2023

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Report

THE FOSCHINI GROUP LIMITED

CONTENTS

About **our report**

INTRODUCTION TO OUR TCFD JOURNEY

This report demonstrates our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This is the second TCFD report for The Foschini Group Limited and its subsidiaries, collectively referred to as "TFG" or "the Group".

TFG is a South African-based fashion and lifestyle retailer with a diverse portfolio of 34 brands offering clothing, jewellery, cell phones, accessories, cosmetics, sporting apparel and equipment, homeware and furniture. TFG Africa also offers customers a range of value-added services such as magazines, insurance products, and mobile airtime. Climate-related risks and opportunities continue to emerge through complex value chains and across numerous geographies, both that we source supplies from, and in which the Group's retail outlets are located.

Production of key resources (such as cotton, wool and leather) could be adversely affected by climate change, leading to supply chain disruptions and increased costs. Extreme weather events such as floods can impact transportation networks and delivery schedules. More long-term trends, such as shifting weather patterns, temperature changes and increased seasonal changes, could alter consumer preferences and purchasing behaviours.

As climate change awareness grows among consumers, there is also an increasing expectation for retailers to adopt sustainable and ethical practices, which requires significant investment in sustainability initiatives and transparent supply chain management.

This report is guided by each of the TCFD's 11 recommended disclosures. Last year we conducted a high-level and qualitative evaluation of the climate change landscape in the geographies where our suppliers and operations exist, and identified several physical and transitional risks and opportunities across our value chain that could potentially have a financial and/or strategic impact on the business. This process enabled us to move toward a more comprehensive scenario analysis in 2023, in which we specifically focused on our South African direct operations and examined future physical and transitional risks and opportunities that could materialise under an "NDC/Current Policies" climate change scenario, as described by the Network for Greening the Financial System (NGFS) and which aligns with the Shared Socio-economic Pathway SSP2-4.5 physical climate change scenario as described and adopted by the Intergovernmental Panel on Climate Change (IPCC).

Our analysis incorporates the latest scientific research, regulatory developments, and market trends to provide a clear picture of how climate change can impact our organisation's financial position, market competitiveness, and overall sustainability. Additionally, we recognise the importance of engaging with stakeholders, understanding their expectations, and integrating their perspectives into our climate-related strategies.

By embracing the TCFD recommendations, we are committed to fostering transparency, accountability, and innovation. This report serves as a key milestone in our journey towards climate resilience and responsible financial decision-making.

This report is intended as a stand-alone TCFD report. However, where relevant, reference is provided to other publicly available reports that provide additional information.

APPROVAL

This 2023 TCFD report was approved by the Supervisory Board's Social and Ethics Committee on 14 November 2023.

THE TCFD RECOMMENDED DISCLOSURES

TCFD recommended disclosures		TFG disclosure
Thematic area	**Recommended disclosures**	**Read more**
Governance	a. Describe the Board's oversight of climate-related risks and opportunities.	Page 7
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Page 7
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 11 and 13
	b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Pages 11 and 13
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 11 and 13
Risk management	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Page 15
	b. Describe the organisation's processes for managing climate-related risks.	Page 16
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 15
Metrics and targets	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 17
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Page 19
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 20

This report contains certain forward-looking statements regarding the results and business activities of TFG, which, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur. Various factors could lead to actual results or business activities that differ materially from those implied by these forward-looking statements. Accordingly, these forward-looking statements have not been reviewed or reported on by the Group's external auditors. We value feedback as it helps us to improve the efficiency, transparency and intended outcome of our reporting. Comments or further information enquiries can be sent to Investor_relations@tfg.co.za.

NAVIGATION TIPS, FEEDBACK AND DEFINITIONS

This report is interactive and contains hyperlinks that will allow you to find the information you need easily, including additional detail where we reference the website and other reports in our reporting suite. We use the following classifications when making timeframe references:

Short term

Current to one year

Medium term

One to three years

Long term

Three to ten years

For the climate scenario analysis performed, the following timeframes apply:

Physical climate impacts

Short term

2020 to 2035

Medium term

2035 to 2060

Transitional climate impacts

Short term

2020 to 2030

Medium term

2030 to 2050

Why we exist and **who we exist for**

OUR PURPOSE, VALUES, STRATEGY AND CONTRIBUTION

Our purpose
We inspire our customers to live their best lives

Our vision
To create the most remarkable omnichannel experiences for our customers

Our values
We put our customers first

We work smart and fast

We do the right thing

TFG is a South African-based fashion and lifestyle retailer with a diverse portfolio of 34 brands. We offer clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, homeware, and furniture. Our brands cater for market segments from value to upper income while providing convenient shopping experiences in-store and online.

From our operating environments in Africa, the UK and Australia...

…we identify material topics…

> A challenging trading environment
> Continued change in customer behaviour and expectations
> Fashion trends and customer preferences
> Talent management: attracting, retaining and developing key talent
> Reliance on information technology
> Energy crisis
> Cyber and information security

…which we address through our BOLTS strategic pillars...

B	O	L	T	S
Build out diversified, high brand-equity businesses	**Optimise** our sourcing mix and supply chain efficiency	**Leverage** our assets – customer data, store footprint, talent and product assortment	**Transform** into a true omnichannel retailer and platform play	**Sustain** ourselves and our stakeholders into the future

…with three sustainability objectives...

Fashion that **connects** people and their passion

Fashion that **shares** the benefit of enterprise

Fashion that **restores** our relationship with nature

…that contribute to our core SDGs...

TFG supports the intent of the SDGs as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

We recognise that the 17 goals are interdependent and require partnerships and collaboration to make a real impact. We identified goals 8, 9 and 12 as those where we can make the most impactful contribution.

Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all

Goal 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation

Goal 12: Ensure sustainable consumption and production patterns

…and create value for our stakeholders…

Customers:

Our customers are diverse in their spread across **geographies, gender, age** and **income** groups.

Employees:

Our **46 566 employees** are diverse in their spread across geographies, gender, age and skills profiles.

Environment:

We source and use **water, materials, chemicals** and **energy** throughout our value chain.

Shareholders:

We have **16 286 shareholders,** with **26,4%** of shares held outside South Africa.

Suppliers:

The TFG supplier base consists of **merchandise** and **non-merchandise suppliers,** with the latter including landlords.

Government, legislators and regulators:

We engage with **revenue authorities, regulators** and **government departments** in the countries in which we trade.

Non-profit organisations and communities:

We engage with, support and invest in individuals and collectives in the areas where our operations **impact their livelihoods and prospects.**

…responding to fashion and lifestyle retail trends.

- Digitisation
- Sustainability
- Social media
- Personalisation
- Transparency

Message from our **CEO**

Our long-term strategic intent is to sustain ourselves and our stakeholders into the future. To do that, we are committed to fashion that connects people and their passion, shares the benefit of enterprise and restores our relationship with nature. The latter is pertinent as we publish our second TCFD report and reflect on our progress to reduce any harmful impact on the environment.

We concur with the United Nations Framework Convention on Climate Change, the parent treaty of the 2015 Paris Agreement, that the fashion industry needs to move further and faster to achieve systemic change.

