights	<ul style="list-style-type: none"> Recognition and observation. 	<ul style="list-style-type: none"> Upheld by the Group's values and people practices.
	Communities	<ul style="list-style-type: none"> Ongoing involvement. 	<ul style="list-style-type: none"> Community involvement is conducted by the brands in the various communities within which they trade.
	Bribery, corruption and fraud	<ul style="list-style-type: none"> Full application of the Group's Code of Ethics. Company gift registers. Fraud reporting line. 	<ul style="list-style-type: none"> Negotiated and agreed policies and procedures are in place to manage incidents. A gifts policy has been formulated and gift registers are maintained across all departments in the Group. Anonymous fraud line in place and being monitored.
	Product and responsibility	<ul style="list-style-type: none"> Quality and service. 	<ul style="list-style-type: none"> Customer education on merchandise care and service conditions implemented.
	Service levels	<ul style="list-style-type: none"> Differentiated shopping experience. 	<ul style="list-style-type: none"> Launch of the Group's <i>'Art of Service'</i> initiative. Internal and external communication mechanisms are in place and are being fully utilised to resolve consumer complaints and queries.

Group value added statement

	2009		2008	
	Rm	%	Rm	%
Revenue	12 922		12 610	
Investment income	9		30	
Finance income	184		104	
Equity accounted losses	(12)		(14)	
	13 103		12 730	
Cost of merchandise, services and expenses	(9 988)		(9 877)	
Value added	3 115	100,0	2 853	100,0
Distributed as follows:				
Employees				
Salaries, commissions and other benefits	2 103	67,5	1 777	62,3
Government				
Taxation, assessment rates and other levies	525	16,9	305	10,8
Providers of capital	342	11,0	452	15,7
Distribution to shareholders	70	2,2	264	9,2
Finance costs	272	8,8	188	6,5
Reinvestment in the Group	145	4,6	319	11,2
To provide for depreciation	155	5,0	132	4,6
To provide for deferred taxation	(15)	(0,5)	(63)	(2,2)
Reinvestment for expansion	5	0,1	250	8,8
	3 115	100,0	2 853	100,0
Statement of money exchanges with government				
Assessment rates and taxes	18		14	
Company taxes	490		278	
Employees' tax deducted from remuneration paid	189		164	
Net value added tax and general sales tax collected	81		40	
RSC and other levies	17		13	
	795		509	

Value added is the amount of wealth the Group has created by purchasing and selling its merchandise. The statement above shows how this wealth has been distributed. The calculation takes into account the amounts retained and invested in the Group for the replacement of assets and the development of operations.

Sustainability and stakeholder review

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Stakeholder engagement

In order to attain its goal of building sustainable wealth and creating value for stakeholders, the Group is committed to ongoing dialogue and engagement. The Group has therefore established and utilises multiple mechanisms, methodologies, processes and channels to facilitate quality, two way communication and engagement with its various stakeholders.

The channels and mechanisms of communication are designed and selected with the aim of ensuring effective reach, absorption and understanding of the communication.

These various mechanisms are outlined below for the respective stakeholder groups.

Shareholders

The Group recognises the importance of fostering and ensuring clear, transparent and unambiguous communication. In this regard the Group regularly communicates its strategies and objectives to its shareholders and meets with major shareholders to make presentations and receive feedback and contributions thereon.

Communication with Shareholders takes place *via* the following mechanisms:

- Annual and interim reports;
- Website (www.jdgroup.co.za);
- Annual general meeting (AGM);
- Special general meetings;
- JSE's news service (SENS);
- Profit and other announcements;
- Road shows and one on one investor meetings; and
- Media releases.

Employees

The Group is fully committed to communication with its employees and strives to ensure that the correct, relevant and accurate dissemination of information occurs timeously to the appropriate employees, through the following mechanisms:

- Employee induction programmes;
- Independent and transparent employee engagement surveys conducted biannually;
- Intranet sites (Wiki and SharePoint);
- Annual, quarterly, monthly, weekly and daily meetings take place at all levels in the Group, where various issues are deliberated;
- Telecast communications focused on product promotions, employee and business performance achievements;
- Face to face written communication bulletins;
- Group directives and operational instructions;
- General Group, Chain or Service Department memoranda; and
- Biannual roadshows where executives share and receive feedback from specific audiences of employees on business performance, strategies and other company information.

Customers

The Group strives to communicate with its customers in such a manner that each customer feels as though he/she is the only customer. This customer centric approach will be further enhanced by the Group's *'Art of Service'* initiative.

Various mechanisms are utilised to communicate with customers, including the following:

- Head office, regional offices and stores – telephonic and electronic;
- Contact centres – telephonic;

- Direct engagement through employees at store level;
- Customer focus groups;
- Instore customer education;
- Website (www.jdgroup.co.za);
- Credit application documentation and concluded contracts;
- Letters, e-mails, SMS promotional communication;
- Account statements;
- Club magazines; and
- Marketing material, i.e. brochures, pamphlets, instore posters and advertising through TV, press and radio.

Suppliers

The Group prides itself on the integrated nature with which it engages with its supplier network, thereby ensuring that quality standards are maintained. The Group is equally committed to fair trade with its suppliers under agreed SLAs and terms and conditions.

Communication with suppliers include the following mechanisms:

- Group and supplier contracts;
- Service level agreements (SLAs);
- Invoices and statements;
- Contact meetings;
- Written communications in the form of letters, e-mails and memoranda;
- Supplier award ceremonies; and
- Trade associations, meetings and memberships.

Organised labour

The Group will continue to reap the rewards of solid, sound and ethical relationships with the trade unions representing employees in various countries, in particular with SACCAWU (South African Commercial Catering Allied Workers Union) in South Africa.

The Group is committed to open, transparent and proactive communication and engagement with organised labour. Engagement takes place through the following mechanisms:

- Annual substantive negotiations;
- Quarterly national negotiation committee (NNC) meetings;
- Shop steward meetings;
- Operational requirements consultations;
- Information sharing with trade union leadership; and
- Employment equity and training committee (EE&TC) meetings.

Government and Regulators

The Group maintains relationships with Government and Regulators with whom it engages and will continue to promote mutually beneficial relationships going forward. This attitude and proactive approach to our relationships with Government and Regulators assist in addressing any issues through dialogue and negotiations and ensure sound working relationships into the future.

The Group has regular contact with a host of Government departments and Regulators such as:

- South African Revenue Service (SARS), the Wholesale and Retail Sector Education Training Authority (W & R SETA), the Department of Trade and Industries (DTI), the Department of Labour, etc.;

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- Regulatory bodies with whom the Group has built sustainable working relationships, where the Group is required to engage for business and compliance purposes, include the National Credit Regulator (NCR) and the Financial Services Board (FSB), etc.

Communication occurs through the following:

- The filing of legislative or regulatory reports, forms, updates, etc;
- Applications, renewals, payments of licences; and
- Profit and other announcements.

Communities

The brands within the Group are individually accountable and responsible for engaging with local communities within which they trade and serve. Information and feedback derived from these engagements are shared across the Group to optimise community engagement.

Communication with communities include the following mechanisms:

- Community newspapers and radio;
- Sponsorships and donations;
- Local community meetings;
- Brand stores and community leadership meetings;
- Local community marketing and promotions;
- Public relations; and
- Employee initiatives within local communities.

Economic sustainability

The Group's primary purpose is to create and generate wealth for the benefit of all stakeholders through our commitment to satisfying our consumers' needs whilst pursuing consistent, acceptable profit growth, through organic and non-organic strategies.

Wealth creation

The value added statement on page 61 reflects the measurement of the wealth created by the Group for the year under review and how such wealth was distributed.

Indirect impacts

The Group engages in activities in the ordinary course of business which have an indirect impact on stakeholders, which are typically not measured in monetary terms. An example of this would include sourcing of inventory from suppliers, which in turn creates jobs and opportunities for the staff of such suppliers. Of note is the high level of local suppliers to the Traditional Retail division, thereby creating wealth and supporting the growth and development of locally based businesses.

Remuneration and terms and conditions of employment

The Group participates in and is party to the Sectoral Determination which governs the Wholesale and Retail Sector with regard to minimum wages and conditions of employment. The Group fully complies with the wages and terms and conditions prescribed by this regulation.

The Group currently remunerates its employees at the "area A" minimum wages within South Africa where the regulation is applicable. This does not preclude the Group from applying the rules regarding the other category areas in the future.

Environmental sustainability

The Group has been classified as having an overall medium environmental impact because of its involvement in retailing and financial services. Whilst currently not able to report factually against environmental improvements for the year under review, the Group has committed to implement mechanisms to enable the accurate and formal measurement and progress reporting against targets going forward.

Notwithstanding the above, the Group has made some notable improvements in the following environmental areas:

- A number of company policies and directives have been issued and are being adhered to regarding the reduction of water wastage and electricity consumption.
- The Group's strategic intent to centralise its logistics operations has begun to realise benefits through the reduction in the Group's fleet, thereby reducing its associated fuel consumption and carbon emissions into the environment.

Social sustainability

Through the development and implementation of its ethics and other associated policies, practices and processes, the Group has engendered amongst its employees and closely associated stakeholders, the enhancement, upliftment and upholding of the fundamentals of human rights.

