TFG

INTEGRATED ANNUAL REPORT 2019

NAVIGATING OUR REPORT

To make it easier to read and engage with content in this report, we have included interactive tools. These are shown below:

Home
Return to the home page

Access additional
information on the web

Click through
for additional content.
Underlined Read more
copy are also hyperlinked.

myTFGworld.com
Access all our brands,
in one place

Print

The internet is required to access additional information on the web.

ABOUT OUR REPORT

THE SCOPE AND BOUNDARY OF THIS REPORT

The 2019 integrated annual report of The Foschini Group Limited and its subsidiaries (collectively referred to as "TFG" or "the Group") covers the financial year from 1 April 2018 to 31 March 2019.

REPORTING BOUNDARY FOR THE INTEGRATED REPORT
(risks, opportunities and financial and non-financial outcomes relevant to our key stakeholders)

FINANCIAL REPORTING
(control and significant influence)

TFG

TFG AFRICA

This refers to all our operations on the African continent, through 21 established brands. While information is provided on all three business segments, prominence is given to TFG Africa as it accounts for 81% of the Group's EBITDA.

TFG LONDON

This refers to the consolidated performance of Phase Eight, Whistles and Hobbs.

TFG AUSTRALIA

This refers to the consolidated performance of Connor, Johnny Bigg, Rockwear, Tarocash, yd. and the American Swiss test brand launched during the year – collectively Retail Apparel Group (RAG).

REPORTING FRAMEWORKS

This report is presented in accordance with the requirements of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™)[1]; the Companies Act of South Africa, No. 71 of 2008, as amended; the JSE Limited Listings Requirements and the International Integrated Reporting Council's <IR> Framework (referred to as "the Framework").

MATERIALITY

This report focuses on matters that have a material impact on TFG's ability to create sustainable value and outlines how these matters impact our business strategy, risks and opportunities, while considering stakeholder perspectives. Matters were identified using the Framework's process guidance and apply to the Group, albeit with different levels of likelihood and impact.

Read more about our process and relevant matters on page 33.

COMPARABILITY

Data presented in this report applies to the Group, unless specifically indicated otherwise. Data relating to financial, economic, social and environmental indicators remains broadly comparable to and consistent with our 2018 report. However, the following should be considered when assessing TFG's performance and future prospects as they may affect the comparability of financial and non-financial information:

- The Group's adoption of IFRS 9 and IFRS 15.

Read more about the impact and scope of these events in the Chief Financial Officer's report on page 68.

Employees – Customers – Shareholders – Suppliers and business partners – Non-profit organisations and communities – Others

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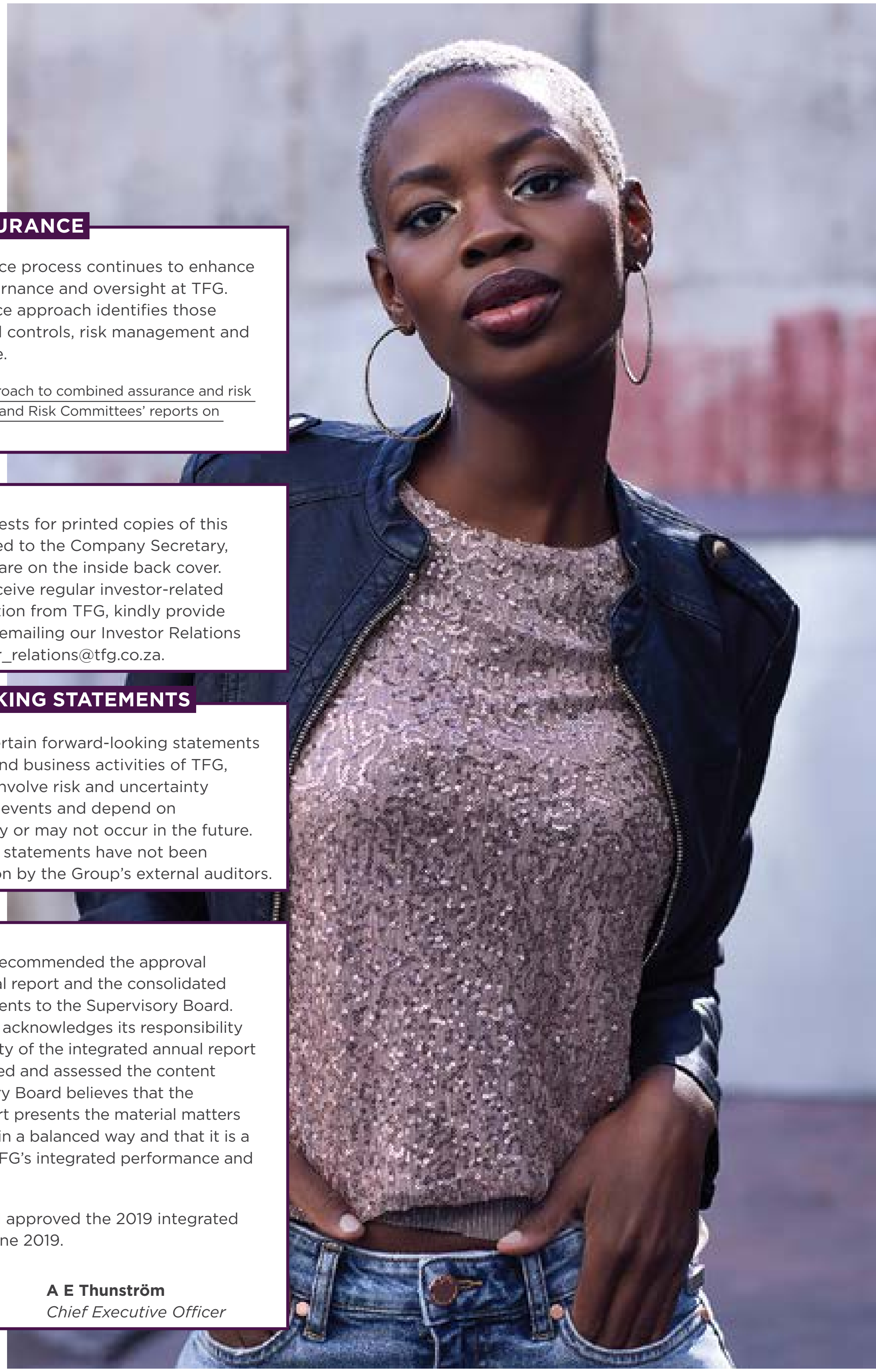
OUR REPORTING SUITE

This report is a concise communication, complemented by further reporting elements and information available in the investor centre on our website at www.tfglimited.co.za. Non-financial information provided in this report was not assured externally, other than indicated below:

REPORTING ELEMENT	TARGET AUDIENCE	EXTERNAL ASSURANCE STATUS AND PROVIDER
Annual financial statements	**Shareholders, investment community and analysts**	Audited by Deloitte & Touche (see external audit report)
King IV™ register	**All stakeholders**	No external assurance
TFG sustainability overview report	**All stakeholders**	No external assurance
B-BBEE credentials and scorecard	**All stakeholders**	Assured by 1st Verification Networx

The review of this report in conjunction with our consolidated annual financial statements will provide a comprehensive view of TFG's performance. The audited consolidated annual financial statements are available on our website at www.tfglimited.co.za.



COMBINED ASSURANCE

The combined assurance process continues to enhance risk management governance and oversight at TFG. The five lines of defence approach identifies those responsible for internal controls, risk management and independent assurance.

Read more about our approach to combined assurance and risk management in our Audit and Risk Committees' reports on pages 95 and 107.

FEEDBACK

Feedback on and requests for printed copies of this report can be addressed to the Company Secretary, whose contact details are on the inside back cover. Should you elect to receive regular investor-related electronic communication from TFG, kindly provide your email address by emailing our Investor Relations department at investor_relations@tfg.co.za.

FORWARD-LOOKING STATEMENTS

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 in the future. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

APPROVAL

The Audit Committee recommended the approval of the integrated annual report and the consolidated annual financial statements to the Supervisory Board. The Supervisory Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and collectively reviewed and assessed the content thereof. The Supervisory Board believes that the integrated annual report presents the material matters that impact the Group in a balanced way and that it is a fair representation of TFG's integrated performance and future prospects.

The Supervisory Board approved the 2019 integrated annual report on 28 June 2019.

M Lewis
Chairman

A E Thunström
Chief Executive Officer

WHO WE ARE

The company was established in 1924 and listed on the Johannesburg Stock Exchange (JSE) in the general retailers sector in 1941.

THIS IS TFG

OUR VISION AND MISSION

To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint by providing innovative products, creative customer experiences and by leveraging our portfolio of diverse brands to differentiate our offering. Our talented and engaged people will always be guided by our values, social conscience and customer-centric mindset.

OUR VALUES

P
R
I
D
E²

TFG believes that teamwork coupled with professionalism in all aspects of retailing will continue to be the foundation for the future.

- **Passionate about service**
  We passionately and truly believe that the customer comes first.
- **Resilience**
  We have the courage of our convictions and the boldness to constructively challenge.
- **Integrity**
  Our word is our honour, we are honest and ethical.
- **Dignity & respect**
  We treat everyone the way we want to be treated.
- **Empowerment**
  We embrace diversity and create equal opportunity for all in a supportive environment.
- **Excellent performance**
  We are accountable and drive performance in a creative and innovative way.

THE TFG DIFFERENCE

- **29 leading fashion** lifestyle retail brands of which 23 are omnichannel
- 4 085 trading outlets in 32 countries on **five continents**
- **Income diversification** through 72:28 cash vs credit sales contribution
- Integrated **online platform** for all TFG Africa online brands with single checkout and multiple payment options
- 14,5 million members of the **TFG Rewards** loyalty programme
- **19,2% compound annual growth** rate in turnover and 7,7% compound growth rate in headline earnings per share over five years
- **4,6% compound space growth** rate for TFG Africa over five years
- **7,8% compound growth** rate in distributions to shareholders over five years
- 29 121 employees with **18+ years average fashion retail experience** among executive management
- Specialist in-house capabilities for **market-leading store design**, upgrades, fashion design and manufacturing
- **Social impact** through increased local employment, CSI initiatives and sustainable supply chain partnerships

SALIENT FEATURES OF THE YEAR

+19,6%
GROUP RETAIL TURNOVER GROWTH
R34,1 billion

+4,7%
TOTAL DIVIDEND
780,0 cents per share

+57,2%
GROUP ONLINE TURNOVER GROWTH
8,8% of Group retail turnover

14,5 m
NUMBER OF TFG AFRICA CASH AND CREDIT REWARD CUSTOMERS*
(March 2018: 12,3 million)

53,6%
GROSS MARGIN EXPANSION
(March 2018: 52,5%)

6
B-BBEE LEVEL*
(March 2018: Level 7)

+12,0%
HEADLINE EARNINGS GROWTH
R2,7 billion (excluding acquisition costs +8,5%)

29 121
NUMBER OF EMPLOYEES
(March 2018: 27 825)

+9,0%
HEADLINE EARNINGS PER SHARE GROWTH
1 187,1 cents (excluding acquisition costs +5,6%)

86,8%
FREE CASH FLOW AS PERCENTAGE OF NET PROFIT FOR THE YEAR
R2,3 billion

140 886
TRAINING INTERVENTIONS DURING THE YEAR

8,9 m
LOCALLY MANUFACTURED UNITS PRODUCED BY TFG DESIGN AND MANUFACTURING*

* *Relates to TFG Africa only.*

OUR CORPORATE PROFILE

TFG is one of the foremost independent chain-store groups in South Africa and has a diverse portfolio of 29 leading fashion retail brands offering clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, and homeware and furniture from value to upper market segments.

TFG was established in 1924 and listed on the Johannesburg Stock Exchange (JSE) in 1941. TFG is included in the JSE Top 40, an index of the 40 largest companies listed on the JSE.

The majority of our turnover is in the form of cash sales to customers, with the balance being from our own in-house credit offering. Credit is offered to customers in South Africa, Namibia, Botswana, Lesotho and Eswatini. Revenue is also generated from interest received on customers' store cards and through value-added services available to our TFG Africa customers.

South Africa and Namibia are TFG Africa's most significant markets, with the United Kingdom, including Ireland, being the most significant market for TFG London. TFG Australia is focused on Australia and New Zealand.

Read more about the markets we operate in on pages 77 to 80.

We source our product offering locally and offshore, with strong in-house design teams across all business segments. TFG Africa's manufacturing capabilities coordinate production through our own factories and various independent cut, make and trim (CMT) factories. This provides significant quick response capability and is a key differentiator for the Group.

Our strategic pillars drive our value-creating business model:

Read more about our strategic overview on page 54.

OUR BRANDS

TFG's three business segments each have their own local management teams, which report into the Group's head office in Cape Town. Within these business segments, our brands are grouped into retail trading divisions and each is supported by a centralised support services structure.

MERCHANDISE CATEGORIES:

- Clothing: female fashion
- Clothing: male fashion
- Clothing: youth fashion
- Clothing: value
- Clothing: sport
- Homeware and furniture
- Jewellery
- Cellphones
- Cosmetics
- Available online

TFG AFRICA

63% CONTRIBUTION TO TURNOVER

- **@HOME**: @home, @homelivingspace
- **FOSCHINI**: Charles & Keith, colette, donna, Foschini, Soda
- **EXACT**: Exact
- **JEWELLERY**: American Swiss, Mat & May, Sterns
- **THE FIX**: The Fix
- **MARKHAM**: Fabiani, G-Star Raw, Markham, Relay Jeans
- **SPORT**: Archive, Duesouth, sportscene, Totalsports
- **TFG MOBILE**: hi

TFG LONDON

14% CONTRIBUTION TO TURNOVER

- **HOBBS**: Hobbs London
- **PHASE EIGHT**: Phase Eight
- **WHISTLES**: Whistles

TFG AUSTRALIA

14% CONTRIBUTION TO TURNOVER

- **AMERICAN SWISS**: American Swiss
- **CONNOR**: Connor
- **JOHNNY BIGG**: Johnny Bigg
- **ROCKWEAR**: Rockwear
- **TAROCASH**: Tarocash
- **YD.**: yd.

E-COMMERCE

9% CONTRIBUTION TO TURNOVER

- **TFG AFRICA**: @home, @homelivingspace, Archive, donna, Duesouth, Exact, Fabiani, The Fix, Foschini, hi, Markham, Relay Jeans, Soda, sportscene, Totalsports
- **TFG LONDON**: Hobbs London, Phase Eight, Whistles
- **TFG AUSTRALIA**: Connor, Johnny Bigg, Rockwear, Tarocash, yd.

TFG'S RETAIL BRANDS SPAN VARIOUS MARKET SEGMENTS

INCOME CATEGORY: MID TO UPPER MARKET

American Swiss, Archive, Charles & Keith, hi, Johnny Bigg, Mat & May, sportscene, Totalsports

INCOME CATEGORY: UPPER MARKET

@home, @homelivingspace, Duesouth, Fabiani, G-Star Raw, Hobbs London, Phase Eight, Whistles

INCOME CATEGORY: MID MARKET

colette, donna, Foschini, Markham, Relay Jeans, Soda, Sterns, Tarocash, yd.

INCOME CATEGORY: VALUE MARKET

Connor, Exact, The Fix, Rockwear

Read more about our brands in appendix 6 on page 155.