In South Africa, we face a serious convergence of ESG challenges evident in rising poverty and unemployment, while facing an energy crisis that is having a profound impact on our economy and people. Because South Africa is such a dominant part of our business, we have to prioritise areas where we can have a fundamental impact to address these challenges. We believe that creating and preserving jobs is most important in the short term, while we continue adapting our business for climate resilience over the long term.

This results in difficult trade-off decisions. At TFG Africa, we unfortunately had to reallocate funds to mitigate the energy crisis and increasing levels of load shedding this year, which meant that we channelled R200 million into backup power solutions and incurred additional unbudgeted expenses in respect of diesel and security costs. The reality is that these investments could have created more jobs and enabled quicker expansion of our solar energy options.

In the UK and Australia, our focus was on mapping our supply chains, sourcing more responsibly and reducing emissions. We are particularly pleased with the progress made at TFG London with their decarbonisation strategy towards 2030, supported by targets that have been validated by the Science-Based Target initiative (SBTi). This will focus their drive toward reducing emissions, increasing the use of renewable energy and transitioning to lower-impact raw materials.

You are invited to read more about our sustainability objectives and initiatives in the Inspired Living Report available online.

INVESTING IN THE FUTURE

To enhance our understanding of the impact of climate-related events on our business model, strategy and financial performance over time, we embarked on a climate scenario analysis process for our South African operations, as set out in this report. This analysis will form the basis of further analysis across our operations.

We also intend to enhance and refine key strategic sustainability performance targets and indicators as we mature our TCFD disclosure.

We value external assessments and ratings of our sustainability performance in our efforts to continuously improve. In this regard, we received an 'AA' MSCI ESG Rating, up from 'A' in 2022.

TFG also received a B score for our 2022 CDP Climate Change questionnaire, and our first scores for CDP Forestry and Water Security disclosures.

To improve transparency and respond to stakeholder information needs, we launched the online ESG World as a TFG-specific ESG data and disclosure platform. This includes our TCFD-specific disclosures.

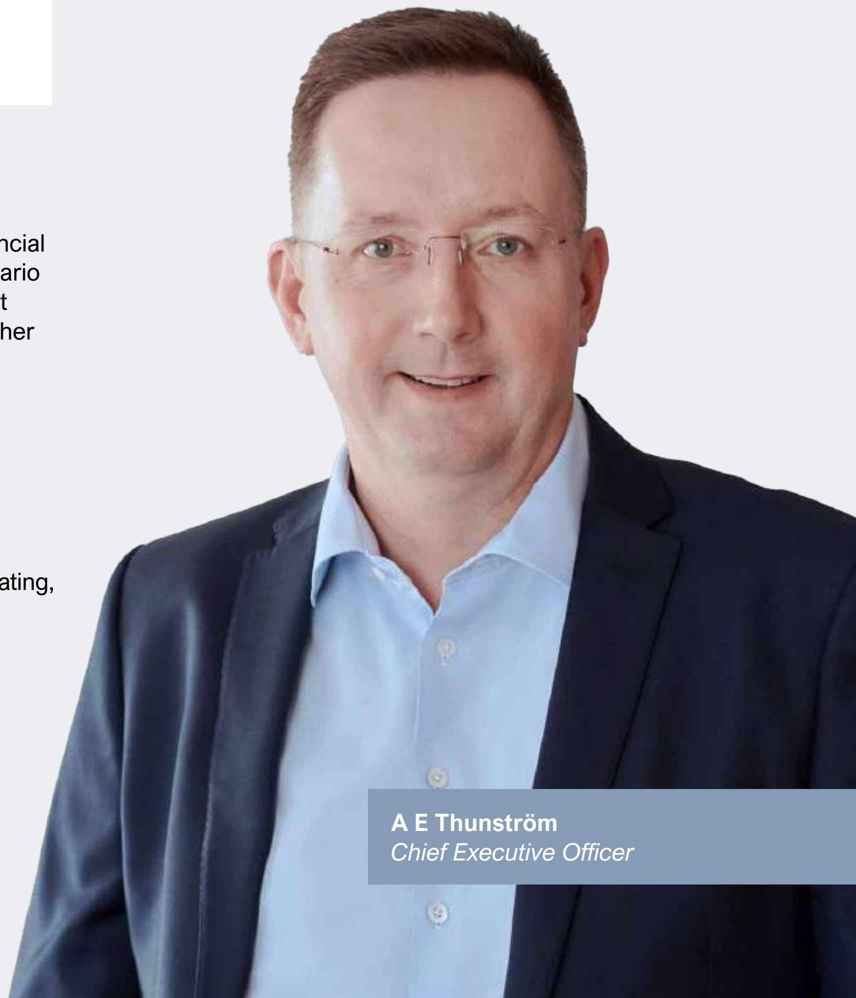
FUTURE CLIMATE PRIORITIES

All three territories continue to focus on their initiatives to progressively increase the contribution of sustainably sourced cotton.

At TFG Africa, we plan to set emission reduction targets in the future to reduce our Scope 1, 2 and 3 greenhouse gas (GHG) emissions to required levels and over prescribed timeframes.

TFG London has committed to very specific reduction targets which are supported by climate-related initiatives.

Considering the challenges and uncertainties that all businesses face in the short to medium term, we continue to explore partnerships with our stakeholders to drive long-term impact that will benefit all of our stakeholders.



A E Thunström
Chief Executive Officer

Governance

BOARD OVERSIGHT

As the highest decision-making body responsible for the strategy, direction, leadership, governance and performance of the Group, the TFG **Supervisory Board** is ultimately accountable for all climate-related issues that the Group faces.

Two Supervisory Board Committees, the Risk Committee and the Social and Ethics Committee, inform the Supervisory Board on strategic, existing and emerging climate-related risks and opportunities and other climate-related matters such as supply chain disruptions, Group climate impacts, metrics and targets. The Audit Committee is tasked with input and governance over all risks that could impact the Group's financial results and financial reporting. This would extend to climate-related financial risks and opportunities, if applicable.

The **Risk Committee** typically meets four times a year, is chaired by an independent non-executive director and includes both non-executive and executive members, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). In addition to being informed by the CEO and CFO, the committee also invites the Head of Group Assurance to all committee meetings. The Head of Group Assurance is responsible for reporting on strategic, existing and emerging risks identified by management, including those relating to climate, across all markets in which the Group operates.

The **Social and Ethics Committee** typically meets twice a year, is chaired by an independent non-executive director and includes the CEO as a member. The CFO attends meetings as an invitee. The Head of Group Sustainability is also invited to all meetings and reports on climate-related performance, including the Group's carbon footprint and all climate-related reporting requirements (such as the TCFD), metrics and targets across the Group.

The **Audit Committee** typically meets three times a year and is chaired by an independent non-executive director. The CEO, the CFO, the Head of Group Assurance, the Head of Internal Audit, the Company Secretary and the partner and senior members of the external auditors' team attended meetings of the committee by way of standing invitations.

An Environmental Policy has been developed during the year under review and this policy is currently being reviewed by senior management. It is expected that this policy will be approved by the Social and Ethics Committee during the 2024 financial year.

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED ISSUES

The Group's strategy formulation and the day-to-day management of all aspects of the operations of the retail trading and service divisions of TFG are the responsibility of the **Operating Board**. The CEO, in his dual role as Chief Risk Officer, holds overall executive responsibility for sustainability, which includes the risks associated with and the impact of climate change, and he is informed on climate-related issues, as they affect the Group, through the Governance Risk Committee and the Group Sustainability Forum. The CEO is responsible for reporting on significant climate-related issues to the Supervisory Board.