The Group has further subscribed to and holds its employees and suppliers accountable to its values and human rights practices, which determine the way business is conducted across the Group. The Group's policies and practices do not discriminate on grounds of race, age, disability, gender or religion and are monitored, tracked and reported on through its employment equity and training committee (EE&TC).

Transformation

The Group is committed to and supports the empowerment of previously disadvantaged groups within the South African community. Its transformation policy and practices are aligned with relevant legislation, codes of good practice and general best business practices.

In striving towards the sustainability of the Group as a whole, the Group is committed to its own transformation, aligned with the country's need to transform our economy as well the social upliftment of communities.

● Ownership

The Group remains committed to concluding a B-BBEE transaction at an opportune time to incorporate a business partner that addresses the Group's goal of transformation at an ownership level.

● Management

The Group remains committed to the transformation of its board and executive management which progress is evident when compared to previous years.

Whilst the talent pool of suitably qualified and experienced executives is limited, the Group, through various external and internal business development programmes, is creating its own capacity and capability.

● Procurement practices

The Group continually evaluates suppliers as to their B-BBEE status and will appoint independent agencies for official accreditation once complete.

● Employment equity (EE)

The Group has always been and continues to be fully committed to addressing inequalities with regard to race, age, disability, gender and religion.

Monthly, quarterly and annual EE monitoring is conducted across the Group and reported to the executive committee (Exco) on a quarterly basis.

Training and development

The acquisition and retention of top talent is a crucial element and focus of the Group's people strategy. Succession and succession planning is at the very heart of this strategy. It creates and generates future management sustainability and mitigates the risk or lack of capacity and capability to deliver on a sustainable basis.

The following initiatives were implemented in the review period.

● Wholesale and Retail Sector Education and Training Authority (W & R SETA)

The Group is a member of and maintains a sound relationship with the W & R SETA and engages on the development of tailored development programmes for the furniture and appliance industry.

● Bursary committee

The Group has a formal bursary committee consisting of management and trade union representatives. During the

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review period the committee distributed R1,3 million in supporting young previously disadvantaged learners and a further R1,0 million in supporting employees and their children in the learning environment.

- **Leadership development**

In the year under review the Group sponsored and experienced another successful Retail Leadership Development Programme and an Advanced Management Development Programme.

- **Operational training**

During 2009, 10 301 employees experienced and were exposed to 32 963 training interventions, a 19% increase on the previous year's training. This is statistical evidence of the Group's commitment to its employees in terms of lifelong learning and development.

- **Employment equity and training committee (EE&TC)**

The governance body of the EE&TC comprises employees representing all categories across the Group with due consideration for gender, race and age and has a mandate to review EE related policies and behaviours and make recommendations for change.

- **Performance management reviews**

54% of the Group's employees are currently receiving regular performance and career development reviews in line with the Group's succession planning and training and development strategies.

Employee relations

The Group acknowledges the fundamental rights of employees to freedom of expression, association and representation. The Group currently negotiates, consults and has formal relationships with trade unions in South Africa, Botswana and Swaziland.

The following employee relations initiatives took place during the review period:

- **Annual negotiations and consultations**

Despite a large scale operational requirements exercise that the Group was forced to embark upon given the restructuring of its Traditional Retail and Financial Services divisions within the framework of the new business and operating model, the Group successfully negotiated and concluded wages and terms and conditions agreements with organised labour.

An operational requirements exercise was concluded during the year. Even though 3 389 employees were identified as "affected", through the proactive management of the process, this figure was significantly reduced to 801 (23,6%) employees who were retrenched within the bounds of the collective agreements.

62% of the Group's employees are covered by collective bargaining agreements and are therefore party to the associated benefits negotiated, agreed and implemented.

- **Workforce**

The Group employs and thereby provides security and stability to 21 247 permanent and temporary employees and their extended families.

The Group's employee turnover in South Africa is 33% for females and 39% for males and outside South Africa, 12% for females and 20% for males.

- **Employee benefits**

The Group continues to provide its full time employees with retirement fund, risk and medical aid benefits which are subsidised at differing levels dependent upon an employee's selection of benefit type.

Health and safety

The Group complies with relevant health and safety legislation and has trained and appointed health and safety committees to manage and advise on the Group's compliance with such legislation.

- 8% of the total workforce is represented in formal joint management and employee health and safety committees.
- The Group experienced 669 work related injuries in South Africa and 26 outside South Africa – no work related fatalities were recorded.

HIV/Aids

The Group's HIV/Aids approach is focused on the elimination of discrimination against employees who live with HIV/Aids. The Group monitors HIV/Aids prevalence rates and supports the initiatives and practices of its primary healthcare service providers. The Group's prevalence rates in 2005 were 21,6%, which decreased to 14,8% in 2009. It is anticipated, based on model extrapolation, to be at 13,5% by 2015.

The Group has engaged an external service provider to assist the Group in formalising its approach to managing the associated HIV/Aids risks.

Whilst no records are kept of HIV/Aids associated costs and exposures to the Group, estimated costs may be determined through a preparedness and contingency plan initiative that the Group will embark upon with the assistance of an external service provider. The direct costs of HIV/Aids fatalities cannot be calculated accurately due to the ineffective manner of reporting thereon in South Africa.

Donations were made to initiatives that promote HIV/Aids training external to the Group and its healthcare service providers. Voluntary counselling and testing is available to employees through the existing healthcare service providers.

Corporate social investment

The Group's corporate social investment strategy is managed within the dimensions of enterprise development projects and direct donations. Certain of the more significant contributions are outlined in detail below.

Enterprise development projects

During the year under review the Group was involved in two major projects, namely:

- **JD Group/ADRS collectors initiative**

This initiative was born out of the operational requirements exercise conducted to establish JDG Trading Financial Services where collectors were identified as affected employees. The Group assisted these employees to acquire vehicles at reduced prices and thereby afforded them the opportunity of continuing debt collection on a self sustained basis.

The Group contributed R1,1 million to this enterprise development project.

- **Isaac/Techno-agricultural Innovation for Poverty Alleviation (TIPA)**

TIPA is based on the concept of the African Garden Market, part of the Food Security for Africa initiative presented in 2002 at the World Summit for Sustainable Development (WSSD). The Group contributed R2,2 million to this enterprise development project.

Sustainability and stakeholder review

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Direct donations

The Group's direct donations policy is focused on providing as many applicants as is possible with financial assistance and is steeply leaned towards disadvantaged children and youth. The Group made direct donations in excess of R4,8 million in the year under review. The following are but a few of the strong relationships and bonds that the Group has fostered with caring organisations:

- The **Lerato Love Home** provides accommodation and care for babies, children and young adults, who have generally been the victims of abuse, abandonment, neglect and orphaned due to HIV/Aids.
- The **Mitzvah School** is a registered school and examination centre which provides tutoring for disadvantaged students in their final year of schooling and who have consistently produced pass rates in excess of 90% every year.
- **St. Enda's Community Centre** is a secondary school in Joubert Park with whom the Group has held a proud and time honoured association and respect since commencing this project in one of the Group's warehouses in 1985.
- **Little Champs Sports Academy** manages facilities that provide disadvantaged preschoolers with physical, emotional and social development with strong emphasis on teamwork and sharing.



The TIPA project for poverty alleviation.



Corporate governance

Introduction

This corporate governance report sets out the key governance principles and practices of the Group, one of which is fair, honest and understandable disclosure to both our internal and external stakeholders.

The Group is fully committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business. We support the view that good corporate governance is essentially about leadership and for this reason we conduct the enterprise with integrity and in compliance with South African best practice, whilst taking cognisance of the value systems of the countries in which we operate.

Endorsement of the King Code

The board of directors (the board) is committed to and subscribes to the values of good corporate governance and the conduct recommended in the King Report for Governance in South Africa and in its Code of Governance Principles (collectively King II). The board endorses the principles of integrity and accountability advocated by King II.

Statement of compliance

The Listings Requirements of the JSE Ltd require that listed companies report on the extent to which they comply with the principles incorporated in King II. Accordingly, the board can declare that it has applied the practices of King II throughout the accounting period under review and has conducted the enterprise in the spirit of the King II guidelines.

The role of chairman and chief executive officer (CEO) are not vested in a single person as recommended by the JSE. Whilst the Group's chairman is not an independent non-executive director, appropriate steps have been taken in this regard which are discussed in more detail below.

The Group's corporate governance structures and practices are reviewed on an ongoing basis in response to changes within and external to the Group. Furthermore, the board is in the fortunate position that a number of its non-executive directors

operate on the forefront of international corporate governance best practice and as such the board regularly receives best advice on a timely basis that enables it to remain ahead of the evolution of corporate governance practices in the domestic and international business environments.

Chairman and chief executive officer

The role of the chairman is separate from that of the CEO. The roles are clearly delineated and set out in the Board Charter. Each has a very specific and defined set of duties in order to prevent overlap of obligations and responsibilities and to eliminate any possible conflict of function. While the CEO takes full responsibility for the operations of the Group, the board has delegated to the chairman the responsibility to lead the board, to ensure the effectiveness of governance practices, to represent the board to shareholders and to build and maintain shareholders' trust and confidence in the Group. As a consequence, there exists no uncertainty between the two individuals as to their respective terrain of operations.

Executive chairman and a best practice board

In regard to the appointment of an executive chairman, rather than an independent non-executive chairman, as recommended by the King II, the board appointed David Sussman, founder of the Group, as its executive chairman.