OUR FOOTPRINT

GROUP

4 085
TOTAL OUTLETS

29 121
TOTAL EMPLOYEES

TFG AFRICA

2 631
TFG AFRICA OUTLETS (2018: 2 652)

22 755
EMPLOYEES (2018: 21 531)

63%
CONTRIBUTION TO TURNOVER

TFG LONDON

971
TFG LONDON OUTLETS (2018: 935)

3 845
EMPLOYEES (2018: 3 940)

14%
CONTRIBUTION TO TURNOVER

TFG AUSTRALIA

483
TFG AUSTRALIA OUTLETS
(2018: 447)

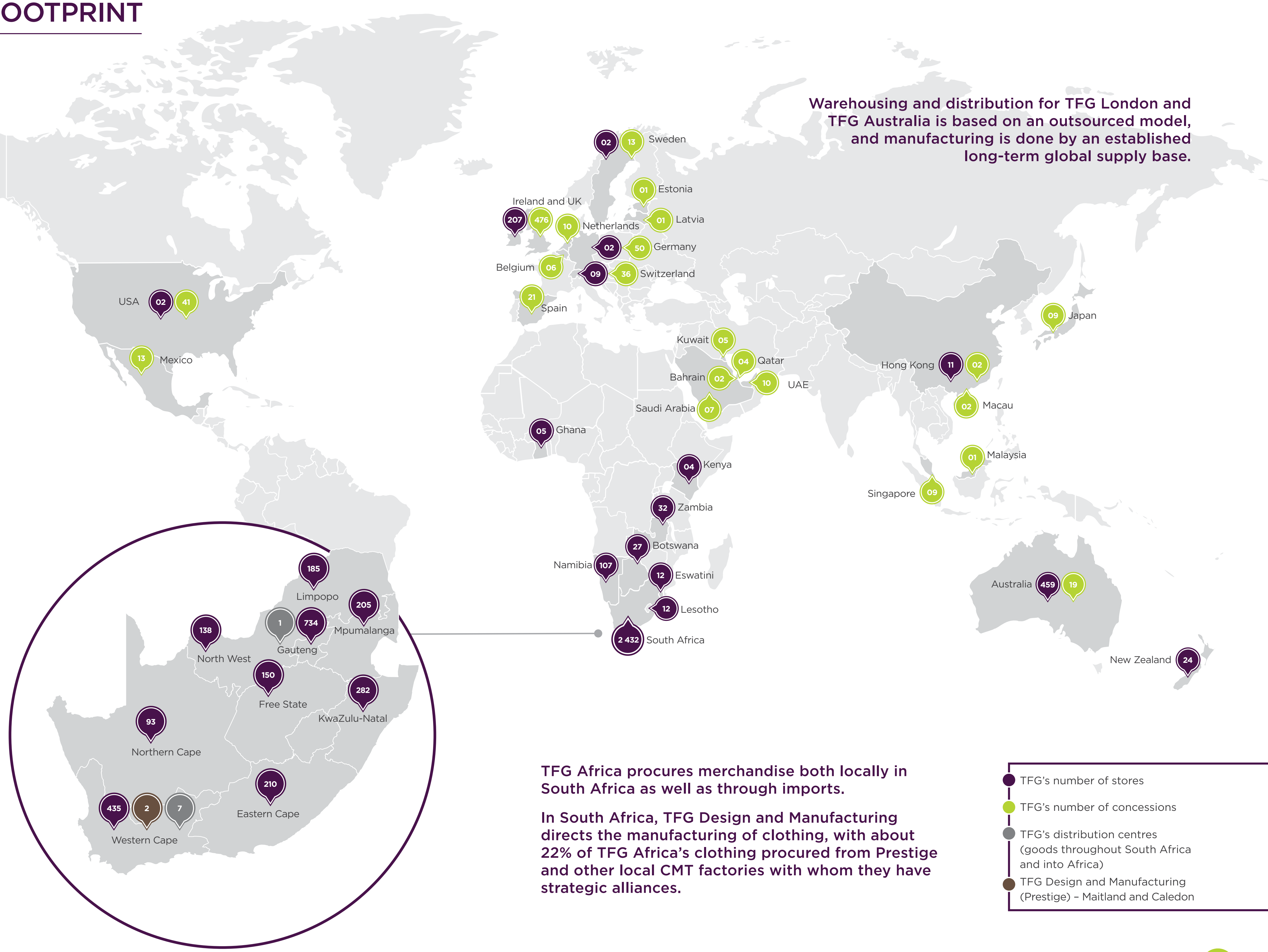
2 521
EMPLOYEES (2018: 2 354)

14%
CONTRIBUTION TO TURNOVER

E-COMMERCE

9%
CONTRIBUTION TO TURNOVER
Read more about our e-commerce brands on page 7.

Warehousing and distribution for TFG London and TFG Australia is based on an outsourced model, and manufacturing is done by an established long-term global supply base.



TFG Africa procures merchandise both locally in South Africa as well as through imports.

In South Africa, TFG Design and Manufacturing directs the manufacturing of clothing, with about 22% of TFG Africa's clothing procured from Prestige and other local CMT factories with whom they have strategic alliances.

- TFG's number of stores
- TFG's number of concessions
- TFG's distribution centres (goods throughout South Africa and into Africa)
- TFG Design and Manufacturing (Prestige) – Maitland and Caledon

OUR TIMELINE

OUR HISTORY AT A GLANCE

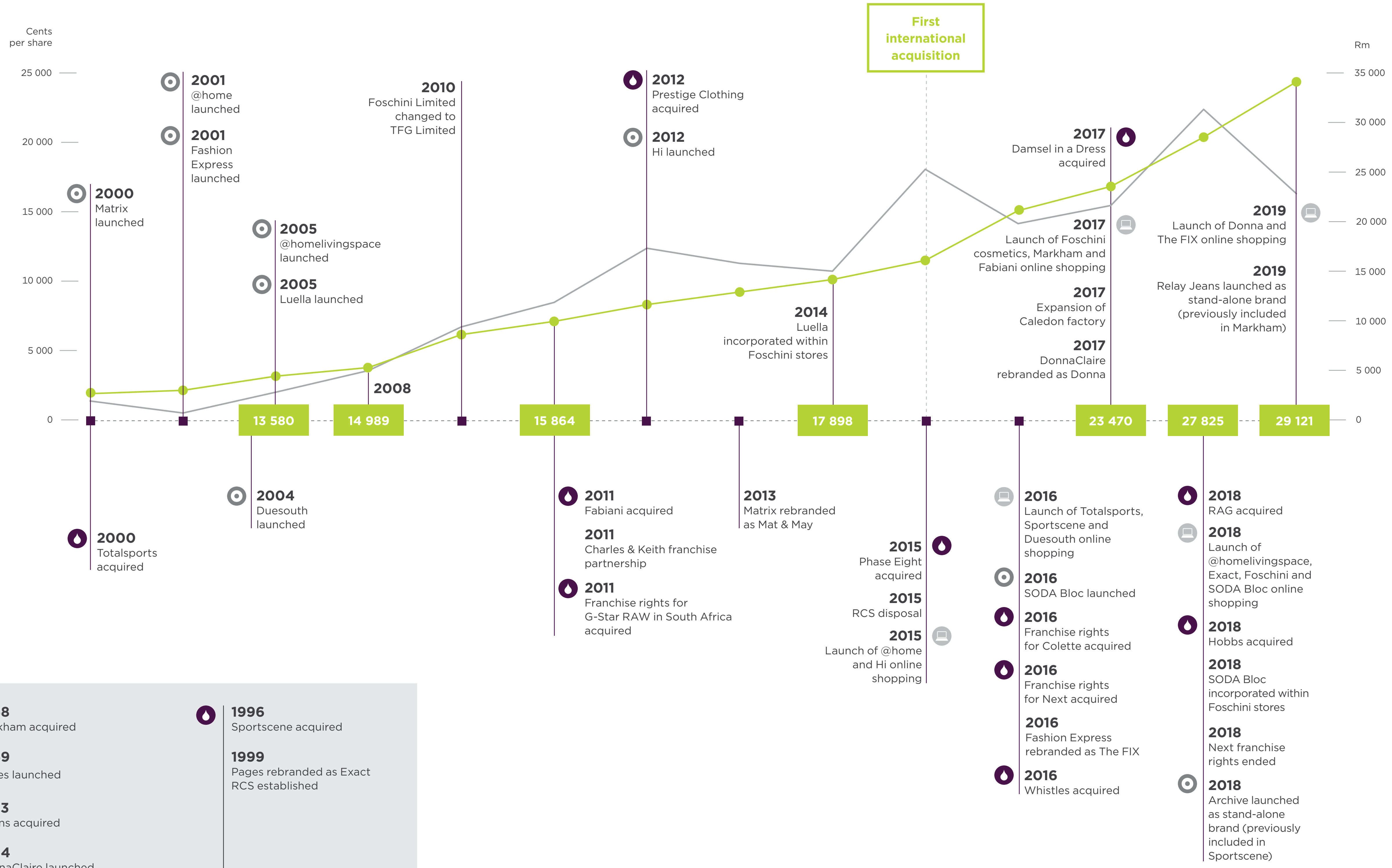
George Ivan Rosenthal founded TFG in 1924. He started out in clothing retail in America but became interested in other markets when the boom days in America ended. His research showed that while South Africa was very much an underdeveloped country, it had a traditional fondness for American goods and know-how, and so he set sail for South Africa with little money, a lot of confidence and a grand plan. When naming his company, he decided on an old Italian name: Foschini.

He found that Johannesburg was one of the best shopping areas in South Africa and started leasing premises. On 27 November 1925, the first Foschini store opened on Pritchard Street, Johannesburg and more stores across South Africa soon followed. For the first time, South African women had access to fashion garments – garments that were affordable, well-made, up-to-date and accessible to a wider public.

Foschini had arrived.

He continued to expand the business and within two years of opening, Foschini had nine branches across South Africa. In 1941, George registered Foschini Dresses Proprietary Limited on the Johannesburg Stock Exchange, the first clothing retailer to do so.

Since then, the Group has continued to grow. Today, it consists of 29 brands in 4 085 outlets in 32 countries selling a broad range of merchandise categories to customers both in store and online.



BEFORE 2000

1924
Founded

1941
Listed on the JSE

1958
Stanley Lewis buys major shareholding

1967
American Swiss Watch Company acquired

1968
Markham acquired

1969
Pages launched

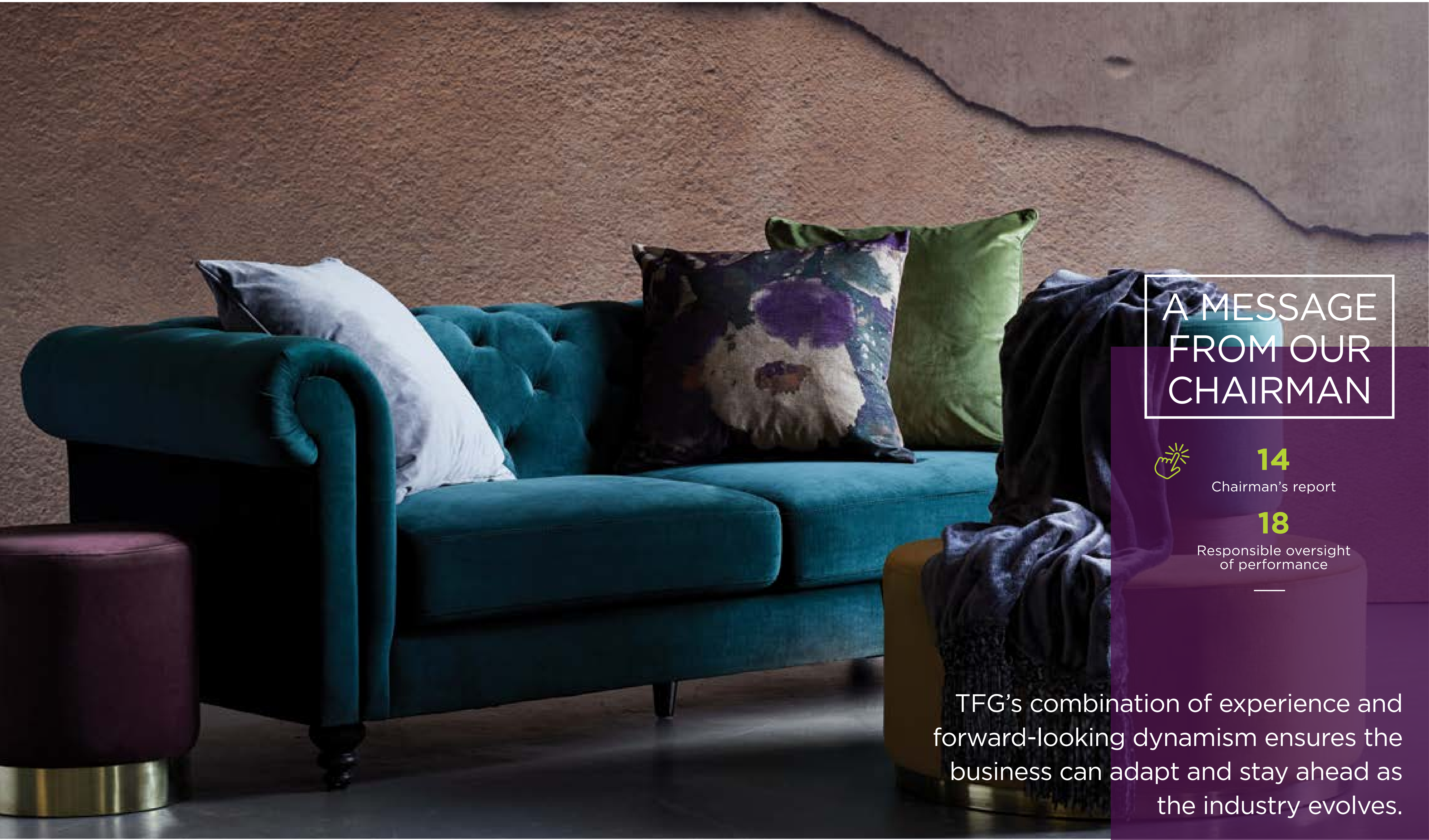
1993
Sterns acquired

1994
DonnaClaire launched

1996
Sportscene acquired

1999
Pages rebranded as Exact
RCS established

Acquired | Launched brand | Launched online shopping | Number of employees | Turnover | Closing share price



A MESSAGE FROM OUR CHAIRMAN

TFG's combination of experience and forward-looking dynamism ensures the business can adapt and stay ahead as the industry evolves.

CHAIRMAN'S REPORT

MICHAEL LEWIS

I am pleased to present the 2019 integrated annual report to all our stakeholders. TFG's performance, especially in a complex environment, is again one of which to be proud and reflects our approach to governance, business philosophy, energy and investment, all of which are designed to move the business forward through innovation.

GOVERNANCE

As ever, TFG is committed to the highest standards of corporate governance. Significant time and effort continues to be devoted to ensuring that the appropriate balance of skills and experience are present on the Supervisory Board and in committees to give effect to a governance structure that meets the Group's responsibilities and is relevant to its evolving business needs.

A good example of this is the way in which the Group's expanding international businesses are being integrated into its governance structures in a way that assists them as they navigate changes in the sector.

We do not see governance as a box-ticking exercise but rather as an integral part of the way the business functions. The dynamic and professional relationship that exists between the various governance structures and the management team forms part of the TFG culture and is crucial as the Group readies itself for the next phase of its development in a rapidly changing world.

TRANSFORMATION

TFG understands and embraces the responsibility it has in terms of South Africa's ongoing transformation process. As mentioned in my report last year, while we recognise the importance of B-BBEE scoring, what really matters is what is achieved in the medium and longer term at every level of the business. The focus is therefore on investing to develop appropriate skills so that the business' needs can increasingly be met from this talent pool. Tangible results are evident at every level and we will not rest in our efforts to achieve even more.

THE ECONOMY AND OPERATING ENVIRONMENT

There is no need to restate the persistent challenging economic and socio-political environment in South Africa and in the Group's other major trading markets. Our strategy of investment, innovation and quality execution is helping us to perform well in all our trading geographies notwithstanding the headwinds we face.

Particularly pleasing is our performance in Australia where our strong position in menswear continues to be entrenched as competitors in both the speciality and department store sectors struggle either as a consequence of underinvestment or structural difficulties.

TFG London has also outperformed its competitors, which is noteworthy given the considerable and costly upheaval in the department store sector to which it is partly exposed. Progress in its digital channels and international expansion has helped offset this ongoing phenomenon.

The South African economy is likely to continue to stagnate until strong political leadership is able to finally stamp out corruption, take the necessary painful and politically unpopular decisions needed to restructure the state-owned enterprises and adopt pro-growth, market-friendly economic policies. Initial signs under President Ramaphosa are encouraging but much more needs to be done.

It should be abundantly clear to all who truly care about dealing with wealth and income inequality and the transformation of South Africa that slow growth and the persistent lack of confidence needed to encourage local and international investment will forever hobble this imperative. Those who trumpet old, failed economic policies and promise rewards from the populist policies which tend to accompany them are cynical. These policies will not produce the fundamental requirement for the growth of the South African economy.

The position of Eskom is of particular concern and is a top risk facing the country and therefore TFG. Load shedding has already cost the Group substantial turnover with knock-on effects across the economy, including on government tax receipts.