The **Governance Risk Committee** meets five times per year and comprises the CEO, CFO and the Head of Group Assurance. It is tasked with reviewing all existing and emerging risks within the Group and across all markets, including risks associated with climate change. The Head of Group Assurance and Group Enterprise Risk function holds regular risk-related working committee meetings in which climate risk is a set agenda item, and meets regularly with all Operating Board executives and REXCO (the Retail Executive Committee).

Identified climate risks, as per the climate risk assessment process described below, are included in the TFG enterprise risk management register and a crisis management/incident logging tool is being developed to raise awareness among all executives on events of concern to the Group, including those relating to climate issues. Prioritisation of climate risks, either against other Group risks or against other climate-related risks, is based on actual and perceived risk in accordance with the Group's approved methodology. Mitigations for risks are identified against each risk, and the remaining residual risk is assessed according to defined criteria. The risks with the highest exposure for the Group are presented to the Operating Board for review. The outcome of the review is submitted to the Risk Committee and ultimately to the Supervisory Board for approval. This process is facilitated by the Group Enterprise Risk function.

The CEO is informed on additional climate-related issues, such as TFG's emission trends, climate initiatives within the organisation, special projects (e.g. energy efficiency initiatives), metrics, targets and carbon pricing impacts through the Group Sustainability Forum, which is led by the Group Head of Sustainability. This forum meets on a quarterly basis and consists of senior management responsible for the Group's sustainability objectives, which are:

> Fashion that connects people and their passion
> Fashion that shares the benefit of enterprise
> Fashion that restores our relationship with nature

In the 2023 financial year, a detailed exercise to further identify and evaluate the material risks and opportunities of climate change across different time periods and a singular scenario has been undertaken (refer to Strategy section). This process was run jointly by the Sustainability and ERM teams.

Strategy

Adopting TCFD's recommended guidance on climate-related risks and opportunities

The TCFD categorises the impacts of climate change as both physical and transitional.

Physical risks are associated with *acute* weather events, such as floods, heatwaves and wildfires, and *chronic* longer-term shifts in weather patterns such as increasing temperatures, rainfall, and droughts.

Transitional risks are those associated with the transition to a low carbon economy aimed at reducing the effects of global warming by reducing or eliminating human-induced GHG emissions. They include policy developments, legal implications, technology and innovation, market changes and reputation risks.

Climate-related opportunities are divided by the TCFD into five categories, including: resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience throughout the value chain.

In FY2022, TFG initiated its inaugural TCFD report. Given that this was our first disclosure, we made the strategic decision to conduct a preliminary and high-level evaluation of the climate change landscape in the geographies where our suppliers and operations exist and, based on this, broadly identify physical and transitional risks and opportunities across our value chain that could potentially have a financial and/or strategic impact on the business. Through this broad approach we were able to identify important focus areas for this year's disclosure, thereby allowing for a more meaningful and specific analysis.

This year we focused on our South African direct operations and examined future physical and transitional risks and opportunities that could materialise under a "Nationally Determined Contribution (NDC)/ Current Policies" climate change scenario that aligns with the Intergovernmental Panel on Climate Change's (IPCC) Shared Socio-economic Pathway 2-4.5 (SSP2-4.5) (see explanation alongside).

These direct operations include all TFG owned and/or managed/controlled buildings in South Africa, including:

> Foschini Retail Group and Prestige factories
> Tapestry factories
> Distribution centres
> Regional and head offices
> Retail stores

We are aware that there are numerous additional scenarios (e.g. Net Zero Orderly/Disorderly, Business as Usual, etc.), geographies and segments within the value chain that merit inclusion in our analysis. As we progress on our TCFD journey, we intend to explore these areas further (please see our anticipated steps forward on Page 22).

A note on retail store selection methodology

TFG has over 3 300 stores spread across South Africa's nine provinces. In these early stages of our TCFD journey, we opted to streamline our analysis by focusing on select stores which were identified as being *most* at risk to the impacts and effects of climate change and have a significant contribution to our year-to-date (YTD) turnover.

To begin the site selection process, our Risk Team provided a climate event forecast, utilising their own climate data models. The forecast included an evaluation of the impact of different climate events, namely i) heat; ii) wind; iii) heavy rain; and iv) incessant rain, across the nine provinces in which TFG has retail outlets. Each event was assigned an index representing its severity for each location. To determine the severity of these events, provinces were ranked according to the index, ranging from the least severe impact (1) to the most severe (4). We then calculated the average ranking across all four climate events. Based on this calculation, the provinces with the highest average ranking were identified as KwaZulu-Natal, Mpumalanga, and Limpopo. Stores within these three provinces were then selected based on their year-to-date (YTD) turnover contribution, using the available turnover data for the first nine months of the year.

"Nationally Determined Contribution (NDC)/Current Policies" climate change scenario and SSP2-4.5

The "NDC/Current Policies" scenario is adopted from the Network for Greening the Financial System (NGFS)[1], an international network of central banks that teamed up with leading scientists and economists to design a set of hypothetical climate change scenarios.

Through this work, the NGFS outlines the likely global warming range, should existing NDCs (national government's current commitments to reduce their GHG emissions by set timeframes) and other international GHG mitigation policies be successfully implemented. We have correlated this with research undertaken by Climate Action Tracker (CAT)[2], an independent scientific analysis produced by two research organisations (Climate Analytics[3] and NewClimate Institute[4]), tracking climate action since 2009. Collectively, the NGFS and CAT envision an "NDC/Current Policies" scenario resulting in a global warming range of 2.4°C to 3.0°C, with 2.7°C being a likely median.

Such level of global warming of "about 2.7°C" aligns with physical climate impact models predicted by the World Bank under the Intergovernmental Panel on Climate Change's (IPCC's) SSP2-4.5 Socio-economic Emissions Pathway[5]. It also allows for reference to potential transitional impacts as researched by the likes of the NGFS, various papers cited by the South African National Treasury[6] and South African Reserve Bank's Benchmarking and Scenario Working Group, and the Just Transition Framework of the South African Presidential Climate Commission[7].

1 *https://www.ngfs.net/en*
2 *https://climateactiontracker.org/*
3 *https://climateanalytics.org/*
4 *https://newclimate.org/*
5 *www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf*
6 *https://www.treasury.gov.za/comm_media/press/2021/2021101501%20Financing%20a%20Sustainable%20Economy.pdf*
7 *https://www.climatecommission.org.za/just-transition-framework*

Shared Socio-economic Pathway 2-4.5 (SSP2-4.5)

To assess the potential physical risks and opportunities aligned with an "NDC/Current policies" scenario, we have used the SSP2-4.5 Pathway as described by the most recent IPCC Assessment Report (AR6)[1] published in 2021.

Shared Socio-economic Pathways (SSPs) are a set of scenarios developed by the IPCC which explore different possible futures based on varying socio-economic trends and environmental assumptions. These scenarios take into account the projected GHG emissions that could be released into the atmosphere under these conditions. By incorporating both socio-economic factors and GHG emissions, the SSPs provide a comprehensive framework for assessing the potential impacts of different development pathways on climate change and guiding strategies for sustainable and climate-resilient futures.