Largely on the grounds of independence, risk mitigation and objectivity, codes on corporate governance, including in South Africa King II and the JSE, have recommended that the chairman of a public listed company should be an independent non-executive director.

Globally and locally, however, this recommendation has not found favour in a significant number of instances where chairmen have had many years of experience in successfully running their companies. The fact that almost one third of all JSE listed companies still have executive chairmen is evidence of this standpoint and even more so in America where more than 80% of the S&P500 US corporations still have executive chairmen¹.

¹From the 2008 Spencer Stuart Board Index that reflects the state of corporate governance among the S&P500 corporation in America.

Corporate governance

continued

In addition, the results of world wide research² are inconclusive as to the value of the independent chairman model. To this date, empirical proof is lacking that links higher earnings or higher share prices or enhanced corporate governance oversight or risk mitigation or financial disclosure transparency, as a direct consequence of the CEO/chairman split role and independent chairman model. This was recently confirmed by the failure of well known FTSE350 corporate institutions in Britain due mainly to poor risk management decisions by their boards – of whom 79%³ had split role models in place and were led by non-executive chairmen. This clearly disputes the assertion that the presence of an independent chairman *per se* adds a risk mitigating value to a board or promotes an independent view that encourages a greater level of interrogation in the decision making process. These qualities can equally well be brought to the board by an executive

chairman who has an independent mindedness about him. Such attributes and traits, coupled to business acumen and experience, are valued by shareholders above perceived independence. This is the case in the JD Group where the board considers the business experience, and especially the retail expertise, of David Sussman to be of inestimable value.

Of more importance than an independent chairman, it seems, is to have a balanced and ethical board. Governance experts have found the presence of certain common elements in a best practice board. Amongst others, these include sensible leadership, a board that “does the right thing”, an optimal board composition with strong minded individuals, solicitation of external advice, introspection, as well as holding of non-executive meetings.

The Group’s board has been benchmarked against these characteristics and the results are shown in the table below.

Executive chairman and balanced board

	Best practice board	JD Group board	
Sensible leadership and experience	<ul style="list-style-type: none"> ● A chair with subject specific expertise and/or with industry specific experience. ● A chair with general business experience, a wide industry network and with appropriate leadership attributes will be invaluable and is likely to improve the decision making process. 	<ul style="list-style-type: none"> ● JD’s chair is a retail expert, acknowledged by his peers, the media and analysts as one of the best. ● The chair has experienced multiple business cycles, his knowledge of retail markets and retail business is second to none and he is a reputable businessman. 	<ul style="list-style-type: none"> ✓ ✓
Doing the right thing/ Ethical board	<ul style="list-style-type: none"> ● A balanced, independence mindedness board, acting at all times in the best interest of the company. ● A board with a balance between executive and independent non-executive directors, all acting in the best interest of the company by applying their minds independently. ● At all times acting in an ethical manner and upholding values that will influence and guide behaviour to be responsible, accountable, fair and transparent. 	<ul style="list-style-type: none"> ● The JD board is well balanced with more than half of the directors being non-executive and 46% being independent. ● The directors act at all times in the best interest of the company with an unquestionable level of independence mindedness. ● The board has proper governance structures in place to enable robust oversight and decision making towards directing of strategy, monitoring of performance and controlling of risk. ● The board subscribes to a Code of Conduct that ensures ethical, responsible, accountable, fair and transparent behaviour in all its decisions and actions. 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓

²See studies by JA Brickley and GJ Jarrell (University of Rochester Business School); JL Coles (Arizona State University Business School); B Black and V Mahajan (University of Texas) S Bhagat (University of Colorado); BR Baliga (Wake Forest University Babcock Management School); RC Moyer (University of Louisville Business College); and RP Rao (Oklahoma State University).

³As reported by IM Millstein from the Yale School of Management in October 2008 in a study on leadership in America.

	Best practice board	JD Group board	
Board composition	<ul style="list-style-type: none"> Boards should comprise of directors that are experts in the fields of finance, audit, risk, law, IT, HR, strategy etc. Each board should tolerate at least one "devil's advocate" or "maverick" to provoke non-conformist, dissenting views. Each board should have an entrepreneur to induce out of the box, novel and innovative business ideas. A board structured with the aforementioned key individuals, should have a higher probability of making better judgement calls. 	<ul style="list-style-type: none"> The JD board comprises of directors that are experts in a wide range of fields, such as finance, audit, tax, banking, risk, law, insurance, IT, HR, strategy, retail, corporate governance etc. Non-conformist or dissenting views are often provoked by members of the board. Entrepreneurial and innovative business ideas are induced from time to time as evidenced by the formulation of the Group's new strategy and operating model. The board recently appointed an independent, non-executive lead director to act in instances where the executive Chairman may ostensibly have a perceived conflict of interest. The board benefits from a competent and forthright company secretary that independently monitors governance compliance. The aforementioned JD Group board structure facilitates a higher probability of better, long term decision making. 	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ ✓ ✓
External advice	<ul style="list-style-type: none"> The board should have the character and insight to draw on advice from external experts when it is faced with a situation that demands advice beyond its collegiate domain of expertise. 	<ul style="list-style-type: none"> The JD board often draws on advice from external experts when faced with a challenging situation (tax, new legislation, etc.) that demands advice beyond its collegiate domain of expertise. 	<ul style="list-style-type: none"> ✓
Introspection	<ul style="list-style-type: none"> The board should annually conduct a performance assessment (it can initially take the form of a self assessment and later progress to individual director assessments by an independent expert). 	<ul style="list-style-type: none"> The JD board currently does not conduct formal performance assessments annually, but intends to introduce annual self assessments as part of its corporate governance enhancement programme in 2010. 	<ul style="list-style-type: none"> ✗
Non-executive meetings	<ul style="list-style-type: none"> Independent directors should have meetings with management without the executive chairman and/or the CEO in attendance. 	<ul style="list-style-type: none"> JD's independent non-executive directors have regular meetings with management without the executive chairman and CEO in attendance and as a rule have free and uncontrolled access to management and the external auditors. 	<ul style="list-style-type: none"> ✓

Corporate governance

continued

The board therefore matches up well against a best practice board. The board does not believe that there is any lack of independence or objectivity.

Lead independent non-executive director

Furthermore and in line with the recommendations of King III (becoming effective on 1 March 2010), the board appointed Vusi Khanyile as lead independent non-executive director in March 2009 to act in instances where the chairman's independence may ostensibly be impaired.

JD Group board

The Group is headed by an effective unitary board that both leads and controls the Group. A formal and transparent process is followed when appointments to the board are made, which appointments are a matter for the board as a whole, assisted by the nomination committee. There is an appropriate balance of power and authority on the board, such that no one individual has unfettered powers of decision making.

At the date of this report, the board comprised of 13 directors of whom seven are non-executive directors. One of the non-executive directors is not independent.

The JSE guidelines were applied in testing the independence and category most applicable to each director. Based on this assessment, the board found Vusi Khanyile, Mervyn King, Len Konar, Maureen Lock, Martin Shaw and Günter Steffens to be independent non-executive directors, while Ivan Levy is regarded as a non-executive director, but not fully independent.

Non-executive directors contribute an unfettered and impartial view on matters considered by the board and enjoy significant influence in deliberations at meetings. All directors have the requisite knowledge and experience required to properly execute their duties and all participate actively in the proceedings at board meetings. The non-executive directors have no fixed term of office. Some of the non-executive directors hold directorships or executive positions in companies with which the Group has commercial relationships. The board has considered all these relationships and does not

believe any of them compromise the independence of the directors concerned. The outside interests of the non-executive directors are not so demanding that it negatively affects the time and attention that they devote to the Group and its affairs. Non-executive directors have access to management and from time to time meet separately with management without the executive directors being present. Amongst others, these directors ensure that the chairman promotes proper deliberation of all matters requiring the board's attention and that no one individual or block of individuals dominate the board's deliberations or its decisions. In this way, the full spectrum of share owner interests are protected, including minority rights.

The executive representation on the board comprises Richard Chauke, Henk Greeff, Ian Thompson and Gerald Völkel, as well as David Sussman and Grattan Kirk, the executive chairman and chief executive officer respectively. All of the executive directors have entered into employment contracts with JDG Trading (Pty) Ltd with one year's notice from either party. No director has an employment contract with the Group exceeding three years.

The board retains full and effective control of the Group and has reserved a range of decision making power of material importance for its own consideration.

The board meets four times per annum and more frequently if circumstances dictate otherwise. Meetings are conducted in accordance with formal and structured agendas, ensuring that all substantive matters are receiving proper attention. Agendas and the content of board and committee papers, as well as the board's and committees' information needs, are regularly reviewed for effectiveness and relevance.

During the review period, and as part of its primary responsibilities, the board reviewed and gave strategic direction, considered and made new business expansion investments, monitored performance against plans and budgets, assessed the levels of compliance with relevant legislation, considered and revised governance structures, reviewed competitor activity and compared performance with best practice, locally and internationally.

The chairman sets the agenda for each meeting in consultation with the chief executive officer and the company secretary. Directors are afforded the opportunity to add matters to the agenda. To facilitate the decision making process at board level, the board papers are circulated to the directors well in advance of meetings to allow enough time for directors to properly scrutinise the content thereof and formulate challenging questions.