Business is quite rightly expected to observe the highest governance standards. TFG is absolutely committed to doing so and will continue to invest in its business generally and in as much local manufacturing as possible. Our capital expenditure stands at record levels. We will also continue our support of Business Leadership South Africa (BLSA) and cooperate with the government in every possible area. But all this can only be sustained if the African National Congress (ANC) and the government perform to equal standards of governance. It is to be hoped that this can be achieved in the post-election environment.

REVIEW OF THE YEAR

The Supervisory Board is pleased with the Group's performance during the year in difficult trading conditions. Key highlights include:

- Growth of 12% in headline earnings
- Growth of 9% in headline earnings per share
- Gross margin of 53,6% up from 52,5% at March 2018
- Free cash flow at 86,8% of net profit

Further information on the Group's financial performance is available in the Chief Financial Officer's report on page 68.

In terms of the Group's strategic objectives, good progress was made on all four strategic pillars: Customer and Employee Obsession, Leadership, Profit and Growth.

Linking these is of course the continued digital transformation of the entire enterprise. TFG views digital transformation as not only the most important of its strategic objectives but defines it as far beyond the online activities of its individual brands. Mention has previously been made in other investor communications of myTFGworld.com which gives an indication of our ambitions in this area.

Significant and enhanced investment in technology to support every aspect of the Group's activities, aimed at enhancing customer experience and the platforms needed to support it, will continue as a strategic driver.

Further information on the Group's strategic performance is available in the Chief Executive Officer's report on page 48.

LEADERSHIP TEAM

It is most gratifying that the far-reaching leadership changes that occurred during the financial year under review have been smooth and effective. Anthony Thunström is now well-entrenched as the Group's Chief Executive Officer and, as previously announced, Bongiwe Ntuli has joined as Chief Financial Officer. We are delighted with this appointment and wish Bongiwe a long and mutually beneficial relationship with TFG. Our succession planning activities are ongoing at every level of the business and I'm confident that this will continue to ensure the perpetuation of the Group's performance and culture.

It is with great sadness that I record the passing of Martin Mendelsohn.

Please see the tribute to Martin on the following page.

PROSPECTS

As indicated above, there are many macro factors that are providing uncertainty. In addition, the adoption of IFRS 9 which contains an element of subjectivity may add volatility to corporate results of all companies after its introduction. Notwithstanding this and based upon our strategic pillars of Customer and Employee Obsession, Leadership, Profit and Growth, empowered by our ambitious digital transformation, we expect this financial year to record further progress.

> "To those with whom I have worked directly, I thank you for the pleasure of doing so and the constructive spirit in which all our deliberations take place.

APPRECIATION

I would like to express my deep appreciation and thanks to:

- our valued customers for their continued loyal support. We do not take them for granted and everything we do is focused on their satisfaction;
- Anthony Thunström for the seamless manner in which he has taken over the stewardship of the Group's affairs;
- the senior executives and every single person employed by the Group both in Africa and internationally for their effort, creativity and dedication to TFG in a challenging environment;
- our previous Chief Executive Officer, Doug Murray, for his guidance during this period of management transition;
- my colleagues on the Supervisory Board for their valuable input, guidance and thoughtful debate throughout the year;
- the respective Chairpersons of the Supervisory Board committees for their dedicated and selfless effort, professionalism, guidance and direction;
- our suppliers, advisors and business associates for their contribution to the development and progress of the business; and
- our shareholders for their support and confidence in the future of the Group in an ever more complex regulatory and governance environment.

Michael Lewis
Chairman

28 June 2019

MARTIN MENDELSOHN

It is with great sadness that we announce that Martin Mendelsohn passed away on 16 October 2018. Martin joined the Group in 1982 and served as a member of our Operating Board. He had a long and proud association with TFG and led major strategic initiatives. This included being integral in building many of our retail brands and playing an important role in the development of the Group's local supply chain.

One of the key drivers of our success has always been the quality, determination and ethos of our people and Martin epitomised those qualities. He will be remembered for his insightful contributions and dedication to TFG over the years as well as his strong and challenging leadership style.

Martin will be greatly missed and all of us at TFG extend our condolences to his family.

RESPONSIBLE OVERSIGHT OF PERFORMANCE

TFG's values and culture are the foundation of our governance framework, with our Enterprise Risk Management (ERM) and combined assurance frameworks critical elements within our governance ecosystem. Combined, these form the cornerstones of TFG's approach to responsible oversight of our business operations, strategy and performance.

Importantly, these frameworks provide a structured, integrated, dynamic and consistent approach to risk management that is critical to the achievement of our strategic objectives and the long-term sustainable growth of the business. Our business operations, strategy and performance are underpinned by TFG's values and guided by our vision and mission. The TFG culture is at the centre of what we do.

This governance ecosystem is bolstered by our governing structures and delegation of authority frameworks, which help our employees, Operating and Supervisory Boards fulfil their duties and contribute to effective governance and oversight of TFG.

Read more about TFG's governing structures on page 86.

Our legal compliance team monitors compliance with regulatory requirements and meets with management to refine or rethink processes to address areas of non-compliance. This includes assessing the legal compliance environment of any new country or any new jurisdiction TFG intends to trade in and identifying, reviewing and advising TFG on existing, new or draft legislation and regulation. Examples include giving recommendations on applicable rules and codes (binding and non-binding).

All business decisions are guided by TFG's vision and mission

Read more about our enterprise risk management (ERM) process from page 110.

TFG COMBINED ASSURANCE MODEL

Identify and assess the significance of risks to the Group

- Determine the level of assurance required in line with TFG's risk appetite
- Assign an assurance provider
- Evaluate control adequacy and control effectiveness

Assurance coverage map and plan

Feedback on the results of the assurance activity

FIVE LINES OF DEFENCE

Assurance providers are increasingly engaged and meet more frequently with business

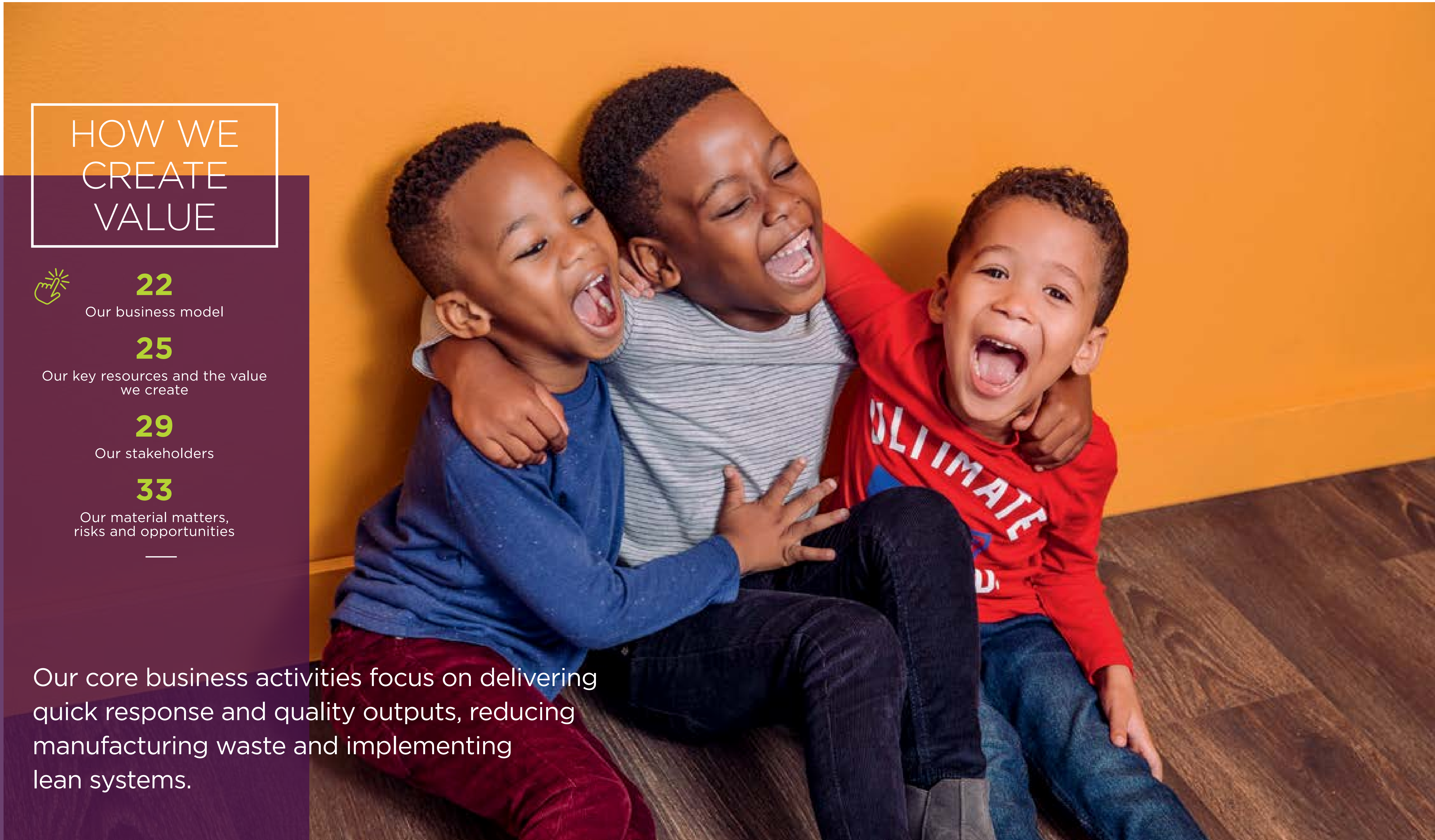
1. Business unit management, with regular reporting to the Operating Board
2. Centralised governance functions such as IT security, risk and legal compliance
3. Internal audit with regular reporting to the Audit Committee
4. Various external, accreditation, certification and assurance providers
5. Supervisory Board and mandated sub committees

Assurance providers are increasingly independent

Read more about our combined assurance model from page 109.

All business decisions are underpinned by the Group values (PRIDE²) and TFG culture

HOW WE CREATE VALUE



Our core business activities focus on delivering quick response and quality outputs, reducing manufacturing waste and implementing lean systems.

OUR BUSINESS MODEL

Our business model describes TFG's business activities and the key resources we leverage in our journey to be the leading fashion lifestyle retailer in Africa while growing our international footprint. It further illustrates how we transform these resources into outputs and outcomes that create value for our stakeholders and deliver on our strategic objectives in the short, medium and long term.

HOW WE CREATE VALUE

Our retail brands offer clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, and homeware and furniture from value to upper market segments, while providing convenient shopping experiences at a growing number of locations that include online. Our unique portfolio of brands, geographic spread and customer retention initiatives differentiate us from other retailers locally and abroad.

Our approach to value creation is underpinned by the concept of shared value – meaning initiatives across our value chain must produce measurable financial and social results.

OUR KEY RESOURCES AND THE INPUTS INTO OUR BUSINESS MODEL

FINANCIAL CAPITAL

R14,3 bn Total equity

R2,3 bn Free cash flow

MANUFACTURED CAPITAL

4 085 Outlets

8 TFG Africa-owned distribution centres*

23 TFG brands available online

13 Online warehouses

INTELLECTUAL CAPITAL

29 Brands

8,9 m Locally manufactured units*

14,5 m TFG Rewards customers*

HUMAN CAPITAL

29 121 Employees

140 886 Training interventions during the year

94,4% Employment Equity (EE) representation*

SOCIAL AND RELATIONSHIP CAPITAL

85% Suppliers on internal scorecard ranked A to B*

R26,7 m In CSI spend

R3,2 bn Paid to governments in taxes

NATURAL CAPITAL

Natural resources used in the production of goods (such as water, cotton, paper, electricity, gold, diamonds and silver)

* *Relates to TFG Africa only.*

Read more about the key resources we use to create value on page 25.

TFG AFRICA

TFG LONDON

TFG AUSTRALIA

MERCHANDISE PROCUREMENT

We strategically forecast turnover levels and plan stock purchases.

Stock for TFG Africa is procured from local suppliers and through imports, as well as through quick response models and replenishment – this is based on actual trading patterns and sales trends. Stock for TFG London and TFG Australia is procured through imports. In the United Kingdom, replenishment is replaced by an open-to-buy policy to ensure flexibility and freedom within season.

CLOTHING PROCUREMENT

TFG AFRICA: **34%** SOUTH AFRICA | **66%** IMPORTS

INTERNATIONAL: LOCALLY DESIGNED, MANUFACTURED INTERNATIONALLY

DESIGN AND MANUFACTURING

TFG Design and Manufacturing supplies about 22% of TFG Africa's total apparel units. Manufacturing is split between our Prestige and other CMT factories.

Manufacturing for our international operations is performed by an established long-term supplier base.

LOCAL CLOTHING PROCUREMENT

TFG AFRICA: **64%** TFG DESIGN AND MANUFACTURING | **36%** OTHER SUPPLIERS

IN STORE VS ONLINE TURNOVER CONTRIBUTION

91% IN STORE | **9%** ONLINE

CASH VS CREDIT TURNOVER CONTRIBUTION

72% CASH | **28%** CREDIT

TFG AFRICA DISTRIBUTION CENTRE m²

	m²
2019	70 771
2018	70 771
2017	70 771
2016	58 163
2015	58 163

RETAIL

The Group has 2 631 outlets in TFG Africa. These outlets sell physical products, accept returns and transact with customers. TFG London has 971 outlets consisting of 233 stores and 738 concessions (arrangements with key department stores to occupy agreed floor space) while TFG Australia has 483 outlets.

23 brands trade through online platforms.

SUPPLY CHAIN AND LOGISTICS

Distribution for TFG Africa throughout South Africa and into African markets is managed via eight distribution centres. A model of own and outsourced transport is applied. Online orders are managed through two outsourced third-party warehouses and two in-sourced warehouses.

Distribution for TFG London and TFG Australia is based on an outsourced model. TFG London distributes stock for outlets and online orders through four outsourced distribution centres while TFG Australia utilises five outsourced distribution centres.

OUR EXTERNAL OPERATING ENVIRONMENT

Market conditions, macroeconomic factors and retail trends in the regions we operate in can positively or negatively influence our financial performance – either creating an environment for growth or restricting the degree to which we can create value.

Read more about our operating context in the segmental performance reviews on pages 77 to 80.

THE OUTPUTS OF OUR BUSINESS MODEL

PRODUCTS AND SERVICES

Through our value-creating business activities, we offer a range of products and services that include clothing, homeware and furniture, jewellery, cosmetics and cellphones.

Products and services also include a range of 21 magazines and 18 insurance products that are offered to our customers in TFG Africa. Other value-add services include mobile airtime and our TFG Rewards programme.

BY-PRODUCTS AND WASTE

As a retailer, our direct environmental impacts are relatively low. More direct environmental impacts are found upstream in our supply chain (cotton growing, colour dyeing, printing and manufacturing) and downstream in customer washing, drying and ultimate disposal of garments.

We therefore focus our primary efforts on improving resource efficiency in our head office, distribution centres and store environments. Electricity consumption, waste, packaging and paper are the largest contributors to our carbon footprint. In all our business activities, we focus on reducing manufacturing waste and implementing lean systems.

Read more in our sustainability overview report, available on our website.

THE OUTCOMES OF OUR BUSINESS MODEL

The outcomes of our business model include the internal and external consequences for our stakeholders and key resources.

Read more about our key resources and the value we create on page 25.

OUR STAKEHOLDERS

Our stakeholders participate in our shared value creation through a range of engagements and relationships.

Read more about our stakeholders on page 29.

TRADE-OFFS

In our strategic and tactical business decisions, we have to prioritise certain resources and stakeholder outcomes above others.

Read more about our capital trade-offs on page 31.

CASE STUDY:
Partnering with Sedex as a responsible business partner

As part of our journey to promote corporate social responsibility in our supply chain, we joined Sedex as a responsible business partner in December 2018.

WHO IS SEDEX AND WHAT ARE THE BENEFITS FOR TFG?

Sedex is used by more than 50 000 members in over 150 countries and is one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains.

This data is available on a single platform and can be used to monitor our suppliers' compliance with leading labour, health and safety, environmental and business ethics standards. Importantly, this partnership provides a broader understanding of supply chain risk and how we can mitigate this, as well as how we can prioritise and improve suppliers' compliance through audits and rehabilitation. This helps strengthen our supply chain and drives continuous improvement.