The SSP2-4.5 scenario was selected for the following reasons:

> It applied to the business context in South Africa and aligned to the transitional expectations of an "NDC/ Current Policies" scenario as outlined by various organisations and research papers
> It is modelled on a 30-year timespan to 2050, which aligns with the Paris Agreement and other national government 2050 net-zero targets
> It is referenced by the International Energy Agency, which uses policy pathways to analyse climate scenarios

[1] www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM_final.pdf
[2] https://doi.org/10.1016/j.gloenvcha.2016.06.004
[3] https://climateactiontracker.org/

Outcome of the SSP2-4.5 scenario (IPCC)

	SSP2-4.5
Associated emissions	Net-zero not reached by 2100
Average global warming temperatures (2100)	Avg. global warming median of 2.7°C (above pre-industrial temperatures)
Descriptive overview	Socio-economic factors follow their historical social, economic and technological trends with no significant change, and international progress toward sustainable development is slow.

Adapted from: Global Environmental Change 42:251–267[2]

It should be noted that we are aware that by analysing only one scenario, we are not yet following the TCFD's recommendation of using or developing two or more scenarios, with one of these being a 2°C or lower scenario to align with the Paris Agreement. However, following our high-level scenario analysis of last year and given the fact that TCFD is a journey, we elected to undertake a detailed and full analysis this year of the potential impacts under one scenario on our owned and controlled assets in the largest market in which we operate. We will use this as a base to build out our future climate-related analysis across our full value chain and operations in our different geographies. For further detail, please see our anticipated steps forward on page 22.

Time horizons

Our time horizons for physical risk are defined as follows: short-term (2020 to 2035) and medium-term (2035 to 2060). These two timeframes allow us to differentiate between distinct periods of future physical climate impact and enable us to consider the escalating severity of physical risks associated with climate change that could emerge over time.

Our time horizons for transitional risk are defined as follows: short-term (2020 to 2030) and medium-term (2030 to 2050). These were selected as they align with South Africa-specific transitional risk and opportunity factors, such as the country's carbon tax regime, energy price volatility and the timing of South Africa's GHG reduction targets as expressed in the latest NDC (refer to the table below).

Focal questions

The focal questions we seeked to address by using a climate-related scenario analysis were:

1) What possible future developments need to be probed?
2) What variables are needed to support decision-making?
3) What forces and developments have the greatest ability to shape future operational and financial performance?

South Africa's Updated Nationally Determined Contribution GHG Reduction Target (2021)

2030 unconditional NDC target	
GHG limit target (as submitted 27 September 2021)	By 2030 South Africa's annual GHG emissions will be reduced to a range between 350 and 420 $MtCO_2e$
Net-zero and 2050 target	
Net-zero	Commitment to moving toward the goal of net-zero by 2050

Source: Adapted from Climate Action Tracker[3].

OUR APPROACH: IDENTIFICATION OF CLIMATE-RELATED PHYSICAL AND TRANSITIONAL IMPACTS

During FY2023, we developed a climate risk framework aligned with the TCFD's recommendations to identify, analyse, and prioritise both physical and transitional climate-related risks. This approach also focused on the opportunities arising from a global transition to a low carbon economy, including but not limited to, renewable energy, energy efficiencies and sustainable products.

Physical

During 2022's high-level analysis, a number of physical risks were identified as potentially having a financial and/or strategic impact on our business. This year, we further explored these risks during a set of workshops with our Risk Management and Sustainability teams. The following risk indicators were identified as being pertinent to our direct operations in South Africa (i.e. owned and/or controlled and managed facilities):

> Acute:
- Flood/heavy rainfall events
- Wildfires
- Very hot days and heatwave events

> Chronic:
- Rising mean temperatures
- Seasonal change
- Changing precipitation patterns

Data on each of the above-listed impacts at short and medium time horizons under a SSP2-4.5 scenario was obtained from the World Bank's Climate Knowledge Portal[1]. This data projects physical impacts at the South African country level, but also at a more granular provincial level. The provinces included in our analysis were those where our South African owned and/or managed and controlled facilities are situated. Read more about TFG's footprint in our integrated annual report.

Transitional

A similar process to that described alongside was followed in identifying transitional risks and opportunities which could impact our direct South African operations. The output used to assist this identification process was sourced from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). To ensure a South African perspective, this resource was supplemented by relevant research, publications and information provided by the South African National Business Initiative (NBI), South African Reserve Bank (SARB) and South Africa's National Treasury. Furthermore, the relevant findings from the Presidential Climate Committee (PCC) and its Just Transition Framework were utilised.

Following these workshops and the identification of potential physical and transitional impacts, a climate risk and opportunity register was developed.

A table to highlight/summarise key information:

	Physical	Transitional
Scenario	SSP2-4.5	Current Policies (NGFS)
Scenario analysis sources	World Bank	> NGFS > NBI > SARB > SA National Treasury > SA Just Transition Framework
Time horizon	Short-term: 2020 to 2035 Medium-term: 2035 to 2060	Short-term: 2020 to 2030 Medium-term: 2030 to 2050

[1] *https://climateknowledgeportal.worldbank.org/*

Acute physical risk and impacts

TFG anticipates an increase in the frequency and severity of **flood and fire events** in the near and medium terms for its owned and/or controlled South African operations. These risks have the potential for physical damage to owned production facilities and CMTs, owned distribution centres and operations, regional and head offices, as well as retail stores.

A rise in **extremely hot days** (> 35°C) over the near and medium term could lead to environmental workplace hazards such as heat stress, dehydration and decreased labour productivity, impacting the wellbeing of employees, and higher cooling costs. Customer footfall in stores might also decline during such hot days.

Chronic physical risk and impacts

TFG has identified **rising mean temperatures** as a risk in the near and medium terms, with the potential to cause environmental workplace hazards, including heat stress, dehydration, and a reduction in labour productivity. Rising temperatures may also affect the wellbeing of employees and impede TFG's operational functionality. Moreover, this scenario could entail increased expenditures associated with air conditioning and temperature control in TFG stores, particularly those featuring less energy-efficient designs.

Seasonal change (e.g. mean temperature and length of season) was identified as a risk over the near and medium term, potentially impacting consumer functional clothing requirements and the materials and design specifications for garments.

In the near term, **changes in precipitation** patterns are deemed capable of impacting TFG's internal operating environment.

Potential long-term shifts in climate trends over the medium-term may carry implications such as elevated insurance premiums for TFG and a possible curtailment of insurance availability for assets located in high-risk areas.

Refer to appendix 1 of this report for further detail.

Transitional risks

With increased physical climate-related impacts being anticipated, expectations are that increased **reporting requirements** will be demanded from investors and other stakeholders to ascertain TFG's resilience under such scenarios. This includes the incorporation of TCFD into future International Sustainability Standards Board's (ISSB) reporting standards (especially IFRS S-2 on Climate Disclosure); continued CDP reporting; Financial Sector Conduct Authority (FSCA) climate disclosure requirements and the Johannesburg Stock Exchange's (JSE) climate-reporting guidelines; various "green taxonomy" definitions; and, more stringent inclusion criteria for rating agencies and indices. TFG will need to meet these expectations in a cost-effective manner and prove its reporting agility in order to attract and retain investors in a cost-efficient and agile manner.