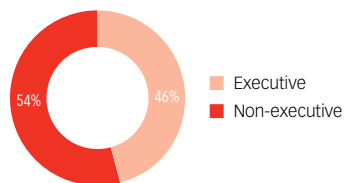
Directors are appointed on the basis of skill, acumen, experience and level of contribution to ensure the widest possible positive impact on the activities of the Group. However, being a board that operates in a unique South African milieu, elements such as the size and other demographical aspects, as well as diversity, labour legislation and transformation requirements, also play a role in board succession planning and in determining the most appropriate board composition. The diagrams below provide a graphic reflection of the current board structure.

In terms of the Board Charter and the terms of references of each board committee, all directors and committee members are entitled, at the Group's expense, to seek independent professional advice about the affairs of the Group in relation to the execution of their duties, if and when such expertise is required. A proper procedure exists to facilitate this process.

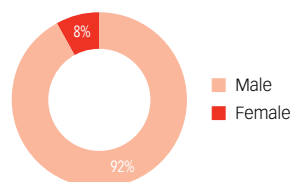
The following executive committee (Exco) members, namely Johan Kok, Phillip Kruger, Andrew Murray and Arie Neven are regularly invited to attend board meetings. However, there remains a clear division between the responsibilities of the board and management.

Both the directors and the members of board committees are supplied with full and timely information that enable them to properly discharge their responsibilities. All directors have unrestricted access to relevant Group information.

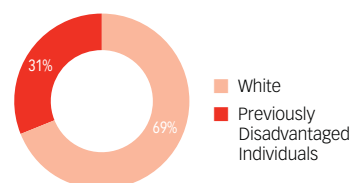
Board – JSE categorisation



Board – Gender



Board – Race



Corporate governance

continued

One third of the directors are subject, by rotation, to retirement and re-election at each annual general meeting in terms of the company's articles of association. Messrs Richard Chauke, Ivan Levy, Martin Shaw and Mrs Maureen Lock retire by rotation and, being eligible for re-election, have made themselves available for re-election at the forthcoming annual general meeting (AGM). In addition, all casual vacancy appointments of directors between two annual general meetings are subject to confirmation by shareholders at the first subsequent AGM following their appointment. There were no casual vacancy appointments during the review period and consequently shareholders need not confirm any director appointments at this year's AGM.

The biographical details for each of the directors are set out on pages 14 and 15 of this annual report.

The board met formally five times during the review period.

Interests in contracts

During the year ended 31 August 2009, none of the directors had a significant interest in any contract or arrangement entered into by the company or its subsidiaries, other than as disclosed in note 26 to the annual financial statements.

Company secretary

The board is responsible for appointing a competent company secretary, who has an ongoing duty to provide the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of legislation and regulatory requirements. Amongst others, he is also responsible to advise the board on appropriate procedures for the management of meetings and further has an obligation to implement and ensure that prudent governance procedures are maintained throughout the Group. These duties have been carried out diligently during the year under review.

Board attendance register

Director	9 March 2009	6 May 2009	17 July 2009	Special 5 October 2009	11 November 2009
ID Sussman (Chairman)	P	P	P	P	P
AG Kirk (CEO)	P	P	P	P	P
KR Chauke	P	P	P	P	P
HP Greeff	P	P	P	P	P
ID Thompson	P	P	P	P	P
G Völkel	P	P	P	P	P
VP Khanyile	P	A	P	P	P
ME King	P	P	P	P	A
D Konar	P	P	P	P	P
IS Levy	P	P	PT	P	P
M Lock	PT	P	PT	PT	P
MJ Shaw	P	P	P	PT	P
GZ Steffens	P	P	P	P	P

P = Present

A = Apologies

PT = Present by telecommunications

Business model

The Group's new business model, comprising of Traditional Retail, Cash Retail, International Retail, Financial Services (including Insurance) and New Business Development as business divisions, has been implemented successfully during the year. The new model is reflected in greater detail on pages 4 to 7. The board is of the opinion that the new business model provides a solid platform for continued growth. The board is intensely aware of the changing dynamics of the industry and the economy and closely monitors approved strategy and the business model to ensure that it adapts timeously to changing circumstances.

Details of the individual business components of each division are provided on pages 28 to 42.

In summary, the Traditional Retail division operates through eight brands and out of 935 stores, namely Bernetts, Bradlows, Electric Express, Joshua Doore, Morkels, Price 'n Pride and Russells across South Africa, Supreme operates only in Botswana, while Bradlows also trade in Swaziland.

The Cash Retail division operates from 36 Hi-Fi Corporation stores, while Incredible Connection serves its customers from 54 stores. Both chains also have a presence in Botswana and Namibia.

JDG Insurance provides life and short term insurance offerings to customers through the Group's infrastructure and store network throughout South Africa.

Abra has expanded its operations to 69 stores in Poland and has also established an e-shop. It is also in the process of designing and developing a franchise store model that will complement the operating structure.

The New Business Development division comprises Maravedi, a micro lender and debt recovery operation, and Blake & Associates (Blake), a provider of premium contact centre solutions.

Whilst Maravedi has recently opened two of its own branded stores in Johannesburg and Cape Town, most of its distribution capacity originates from agents and the Group's Traditional Retail infrastructure. Maravedi currently offers short term unsecured loans, consumer finance and card based revolving credit products.

Blake is a provider of premium contact centre solutions. Processes including client acquisition, customer service, business process integration and rehabilitation are supported by sophisticated customer relationship management software using in-house business intelligence. Blake is active in South Africa, Namibia, Botswana and Mauritius, servicing both domestic and international clients in the various geographies. Blake is in the process of establishing B-BBEE partnerships that will further enhance its business opportunities.

The Financial Services division provides credit based products to Traditional Retail and collects the receivables book utilising the central contact centre in Johannesburg. The centralisation of all credit related functions was completed during the past financial year.

There are 11 corporate service departments that support the business units, namely Finance, Human Resources, Internal and Forensic Audit, Risk Management, Information Technology and Communications, Logistics and Fleet, Merchandise and Marketing, Property Services, Secretariat, Strategy as well as Transformation, Legal and Compliance.

Strategic business goals

The Group's strategic business goals and operational strategies are set out on page 8 and 9 and provide a framework for the strategic direction of the Group.

Corporate governance

continued

Board committees

While the board remains accountable and responsible for the performance and affairs of the Group, four permanent subcommittees of the board have been appointed to assist the board in discharging its duties and obligations, namely the Group audit committee, the Group risk management committee, the Group remuneration committee and the Group nominations committee. In addition to the aforementioned, *ad hoc* subcommittees are created from time to time to assist with specific subject matters, such as reviewing the results for announcement in the media or reviewing this corporate governance report for publication in the annual report.

The majority of the members, and in many instances all of the members, of each subcommittee are independent non-executive directors. The board has the power at any time to remove a delinquent director from the board in accordance with the provisions of the company's memorandum of incorporation, the 2008 Companies Act and the directors' letter of appointment and based on the premise that subcommittee members are first and foremost directors of the Group, the director's membership on the subcommittee will automatically and immediately terminate so as to fall on the

same date as the termination of the directorship in such instance.

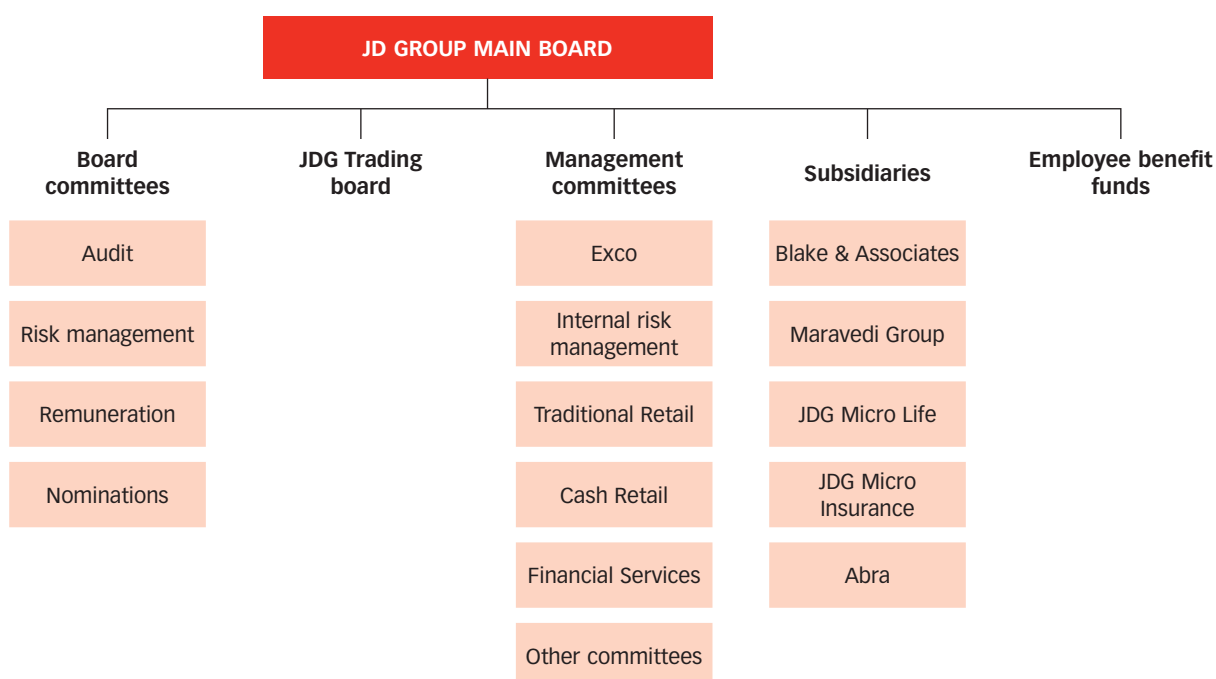
Each board committee has a clear mandate and operates in accordance with its own specific written terms of reference duly approved by the Group board and adopted by the individual committee.