Sedex also enables suppliers to collaborate with one another and share better practice, thereby strengthening the social supply chain within which our suppliers operate.

The mutual benefits to be gained by TFG and our suppliers reflect the intention behind our shared value sustainability strategy, which balances our priorities of creating a positive and lasting social impact among communities, while achieving a financial and reputational gain for TFG.

WHO IS INVOLVED?

Our local and international suppliers will be required to align with TFG through the Sedex platform. This includes all brands and divisions with the exception of our Jewellery division, as it requires additional business practices for diamonds and other precious metals.

Our TFG London brands, Whistles, Phase Eight and Hobbs, are also members of Sedex and participated in a supplier outreach programme to onboard their suppliers.

GETTING OUR SUPPLIERS ON BOARD

As part of our journey to onboard our suppliers, particularly many of our international suppliers, we hosted an international supplier conference in March 2018. The aim of this conference was to communicate the benefits and value-add of Sedex and ensure our suppliers are involved and committed to undertaking this journey with us. It will be compulsory for our suppliers to join Sedex. To date, 69% of our Top 100 suppliers are on board, demonstrating their willingness to commit to better and more ethical supply chain practices for the long term.

Read more about this and other initiatives that support our shared value strategy in our sustainability overview report, available on our website.

OUR KEY RESOURCES AND THE VALUE WE CREATE

We access and use our resources responsibly to deliver our products and services. These resources have evolved over the years as the Group expanded and diversified.

A SNAPSHOT OF VALUE CREATED DURING THE YEAR

The outputs and outcomes of our business activities include the internal and external consequences for our stakeholders and our resources, acknowledging that these can be positive or negative, and collectively result in the value that we create over time. Value creation is measured per key resource and linked to relevant stakeholders.

FINANCIAL CAPITAL

TFG's sources of funds consist of funds reinvested in the Group, retail profit generated, interest income, income from our value-added services, share capital and a combination of long-term and short-term borrowings. It is used to fund the growth of the Group, to pay interest on borrowed funds and for capital expenditure and expansion. When appropriate, it is used to pay dividends to our shareholders.

Creating value for our stakeholders

Our employees and shareholders benefit from the proper management of our financial capital. Overall value for these stakeholders increased during the year:

	March 2019	March 2018	% change
Total equity	**R14,3 billion**	R13,1 billion	9,2
Group gearing (total debt to equity)	**56,6%**	62,0%	
Free cash flow	**R2,3 billion**	R1,9 billion	21,1
Earnings attributable to equity holders of TFG	**R2,6 billion**	R2,4 billion	8,3
Dividend declared per share	**780 cents**	745 cents	4,7
Headline earnings per share	**1 187,1 cents**	1 088,8 cents	9,0
Net asset value per share	**2 471,8 cents**	2 358,1 cents	4,8
Value added	**R11,5 billion**	R9,7 billion	18,6

Key outcomes achieved during the year

Read more about how we generate, use, invest and transform this capital in the Chief Financial Officer's report on page 68. Our detailed value-added statement is provided in appendix 5 on page 155.

MANUFACTURED CAPITAL

We use a range of physical sites and facilities throughout our markets in Africa and internationally, which enable us to procure, import, manufacture, sell and deliver our products and services. This includes our outlets, distribution centres, factories and logistics infrastructure.

Creating value for our stakeholders

Our employees, customers, suppliers and shareholders benefit from the proper management of our manufactured capital. Overall value created for these stakeholders increased during the year:

	March 2019	March 2018	% change
Capital expenditure	**R942,4 million**	R896,6 million	5,1
Group footprint – number of outlets	**4 085**	4 034	
Net space growth in TFG Africa outlets	**1,9%**	3,5%	
E-commerce – brands available to customers for online selling	**23 of 29 brands**	20 of 28 brands	

Key outcomes achieved during the year

- TFG increased its number of outlets in TFG Australia and TFG London by net 36 each in both segments – this provides customers with more opportunities to shop conveniently in more locations.
- We launched myTFGworld.com, our multi-brand online marketplace where TFG Africa online brands are available via a one-stop-shop experience. This supports our digital transformation journey and helps us deliver a convenient and comprehensive retail experience to our customers.
- We upgraded the TFG Design Centre and the plant and equipment at our Prestige factories. This enables us to optimise our manufacturing and in-house design capabilities and adapt our offering according to evolving customer and retail trends.

INTELLECTUAL CAPITAL

Our intellectual capital enables us to develop, continuously improve and effectively manage and govern our product or service offerings, while innovation across our trading and service divisions helps us realise a brand-appropriate customer experience. These resources include our broad retail experience, strong operational support and market-leading brand portfolio. Our buying process and quick response model help ensure stock purchases and fabric selection are in line with projected turnover and based on actual trading patterns and sales trends. In-house manufacturing increases the quick response capabilities for TFG Africa.

Creating value for our stakeholders

Our customers, employees and shareholders benefit from the proper management of our intellectual capital. Overall value created for these stakeholders increased during the year:

	March 2019	March 2018	% change
Quick response manufacturing*	**5,4 million units**	3,6 million units	50,1
Intangible assets	**R8,6 billion**	R7,7 billion	11,7
Number of TFG Rewards customers*	**14,5 million**	12,3 million	
Group brands	**29**	28	

* *Relates to TFG Africa only.*

Key outcomes achieved during the year

- We acquired an additional 2,2 million new TFG Rewards customers and ensured always-on reward offers in-store for customers to exclusively benefit from additional value-add. This strengthens our customer base and enhances the quality of our customer relationship.
- We enhanced our quick response manufacturing capability and delivered an additional 1,8 million units year on year – strengthening our ability to design and react to in-demand, in-season sales and give customers what they want while protecting our margins.
- TFG continued to create value for customers through a more diversified offering – for example, we launched five American Swiss stores in Australia during the year; 23 of the Group's 29 brands are now available online; and we opened a further five stores in Botswana, including the first @homelivingspace.

HUMAN CAPITAL

Human capital constitutes the skills and experience of our employees, who enable us to implement our strategy and deliver our products and services. We grow our human capital through bursaries granted to employees and through retail and manufacturing internship and learnership opportunities.

Creating value for our stakeholders

Our employees, customers and shareholders benefit from the proper management of our human capital. Overall value created for these stakeholders increased during the year:

	March 2019	March 2018
Total number of employees	**29 121**	27 825
Internal bursaries granted	**61**	25
Internship and learnership opportunities in retail operations and factories	**1 516**	1 173
Number of training interventions during the year	**140 886**	132 166
Staff turnover – total (excluding contractors)	**30,1%**	35,1%
Employment Equity % representation of previously disadvantaged groups among permanent employees (South Africa only)*	**94,4%**	93,9%

* *Relates to TFG Africa only.*

Key outcomes achieved during the year

- Employees and customers benefited from increased investment in employee training and development.
- Unemployed and inexperienced people were absorbed into the TFG talent pipeline through internships and learnerships – creating more employable people within our communities.
- Continuing efforts to support, develop and fairly remunerate our people resulted in lower employee turnover year on year. Considering the challenging nature of the local and global retail sectors, this provides TFG with a critical competitive strength.

SOCIAL AND RELATIONSHIP CAPITAL

Our ability to succeed as a business depends on our relationships with our various stakeholders. As a responsible corporate citizen, we invest in these relationships and strive to work effectively with our stakeholders to create shared value.

Creating value for our stakeholders

All our stakeholders, including governments, legislators and regulators as well as the non-profit organisations and communities we work alongside, benefit from responsible stakeholder engagement. Overall value created for these stakeholders increased during the year:

	March 2019	March 2018	% change
Taxation paid to governments	**R3,2 billion**	R2,7 billion	18,5
Corporate Social Investment (CSI) spend	**R26,7 million**	R23,2 million	15,1
B-BBEE status*	**6**	7	

* *Relates to TFG Africa only.*

OUR STAKEHOLDERS

Key outcomes achieved during the year

- We continue to train and upskill previously unemployed women through our Sew Good project – with 348 women benefiting from this project to date.
- A total of R25,1 million was distributed during the year through our various TFG Africa CSI initiatives – positively impacting the lives of over 570 590 individuals.
- To play our part in addressing social and economic challenges, we continue to align our business activities with the United Nations Sustainable Development Goals.
- We refocused our shared value sustainability strategy during the year and identified various B-BBEE-related opportunities to make a more meaningful contribution to transformation within South Africa.
- We are proud to report that TFG was rated as a Level 6 B-BBEE contributor for the financial year ending March 2019.

Read more in our sustainability overview report, available on our website.

NATURAL CAPITAL

As a retailer, we rely on certain natural resources for the production and disposal of goods. Our environmental impacts can be found upstream in our supply chain (cotton growing, colour dyeing, printing and manufacturing) and downstream in washing, drying and the ultimate disposal of garments. We focus on resource efficiency at TFG's head office and within our distribution centres and stores to reduce our electricity usage, waste, packaging and paper consumption, which are the largest contributors to our carbon footprint.

Creating value for our stakeholders

Our suppliers, shareholders and the communities we operate in benefit from the proper management of our natural capital. Overall value created for these stakeholders increased during the year:

	March 2019	March 2018	% change
Scope 1 and 2 emissions (tCO_2e)	**157 768**	167 811	(6,0)
Scope 3 emissions (tCO_2e)	**66 650**	69 780	(4,5)

Key outcomes achieved during the year

- Electricity consumption per store and per square metre has reduced every year for the last four years.
- Implemented resource efficiency targets to be achieved by 2020.
- Motion sensors and daylight harvesting at head office resulted in a reduction in energy usage per head office employee.

Read more in our sustainability overview report, available on our website.

By working effectively with our stakeholders, we contribute towards an improved customer and employee experience and enhance our supply chain. Stakeholder engagement also provides input into what is material for TFG and what the Group must focus on to remain a competitive and sustainable business that delivers shared value.

OUR KEY STAKEHOLDER ENGAGEMENT ACTIVITIES DURING THE YEAR

CUSTOMERS

- 14,5 million TFG Africa Rewards cash and credit customers
- 2,7 million active account customers

The needs, concerns and expectations of our customers

Customers most frequently raise specific issues relating to in-store experiences or credit queries. They also engage with us regarding merchandise and fashion trends.

How we respond

- Our customers are a strategic priority as they provide income through the sale of our products and services. We offer them a diverse range of fashion, lifestyle and homeware choices through brand experiences that encompass their channel of preference.
- We engage with our customers through our call centre, digital media, online and in-store experiences as well as through focus groups and surveys.
- Our Voice of Customer (VoC) tool enables all our TFG Africa brands to listen to their customers' point of view on a daily basis.

Read more in our strategy overview on page 54.

SHAREHOLDERS

- 13 750 shareholders
- 45% of shares held outside South Africa
- 97% public shareholding

The needs, concerns and expectations of our shareholders

As our major source of financial capital, shareholders require sustainable growth. This requires transparent and ongoing communication regarding our strategy, business model, approach to capital allocation and future growth prospects. In 2019, shareholder concerns included Chief Executive Officer and Chief Financial Officer succession planning and adjusting our remuneration policy in line with shareholder feedback.

How we respond

- We meet their expectations through consistent strategy execution, performance delivery and dividend payments.
- We engage with shareholders through presentations, roadshows and meetings where we receive feedback and discuss their matters of interest.

Read more in our remuneration report on page 115.

EMPLOYEES

- 29 121 employees
- 72,1% female employees
- 94,4% Employment Equity (TFG Africa: South Africa only)

The needs, concerns and expectations of our employees

Employee engagement focus areas include communication about training and development, human resource policies, remuneration and performance management.

How we respond

- We engage with our employees through our Voice of Employee (VoE) platform and encourage them to share ideas that could enhance profitability and the Group's performance culture.
- We invest in our people through training and skills development, technology upgrades, market research and brand support, and by opening new outlets.
- As per our Leadership strategic pillar, we are committed to embedding a performance-based culture that attracts, retains and develops the best talent in the industry.

Read more about our people and our various employee-focused initiatives from page 42 and about our approach to remuneration from page 115.

SUPPLIERS

- 34% of TFG Africa apparel units procured from local suppliers in South Africa
- 22% of TFG Africa apparel units procured from TFG Design and Manufacturing
- The TFG supplier base consists of merchandise and non-merchandise suppliers

The needs, concerns and expectations of our suppliers

Suppliers require oversight and transparent communication on various supply chain-related issues to establish mutual trust and loyalty and aligned business interests for the long term. This ensures that we deliver merchandise of high standards, at the right price and in locations convenient to our customers.

How we respond

- Through transparent supplier take-on procedures and agreements, we ensure we source ethically and that suppliers are able to invest over the long term.
- We are committed to local supply chain development that benefits our suppliers by enabling economic empowerment, job creation and socio-economic improvement. In turn, we benefit from a sustainable source of quality merchandise.
- The TFG Merchandise Procurement division oversees and ensures responsible management and quality assurance of our TFG Africa procurement practices. A formal process is in place to evaluate existing and potential suppliers and monitor supplier performance. This process includes supplier visits and supplier audits to ensure adherence to our code of business principles, bolstered by our partnership with Sedex during the year. Again, this protects the ability of our suppliers to partner with TFG for the long term.
- The Group utilises a number of non-merchandise suppliers and have, in conjunction with business optimisation, embarked on a journey to ensure we support our strategy, extract value and obtain competitive pricing.

Read more about our approach to local supply chain development and ethical sourcing in our sustainability overview report, available on our website as well as in our Social and Ethics Committee report on page 103.

Read more about Sedex on page 24.

GOVERNMENTS, LEGISLATORS AND REGULATORS

These include the South African Revenue Service, the National Credit Regulator, the Information Regulator and government departments in South Africa and in the various African countries in which we trade, Australia and the United Kingdom, as well as various regulatory authorities outside South Africa.

The needs, concerns and expectations of governments, legislators and regulators

Government requires businesses to participate in growing the economy through job creation and by complying with all applicable regulatory requirements.

How we respond

- We engage with government through business and industry associations such as Business Leadership South Africa and the National Clothing Retail Federation of South Africa, employer organisations outside of South Africa and the Australian Retail Association.
- We provide verbal and written submissions on proposed legislative changes (both in South Africa and outside of South Africa) and attend industry-relevant meetings at Parliament in South Africa.

NON-PROFIT ORGANISATIONS AND COMMUNITIES

We support the communities in the markets in which we operate. Non-profit organisations include the various organisations we partner with to deliver on our shared value strategy. Key partnerships in South Africa include Gift of the Givers and Services Sector Education and Training Authority (SETA). Outside of South Africa, we partner with SOS Children's Villages International to implement various initiatives targeted at reducing global unemployment through education and training.

The needs, concerns and expectations of non-profit organisations and communities

We are expected to contribute positively to the societies in which we operate.

How we respond

- We create shared value through our business activities, through the education and empowerment of communities and through disaster relief as required.

Read more about our CSI projects in our sustainability overview report, available on our website.

RESOURCE AND STAKEHOLDER TRADE-OFFS

In our strategic and tactical business decisions, we have to prioritise certain resources and stakeholder outcomes above others.

Examples of these decisions include:

- We have more than one brand offering in each market segment – each with a different investment requirement. Due to stringent capital allocation disciplines, financial support will be directed in favour of the brand that is able to generate the greatest returns for the Group. The trade-off will create value for the brand and its customers but might reduce financial resources available for other brands in the short term.
- When we aim to attract, retain and develop the best talent, there is a trade-off between hiring less experienced employees at a lower employment cost and the impact of their lower experience levels and additional training costs required.
- The Group's investment in employee training reduces our financial capital but increases the skills of our employees and ultimately improves our customer service and our customers' experience.
- While corporate social investment reduces the Group's financial capital, it increases social and relationship capital by uplifting communities and improving youth education, which is ultimately an investment in the leaders of our future.
- The investment in local supply chain development reduces financial capital but increases manufactured capital, while improving our customers' experience by providing the right product at the right time.

CASE STUDY:
Strengthening our communities through our Sew Good project

Sew Good was launched in 2014 and is our flagship initiative run through TFG's manufacturing arm, Prestige Clothing.

Through this initiative, we provide training and skills development to previously unemployed women at our Prestige factories in Maitland and Caledon. These women then create tens of thousands of iconic purple blankets each year, which are distributed to disaster-affected communities.