Climate change will also impact various market forces such as increased **energy and water tariffs and compliance costs.** In addition increased carbon tax costs may have a financial impact on TFG distribution centres and supply chain. In response, TFG may increasingly need to adopt "low carbon" and water-efficient technologies in its operations; logistics and distribution; and, other areas within its supply chain.

Such responses will also be required to meet potential **consumer behaviour change** that will favour products with higher levels of traceability and increased local product content that is durable, recyclable and contributes to a circular economy. These fashion trends will likely extend to demand for lower use of plastics in products and packaging.

Refer to appendix 2 of this report for further detail.

Case Study: 2022 Durban floods

In April 2022, Durban was struck by a flood event which has been subsequently described as the most catastrophic natural disaster (in terms of lives lost, homes and infrastructure damaged or destroyed and economic impact) yet recorded in KwaZulu-Natal (KZN). The floods caused the loss of 459 human lives, left approximately 40 000 homeless and 45 000 individuals temporarily without work or an income. Furthermore, over R40 billion* in losses to business and infrastructure was recorded in the wake of the event.

The eThekwini region experienced a deluge of rain, with over 300mm pouring down within a 24-hour period from the 11th to the 12th of April.

Amid this event, 36 of our stores across the province were damaged to varying degrees. The cloth warehouse, located near the industrial suburb of Prospecton, incurred the most significant losses where raw materials and finished products were compromised. Fortunately, the damages felt at both stores and at the cloth warehouse were not deemed material in the context of TFG's South African operations, and appropriate insurance coverage to mitigate the financial impact was in place.

In the months following, other notable flood events occurred in other parts of the country. In December 2022, Paarl experienced the highest rainfall recorded (40mm over a 24-hour period) in over 20 years, causing the collapse of a hospital roof, the forced precautionary closure of several businesses, and power outages. In Polokwane, at the beginning of 2023, a flash flood caused structural damage around the city.

Although none of the above-mentioned events triggered a material impact to TFG, they did reinforce assertions that climate change is likely to continue to contribute to trends of increased flooding and significant rainfall events. The effects of such events are compounded by the country's ageing infrastructure, which has shown to be placed under enormous strain by excess water. As such, it was deemed important that TFG revisits its operating procedures and takes additional measures across its operations to minimise the potential for future flood damage at its facilities.

Proactive steps undertaken by TFG include storing stock on higher racks in locations prone to high flood risks, and advanced weather warnings to stores, allowing employees to take the necessary precautions to protect both themselves and stock.

* *https://www.wits.ac.za/news/latest-news/general-news/2023/2023-04/the-2022-durban-floods-were-the-most-catastrophic-yet-recorded-in-kwazulu-natal.html*

CLIMATE-RELATED OPPORTUNITIES

Opportunities under an "NDC/Current policies" climate change scenario

While climate change will produce variable physical and transitional risks, the TCFD recognises that certain opportunities could also materialise under different scenarios. Such opportunities are typically generated through the adoption of resource efficiencies within company operations; generation of energy from low, or zero, carbon sources; development of low carbon products and services; changing market conditions; and, overall business resilience. In the analysis of our South African direct operations under an "NDC/Current Policies" scenario, we anticipate potential opportunities in all these areas.

Opportunities in different areas of our South African direct operations under an "NDC/Current Policies" scenario

TCFD opportunity	TFG-specific opportunities	Area of impact on TFG SA direct operations	TFG response in 2023
Resource efficiency	Increase efficiency of buildings, infrastructure and network.	> Lower resource use and GHG emissions in our operational systems. > Lower opex due to lower resource costs and lower carbon tax per unit of production.	> Construction of new Riverfields DC in Gauteng according to EDGE sustainable building standards and reducing time and movement of goods. > Retrofitting lights and motion sensors in offices. > Integrated Energy Plan (IEP) under investigation to retrofit store lights and low GHG replacement of air conditioning systems.
	Energy efficient manufacturing equipment.	> Reduced opex costs (energy).	> End of life replacement of sewing machines with energy efficient models.
Low carbon energy sources	Increased use of renewable energy sources.	> Lower opex due to lower resource costs and lower carbon tax per unit of production. > Reduced reliance on national electricity utility in all our operations.	> IEP engages our landlords on how much renewable energy they currently supply to us. > Midrand DC solar installation (550 kilowatt peak).
Sustainable products and services	Use of sustainably sourced fibres and fabrics.	> Use of different raw materials in our manufacturing operations.	> Achieved our target set for sustainable sourcing of cotton for the financial year.
	Sustainable design attributes, longevity and quality of products.	> Use of sustainable designs and materials in our manufacturing operations. > Increased revenue from higher value proposition. > Attraction of higher quality-seeking customers.	> Supporting four emerging designers through our Sustainable Design Incubator.
	Erosion of seasonality leading to more year-round assortments.	> Improved revenue due to lower markdowns and write-off of seasonal items.	> Responding to weather trends by proportionally reducing seasonal trends.
Market changes	Increased use of recycled inputs and reduced waste to landfill.	> Improved opex due to lower cost of inputs. > Lower GHG emissions from manufacturing operations.	> 99,4% of textile waste from TFG's own manufacturing sites recycled or repurposed. > 83,0% of waste from TFG Africa's head office sites, DCs and factories recycled. > Continued partnership with key organisations to donate merchandise to support communities.
Resilience	Improved market valuation through sustainable reputation.	> Lower volatility of share price.	> MSCI ESG rating improved from an 'A' to 'AA'.
	Diversification out of geographic-specific high climate risk areas.	> Avoidance of potential revenue losses.	> Alerting business owners of risks and influencing location decisions.

Case Study: Sustainable Design Incubator

In August 2022, TFG launched its Sustainable Design Incubator, a transformative programme aimed at supporting young designers and fostering economic development through skills development in South Africa. The initiative focuses on equipping previously economically disadvantaged individuals with the knowledge and tools to grow their brands and businesses while becoming approved suppliers to TFG Africa.

Over a three-month period, the chosen designers receive comprehensive training in, and exposure to topics such as: sustainable design and product development; commercial range building, data analysis, supply chain management, and trend analysis.

The designers are also introduced to TFG’s key raw material suppliers and gain exposure to TFG's factories.

Designers had the chance to showcase and sell their creations using TFG’s Bash.com platform app in March 2023, providing them with a platform for visibility and a springboard into commercial viability. All four designers are now going into production phase to fulfil their first orders.

TFG’s Sustainable Design Incubator has welcomed its next group of promising young designers in May of this year.

Case Study: Responsible sourcing

The Group seeks to procure increasing volumes of responsibly sourced materials.

Responsible sourcing considers both social and environmental factors. We partner with Better Cotton to improve cotton farming globally. Better Cotton is sourced via a chain of custody model called mass balance. This means the Better Cotton is not physically traceable to end products, however, Better Cotton Farmers benefit from the demand for Better Cotton in equivalent volumes to those we source. TFG is committed to sourcing 30% of our cotton as "more sustainable cotton" by FY2026 in both TFG Africa and TFG Australia, and 100% of our cotton as "more sustainable cotton" by FY2026 in TFG London. "More sustainable cotton" includes Better Cotton.