Committee meetings are conducted in accordance with formal and structured agendas, ensuring that pertinent matters receive proper attention. Agendas and the content of committee papers are regularly reviewed for effectiveness and relevance.

In accordance with the terms of references of each board committee, all members are entitled, in accordance with a prescribed procedure and at the Group's expense, to seek independent professional advice about the affairs of the Group in relation to the execution of their duties.

Whilst the minutes of subcommittee meetings are not included in the board papers, they are freely available to the directors and summarised by the chairmen of each subcommittee in a report at each board meeting, which report is either in writing or verbal, as dictated by circumstances.

A diagrammatic representation of the entities to which delegations have been made, is reflected below.



Audit committee

The audit committee comprises three independent non-executive directors, namely Mervyn King (chairman), Len Konar and Martin Shaw. All directors of the Group board, despite not being official members of the committee, have an open invitation to attend audit committee meetings. Executive directors Richard Chauke, Henk Greeff, Grattan Kirk, David Sussman, Ian Thompson and Gerald Völkel also attend as does the non-executive director, Ivan Levy. Other invitees include Johan Kok, Phillip Kruger, Andrew Murray (all Exco members), Pieter Pienaar (Chief Risk Officer) and Morné van Wyk (Internal Audit Executive). The external auditors attend all audit committee meetings and have unrestricted access to the chairman of the audit committee.

Through the audit committee, the board regularly reviews processes and procedures to ensure the effectiveness of internal systems of control so that its decision making capability and the accuracy of its reporting are maintained at a high level at all times. The committee furthermore identifies, monitors and assesses non financial information relating to the Group beyond financial and quantitative performance factors.

The audit committee met formally three times during the review period to consider a range of matters relating to internal control, financial accounting control and stakeholder reporting, as well as corporate governance practices and other aspects of an internal and external audit management nature.

At its last meeting in the 2009 calendar year, the committee reported on the extent to which it had carried out its duties as set out in King II, the Companies Act, the committee's terms of reference and the committee's annual plan. Given the duties listed on pages 100 and 101 of this annual report, the Committee concluded (and reported to the board) that it had appropriately addressed its key responsibilities in respect of:

- internal control;
- financial accounting control; and
- stakeholder reporting.

Remuneration committee

The remuneration committee (RemCom) comprises four members of whom three are independent non-executive directors and one a non-executive director who is not independent. Martin Shaw is the independent non-executive chairman. He is assisted by fellow independent members Mervyn King and Len Konar, as well as by Ivan Levy, the non-independent non-executive member of RemCom. The Group chairman, the Group CEO and the Group financial director attend meetings by invitation, but recuse themselves in situations where a conflict of interest arises or when the chairman of the committee believes there is sufficient justification to exclude them from a meeting or from a discussion of a particular agenda item, such as when their remuneration is determined.

RemCom's main responsibility is to review and approve the remuneration and employment terms of directors and senior group executives. In addition to the aforementioned, the remuneration committee makes recommendations to the board and shareholders on the most appropriate share and other incentive schemes for implementation by the Group, as well as allocations under such schemes. It also recommends the non-executive directors' fees (*via* the board) to shareholders for approval at each annual general meeting.

The Group's primary executive remuneration objective is to reward executives so as to ensure that their services are retained and that their interests are commensurate and aligned with the interests of shareholders. In determining their remuneration, RemCom aims to construct appropriate packages required to attract, retain and motivate talented

Audit committee attendance register

Director	5 February 2009	6 May 2009	11 November 2009
ME King (Chairman)	A	P	A
D Konar	P	P	P
MJ Shaw	P#	P	P#

P = Present

A = Apologies

= Acting chairman

Corporate governance

continued

executives, whilst giving due consideration to remuneration levels, both within and outside the Group. To meet these objectives, RemCom takes advice from external remuneration specialists from time to time.

Remuneration for executives consists of an all inclusive total cost to company fixed element, a variable element and share incentives. Performance related elements of remuneration constitute a substantial portion of the total remuneration package of executive directors in order to ensure above ordinary performance linked to strategic goals. The fixed element of remuneration is reviewed annually. RemCom compares current rates of pay to those observed in similar relevant companies within and outside the industry. This information is then adjusted to reflect both the Group's performance, compared with the performance of similar companies as well as the individual's performance. An annual variable element of reward is awarded as an incentive to executives to achieve predetermined financial targets.

The forward looking remuneration of the non-executive directors is determined by the executive chairman in consultation with the Group's advisors, based on benchmarked remuneration information from the Group's peers and the wider industry. The board, via the RemCom, recommends these fees to shareholders for approval at each annual general meeting. Through this approach, shareholders are actively involved in the setting of directors' fees, rather than merely endorsing a *fait accompli*. The board pays uniform fees to non-executive directors and does not remunerate its directors for serving on board committees,

save for the chairmen of the committees who each receive an additional amount for rendering this service. Going forward, and in line with the recommendations of King III, non-executive directors will not qualify for share options or receive any share based payments.

The Group follows a policy to pay fees only to those directors who attend meetings.

Full disclosure is made of directors' remuneration on an individual basis. This can be found on pages 102 to 109, where details of earnings, share options and all other benefits are reflected.

In August 2009, the Group's shareholders approved a share appreciation rights incentive scheme (the SAR Scheme) to replace the existing JD Group Employee Share Incentive Scheme. The operation of the SAR Scheme is administered by RemCom under a mandate and directives from the board. Qualifying employees receive share appreciation rights (as opposed to share options). The vesting of rights is subject to the achievement of predetermined performance conditions which are aligned to the Group's strategic goals. Furthermore, the SAR Scheme facilitates the attraction and retention of key talent. Details regarding the mechanics and the rules of the SAR Scheme are set out on pages 165 and 166.

The Group's employee share incentive scheme is being phased out and no further allocations will be made in terms of this scheme.

The remuneration committee met five times during the review period.

Remuneration committee attendance register

Director	5 February 2009	6 May 2009	7 August 2009	9 September 2009	11 November 2009
IS Levy (Chairman)	P	P	P	P	P
MJ Shaw (Chairman with effect from 6 May 2009)	P	P	P	P	P
ME King	A	P	P	A	A
D Konar	P	P	PT	P	P

P = Present

A = Apologies

PT = Present by telecommunications

Nominations committee

The nominations committee comprises four non-executive directors, three of whom are independent. The chairman is Ivan Levy and the independent non-executive members are Mervyn King, Len Konar and Martin Shaw. The committee's main responsibility is to make recommendations to the board regarding succession planning and to advise the board on the appointment of individuals who are best able to discharge the responsibilities of directors, having regard to the law and the highest standards of governance, by:

- assessing the skills required on the board;
- assessing the extent to which the required skills are represented on the board;
- establishing processes for the review of the performance of individual directors and the board as a whole; and
- establishing processes and criteria (including transformation requirements) for the identification of suitable candidates for appointment to the board.

The committee meets only when there is a need to consider new candidates. As there were no new appointments or a need to reconstruct the board during the review period, the committee did not meet during the review period.

Risk management committee

The risk management committee is a standalone subcommittee of the board. Günter Steffens is the chairman of the committee which comprises a mix of independent non-executive directors, executive directors, Exco members and the heads of Internal Audit and Risk Management. Len Konar and Martin Shaw are the independent non-executive directors, while the executive directors are Richard Chauke, Grattan Kirk, Ian Thompson and Gerald Völkel. The Exco representatives are Johan Kok, Phillip Kruger and Andrew Murray. Internal Audit and Risk Management are represented by Morné van Wyk and Pieter Pienaar respectively. Subject experts, certain divisional CEs and a delegation from the independent external auditors also attend.

The purpose of the committee is to address risks applicable to the Group. Amongst others, these include credit risks, exchange rate exposure, investment risk, insurable losses, adequacy of systems and controls, interest rate and liquidity risks, market risk, legislative risk, reputation risks, as well as insurance risks, business continuity risk and financial risk. The key findings of this committee are reported monthly to Exco and more detailed reports are presented quarterly to the audit committee and to the board.

The committee met four times during the review period.

Risk committee attendance register

Director	5 February 2009	6 May 2009	23 July 2009	11 November 2009
GZ Steffens (Chairman)	P	P	P	P
KR Chauke	P	P	P	P
IR Child (Resigned with effect from 15 April 2009)	P	—	—	—
AP Murray (Appointed with effect from 1 May 2009)	—	—	P	P
AG Kirk	P	P	P	P
JHC Kok	P	P	P	P
D Konar	P	P	P	P
PC Kruger	P	P	P	P
PJ Pienaar	P	P	P	P
MJ Shaw	P	P	A	P
ID Thompson	P	P	P	P
G Völkel	P	P	P	P

P = Present

A = Apologies

Corporate governance

continued

Attendance at meetings

The attendance by directors at board and board subcommittee meetings is satisfactory as is evidenced by the attendance statistics provided for each individual forum.