The initiative is about more than a product. Each blanket is a symbol of hope and job creation that benefits an individual while instilling a sense of pride in the woman who manufactures it.

We have made and donated 100 000 blankets since the project started, with 49 201 blankets made and donated in the past financial year.

Recipients have included victims of fire from the communities of Imizamo Yethu, Hangberg, Du Noon, Philippi, Nyanga, Masiphumelele, and flood victims from Alexandra, among others. Thousands of additional blankets have also been donated via various winter drives aimed at keeping communities warm.

A highlight was partnering with Gift of the Givers, a South African disaster relief group, Steyn City and celebrity Tbo Touch, to improve the lives of primary school children as part of the annual Delivering Happiness to Diepsloot event. We donated 13 000 blankets and meals and contributed to school-ready packages that included school shoes, bags and socks for each child.

For us, Sew Good truly reflects the positive impact of our shared value sustainability strategy, which balances our priorities of creating a positive and lasting social impact among communities, while achieving a financial and reputational gain for TFG:

Social impact

We use our existing resources to empower and upskill previously unemployed women and create lasting employment opportunities. Since inception, 348 women have been upskilled through this initiative. In turn, these women produce blankets that benefit communities affected by disasters and poverty.

Financial gain

We benefit from increased investment in our local manufacturing and opportunities to collaborate with key media partners. Our brands also benefit by getting involved and donating goods and merchandise. For example, @home donated towels and The FIX donated women's clothing as part of a winter drive undertaken. This enhances our social currency and strengthens our reputation within the communities we operate in.

Read more about this and other initiatives that support our shared value strategy in our sustainability overview report, available on our website.

OUR MATERIAL MATTERS, RISKS AND OPPORTUNITIES

TFG's material matters are a combination of risks, opportunities and issues that can directly or indirectly affect the Group's ability to create sustainable value in the short, medium and long term.

These matters are discussed with specialists and senior management as part of the enterprise risk cycle. This process includes revisiting our previously identified risks and reviewing the Group strategy.

For each material matter we indicate whether the trend is increasing, remaining stable or decreasing as well as 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 pillars is impacted by the relevant material matter.

Read more about our four strategic pillars in our strategic overview on page 54.

The material matters identified apply to TFG Africa, TFG London and TFG Australia, albeit with different levels of likelihood and impact. They remain aligned with the Group's material matters reported in 2018.

THE INSTABILITY OF THE GLOBAL ECONOMIC AND POLITICAL CLIMATE

TFG is exposed to uncertain and unstable economic and political environments in South Africa and the United Kingdom, which may result in constrained growth. A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.

RISKS IMPACTING TFG

- In South Africa, load shedding, the performance of state-owned enterprises, youth unemployment, social inequality and corruption remain concerning. These factors impact consumer confidence, interest rates, inflation and the Group's ability to raise and afford capital.
- In the United Kingdom, the unpredictability of Brexit has impacted consumer confidence, and this will likely remain the case until negotiations are finalised.

OPPORTUNITIES AND RISK MANAGEMENT

- The Group has an increasingly diversified business model and strives to increase accessibility to the market by growing its footprint in varied locations.
- We continue to refine our credit score models and our collection strategies are regularly reviewed.
- We are focused on back office consolidation and creating a shared services structure within TFG London to mitigate the risks within the United Kingdom retail environment.

TREND
Increasing

TERM
S – M

STRATEGIC PILLARS

Read more about our operating context in the segmental performance reviews on pages 77 to 80.

FASHION TRENDS AND SUPPLY CHAIN

As TFG aspires to be a leading fashion lifestyle retailer, our ability to offer, predict and deliver according to the latest trends is essential for value creation.

RISKS IMPACTING TFG

- Our ability to generate profits could be undermined by a failure to quickly and accurately interpret and respond to fashion trends.

OPPORTUNITIES AND RISK MANAGEMENT

- Our brands are positioned as fashion-forward and premised on our market-leading, in-house capabilities in clothing and store design.
- We continue to develop our quick response capability in the TFG Africa supply chain: quick response units have grown to represent 60,5% of TFG Africa's total manufactured units.

TREND
Stable

TERM
S – M

STRATEGIC PILLARS

Read more about quick response capabilities, localisation and our supply chain in our sustainability overview report, available on our website.

GROWTH ACROSS OUR VARIOUS MARKETS AND CHANNELS

Growing our international footprint and delivering an integrated, secure omnichannel customer experience across our various brands are all strategic objectives for TFG.

RISKS IMPACTING TFG

- Changing retail trends (including demand for digital) necessitates that we be flexible in how we engage with our customers. Failure to meet this demand could erode customer loyalty.

OPPORTUNITIES AND RISK MANAGEMENT

- Strategic investment in digital transformation is a strategic priority for the Group and a focus in the short to medium term to support our future resilience and success.

TREND
Stable

TERM
S – M

STRATEGIC PILLARS

Read more about our growth and performance in the Chief Executive Officer's report on page 48.

TALENT MANAGEMENT: ATTRACTING, RETAINING AND DEVELOPING KEY TALENT

Our ability to create value depends on our people. The Group has to retain and develop its core and critical skills pool, while continuing to attract the best talent in the industry.

RISKS IMPACTING TFG

- In South Africa, it is essential that we attract and retain Employment Equity (EE) candidates.
- Considering the highly competitive retail market, a lack of focus on talent management could erode the Group's leadership pipeline and ability to execute our strategic objectives.

OPPORTUNITIES AND RISK MANAGEMENT

- We have various talent development programmes in place to develop our future leaders.
- EE plans that provide clear accountabilities and targets to 2021 are in place for each division in TFG Africa.
- In line with our digital transformation strategy, we are leveraging technology to enhance our employee experience.
- We continue to focus on an enhanced employee value proposition.

TREND
Stable

TERM
S – M – L

STRATEGIC PILLARS

Read more about our employee-focused initiatives from page 42 and in our sustainability overview report, available on our website.

INCREASING RELIANCE ON INFORMATION TECHNOLOGY

Information technology (IT) continues to change the environment in which TFG operates and alters how we create, process and disseminate information critical to business performance.

RISKS IMPACTING TFG

- Failure to properly understand the impact of IT innovation in the retail sector could undermine the future growth and success of the Group.
- The increasing risk of cyber attacks threatens the privacy of our employee- and customer-related data.
- Increasing reliance on IT has raised the significance of potential IT failures within the Group.

OPPORTUNITIES AND RISK MANAGEMENT

- TFG recognises the importance of IT and continues to invest in this area – as prioritised in our digital transformation strategy.
- We continue to invest in cyber security and the Risk Committee is regularly updated on IT-related risks and mitigation plans.
- The technology and information governance steering committee meets regularly and was expanded during the year to include TFG's international operations.
- IT disaster recovery plans are in place across the Group.

TREND
Stable

TERM
S – M – L

STRATEGIC PILLARS

Read more about digital transformation in the Chief Executive Officer's report on page 48.

INCREASING COMPLEXITY OF THE REGULATORY ENVIRONMENT

The South African regulatory environment is becoming increasingly complex and costly, while our expanded international footprint further heightens compliance and risk profiles for the Group.

RISKS IMPACTING TFG

- We have to understand, interpret and apply differing regulatory requirements in multiple jurisdictions as non-compliance can lead to fines, business interruptions, financial loss and reputational damage.

OPPORTUNITIES AND RISK MANAGEMENT

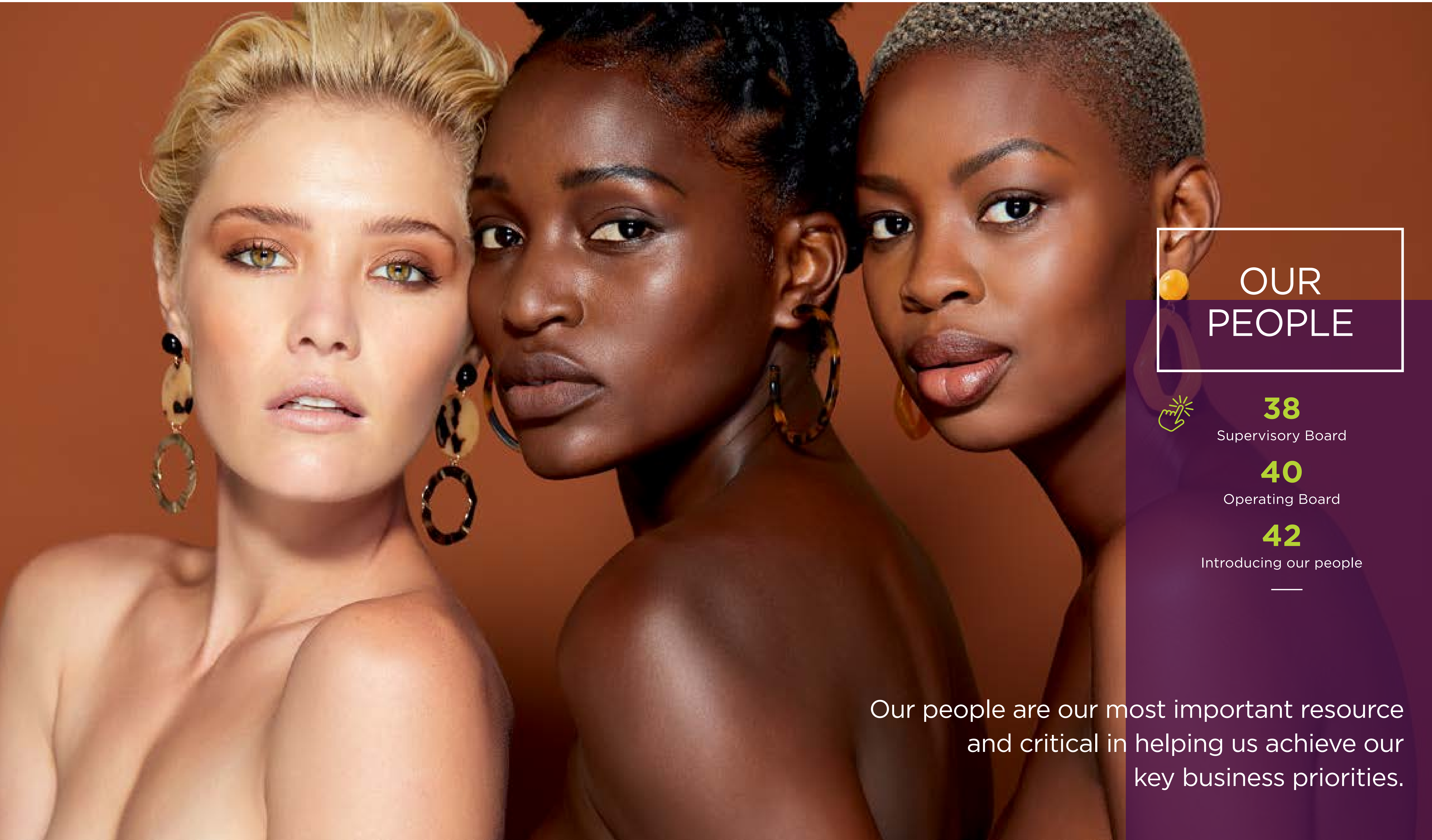
- TFG closely monitors proposed changes to and/or new proposed legislation and regulations to understand the potential implications on our business operations.
- In TFG Africa, we monitor proposed amendments to credit legislation, changes affecting optional customer insurance products and financial services as well as the requirements of pending data privacy regulations.
- The potential implications of Brexit are closely monitored by our operations in the United Kingdom.

TREND
Increasing

TERM
S – M

STRATEGIC PILLARS

Read more about regulation and compliance on page 19.



OUR PEOPLE

Our people are our most important resource and critical in helping us achieve our key business priorities.

SUPERVISORY BOARD

INTRODUCING OUR DIRECTORS

The Supervisory Board is ultimately accountable for the strategy, direction, leadership, governance and performance of TFG. It has oversight of the development, approval and updating of TFG's vision, mission and value statements, and significant policies and goals related to economic, environmental and social impacts.

Read more about the Supervisory Board from page 84.

EXECUTIVE DIRECTORS

A E THUNSTRÖM (48)

Chief Executive Officer
BCom (Hons Acc), CA(SA)

Member of: Risk and Social and Ethics Committees
Meetings attended by invitation: Audit, Remuneration and Nomination Committees

Anthony, our Chief Executive Officer, joined the Group in 2015 as Chief Financial Officer and assumed the position of Chief Executive Officer in September 2018 following Doug Murray's retirement. Prior to this, he had 21 years' professional services experience, during which he held various local and international leadership positions. **Appointed to the Supervisory Board: 2015**

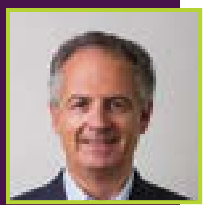
B NTULI (42)

Chief Financial Officer
BCom (Hons Acc), CA(SA), AMP (Harvard)

Member of: Risk Committee
Meetings attended by invitation: Audit and Social and Ethics Committees

Bongiwe joined TFG in January 2019 as Chief Financial Officer. Prior to this, she was the Chief Executive Officer of Freight Services at Grindrod Limited and a Grindrod group executive board member. Before Grindrod, she held various finance and treasury positions for Anglo American plc locally and internationally. Bongiwe has over 20 years' international commercial, operational and executive management experience. She has worked in South Africa, the United Kingdom and Canada, and has completed an Advanced Management Programme at Harvard Business School. **Appointed to the Supervisory Board: 2019**

INDEPENDENT NON-EXECUTIVE DIRECTORS



M LEWIS (60)

Chairman | BA (Econ) (Hons)

Member of: Nomination and Remuneration Committees
Chairman of: Nomination Committee
Meetings attended by invitation: Risk and Audit Committees

Michael has more than 35 years' experience in the investment management and retail sectors. He is the chairman of Strandbags Holdings Proprietary Limited (Australia) and Oceana Investment Corporation Limited (UK). He is also a director of Histogenics Inc. (USA) and United Trust Bank Limited (UK). Michael served on the supervisory board of Axel Springer AG (Germany) and on the board of Cheyne Capital Management LLP (UK). He previously worked at fund managers Ivory & Sime and Lombard Odier. **Appointed to the Supervisory Board: 1989**

S E ABRAHAMS (80)

FCA, CA(SA)

Member of: Audit and Nomination Committees
Chairman of: Audit Committee
Open invitation: Risk Committee

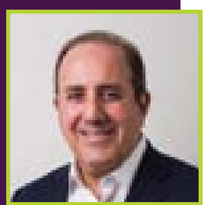
Sam is an experienced director and was formerly an international partner and South African managing partner of Arthur Andersen. Sam is currently a non-executive director of Investec Securities Proprietary Limited and chairman of the Victor Daitz Foundation, one of the largest charitable foundations in South Africa. Sam has acted as a non-executive director for several listed companies, both in the United Kingdom and South Africa. **Appointed to the Supervisory Board: 1998**

PROF F ABRAHAMS (56)

BEcon (Hons), MCom, DCom

Member of: Audit, Remuneration and Social and Ethics Committees
Chairperson of: Social and Ethics Committee
Also a director of South African listed companies: Clicks Group Limited and Lewis Group Limited

Fatima is a senior professor (part-time) and was dean of the Economic and Management Sciences Faculty at the University of the Western Cape (UWC). She is a registered industrial psychologist and has built up extensive expertise in the human capital field. She was also a non-executive director of Transnet, B2B Africa Proprietary Limited and chairperson of Victoria & Alfred Waterfront Holdings. She has served and continues to serve on the Audit and Risk Committees and Transformation and Remuneration Committees of several companies, and has built up sound business experience over the years. **Appointed to the Supervisory Board: 2003**



G H DAVIN (63)

BCom, BAcc, CA(SA), MBA

Graham is a chartered accountant and a career banker with extensive international financial and broad business experience. Graham qualified with Arthur Andersen in Johannesburg and joined Investec Bank after an MBA at UCT. He was a director of Investec Bank for 16 years and of Bank Insinger de Beaufort N.V., a Dutch private bank. He was responsible for the listing of Investec on the JSE and of Insinger on the Luxembourg Stock Exchange. In 2003, after moving to London, Graham led the management buyout of United Trust Bank, a fast-growing UK specialist bank of which he is chief executive officer. **Appointed to the Supervisory Board: 2015**