Climate risk **management practices**

The identification of climate-related risks is wholly integrated into our enterprise risk management (ERM) system and assessed and managed through the same processes as other risks that might have material impacts on our ability to create sustainable value in the short, medium and long term.

IDENTIFICATION AND ASSESSMENT OF CLIMATE RISK

Core to our ERM is a six-step risk management process where each business area is responsible for identifying strategic and operational risks, where operational also includes climate-related risks relating to its operations and, on assessment and confirmation of its material impact, notifying the Head of Group Assurance and placing the risk on the enterprise risk register for mitigation action and ongoing assessment.

Our ERM draws on internationally accepted best practices and is in line with relevant standards such as the ISO 31000 Risk Management Standard and the King IV Report on Corporate Governance™ for South Africa[1].

Critical strategic risks, significant trends or stakeholder concerns that cut across the business are assessed through Group-wide workshops. In December 2021, such workshops were held to identify and analyse trends relating to climate change and their potential impact on the business. The workshops were informed by internal research which included a review of the geographic jurisdictions in which we operate, climate findings of various recognised consulting firms, SwissRe, the World Economic Forum and the Institute of Risk Management South Africa. Included in this process were the sustainability departments of our Africa, London and Australian operations, as well as key senior management from our TFG Africa business representing:

> Supply chain
> Logistics
> Engineering
> Compliance
> Merchandise planning, procurement and design

This exercise was further developed in 2022 and 2023 through ongoing climate change scenario workshops with our Sustainability, Strategy and Group Assurance departments.

Climate risks that are regulatory in nature, such as carbon taxation regimes in the geographies where we operate, greenhouse gas emissions standards, energy efficiency standards, etc. are assessed by the Group Legal Compliance department. The Head of Legal Compliance reports to the Head of Group Assurance and through this coordination, such risks are elevated and evaluated by executive management and the Supervisory Board.

These internal processes are instrumental in determining the size and scope of each climate risk, as well as assessing the likelihood of occurrence and potential impact on the Group's financial and strategic stability. Mitigation plans are designed, implemented and monitored based on the severity of the risk posed to the Group.

Updates on current and emerging climate risks, and their mitigation actions, are provided by the Head of Group Assurance on a quarterly basis to the executive Governance Risk Committee, which includes the CEO and CFO.

Significant matters and revisions to existing risks are elevated and reported to the Risk Committee, primarily composed of non-executive directors, which meets on a quarterly basis and whose agenda includes:

> updating significant risks, including climate-related risks
> overseeing regulatory updates, including new or draft legislation of significance in all of the countries in which we have a footprint
> feedback on IT matters
> emerging risk matters across all areas of operations
> feedback on mitigation plans for catastrophic events, including insurance

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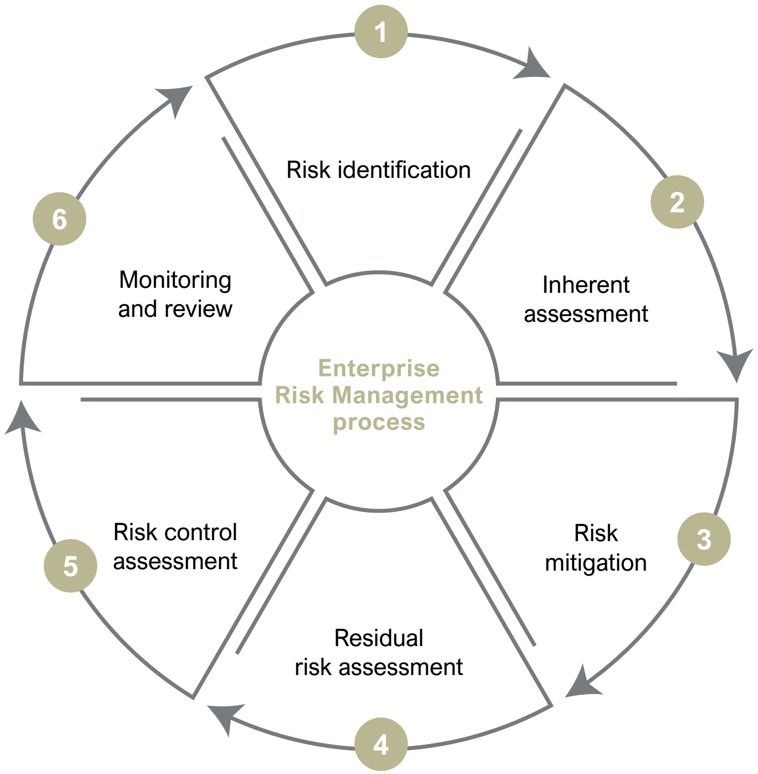
TFG Six-step Enterprise Risk Management (ERM) framework

1	Risks highlighted through workshops, assurance reviews, management, third parties and other resources are documented in a centralised risk database.
2	Risks are assessed in terms of likelihood of occurrence and potential impact on the Group.
3	Mitigating actions are agreed and responsibilities assigned.
4	The effectiveness of the mitigating actions is evaluated and the residual risk determined.
5	An assurance plan is formulated to provide assurance that controls for our significant risks are both adequate and effective.
6	Risks are reviewed by the Risk Committee, discussing emerging risks and changes in the risk assessment.



During FY2022, we developed a climate risk framework aligned with the TCFD's recommendations to identify, analyse, and prioritise both physical and transitional climate-related risks. (This approach also focused on the opportunities arising from a global transition to a low carbon economy, including but not limited to, renewable energy, energy efficiencies and sustainable products.)

Building on last year's high-level climate-related risk identification exercise, we considered climate-related issues for FY2023 that could have a material impact on our South African business operations under an "NDC/Current Policies" scenario across two time horizons (refer to Strategy section for further detail).

Following this, a climate risk register was developed specifically for our South African operations. As with other material risks, we adopted the same set of likelihood and impact criteria as identified in our risk methodology. We plan to undertake similar climate-related risk analysis of the other countries in which we operate, as well as in other critical areas of our value chain outside of direct operations.

> Read more about TFG's material matters, risks and opportunities in our 2023 Integrated Annual Report here.

> Read more about the Risk Committee in our 2023 Integrated Annual Report here.

Materiality

TFG's material matters are a combination of risks, opportunities and issues that can directly or indirectly affect our ability to create sustainable value in the short, medium and long term. These matters are reviewed and updated as part of the Group's continuous enterprise risk cycle. Several internal and external factors are considered when determining these material issues. These factors include the Group's strategy, our stakeholders' expectations and concerns, sustainability in our supply chain, the competitor landscape and our current trading environment across all the territories in which we operate.

For each material matter we indicate whether the trend is increasing, remaining stable or decreasing and whether TFG's ability to create value is likely to be impacted in the short, medium or long term. We also indicate which of our strategic outcomes are impacted by the relevant material matter.

Management of risks

Once identified and assessed, risks are treated in accordance with the Group risk appetite – a process that evaluates impact and probability. This guides our response to appropriate risk mitigation action and assigns responsibility accordingly, in order to monitor the efficacy of the response and any residual risk that requires further mitigation.

In addition, assurance plans are implemented to ensure the mitigations are adequate and effective. For risks that are categorised as "significant", these assurance plans are approved by the Risk Committee, who will also continue to monitor and revise such risks.