Other supporting governance structures and management committees

JDG Trading board

JDG Trading (Pty) Ltd (JDGT) is the wholly owned South African trading company of the Group. The board of JDGT consists of the six executive directors of the Group and eight senior executives, namely Pamela Barletta, David Hirsch, Johan Kok, Phillip Kruger, Komani Mfuni, Andrew Murray, Arie Neven and Guy Pearce. Meetings are chaired by Grattan Kirk, the Group CEO.

Ian Child resigned as a director of this board with effect from 15 April 2009 and was replaced by Andrew Murray on 1 May 2009. Komani Mfuni became a director of JDGT on 14 September 2009, while Pamela Barletta joined the board on 16 September 2009.

The directors of this board are individually and jointly mandated, empowered and held accountable for, amongst others, to:

- implement the strategies and key policies determined by the Group board;
- manage and monitor the business and affairs of the Group in accordance with approved business plans and budgets;
- prioritise the allocation of capital and other resources;
- establish best management and operating practices;
- structure management succession planning to identify, develop and advance future leaders in the Group; and

- serve as a governance mechanism through the process of ongoing Group performance assessment and biannual statutory reporting.

Formal meetings have been held biannually in 2009 to coincide with the announcement of the Group's results, however, going forward, quarterly meetings will be held in line with the requirements of the company's articles of association. Additional *ad hoc* meetings are held when circumstances dictate such a need. A number of decisions are taken by way of written resolutions signed by the directors in terms of section 242(2) of the Companies Act.

JDGT executive committee (Exco)

This is the CEO's committee and it is an exact reflection of the JDG Trading board as regards membership and composition. The purpose of the committee is to:

- translate Group board strategic direction into a strategic plan and ensure, through ongoing monitoring, the successful implementation of the plan;
- monitor Group performance in accordance with the plan; and
- address any item considered crucial for business success.

Through its comprehensive agenda, Exco monitors strategic business goals, day to day operations related challenges, performance reviews, risk and IT reviews, succession planning, transformation progress, strategic project developments and other Group issues. It also facilitates the formulation and monitoring of Group policies and procedures. Meetings are held on a monthly basis.

Management committees

Specific responsibilities have been delegated to various management committees, all of which have defined terms of references in place. These include the internal risk management committee (IRMC), the Traditional Retail Exco, the Cash Retail Exco, the Financial Services Exco as well as other departmental committees. In addition, the executive committees of Abra, Blake and Maravedi convene regularly. In the new calendar year, the JDG Insurance Exco will convene on a monthly basis.

Internal risk management committee (IRMC)

The IRMC is a subcommittee of and reports to the Group risk management committee as well as to the JDG Trading board. Its members comprise Richard Chauke (chairman) and Pieter Pienaar. Other Exco members and Corporate Service department executives attend the meeting to provide risk related feedback from their relevant operational areas or service departments.

The purpose of this committee is to identify and review the risks presented by the Group's local and offshore operations and by the corporate service departments from an internal Group perspective.

Risks are identified and monitored through the planning process, the close involvement of the executive directors in the Group's operations and the periodic monitoring of key issues to ensure that the significant risks faced by the Group are evaluated in terms of impact and severity and appropriately managed and mitigated. The board is confident that appropriate fundamental processes are in place to ensure compliance with current risk management requirements. In order to provide enhanced, independent risk assurance going forward, the Risk Management function is currently in a process of transforming its structures, processes and

procedures so as to provide an enterprise wide risk management service in the future. (See page 87 for more details.)

Risks are evaluated by the IRMC, using the Barnowl risk management application to record the degree of inherent risk and then the likelihood of occurrence. The control environment relevant to each risk is then evaluated and a score is assigned to the residual risk and its likelihood of occurrence. The top risks are ranked and all of the aforementioned are reported to the Group risk management committee. In this manner the major risks to the Group are monitored, as well as the various management corrective actions aimed at mitigating these risks. The risks are updated regularly to take account of changing market, economic, political, environmental, legislative and other conditions or changes in the business environment. The majority of inherent risks remain constant, but new risks arise from time to time and the impact these may have on business operations are assessed on an ongoing basis.

Risk is not only viewed from a negative perspective. The review process also identifies areas of opportunity, such as where effective risk management can become a competitive advantage.

The IRMC also considers:

- the adequacy of insurance cover (including self insurance), in conjunction with experts from the insurance industry;
- risks not covered by insurance; and
- business continuity management and disaster recovery planning.

The IRMC met four times during the review period.

The board is confident that appropriate fundamental processes are in place to ensure compliance with current risk management requirements.

Corporate governance

continued

The major risks as at the date of this report are as follows:

Financial performance	<ul style="list-style-type: none"> • Ensure adequate financial performance of the Group without compromising prudent accounting standards, policies and levels of provisioning.
	<ul style="list-style-type: none"> • Maximise existing income and revenue streams, identify alternative income streams, expand the Group's footprint and maximise retention of customer base, by providing the customer with excellent service and the appropriate mix of physical and financial service product at the right place at the right time.
	<ul style="list-style-type: none"> • Establish efficient cost structures and monitor expenses against budget.
	<ul style="list-style-type: none"> • Constantly monitor financial performance and implement corrective measures where necessary.
Information technology (IT)	<ul style="list-style-type: none"> • Ensure that the Group has appropriate IT structures in place that facilitate integration across business divisions.
	<ul style="list-style-type: none"> • Reduce dependence on external service providers.
	<ul style="list-style-type: none"> • Ensure that IT-specific disaster recovery (DR) and business continuity (BC) processes are addressed via the Group's enterprise-wide DR and BC programme.
Disaster recovery and business continuity planning	<ul style="list-style-type: none"> • Further enhance the Group's disaster recovery and business continuity capabilities.
	<ul style="list-style-type: none"> • Maintain appropriate succession planning, especially for key positions, taking cognisance of employment equity.
Broad-Based Black Economic Empowerment and transformation (B-BBEE)	<ul style="list-style-type: none"> • Monitor the overall transformation strategy and become more representative of the demographics of South Africa, particularly at the middle and senior management levels of the Group.
	<ul style="list-style-type: none"> • Ensure and monitor that all aspects of B-BBEE are embraced for long term sustainability, growth and profitability of the Group.
	<ul style="list-style-type: none"> • Ensure that an empowerment deal is concluded at the appropriate time.
Customer service	<ul style="list-style-type: none"> • Embrace the '<i>Art of Service</i>' initiative to improve service delivery to both internal and external customers.
	<ul style="list-style-type: none"> • Constantly monitor market behaviour, changing demographics, customer buying patterns, competitor activity and customer indebtedness in order to ensure customer satisfaction.
Effective execution of the Financial Service strategy	<ul style="list-style-type: none"> • Execution of all plans and processes <i>via</i> detailed project management, monitoring and report back through the management structures, to ensure the successful implementation of the defined strategy.
Legal compliance including FAIS compliance	<ul style="list-style-type: none"> • Ensure the Group remains compliant with the laws and regulations that govern the environment in which the Group operates.

Legal compliance including FAIS compliance <i>(continued)</i>	<ul style="list-style-type: none"> Continuously review Group policies and procedures to ensure compliance is established and monitor adherence to policies <i>via</i> operational excellence and the risk management and internal audit function within the Group.
Credit management	<ul style="list-style-type: none"> Ensure that customers are made aware of their rights and obligations and that compliance with procedures has taken place. Ensure that the ability to collect the debtors book is constantly improved through enhanced processes, technology and the optimisation of procedures. Ensure credit granting rules are maintained and updated in order that the Group acquires credit risk appropriate to its credit risk appetite. Constantly monitor the performance of the debtors book and timeously implement corrective measures where necessary. Ensure that sufficient provisions are raised for receivables that are unlikely to be recovered.

Traditional Retail Exco

The committee comprises Arie Neven (chairman), Colin Bresler, Johan Coetsee, Toy de Klerk, Julian Hanmer, David Hirsch, Pat Kimmince, Johan Kok, Rénier Krige, Mike Roberts, Len Rundle, Anthony Smith and Mathew van der Walt. Grattan Kirk, Richard Chauke, Henk Greeff and other executives are regular attendees at the Traditional Retail Exco.

The purpose of the committee is to translate, plan and implement Group strategy in the Traditional Retail chain businesses and to monitor progress thereon, to ensure compliance with policies and to manage attainment of business goals and agreed performance milestones. It also attends to other important aspects that may impact on the Traditional Retail businesses in general.

Discussion points on the committee's agendas include operational business goals (and their link with Group strategic business goals), business performance measurements, and inventory management and performance, people development, performance of service departments and of suppliers in terms of service level agreements, research and development trends internally and externally, compliance with operational policies and progress reviews on divisional projects. Meetings are held on a quarterly basis.

Cash Retail Exco

The committee comprises Grattan Kirk (chairman), Pamela Barletta, Johan Coetsee, Victor da Silva, David Hirsch, and the Cash Retail chain chief executives, namely Dave Miller (Incredible Connection) and Allan Herman (Hi-Fi Corporation). Richard Chauke, Henk Greeff and other executives are regular attendees at the Cash Retail Exco.