INDEPENDENT NON-EXECUTIVE DIRECTORS

D FRIEDLAND (66)

BCom, CA(SA)

Member of: Audit, Remuneration and Risk Committees
Also a director of South African listed as well as public companies: Pick n Pay Stores Limited, Investec Limited and Investec Bank Limited
Also a director of foreign listed as well as public companies: Investec plc and Investec Bank plc

David is a chartered accountant with extensive audit experience from a broad range of listed retail companies. He served as an international partner at Arthur Andersen from 1990 and was a partner at KPMG from 2002. David was head of Audit and Risk at KPMG (Cape Town) and was the lead audit partner for several listed companies. In 2013, he retired and was appointed to the boards of Investec Limited and Investec plc, serving as the group Audit Committee chairman. **Appointed to the Supervisory Board: 2013**

B L M MAKGABO-FISKERSTRAND (45)

BA

Member of: Audit, Risk and Social and Ethics Committees
Also a director of a South African listed company: Sun International Limited

Tumi is the founder and executive director of AfricaWorldwide Media and director of Tumi Makgabo Enterprises, focusing on enterprise development in South Africa and across the African continent. In addition, Tumi served as the vice chairperson of the World Economic Forum's Global Agenda Council on Women's Empowerment and as a member of its Council on Africa for two years. In 2008, she was nominated to the World Economic Forum's Forum of Young Global Leaders, which is a multi-stakeholder community of exceptional leaders below the age of 40, selected from around the world. **Appointed to the Supervisory Board: 2012**

E OBLOWITZ (61)

BCom, CA(SA), CPA(Isr)

Member of: Audit, Remuneration and Risk Committees
Chairman of: Remuneration and Risk Committees
Also a director of a South African listed company: Trencor Limited

Eddy has considerable audit, finance and business advisory experience, having spent 21 years in professional practice, most notably as a senior partner of the Cape Town, Durban and Port Elizabeth offices of Arthur Andersen. He also served as a member of the firm's worldwide Retail and Distribution Industry Team. In addition to serving as a non-executive director and trustee to various companies and trusts, he is the executive chairman of Stonehage Fleming South Africa, which provides multi-family office, wealth management and advisory services to an extensive local and international client base. **Appointed to the Supervisory Board: 2010**

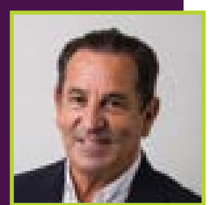
N V SIMAMANE (60)

BSc (Chemistry & Biology) (Hons)

Member of: Audit, Risk and Social and Ethics Committees
Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance and the South African Post Office

Nomahlubi has extensive business, marketing and communications experience, having previously held the positions of marketing manager at Unilever, marketing director of British American Tobacco and managing director of BLGK Bates Advertising Agency. She is currently the chief executive officer of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was also named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA. **Appointed to the Supervisory Board: 2009**

NON-EXECUTIVE DIRECTOR



R STEIN (70)

BCom, CA(SA)

Member of: Risk and Nomination Committees
Meetings attended by invitation: Audit Committee

Ronnie was previously our Chief Financial Officer. He retired from this position at the end of June 2015 after serving 19 years with the Group. Prior to joining the Group, he was an accountant and auditor in public practice. He was a partner at Kessel Feinstein for 15 years. Following his retirement, Ronnie remains on the Supervisory Board in a non-executive capacity. **Appointed to the Supervisory Board as a non-executive director: 2015**

OPERATING BOARD

OUR OPERATING BOARD FROM LEFT TO RIGHT:

G S NAIDOO (51)
BSocSc (Hons), MA (Ind Psych), AMP (Harvard)
Group Director – Fabiani, G-Star RAW, Jewellery division, @home division, Digital Transformation
Joined the Group in 2005

D B GEDYE (60)
Group Director – Exact, The FIX, Markham, Sport division, TFG Property, TFG Store Development
Joined the Group in 1979

J FISHER (46)
BSc (Hons) Mathematics and Computing Science
Group Director – Financial Services, TFG Rewards
Joined the Group in 2013

S E MORLEY (49)
BSocSc
Group Director – TFG Human Resources
Joined the Group in 2002

A E THUNSTRÖM (48)
BCom (Hons Acc), CA(SA)
Chief Executive Officer
Joined the Group in 2015

B J CURRY (57)
Chief Information Officer – TFG Infotec, TFG Logistics, TFG Services, TFG Marketing & E-commerce, Hi, Digital Transformation
Joined the Group in 1988

S A BAIRD (53)
Group Director – Foschini division, TFG Design and Manufacturing, TFG Merchandise Procurement, TFG London
Joined the Group in 1986

B NTULI (42)
BCom (Hons Acc), CA(SA), AMP (Harvard)
Chief Financial Officer
Joined the Group in 2019

RESPONSIBILITY

The Operating Board is responsible for the Group's strategy formulation and the day-to-day management of all aspects of the operations of the retail trading and service divisions. In addition, they are responsible for deliberating and making decisions or recommendations on all matters affecting TFG's strategy and operations, including risk management, and the succession of executive and senior management.

During the year, their key focus areas per strategic pillar included the following:

DIGITAL TRANSFORMATION

CUSTOMER AND EMPLOYEE OBSESSION

- Store location, leasing operations, design and architecture
- Credit management and customer relationship marketing and systems
- Employee and Customer attraction and retention strategies

LEADERSHIP

- Human resource recruitment, training, development and remuneration
- Development and refinement of the business philosophy, value system and performance management
- Development, review and implementation of the employment equity plan
- Development, implementation and monitoring of the transformation strategy

PROFIT

- Merchandise sourcing, buying, warehousing and distribution
- Financial management and administration
- Development, review and achievement of budgets in relation to sales, operating expenses and capital expenditure
- Approval of transactions regarding divestment, refinancing and restructuring in accordance with parameters set by the Supervisory Board

GROWTH

- Acquisition, development and maintenance of information and technology systems, including digital transformation initiatives
- Approval of transactions regarding investment in accordance with parameters set by the Supervisory Board

OUR TFG CULTURE

OTHER

- Formulating, developing, executing and refining the Group's strategic plan
- Identification, assessment, mitigation and risk management
- Development, monitoring and audit of internal controls
- Development and monitoring of operational policies and procedures
- Adoption, implementation and monitoring of corporate governance practices and meeting standards set out in King IV™

INTRODUCING OUR PEOPLE

The skills and experience of our employees enable us to implement and execute our strategy and deliver our products and services to our customers.

A SNAPSHOT OF OUR EMPLOYEES

29 121
EMPLOYEES
(2018: 27 825)

119
EMPLOYEES WITH DISABILITIES
(2018: 90)

72,1%
FEMALE EMPLOYEES
(2018: 73,1%)

22 755
TFG AFRICA EMPLOYEES
(2018: 21 531)

27,9%
MALE EMPLOYEES
(2018: 26,9%)

6 366
GLOBAL EMPLOYEES
(2018: 6 294)

94,4%
EMPLOYMENT EQUITY REPRESENTATION*
(2018: 93,9%)

R150,2m
SPENT ON TRAINING AND DEVELOPMENT
(2018: R143,5m)

6 387
CORPORATE EMPLOYEES^
(2018: 5 840)

6
B-BBEE LEVEL*
(2018: 7)

22 734
RETAIL EMPLOYEES
(2018: 21 985)

Zero
WORK DAYS LOST DUE TO INDUSTRIAL ACTION
(2018: Zero)

* *Relates to South Africa only.*
^ *Employees other than those working in outlets.*

WHAT WE FOCUSED ON DURING THE YEAR TO CREATE VALUE FOR OUR EMPLOYEES

EMPLOYEE EMPOWERMENT AND TRANSFORMATION*

We focused on empowering our employees by prioritising skills development and Employment Equity (EE). These initiatives are aligned to TFG's "Educate2Empower" strategy, which aims to address youth unemployment while building a strong talent pipeline for the Group.

Read more about employee empowerment and transformation in our sustainability overview report, available on our website.

EMPLOYMENT EQUITY	SKILLS DEVELOPMENT
94,4% of our employees are EE appointments.	Our B-BBEE skills development score increased from 15,32 in 2018 to 16,01 in 2019.
63,3% of our employees are African Black.	We ran 1 378 learnerships during the year – a 36% increase year on year.
Our senior and middle management are now made up of 35% and 57% EE appointments respectively – this is the highest percentage achieved to date by TFG.	A total of 1 497 youth took part in our various learning interventions during the year and we employed 29 trainees.
A new three-year EE plan was signed off by each division and provides clear accountabilities and targets to 2021.	We continued to invest in our Executive Leadership Development Programmes and benefited from the ongoing strength of the TFG Retail Academy.

* *Relates to South Africa only.*

LEVERAGING TECHNOLOGY TO BOOST EMPLOYEE ENGAGEMENT AND LEARNING

We continue to find innovative ways to use technology to enhance our employee experience and support strategy execution. This is an important part of our digital transformation journey.

Building on the foundation of our human resources (HR) and payroll system launched in 2016, we have since invested in a range of other enabling technologies that include:

- A best of breed recruitment solution, Talent Connect, to source and place top talent effortlessly
- Our Voice of Employee platform, which enables employees to provide feedback and submit ideas to improve business performance
- Our Compensation Workbench functionality (CWB) to efficiently process and analyse salary increases in real time
- An HR Service Manager Tool to help our employees log and track any HR-related queries across multiple online platforms

This investment will continue over the next two years and will include:

- The roll-out of a cloud-based tool to improve employee scheduling in store and ensure the right people are in the right place at the right time to deliver a superior experience to our customers
- The introduction of advanced tools and dashboards to manage employee metrics in real time and enable predictive analytics
- The introduction of Robotic Process Automation (RPA) to reduce the time taken to complete routine tasks, improve the accuracy of outcomes and give our employees more time to focus on value-adding activities
- The digital transformation of our onboarding process to eliminate manual workloads and enhance the starter experience for new employees
- A mobility platform will be introduced to enable employees to access and manage TFG's growing number of self-service platforms in one place and from their own device
- Chatbots will provide additional, around-the-clock HR support for our people
- Investment in the Group's Technology Facilitated Learning (TFL) journey to propel the Group's e-learning capabilities into the future

CHANGE MANAGEMENT AND BUSINESS OPTIMISATION

We are seeing rapid change in the local and global retail sectors, led by innovations in consumer technology and shifting consumer behaviour. The ability to implement strategies to effect, control and help employees adapt to change is critical, as is initiating processes to make our business as effective, efficient and responsive as possible.

In 2019:

We initiated annual Leading Change workshops for senior leaders to strengthen our change management competencies.	We launched a quarterly Retail Forum where brands can share learnings to drive better business practice.	We insourced several highly qualified experts to lead business optimisation streams that are aligned with Group strategy.

ATTRACTING AND ACQUIRING THE BEST TALENT IN THE MARKET

Key actions undertaken during the year	Value created
We implemented our high-volume recruitment model across the Gauteng and Western Cape provinces.	We filled several critical vacancies, from sales associates to store managers, while building a strong talent pipeline of customer-facing employees. The business benefited from reduced costs associated with recruitment and a decrease in the overall time taken to make appointments.
We launched Project Elevate – a 12-month leadership programme to attract and develop high-calibre, unemployed youth for entry-level customer-facing roles within all brand stores.	The programme combines practical and classroom-based learning to equip participants with the skills they need to deliver superior customer service in store. Participants also receive a nationally recognised retail qualification. This not only contributes positively to our B-BBEE scorecard but helps alleviate youth unemployment in South Africa. To increase the positive impact of Project Elevate, we plan to extend it to outlying rural areas in the North West, Bloemfontein, Eastern Cape and Mpumalanga provinces.
We continued the roll-out of Talent Connect at head office and stores.	This helped streamline and enhance the quality of our recruitment process while driving cost optimisation.

Looking forward, we also plan to implement a robust strategy to attract more employees with disabilities. This will include an education and awareness campaign to create an understanding of the importance of diversity and social inclusion within the working environment.

Read more about these and other initiatives in our sustainability overview report, available on our website.

During the year, we ran bursary campaigns with Fedisa and the University of the Western Cape. From 120 promising candidates, we chose six passionate and dynamic students whose studies will be funded and who will then join our business on graduation.

CONTRIBUTING TO EMPLOYEE WELLNESS AND BENEFITS

As part of our wellness and benefits strategy, we partnered with a leading employee lifestyle and engagement specialist to enhance our employee value proposition over the next three years.

As part of this journey, we introduced:

A more comprehensive helpline service that is available 24/7 and extends beyond employees to include their families	An online service to enable head office employees to book and manage their clinic appointments more easily	A bespoke reward and recognition programme to deliver meaningful employee incentives across a variety of channels

Read more about our wellness strategy in our sustainability overview report, available on our website. Read more about our approach to remuneration in our remuneration report from page 115.

FAIR AND EQUITABLE REMUNERATION UNDERPINNED BY PERFORMANCE MANAGEMENT

TFG is committed to fair and responsible remuneration and provides all employees with the chance to grow their earnings through training and upskilling and by leveraging opportunities to apply for internal positions. For example, an employee starting out as a sales associate may well, over a period of three to five years, move into a store management role.

In line with their individual performance metrics, and to ensure employees are appropriately rewarded for performance that supports the four strategic pillars, TFG's remuneration policy recognises and fairly rewards individual performance, behaviour and responsibility.

The following activities support fair and responsible remuneration at TFG:

A benefits assessment was performed across all levels of the business during 2018. As a result, we replaced a medical aid plan with a more cost-effective option, adjusted our retirement age from 60 to 65 and increased our death benefit payout to support more significantly lower income category employees.	TFG's Retail Academy and Skills Development team work closely with South Africa's Sector Education and Training Authority (SETA) to develop leadership and retail skills for employees and previously unemployed youth.
Annual performance reviews are conducted for all employees and talent maps are developed for high-performance employees who demonstrate potential. These employees are offered additional and specific training and development support to advance their careers and pay progression is aligned with their actual performance and experience.	The Remuneration Committee conducted a gender-based analysis across all levels of the business during the year and confirmed there is no gender remuneration bias within TFG.

Read more about our approach to remuneration and performance management in our remuneration report from page 115.

OUR STRATEGY

We remain committed to our strategic pillars of Customer and Employee Obsession, Leadership, Profit and Growth, which have remained broadly unchanged since 2015.

CHIEF EXECUTIVE OFFICER'S REPORT

ANTHONY THUNSTRÖM

"We are pleased to report earnings growth alongside significant investment in TFG's store estate and digital transformation journey.

The Group's operating model as a speciality retailer implies generally smaller-format stores targeted at focused consumer segments that we understand and appeal to. We offer superior customer service, with the growing gap between our model and the big box department store becoming more apparent.

KEY QUESTIONS FOR OUR NEW CHIEF EXECUTIVE OFFICER FOLLOWING HIS APPOINTMENT

Will there be any changes to the strategic pillars or objectives?
The core existing pillars and objectives of the Group's strategy remain unchanged, underpinned by a strong culture of commitment among management and employees to execute these objectives. However, as our business and the external environment continue to evolve, we have chosen to elevate two of our existing Group priorities to the level of our overall Group strategy – those of our TFG culture and digital transformation.

TFG culture – considering the size, scale and geographic reach of our business, it is increasingly essential that we explicitly recognise, nurture and protect the culture that has enabled our growth and success to date. The culture across our three geographic operating segments is unified and we will continue to work hard to ensure this remains the case.

Digital transformation – the traditional retail operating model is in the process of being fundamentally disrupted at almost every level. This is not only in the area of e-commerce, but is rather a pervasive change that impacts virtually every part of the retail business model – from design to sourcing, store operations, staffing models, pricing and promotional activity through to a full omnichannel offering. We recognise the importance of these changes and are committed to investing as required to remain on the forefront of digital transformation.

Will the Group reassess its approach to capital allocation?
The Group remains committed to optimising its approach to capital allocation to enhance ROCE. Significant progress has been made in this area over the past year as is evidenced by our working capital improvements and resultant high levels of free cash flow conversion.

Our commitment to effective capital allocation is also reflected in our continued determination to trial new brands, retail concepts and merchandise categories, but with sufficient discipline to discontinue these incubator businesses if they are not able to generate acceptable levels of return within a reasonable period of time. During the course of the year we decided to close our Duesouth, Fabiani Women, Charles & Keith and G-Star RAW Australia businesses, but also launched a number of new trial concepts.