Metrics and **targets**

It is widely acknowledged that the global fashion industry is one of the most polluting industries. From chemical dyes, water use and pollution, microplastics, greenhouse gas emissions and textile waste, there are multiple challenges to tackle. Although, as a company, TFG has relatively low direct environmental impacts, we recognise the critical role that responsible environmental management plays in the long-term sustainability of our business. Additionally, as a Group, we work towards adopting an integrated value chain view of our broader impact. Most significantly, it is a fundamental concern for our critical stakeholders, including investors, customers and employees.

CONTEXTUALISING OUR CLIMATE METRICS

Since 2007 we have reported on an annual basis our Scope 1 and 2 GHG emissions for all our operations and geographies and, where relevant and where we have sufficient data, our Scope 3 supply chain emissions. Such oversight allows us to understand our own climate change impact and also allows us to plan and position ourselves in response to the implications of increasing policy and legislation relating to emission standards, carbon budgets and carbon taxation in our various geographies. While we do not use an internal price for carbon, we can track carbon tax implications in our operations as a result of the detailed consumption and GHG emission outputs that we generate.

The sustainability goal within our strategy has three key objectives, namely:

1. **Fashion that connects people and their passion**
2. **Fashion that shares the benefit of enterprise**
3. **Fashion that restores our relationship with nature**

Each of our business segments have strategic pillars linked to these objectives, based on their unique value chain and operating context matters:

Sustainability objective	TFG Africa pillar	TFG London pillar	TFG Australia pillar
Fashion that connects people and their passion	> People and communities > Localisation and job creation	> People	> People
Fashion that shares the benefit of enterprise	> Localisation and job creation > People and communities		> Community
Fashion that restores our relationship with nature	> Product stewardship and supply chain > Environmental efficiency	> Planet > Materials > Manufacturing	> Planet

Within these pillars we track and monitor key metrics including climate-related metrics, such as:

Key climate indicator	Operations	Climate Impact	Metric	GHG Protocol scope impact
Energy efficiency	TFG Africa (outlets)	GHG emissions	kWh/m² (stores)	Scope 2
Business waste efficiency	TFG Africa (head offices, distribution centres and manufacturing)	GHG emissions	% waste recycled	Scope 3
Production waste efficiency	TFG Africa (manufacturing)	GHG emissions	% of recycled textile waste	Scope 3
Consumer waste efficiency	TFG Africa	GHG emissions	% post-consumer recycle	Scope 3
Sustainable sourcing	TFG Africa	GHG emissions	% sustainably sourced cotton in our products	Scope 3
Localisation of suppliers	TFG Africa – suppliers from South Africa	GHG emissions; resilience of supply chain	% of TFG Africa suppliers from South Africa	Scope 3
Responsible sourcing	TFG London	GHG emissions	% cotton procured as part of TFG London's Responsible Cotton Programme	Scope 3
Sustainable sourcing	TFG Australia	GHG emissions	% sustainably sourced cotton in our products	Scope 3

Focus on commodities

Through the acquisition of Jet and the expansion of our value segment, our Group now sources a greater quantity of commodities made from natural and synthetic resources like cotton and polyester. We acknowledge that these resources are not indefinitely renewable. As a result, we are committed to gradually transitioning towards more sustainable alternatives in our effort to responsibly source and minimise our environmental impact.

Starting with our highest volume material, cotton, TFG South Africa became a member of Better Cotton in FY2022 (refer to the case study page 14), joining TFG London and TFG Australia.

The Group is committed to a goal of sustainable sourcing, with targets of 30% sustainably sourced cotton, including Better Cotton, by FY2026 in both TFG Africa and TFG Australia, and 100% sustainably sourced fibres, including Better Cotton, by FY2026 in TFG London.

During the past year, TFG Africa sourced 13.8% of their apparel cotton via Better Cotton. At TFG Australia, 27% of our cotton has been sourced via Better Cotton against a target of 30% by 2026. Better Cotton is sourced via a system of mass balance and while we invest in Better Cotton, some of our products might therefore not contain Better Cotton. At TFG London, 74% of cotton procured during FY2022/2023 was sourced as part of TFG London's Responsible Cotton Programme, with 95% sourced via Better Cotton and 5% grown organically.

For TFG Africa, we also track the percentage of total apparel manufactured locally in South Africa (49.0%). This forms part of our localisation strategy for TFG Africa and builds supply chain resilience to physical and transitional climate change impacts in the different geographies of our suppliers. Such localisation also allows for quick response product development to changing consumer demand for more sustainably manufactured products.

Executive director remuneration is linked to sustainable sourcing targets as well as a social metric for job creation and procurement metrics for local sourcing and supplier development.

Our carbon footprint

We are dedicated to monitoring our climate performance, which includes effectively managing risks and identifying opportunities. Furthermore, we are committed to transparently disclosing this information to ensure accountability and promote open communication. As such, we have voluntarily disclosed to the CDP since 2011.

We measure our carbon footprint using the GHG Protocol Corporate Accounting and Reporting Standard methodology (2015) and have been preparing a carbon footprint report for 15 years. We started including TFG London in our carbon footprint reporting in 2017 and TFG Australia in 2020. Our emissions are calculated for all three geographic jurisdictions in which we have outlets, and all Scope 1 and Scope 2 emissions are included, as per the GHG Protocol framework.

Three-year trend analysis of total GHG emissions – all geographies

Scope	Description	2021 (tCO_2e)	2022 (tCO_2e)	**2023 (tCO_2e)**
Scope 1	Stationary Fuel	69	132	**1 322**
	Mobile Fuel	1 985	2 562	**2 954**
	Fugitive gases	1 696	1 379	**145**
Total Scope 1		3 750	4 073	**4 421**
Total Scope 2	Purchased Electricity	175 863	229 402	**260 262**
Scope 3	Purchased Goods and Services	9 805	24 073	**70 518**
	Capital goods	N/R	4 530	**3 052**
	Fuel and Energy Related Activities	17 676	72 508	**31 319**
	Upstream Transportation and Distribution	24 871	39 561	**38 299**
	Waste Generated in Operations	771	921	**235**
	Business Travel (Including Accommodation)	797	2 898	**4 039**
	Employee Commuting	6 797	16 708	**22 154**
	Upstream leased assets	481	333	**813**
	Downstream distribution including WtT	N/R	4 436	**1 528**
	End-of-life sold products	N/R	7 068	**903**
	Downstream leased assets – tenant	18	25	**–**
Total Scope 3		61 216	173 061	**172 860**
Out of Scope	R22 Gas	1 362	1 601	**214**
TOTAL Scope 1, 2 and 3		240 829	406 536	**437 543**
TOTAL Emissions, including Out of Scope Emissions		242 191	408 137	**437 757**

Three-year trend in normalised GHG emissions

	FY2021	FY2022	**FY2023**
Full-time employees	34 891	38 329	**46 566**
Scope 1 and 2 tCO_2e/full-time employee	5,1	6,1	**5,7**

TARGETS

Our climate-related targets are aligned to the metrics (see page 17) we follow, our Group Strategy and various strategic risks.