The purpose of the committee is to translate, plan and implement Group strategy for the Cash Retail chain businesses and to monitor progress thereon, to ensure compliance with policies and to manage attainment of business goals and agreed performance milestones. It also attends to other important aspects that may impact on the Cash Retail businesses.

The agendas include deliberations on Group strategic business goals, operational business goals, business performance measurements, inventory management and performance, people development, research and development trends internally and externally, compliance with operational policies and progress reviews on divisional projects. Meetings are held on a quarterly basis.

Financial Services Exco and subcommittees

The Financial Services (FS) division is managed by the FS Executive Committee (FS Exco) with the following supporting governance structures:

Corporate governance

continued

- The FS Exco is chaired by Phillip Kruger, the FS chief executive. Permanent members include Grattan Kirk, Arie Neven, the entire FS executive team, and by invitation, David Sussman, René Griessel, Mike Miller, Guy Pearce and Pieter Pienaar.
- The Change committee is responsible for prioritising projects and initiatives across all strategically aligned programmes within FS. This meeting is chaired by Jaco van Jaarsveldt, the FS Head of Strategy. Permanent members include Henk Greeff, Phillip Kruger, the entire FS executive team and Dalene Ferreira, the FS Strategic Change Enablement executive.
- The Credit Risk committee considers decisions regarding amendments to any credit risk related activity. This meeting is chaired by Francois Grobler, the Head of Credit and Risk. Permanent members include Grattan Kirk, Phillip Kruger, Arie Neven, Jaco van Jaarsveldt and by invitation, the entire FS Exco.
- Departmental Management committees – the Head of each department is chairman of his/her department's meetings where divisional performance and strategic initiatives are discussed.

The above structure ensures complete alignment with all strategies and initiatives of the FS division.

JDG Insurance board and board subcommittees

The JDG Insurance (JDGI) board comprises two independent non-executive directors, three non-executive directors and one executive director. Fernando Patrizi acts as the independent non-executive chairman and his co-directors are Mark Scharneck (independent non-executive) and three non-executive directors from the Group, namely Grattan Kirk, Phillip Kruger and Gerald Völkel. René Griessel (JDGI CE) is the sole executive director on the board. The statutory actuary is a permanent invitee to board meetings. Pending the establishment of a JDGI risk committee, the board takes responsibility for all risk related matters. Meetings are held on a quarterly basis.

The JDGI board is supported by an audit and actuarial committee, as well as an executive committee (recently established).

The audit and actuarial committee has an independent non-executive chairman in Mark Scharneck. Permanent members of the committee are Fernando Patrizi (independent non-executive director) and Gerald Völkel. The independent auditors, the statutory actuary and management also attend meetings as invitees. The committee attends to all audit, actuarial and investment matters in the insurance environment within the Group. Meetings are held on a quarterly basis.

The JDGI executive committee (JDGI Exco) will commence its operations in the new calendar year. The committee is chaired by the JDGI CE, René Griessel. Permanent members of the committee are Grattan Kirk, Gerald Völkel, Barry Dell, Henk Greeff, Andrew Murray, Arie Neven, Pieter Pienaar, Andre Potgieter and Jaco van Jaarsveldt.

The purpose of the committee is to translate, plan and implement JDGI's strategy, to align it with Group strategy and to monitor progress thereon, to ensure compliance with policies and to manage attainment of business goals and agreed performance milestones. It will attend to other important aspects that may impact on the business of JDGI.

The agendas will be structured to include consideration of strategic business goals, operational business goals, business performance measurements, legal and compliance, financial and investment performance, people development, research and development trends internally and externally. Meetings will be held on a monthly basis.

Maravedi board and board subcommittees

The Maravedi board comprises an independent non-executive director, three non-executive directors and three executive directors, namely Günter Steffens, Ian Thompson (JD), Johan Kok (JD), Mfanyana Salanje (Thebe representative), Dries Hattingh (Maravedi MD), Henk Klopper (Maravedi FD), and Guy Pearce (Maravedi CE) respectively. A number of executive management are permanent invitees to board meetings, which are held on a quarterly basis.

The Maravedi board is supported by an audit and risk committee in addition to an investment committee. The audit and risk committee attend to all audit and risk related matters and to which the external auditors are invited attendees at half year and year end. The audit and risk committee were chaired by Ian Thompson this past year and will be chaired by

Günter Steffens going forward. The external auditors have unlimited access to the chairman at all times and meet with the chairman independently before each meeting. The investment committee attends to investment related matters. All of these committees include a representative from Thebe.

The Maravedi executive committee meets on a monthly basis and deals with both strategic and operational matters. The committee consists of senior Maravedi management. JD representatives are invited attendees to all such meetings.

Blake board and board subcommittees

The Blake board comprises an independent non-executive director, two non-executive directors and three executive directors namely Johan Geldenhuys, David Sussman (JD), Mias Strauss (ex JD CEO), Ian Thompson (JD), Howard Blake and Mike Miller respectively. Board meetings are held on a quarterly basis and the board is supported by an audit and risk committee. The audit and risk committee attends to audit and risk related matters and is chaired by Ian Thompson. The external auditors are invited attendees at half year and year end and have unlimited access to the chairman at all times. The chairman meets with the external auditors independently before each meeting.

The Blake executive committee meets on a monthly basis and deals with both strategic and operational matters. The committee consists of senior Blake management. JD representatives are invited attendees to all such meetings.

International – Abra board

The management board of Abra in Poland carries out similar functions to those which the JDG Trading board carries out in the South African context, namely, it serves to manage and monitor the operations of the company. The management board manages and monitors the operations in Poland under a mandate and upon directives from the supervisory board.

The members of the supervisory board of Abra are David Sussman (chairman), Johan Coetsee and Grattan Kirk. The management board comprises of Piotr Krzanowski and Piotr Lisowski.

Other management committees

Leadership and development council

This committee comprises Grattan Kirk (chairman), George Annandale, Pamela Barletta, Jan Blom, Richard Chauke, Barry Dell, Henk Greeff, Johan Kok, Phillip Kruger, Arie Neven and Guy Pearce. The committee's terms of reference include leadership development, succession management and expediting the achievement of equity targets.

Employment equity and training committee (EE & TC)

The committee monitors and ensures the Group's overall compliance to EE and skills development. In this role it ensures that the Group fulfils the requirements of its EE initiatives and the stipulations of the Employment Equity Act, particularly insofar as they relate to the Group's business in South Africa. The committee reports to the Transformation department, with a split reporting line into the HR department.

The committee comprises members from occupational categories, designated groups, non designated groups, women and it also has Union representation. Richard Chauke acts as chairman and the individual members are Johnny Masinga, Mlungisi Thabethe, Pamela Barletta, Mirriam Khumalo, Walter Moeletsi, Lucas Radebe and Nelson Mothapo. The committee is assisted by a facilitation team comprising of seven members (not members of the committee). The meeting convenes on a quarterly basis.

The committee has assisted the Group to compile an employment equity report. Under its leadership, the Group also adopted and implemented an employment equity policy. The main focus into the future will be to position the Group as a preferred employer.

Employment equity and skills development committees also exist at divisional level in the Group.

Chain and corporate service department committees

The chain chief executives and the heads of the corporate service departments act as chairpersons of either chain or corporate service department meetings which are held on a monthly basis. The executive management teams of the chain or service department attend these meetings.

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Marketing and merchandise review meetings

A marketing and merchandising review meeting is held monthly for both the Traditional Retail chains and the Cash Retail chains. These meetings are attended by the marketing executives and by representatives from the respective chain advertising agencies. Grattan Kirk, David Hirsch, Arie Neven, Conrad Kleingeld, Alec Goodman, Johan Kok, Irene Pilavachi and David Sussman attend the Traditional Retail meetings. David Hirsch, Grattan Kirk and David Sussman also attend the Cash Retail meetings.

Each of these meetings deal with three key matters, namely the previous month's performance by merchandise category, all the marketing promotions of the Group for the next two to three months in advance and the merchandise plans that underpin the overall marketing plan. The purpose of the meeting is to ensure that sales are maximised, the required number of product units are sold and that gross margins are achieved.

Connection Group board and subcommittees

The Group acquired Connection Group in December 2005. Three of the JD Group board executive directors, namely Grattan Kirk, David Sussman and Gerald Völkel, serve on the board of Connection Group Holdings (Pty) Ltd, together with other Group executives, David Hirsch, Johan Coetsee and David Miller. The two subcommittees of the Group, namely the remuneration committee and audit committee, were incorporated into the JD Group committees respectively.

Employment benefit funds

Approximately 95% of Group employees are members of a retirement fund in which the Group participates. A summary of the key retirement funds are provided below.

- The Alexander Forbes Retirement Fund (AFRF) is an umbrella fund in which employees of the Group have membership as a condition of employment. It comprises the following two sub funds:
 - the Alexander Forbes Retirement Fund (Pension and Provident Sections): JDG Trading (Pty) Ltd;
 - The Alexander Forbes Retirement Fund (Provident Section): Connection Group Holdings (Pty) Ltd;

Alexander Forbes Financial Services (Pty) Ltd is the appointed administrator of the AFRF. This fund is managed by a professional board of trustees. In terms of the rules of the fund, each participating employer is required to establish a management committee comprising both employer appointed and member elected representatives. For JDG Trading there are four employer appointed and four employee elected representatives. The employer appointed representatives are Ivan Levy (chairman), George Annandale, Xavier Schatz and Johan Coetsee. For Connection Group, there are three employer appointed and three employee elected representatives. The employer representatives are Johan Coetsee, David Miller and George Honiball. The management committee, amongst other activities, monitors and reviews the selected investment strategy, assists in the distribution of death benefits payable and monitors continued participation in the fund.