Will the Group review or adjust its focus on Africa?
TFG Africa continues to be the Group's core business segment and South Africa its main market. Expansion into the rest of Africa continues, but has been calibrated with economic and retail growth forecasts per market.

Will the Group's merger and acquisition criteria remain unchanged?
The Group will continue to apply its existing strict acquisition criteria of:

- a proven, profitable track record;
- a strong management team who is committed to staying on and working alongside us to grow the business;
- future growth prospects; and
- a leading position in a niche product or market category.

Do you believe the Group is investing in the right capabilities to deliver growth?
There is a continued focus on recruiting high-calibre customer-facing employees to deliver superior service in stores. Investment in enabling technologies to enhance both our customer and our employee experience is ongoing, and we are also looking to revitalise learning and development within TFG by strengthening our e-learning capabilities. This is all part of a broader investment in our digital transformation journey.

Do you foresee any changes to the Group's organisational structure or operating model?
We are placing an increased focus on cost containment and business optimisation, particularly in terms of inventory metrics across the Group. In TFG Africa, we have appointed a team dedicated to overseeing this function. We made significant strides in TFG London over the past several months to create a shared services structure similar to that of TFG Africa and TFG Australia.

Any revision to the dividend policy?
We do not foresee significant changes in our dividend policy. However, as we have previously signalled, we do believe that a moderately higher dividend cover would be more appropriate given the sector in which we operate, and we will seek to gradually raise our cover in a responsible manner and when earnings growth is conducive to this.

LOOKING BACK ON THE PAST FINANCIAL YEAR

We continued to create value for our stakeholders during the year despite generally challenging economic and retail conditions. Against a backdrop of many of our competitors struggling to hold their own, all three business segments outperformed their respective markets thanks to successful strategy execution.

From a Group perspective, we grew our retail turnover at rates well above market in each of our three geographic segments and this was underpinned by extremely strong same store growth in Australia (7,8%) and South Africa (5,6%), as well as online turnover growth of 57,2%.

Despite high levels of discounting and promotional activity in all of our major markets, we managed to further expand our gross margin. This in turn, certainly from a South African perspective, was positively influenced by a need to take lower markdowns, especially on our own manufactured, quick response products. Our locally manufactured units grew substantially during the year and our strategy of controlling and optimising our local supply chain continues to bear fruit.

These positive outcomes, together with tight control of our like-for-like cost base, allowed us to grow our headline earnings by a credible 12% and this in turn enabled us to continue to make significant investments in the Group in areas such as new and refurbished stores, digital transformation initiatives, as well as in further enhancing our local manufacturing capabilities.

All of this was accomplished in a measured and responsible manner, which saw very high levels of free cash flow conversion (86,8%), a meaningful reduction in Group gearing (56,6% vs 62,0%), further progress in terms of our sustainability initiatives, as well as the achievement of a Level 6 B-BBEE rating in South Africa.

TFG AFRICA

TFG Africa achieved very strong like-for-like turnover growth of 5,6%. While there is still work to be done, we attribute this success to the concerted effort made to improve efficiencies across our South African brand portfolio, reduce unnecessary markdowns and streamline procurement. Quick response units within TFG Design and Manufacturing grew by 50,1% to 5,4 million units for the year. We appointed a business optimisation team during the year to reinforce these practices within TFG Africa and this will be their full-time focus going forward.

TFG LONDON

The acquisition of Phase Eight in January 2015 created the base of a platform for our United Kingdom expansion and led to the acquisition of Whistles (March 2016) and Hobbs (November 2017).

Within the United Kingdom retail environment, declining footfall combined with continuing online migration and ongoing tough trading conditions have proved challenging. Uncertainty around Brexit further impacted consumer spend and complicated the big-box and department store models popular in the United Kingdom.

To mitigate these risks, we are well advanced in respect of creating a shared services operating model in TFG London similar to those that underpin our business model for TFG Africa and TFG Australia. This includes full back office consolidation and creating a shared services structure that will assist TFG London to realise significant cost savings, trade more easily across the three businesses, improve efficiencies and prepare the business for further growth, be that organic or via acquisitions.

Despite this project only having commenced recently, we are already seeing the operational and financial benefits with the sustained turnaround of both Whistles and Hobbs.

The success achieved across our TFG London brands, in a very challenging environment, bears testimony to the capability of the TFG London management team, which was further strengthened by the appointment of Catherine Lambert as the TFG London Group Chief Financial Officer in April 2018 and the three individual brand heads, who we appointed during the year.

TFG AUSTRALIA

TFG Australia has been fully integrated into the Group and outperformed the market to deliver strong results – with turnover up 58,3%, very strong like-for-like turnover growth of 7,8% and EBITDA up 44,7% year on year (27,6% on a comparable 12-month basis).

We continue to gain good traction in Australia and opened a total of 58 new stores. Our two smaller, previously incubator brands, Rockwear and Johnny Bigg, contributed positively to this growth with a roll-out of 11 and 17 new stores per brand respectively.

In addition, we recently launched five American Swiss concept stores in Australia to test the local jewellery market, which is of significant size in Australia.

AN OVERVIEW OF TFG'S STRATEGY

Our vision is to be Africa's leading fashion lifestyle retailer while growing our international footprint. Risk is clearly inherent in both fashion and retail, however we remain committed to diversifying our risks as far as possible. For example, the current combined turnover contribution of TFG Australia and TFG London is 36%, which is in line with our strategy of diversified international exposure and which follows other areas of conscious diversification in areas such as cash vs credit sales and the different brands and commodities that we trade in.

We have prioritised digital transformation as a core strategic imperative, essential to accelerate TFG's growth within an evolving digital consumer retail environment. The impact of this digital transformation will be pervasive and stretch across our four strategic pillars.

A few key highlights of TFG's digital transformation journey for the year include:

- The start of the roll-out of radio frequency identification (RFID) across the Group. Benefits include significantly reduced time and effort around stock takes, notable improvements in stock accuracy per store and improved control over shrinkage. Together, these benefits assist in reducing lost sales – an imperative in the current trading environment.
- The successful onboarding of two additional brands, Donna and The FIX, as part of the Group's e-commerce roll-out. We are further making continuous enhancements to our current digital offering to optimise our customers' omnichannel experience.
- The commencement of a significant project to develop a "single view of customer" – this will enable us to personalise our customer offer and drive targeted campaigns that will enhance our brand offering.
- The installation of over 1 000 conversion counters across our South African stores, which allows us to track how many customer visits are converted into sales in store. This enables us to optimise staff performance and planning.
- Pleasing growth in online sales across all three business segments – growing at 57,2% and now contributing 8,8% of total retail turnover of the Group.
- The launch of myTFGworld.com, one site with single checkout access for all our TFG Africa online brands together with curated third-party brands. This repositions our e-commerce platform as an online marketplace supported by 2 432 local brick stores – a first for South Africa.
- Our Voice of Customer (VoC) platform remains critical to receive valuable feedback and measure the customer experience across our brands. This enables us to design customer-focused journeys and think strategically around brand launches.

Read more about our performance per strategic pillar on pages 56 to 63.

OUR PEOPLE

Our employees remain one of our key strengths and differentiators. We invested R150,2 million in training and skills development – a 4,7% increase on last year. This investment benefits our existing employees as well as high-calibre potential outside of TFG and helps strengthen and grow our talent pipeline.

We are investing in digital technology to streamline and enhance our employee experience. This includes leveraging the Voice of Employee (VoE) platform launched last year to engage with our people and get their input on how we can work together to improve TFG.

On a personal note, I would like to welcome Bongiwe Ntuli to the Group as our new Chief Financial Officer. Her appointment follows an extensive internal and external search and, although she has only recently joined TFG, she is already making a positive difference. We look forward to her contribution and the value that she will add.

Read more about our employees from page 42 and in our sustainability overview report, available on our website.

SUSTAINABILITY

We recognise that TFG's success depends on operating within a sustainable and inclusive society. Investors around the world are also starting to scrutinise how companies monitor and mitigate their environmental and social impacts. Sustainability is critical for the stable long-term growth of TFG. We employ over 29 000 people, directly manufacture c.8,9 million apparel units and have a footprint that spans 4 085 outlets across 32 countries. We have a responsibility to prioritise sustainable production and operations and to be transparent about the impacts arising from our business activities.

An important milestone this year was selecting and onboarding Sedex as a responsible business partner. Sedex is one of the world's largest collaborative platforms for sharing responsible sourcing data on supply chains. The data is used to monitor TFG's compliance with leading labour, health and safety, environmental and business ethics standards. Importantly, this partnership will provide a broader understanding of supply chain risk and how we can mitigate this.

We remain committed to our shared value strategy and creating a positive social impact while delivering business value for TFG. We strengthened the alignment between our shared value approach and the four pillars of our business strategy during the year. This included identifying financial and non-financial targets and initiatives to evaluate performance, as well as value-add opportunities within the various elements of our B-BBEE scorecard.

ALIGNING OUR SUSTAINABILITY APPROACH WITH THE SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

To further refine our sustainability strategy, we relooked how we engage with the United Nations Sustainable Development Goals (SDGs). We previously reported against seven SDGs and decided to reduce this to two – with a primary focus on SDG 8 and SDG 12. This is underpinned by SDG 17 as there are numerous partners we rely on to effectively execute our sustainability initiatives. We also identified targets that are aligned to global targets per goal. This will enable our stakeholders to monitor our performance, thereby enhancing the transparency of our sustainability reporting.

More information about this is available in our online sustainability overview report, which also includes detail on our initiatives, progress and approach.

RISK OVERVIEW

The most significant risks to the Group are similar to those identified in previous years.

Read more about our risks, risk methodologies and combined assurance process in our Risk Committee report on page 107.

Managing the risk of fashion and ensuring the desirability of merchandise remain material issues for all retailers. The Group's buying processes, in-house design and manufacturing capability, and focus on quick response and replenishment, are key differentiators in the mitigation of these issues.

Read more about our material issues, risks and opportunities on page 33.

OUTLOOK

We take a measured approach to each of the major economic and retail environments we operate in and anticipate that conditions will remain challenging for the foreseeable future. We are however confident that our people's commitment to successful strategy execution, underpinned by a relentless focus on digital transformation and our commitment to making decisions that align with the TFG culture, will continue to produce good results for the Group.

APPRECIATION

I am truly grateful for the guidance, support and encouragement I have received during my first year as Chief Executive Officer. This includes the support of our Chairman, Supervisory and Operating Boards, as well as the various management teams across the business.

To our employees – thank you for the ongoing and pivotal role you play in the success of the Group. To our customers, shareholders, suppliers and other stakeholders – thank you for your continued support.

I look forward to building on TFG's past success as we look to the future and for innovative and exciting ways to bring new value to our customers.

Anthony Thunström
Chief Executive Officer

28 June 2019

AN OVERVIEW OF OUR STRATEGY

Our strategy is informed by our vision, mission and values, as defined earlier in this report. We remain committed to our strategic pillars of Customer and Employee Obsession, Leadership, Profit and Growth, which have remained broadly unchanged since 2015.

CHANGES TO THE STRATEGY DURING THE YEAR

Each pillar has specific strategic objectives which were determined by the Operating Board and approved by the Supervisory Board.

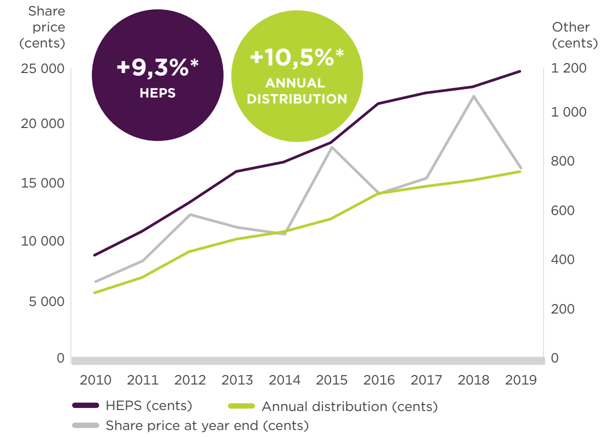
A rolling, five-year strategic overview, which we refer to as our "Five-year Vision", is updated annually. This Vision includes financial targets, where relevant, against the strategic objectives and is based on current market conditions, planned initiatives and expansion plans. Any targets exceeded during the year will be reviewed as part of the next five-year strategic overview.

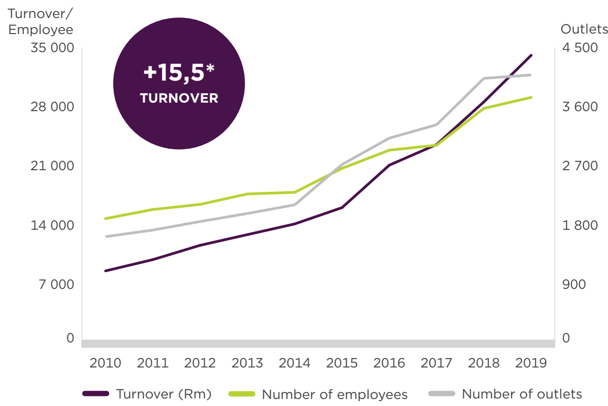
The strategic pillars, together with its respective objectives, apply to the Group as a whole. The international expansion strategy of the Group commenced in January 2015 and the performance and strategic objectives of these business segments continue to be included within the Growth pillar.

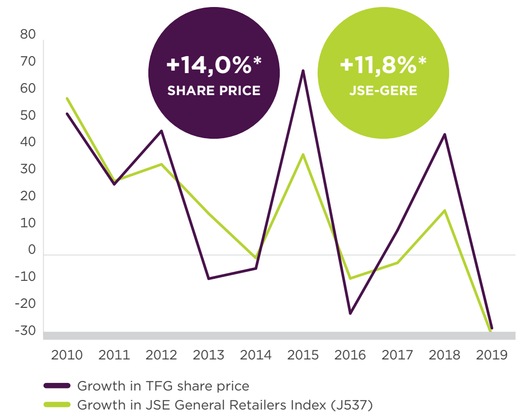
During the year, the Group made the following changes to the strategy:

- Digital transformation is a strategic priority and received increased prominence to ensure we leverage technology to support strategy execution and remain ahead of competitors – as a result, we have positioned it as a wraparound that touches each pillar of our strategy.
- Our customers remain at the centre of what we do – to enhance customer-centricity, we added employee obsession to complement the Customer pillar of our strategy as employees are the first point of contact for customers interacting with our brands. We believe it is critical that we train and incentivise our employees to drive better customer interactions that will support sales.
- The strategy was centralised around our TFG culture to emphasise the importance this plays in shaping the success of our business. Having a common culture that is well-understood has become increasingly important as the scale and complexity of our business increases and we extend our operations in the United Kingdom and Australia.
- The Group's business strategy is supported by our shared value sustainability strategy. We strengthened the alignment between our sustainability strategy and the four pillars of our business strategy during the year. This included identifying financial and non-financial targets and initiatives to evaluate performance. More information about this is available in our online sustainability overview report, which also includes detail on our broader shared-value initiatives, progress and approach.

Our 10-year key performance indicators are evidence of strategies that have been well-executed and adapted to ensure growth while creating shared value.