GHG and energy reduction targets

Key focus area	Metric	FY2021 target %	FY2021 performance %	FY2022 target %	FY2022 performance %	**FY2023 target %**	**FY2023 performance %**
Improve energy efficiency	Annual % reduction of kWh/m^2 (TFG Africa outlets)	(5,0)	(14,8)	(5,0)	(0,5)	**(5,0)**	**(10,9)**
Increase localisation	% of our total TFG Africa apparel manufactured locally in South Africa	45,0	42,3	38,4	46,9	**48,7**	**49,0**

While our energy efficiency target helps in reducing our Scope 2 greenhouse gas emissions, we recognise the need to contribute towards a net-zero emission world by 2050. To this end, setting emission reduction targets for TFG Africa continue to be explored. Such a target will commit us to reducing our Scope 1, 2 and 3 greenhouse gas emissions to required levels and prescribed timeframes acknowledged by the global scientific community as being sufficient to limit global warming to no more than 1.5°C above pre-industrial temperatures.

During the year, TFG London's near-term targets were validated and approved by the Science-Based Target initiative (SBTi). Their targets are:

> To reduce absolute scope 1 and 2 emissions (market-based) by 95% by 2030, from a 2019 base year
> To increase annual sourcing of renewable electricity from 0% in 2019 to 100% by 2030
> To reduce absolute scope 3 GHG emissions from purchased goods and services and upstream transportation and distribution by 30% over the same timeframe

These targets translate to:

> 100% material substitution by 2030
> 50% airfreight reduction by 2030
> 100% renewable energy by 2030

Waste

We want to practise responsible product stewardship in the way we design, manufacture, sell and dispose of products to minimise environmental impact and commit to working towards a zero-waste business and value chain to reduce emissions.

We recognise that we can make a positive difference by increasing our resource efficiency. Currently, our focus remains on the establishment of a circular solution pertaining to our textile waste within our own operations.

Business segment	Key focus area	Metric	FY2021 target %	FY2021 performance %	FY2022 target %	FY2022 performance %	**FY2023 target %**	**FY2023 performance %**
TFG Africa	Reduce business waste	% waste recycled across TFG Africa head office sites, distribution centres and factories	85,0	82,0	87,0	87,0	**90,0**	**83,0**
TFG Africa	Recycle production waste	% textile waste from TFG Africa own manufacturing sites recycled or repurposed	100,0	90,0	100,0	100,0	**100,0**	**99,4**
TFG Africa	Reuse supplier cartons	% supplier cartons reused	95,0	91,0	95,0	89,0	**90,0**	**86,0**
TFG Africa	% Consumer waste content in plastic bags	% post-consumer recyclate	N/R	20,0	50,0	20,0	**100,0**	**100,0**

Other targets

> TFG Africa aims to achieve 30% sustainably sourced cotton by FY2026

> TFG London remains committed to achieving its 2030 material roadmap objectives, reaching 100% Better Cotton by 2025

> TFG Australia aims to achieve 30% sustainably sourced cotton by FY2026

Conclusion and **steps forward**

This report is a consolidation of our position on the current and future impacts of climate change on our business. We recognise that climate issues will be an ongoing and material issue in global and regional economic development with many uncertainties inherent in its nature. In adopting the recommendation of the TCFD as our primary climate change reporting framework, we will be continuously evaluating climate-related impacts, understanding their uncertainties, and analysing their effects across our entire value chain from a strategic and financial perspective. It is a journey of continual improvement.

We intend to take the following actions in the future as the next step in our climate disclosure:

- Climate change scenario analysis on full value chain of South African operations
- Inclusion of another climate change scenario in our analysis
- Setting of emission reduction targets for TFG Africa
- Development of roadmap to achieve GHG reduction targets in TFG Africa
- Analysis of financial impact of top 3 climate change risks and/or opportunities in the SA value chain
- Further Board and executive training on climate change impacts

Appendix 1: Top identified physical risks and impacts to TFG’s owned and/or controlled South African operations under an “NDC/Current Policies” SSP2-4.5 scenario

	Mitigation and adaptation activities		Operations		Opex		Revenue		Capex		Capital allocation		
	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Impact on business
Acute													
An increase in the frequency and severity of acute weather events (namely **floods and fire**)	✓		✓	✓	✓	✓	✓	✓	✓				Potential for physical damage to: > owned production facilities and CMTs (manufacturing and operations); > owned distribution centres and operations; > head office and regional offices; and > retail stores.
Increase number of very hot days in a year – above 35°C	✓	✓	✓	✓	✓	✓	✓	✓					Environmental workplace hazards such as heat stress, dehydration and loss of labour productivity may impact wellbeing of employees and TFG’s ability to operate. Higher costs associated with air conditioning and temperature moderation at TFG factories and stores – particularly at stores with less energy efficient design. The likelihood of customer footfall in stores may decrease on very hot days due to factors such as discomfort, energy levels, reduced motivation for shopping.
Chronic													
Rising mean temperatures	✓	✓	✓	✓	✓		✓	✓	✓		✓		Environmental workplace hazards such as heat stress, dehydration and loss of labour productivity may impact wellbeing of employees and TFG’s ability to operate. Higher costs associated with air conditioning and temperature moderation at TFG stores – particularly at stores with less energy efficient design.
Seasonal change (e.g. mean temperature and length of season)	✓	✓	✓	✓	✓	✓	✓	✓			✓		Changes in consumer functional clothing requirements based on different mean seasonal temperatures and length of season. Potential changes to mean seasonal temperatures and duration, impacting materials and design specifications for garments.
Long-term shifts in climate trends		✓				✓							Long-term shifts in climate trends may lead to TFG incurring increased insurance premiums and the potential for reduced availability of insurance on assets in high-risk location.
Changing precipitation patterns	✓		✓		✓		✓				✓		Changing precipitation patterns impacting the TFG internal operational environment.

✓ A tickmark in the table above indicates a risk in either the near or medium term.

Appendix 2: Top transitional risks and impacts to TFG's owned and/or controlled South African operations under a "NDC / Current Policies" SSP2-4.5 scenario

	Mitigation and adaptation activities		Operations		Opex		Revenue		Capex		Capital allocation		
	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Near	Medium	Impact on business
Transition													
Increased reporting requirements	✓		✓		✓								Increased **reporting requirements** demanded from investors and other stakeholders to ascertain TFG's resilience to climate change. E.g: > International Sustainability Standards Board's (ISSB) reporting frameworks (especially IFRS S-2 on Climate Disclosure); > CDP; > Financial Sector Conduct Authority (FSCA) climate reporting requirements and guidelines; > Johannesburg Stock Exchange's (JSE) climate-reporting guidelines; > various "green taxonomy" definitions; > increasingly stringent inclusion criteria for rating agencies and indices.
Increased energy and water-related tariffs and compliance costs	✓		✓		✓				✓				Climate change will potentially impact various market forces such as increased **energy and water tariffs and compliance costs.** This may include higher carbon tax costs and increased climate-related insurance premiums on TFG distribution centres and its supply chain.
Consumer behaviour change					✓	✓	✓	✓					Climate change could trigger **consumer behaviour change** that favour products with higher levels of traceability and increased local product content that is durable, recyclable and contributes to a circular economy. Such fashion trends could extend to demand for lower use of plastics in products and packaging.

✓ *A tickmark in the table above indicates a risk in either the near or medium term.*