- The JD Group Defined Benefit Pension Fund has been closed to new entrants since October 1996. This fund is managed by a board of trustees. In terms of the rules of this fund, four employer appointed trustees, namely Ivan Levy (chairman), Johan Coetsee (principal officer), George Annandale and Xavier Schatz, as well as four member elected trustees, manage the fund. The appointed administrator is Alexander Forbes Financial Services (Pty) Ltd.
- The SA Commercial Catering and Allied Workers Union National Provident Fund (SNPF) is an umbrella fund in which a number of employers participate in terms of a collective bargaining agreement with SACCAWU. Old Mutual Life Assurance Company (South Africa) Limited (Employee Benefits Industry Funds Unit Division) is the appointed administrator of this fund.
- Employees of the Group in Botswana and Namibia belong to various umbrella funds in these countries, while employees of Abra are members of the Social Security Fund (SSF) in Poland.

Financial related details of the Group's retirement funds are set out in note 25 of the annual financial statements.

Financial control and reporting

The directors are responsible for ensuring that Group companies maintain adequate records and report accurately and reliably on the financial position, activities and results of the Group. Financial reporting procedures are applied in the Group at all levels to meet this responsibility. Financial and other information is constantly reviewed and remedial action taken, where necessary.

Improvements to the quality of reported information are continually effected by means of replacing or upgrading information systems. The Group has embarked on the implementation of an Enterprise Resource Planning solution to provide for improved reporting, control and efficiencies across the Group.

The Group's annual financial statements are prepared in accordance with International Financial Reporting Standards. Appropriate accounting policies are consistently applied unless an accounting policy requires revision or there is a requirement to adopt new accounting standards or interpretations, in which case proper disclosure is made. Reasonable and prudent judgements and estimates are made in order to properly disclose the Group's financial status.

Internal financial control

The board has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide it with reasonable, but not necessarily absolute, assurance regarding the reliability of the financial information used within the business and for publication and to ensure that assets are safeguarded.

The key features of the internal financial control systems that operated throughout the year under review are described below.

Control environment

An organisational structure with clearly defined lines of responsibility and delegation of authority from the board to the chains, corporate service departments and subsidiaries is in place and presented on page 76. The board has established policies and procedures, including a levels of authority document and a Code of Conduct, to foster a proper governance structure and a strong ethical climate in the Group.

Financial monitoring systems

The Group operates a comprehensive annual planning and budgeting process. The annual budget is approved by the board. The financial reporting system compares results with plans, budgets and with the previous year's results and is able to identify deviations on a daily and monthly basis. Reports include regular cash flow statements, income statements and balance sheets projected for 12 months ahead, which are used in determining future funding needs.

Main control procedures

The directors have adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Financial controls and procedures are in place, including procedures for seeking and obtaining approval for major transactions and organisational changes in terms of the Group's levels of authority document. Organisational controls involving the segregation of incompatible duties and controls relating to the security of assets are also in place and maintained on an ongoing basis.

The board regularly reviews the operations and effectiveness of internal financial control. The board confirms that to the best of its knowledge and belief there have been no weaknesses which have led to any material losses or contingencies during this financial year.

Internal control systems

The directors accept responsibility for maintaining appropriate internal control systems to ensure that the Group's assets are safeguarded and managed, and losses arising from fraud or other illegal acts are minimised. Control systems are monitored and improved in accordance with generally accepted best practice.

Risk Management

During the review period, the Internal and Forensic Audit department was decoupled into two departments, namely a Risk Management function and an Internal Audit function.

Corporate governance

continued

Risk Management provides a professional, comprehensive risk management service to the Group to enable it to be world-class in the field of risk management.

An enterprise risk management (ERM) process was established recently. This will entrench ERM as a philosophy and methodology in the organisation, ensuring that all risks are properly mitigated and managed throughout the Group.

Internal Audit

Internal Audit is an independent, objective assurance and consulting function designed to add value to and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and compliance processes.

Amongst others it provides:

- assurance that the management processes are adequate to identify and monitor significant risks;
- confirmation of the adequacy and effective operation of the established internal control systems;
- credible processes for feedback on risk management and assurance; and
- objective confirmation that the board receives assurance from management that information is reliable.

The purpose, authority and responsibility of the Internal Audit function are formally defined in the internal audit terms of reference and are consistent with the Institute of Internal Auditors' definition of internal auditing. The internal audit terms of reference were recently reviewed and approved by the board.

The activities of the internal auditors are coordinated by the internal audit executive, who has unrestricted access to the audit committee chairman and its members.

Internal Audit coordinates the activities of the external auditors to ensure proper coverage and to minimise duplication of effort. The external auditors have access to reports issued by Internal Audit.

Audit plans for each business operation are tabled annually to take account of changing business needs. Follow up audits are conducted in areas where weaknesses are identified.

The internal audit plan, approved by the audit committee, is based on risk assessments that are continually updated so as to identify not only existing and residual risks, but also emerging risks, as well as issues highlighted by the audit committee and the risk management committee. Internal audits are conducted formally at each business unit and corporate service department workplace on a regular basis.

Fraud and illegal acts

The Group does not engage in or accept or condone any illegal acts in the conduct of its business. The board's policy is to actively pursue and prosecute the perpetrators of fraudulent or other illegal activities, should they become aware of any such acts.

The Group has a whistle-blowing procedure in place through which employees can report illegal acts anonymously to Crime Call Anonymous without fear of reprisal.

Insider trading and closed periods

No employee or director (or their associates) of the Group may deal, directly or indirectly, in JD Group shares (including share options) on the basis of unpublished price sensitive information regarding the business or affairs of the Group. To the best of the board's knowledge, none of the Group's directors or their associates have been involved in insider trading. The Group twice annually defines closed periods, which are strictly adhered to. As a general rule, closed periods commence about 45 days prior to the interim and year end results reporting dates, and end once the results have been disclosed to the market. Closed periods are also observed prior to corporate actions as required by the JSE. No employee or director (or their associates) of the Group may trade in the Group's ordinary shares (or share options) during closed periods. The Board Charter includes a dealing code that regulates dealings in the Group's shares (and share options). Executives and directors have to obtain written approval from the Group chairman (amongst others) prior to dealing in any Group securities.

Records of all transactions and approvals in respect of executives and directors are kept by the Secretariat and all directors' dealings are timeously disclosed on SENS and any movement in shareholding is disclosed in the annual report.

Code of conduct

The Group is committed to the highest ethical standards of business conduct and fully comply with all applicable laws and regulations. The board has adopted a Code of Conduct that stipulates the ethical standards applicable and the expected behaviour of each employee and director of the Group.

The directors, employees, employees of outsourced functions, as well as suppliers to the Group, are all expected to comply with the principles and the ethical standards of this Code and to act in terms thereof at all times. Amongst others, each department maintains a gift register where all gifts from suppliers, service providers and customers are entered for record and auditing purposes. Gifts are limited to a predetermined value. The behaviour of all role players in respect of this Code is monitored on an ongoing basis and the directors believe that a high standard of ethics has been achieved. Where there is non-compliance with the Code, the appropriate discipline is enforced with consistency. This serves as a measure to prevent recurrence.

Art of service

Service is the essential element and the strategic intent of the *'Art of Service'* programme. The creation of extraordinary levels of customer service will elevate the JD Group from the ordinary and differentiate it from its competitors. By enabling all its resources, starting with people, JD aims to provide an excellent and consistent customer experience that is world-class. The *'Art of Service'* commitment should exceed the expectations of both internal and external customers. Its success and strength lie in customer driven processes, ultimately delivered by empowered, engaged and energised human capital. A more detailed description of this initiative is provided on pages 10 and 11.

Stakeholder engagement

In all dealings, the board strives to ensure that the interests of stakeholders are foremost in its decisions and that they are fully informed of decisions relevant to them. The board has

identified the following as the Group's key stakeholders:

- Shareholders, analysts, investors and the financial media;
- Employees and Organised Labour;
- Customers;
- Suppliers;
- Government and Regulators; and
- Communities.

The Group's engagements with each of these stakeholders are set out in detail in the sustainability and stakeholder reviews which is set out from page 56.

Industry engagement and membership

The Group plays a role in shaping industry events through its participation in and membership of industry and professional bodies, of which the following is merely a synopsis:

- The Unilever Institute of Strategic Marketing;
- The Compliance Institute of South Africa;
- The Institute of Internal Auditors of South Africa;
- The Institute of Directors in South Africa;
- The Consumer Goods Council of South Africa;
- The Wholesale and Retail SETA;
- The Retailers Association of South Africa;
- The Furniture Traders' Association of South Africa;
- The Association for Savings and Investments South Africa;
- The South African Insurance Association;
- The Ombuds for FAIS, Long-term Insurance and Short-term Insurance;
- The Institute of Futures Research and the Bureau of Economic Research at Stellenbosch University;
- The Bureau of Market Research at UNISA;
- Econometrix; and
- The South African Institute of Race Relations.