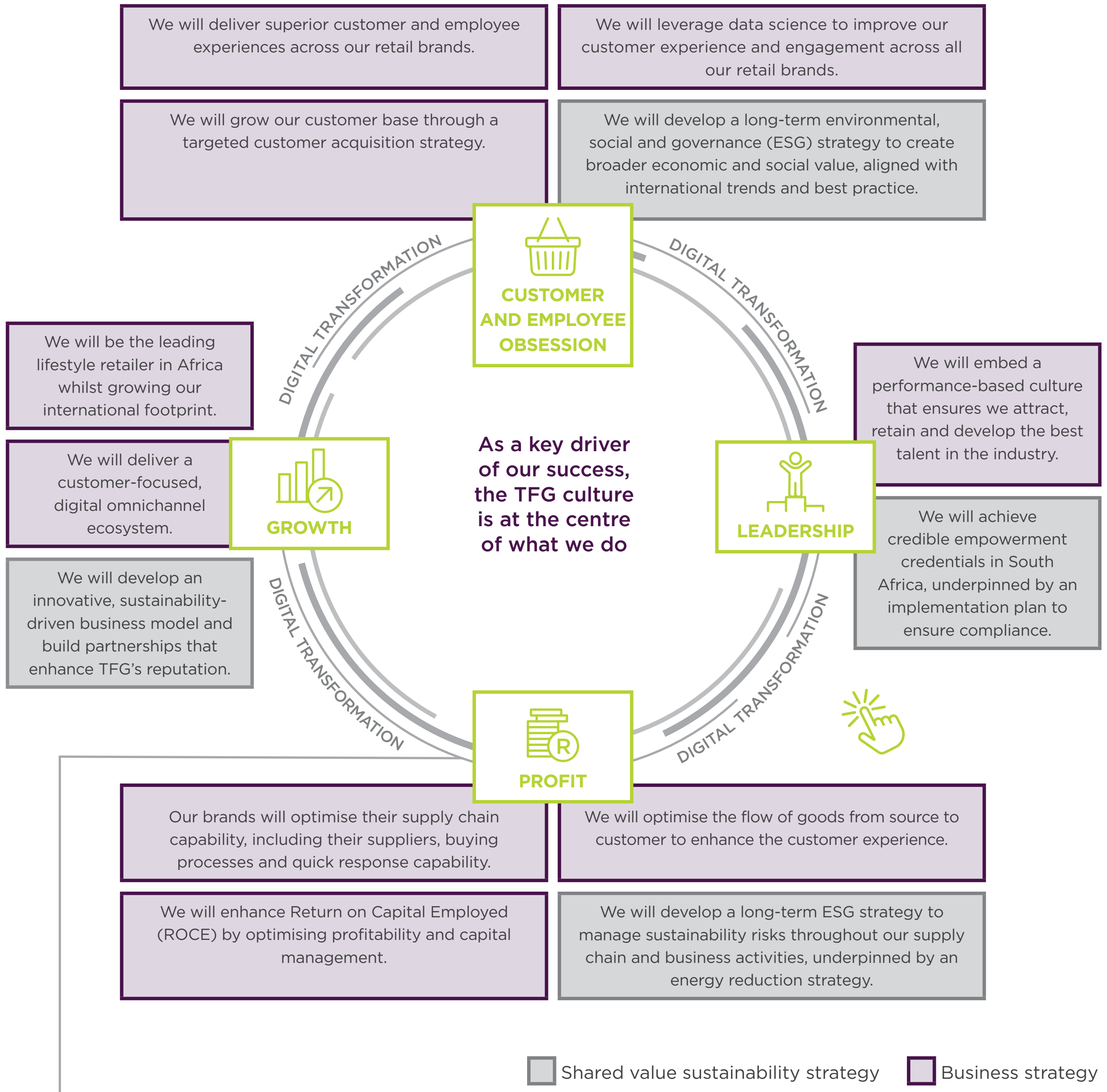






* *Numbers relate to a ten-year compound annual growth rate.*

HOW OUR SUSTAINABILITY STRATEGY SUPPORTS OUR BUSINESS STRATEGY, UNDERPINNED BY DIGITAL TRANSFORMATION



OUR DIGITAL TRANSFORMATION STRATEGY

Digital transformation will ensure we leverage and quickly adopt technology to support strategy execution.

OUR PERFORMANCE AGAINST OUR STRATEGIC PILLARS

CUSTOMER AND EMPLOYEE OBSESSION

OBJECTIVES

- We will deliver superior customer and employee experiences across our retail brands.
- We will grow our customer base through a targeted customer acquisition strategy.
- We will leverage data science to improve our customer experience and engagement across all our retail brands.

OUR CUSTOMER AND EMPLOYEE CONTEXT

Our customer base spans from value to upper market. Through our 29 fashion-forward brands trading out of 4 085 outlets in 32 countries globally, we offer our customers clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, and homeware and furniture. 23 of our brands are available to our customers online and we launched myTFGworld.com during the year – an e-commerce marketplace where customers have access to all our TFG Africa online brands on one site. Our TFG Rewards programme is available across all our TFG Africa retail brands and is intended to suit every lifestyle and life stage. We have a full in-house credit management capability for our TFG Africa customers supported by a 1 500-seat call centre.

The Group employs more than 29 000 employees, with approximately 23 000 employees in TFG Africa and is continuously enhancing workforce scheduling in stores and training interventions across the Group.

MATERIAL MATTERS, RISKS AND OPPORTUNITIES RELEVANT TO CUSTOMERS AND EMPLOYEES

- The instability of the global economic and political climate
- Fashion trends and supply chain
- Growth across our various markets and channels
- Talent management: attracting, retaining and developing key talent
- Increasing reliance on Information Technology (IT)

Read more about our material matters, risks and opportunities on page 33.

KEY ACTIVITIES UNDERTAKEN DURING THE YEAR

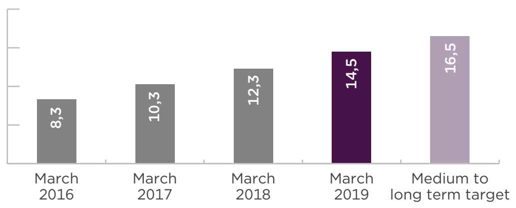
- To strengthen the acquisition of account customers, we launched a new lead generation and origination channel that makes use of television adverts to trigger customer interaction and account application. To enhance this channel, we partnered with a third party to build an analytical model that identifies optimal timeslots to maximise response rates.
- We introduced a chat bot that customers could interact with when applying for an account.
- We launched Big Buy in October 2018. This is a finance solution for customers who want to purchase goods in excess of R5 000 and pay over an extended period (18, 24 or 36 months).
- Investment into our "single view of customer" initiative continued and we completed a review of TFG Rewards to identify opportunities to further optimise this programme going forward.
- Voice of Employee (VoE) feedback was linked to Voice of Customer (VoC) feedback. This will enable the Group to utilise employee feedback effectively to improve the employee experience as this impacts how our people engage with our customers.
- We piloted a workforce management system to assist with scheduling in our stores. This pilot was successful and will be extended to additional locations.

FUTURE FOCUS AREAS

- We will continue to invest in our "single view of customer" initiative and the optimisation of the TFG Rewards programme to gain a holistic understanding of our customers' needs and wants and design and implement relevant customer experiences.
- As technology continues to disrupt the retail industry, we are aggressively exploring quick implementation of technologies and systems to ensure we stay relevant. Reaching all employees with up to date information and training will be a key focus for the year ahead.

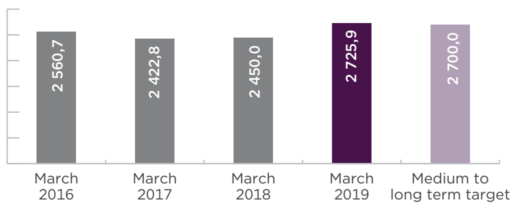
HOW WE MEASURE CUSTOMER SUCCESS

TFG Rewards customers (million)



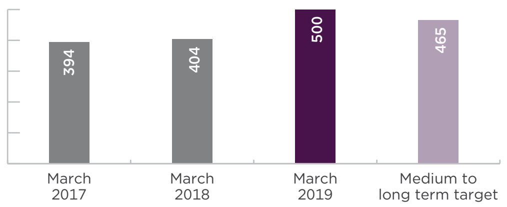
We acquired an additional 2,2 million new TFG Rewards customers through our 21 TFG Africa retail brands. We increased rewards visibility and logo usage by brand to improve the acquisition of cash rewards customers.

Number of active accounts ('000)



The demand for new accounts was 77% higher post the favourable proof of income ruling.

Number of customer-facing employees trained through the Retail Academy*



500 customer-facing employees went through our TFG Retail Academy during the year. This helps us to deliver an ever-improving customer journey.

* *Launched during FY2016.*

OUR PERFORMANCE AGAINST OUR STRATEGIC PILLARS (continued)

LEADERSHIP

OBJECTIVES

- We will embed a performance-based culture that ensures that we attract, retain and develop the best talent in the industry.

OUR LEADERSHIP CONTEXT

The evolving complexity of the Group requires leaders to lead increasingly bigger teams and across functional and geographic boundaries. We nurture ongoing structured talent development and a strong performance management culture. In addition to an experienced executive management team – with an average of 18 years' service – our unique and growing multi-brand Group structure creates career opportunities for key talent and ensures optimised succession planning. We value diversity and develop talent in a proactive way, which includes a continued focus on promoting attendance at our retail academies.

MATERIAL MATTERS, RISKS AND OPPORTUNITIES RELEVANT TO LEADERSHIP

- Talent management: attracting, retaining and developing key talent
- Increasing reliance on information technology

Read more about our material matters, risks and opportunities on page 33.

KEY ACTIVITIES UNDERTAKEN DURING THE YEAR

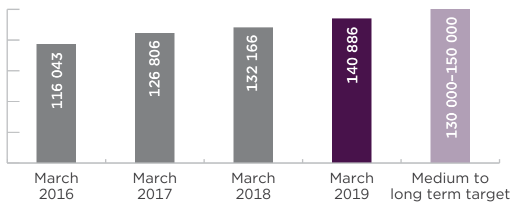
- After an extensive search, we appointed Bongiwe Ntuli as Chief Financial Officer in January 2019.
- Retail management metrics related to ROCE were incorporated into the performance management plans for retail and supply chain leaders.
- We mobilised a business optimisation team to streamline TFG's operating model and identify new capabilities and opportunities to innovate.
- Our Youth Development programmes run across our stores, factories, call centres and distribution centres continue to provide unemployed youth with valuable workplace experience. Our target of a 70% absorption rate was once again achieved.
- Our VoE platform was extended to employees in all divisions across TFG Africa, including distribution centres. Since its launch in 2017, we have received responses from 70% of TFG's workforce. We are now starting to use this feedback to inform strategy, assess employee experience and monitor the impact of related initiatives.

FUTURE FOCUS AREAS

- Digital technology is impacting how we do business across our supply chain, in our stores and across various supporting functions. Hence, our leadership team will prioritise the impact of digital transformation and drive this in all employee-related strategies.
- A diverse workforce provides a competitive advantage and we will continue to focus on transformation and diversity.
- As part of our VoE platform, we are reviewing the "Ideation Programme", which enables employees to participate in solving real business problems. We will relaunch this programme in 2020.

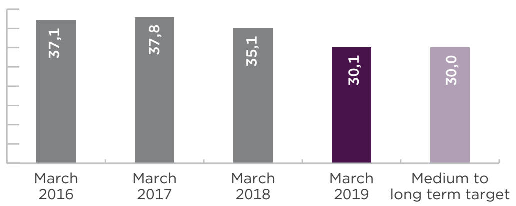
HOW WE MEASURE LEADERSHIP SUCCESS

Number of training interventions during the year



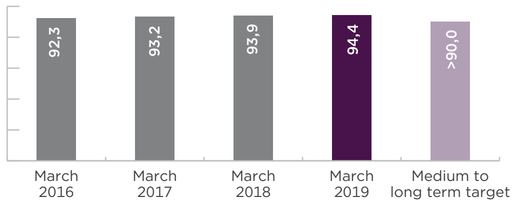
The highly competitive retail environment requires a strong focus on talent management and development. The number of annual training interventions continues to increase year on year. In 2019, the key focus was on our customer-facing employees.

Employee turnover – total %



Employee turnover is in line with industry norms. We will continue to focus on retention initiatives.

Employee equity (% representation of previously disadvantaged groups among permanent employees) – South Africa only



We continue to focus our efforts on improving the representation of EE employees within senior and middle management. We expanded our Talent Management Strategy to develop market maps for all senior vacancies, with strict governance not to fill senior vacancies with non-EE candidates unless a rigorous talent acquisition process has been in place for six months or more. We are investing in succession planning, development and coaching for EE employees who show high potential for more senior leadership roles.

OUR PERFORMANCE AGAINST OUR STRATEGIC PILLARS (continued)

PROFIT

OBJECTIVES

- Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response.
- We will optimise the flow of goods from source to customer to enhance the customer experience.
- We will enhance ROCE by optimising profitability and capital management.

OUR PROFIT CONTEXT

We have market-leading in-house capabilities for store design and upgrades, fashion design and manufacturing. Our well-developed fabric and pattern optimisation systems support quick response capabilities to repeat "winners" in season and implement quick interpretation of in-demand trends and fashion. The Group has a natural currency hedge through TFG London and TFG Australia's growing contribution. We protect our income streams through the diversification of our footprint across numerous economies and we continuously seek to optimise cost-efficiencies. We support a direct sourcing strategy, both locally and globally, through compliant vendors.

MATERIAL MATTERS, RISKS AND OPPORTUNITIES RELEVANT TO PROFIT

- The instability of the global economic and political climate
- Fashion trends and supply chain
- Increasing reliance on information technology
- Increasing complexity of the regulatory environment

Read more about our material matters, risks and opportunities on page 33.

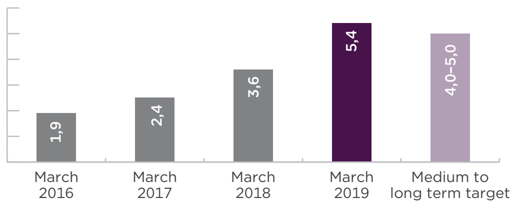
KEY ACTIVITIES UNDERTAKEN DURING THE YEAR

- We continued to research digital transformation opportunities across our supply chain – this included investigating a mobile app to enhance the quality of our reporting and analytics, as well as utilising data analytics to optimise our inbound supply chain.
- We continued to focus on capital allocation and the rationalisation of our portfolios.
- We successfully launched Sedex and improved the overall quality of our vendor base, with 85% of our vendors now classed as A or B on our internal scorecard.

Read more about Sedex in the Chief Executive Officer's report from page 48.

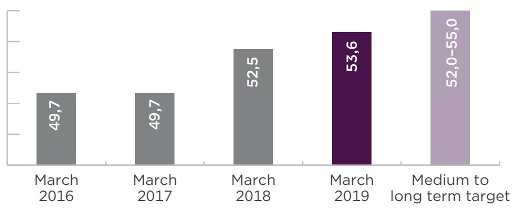
HOW WE MEASURE PROFIT SUCCESS

Number of quick response units (million)



Increased rates of sale drove demand for more quick response units. We achieved an increase of 1,8 million units year on year, with a total quick response unit growth of 50,1%. This is ahead of schedule of the medium-term target. We continue to grow the ability of our Maitland and Caledon factories to manufacture and deliver quick response products.

Gross margin (%)



Direct sourcing improves our margins and ensures we can manage compliance and sustainability matters. Direct sourcing increased by 62% year on year, resulting in cost price reductions in key categories. We also implemented several lean supply chain initiatives.

- As part of supply chain optimisation, we have consolidated suppliers and will reduce lead times over the next two to five years.
- We employed an additional 203 people at our cut, make and trim (CMT) factories and a total of 245 people across our two Prestige factories.
- Focused TFG Africa business optimisation commenced with aim to optimise processes in line with our digital transformation, cost reduction and working capital initiatives.

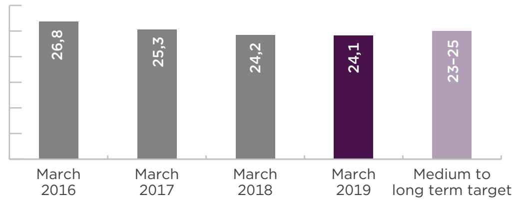
Refer to the Chief Financial Officer's report on pages 68 to 76 for further information on key activities undertaken during the year.

FUTURE FOCUS AREAS

- We will develop a multi-brand distribution centre in Midrand, South Africa, which will enable any brand product to be processed through a single Group distribution centre.
- We will continue to grow our quick response capability.
- We plan to increase direct sourcing by accessing new territories and introducing new product categories.
- We will continue to invest in digital transformation to reduce lead times associated with product development and enhance our quality inspection processes.

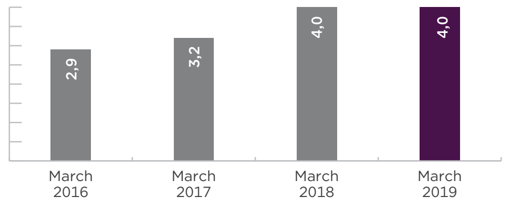
HOW WE MEASURE PROFIT SUCCESS

TFG Africa ROCE (%)



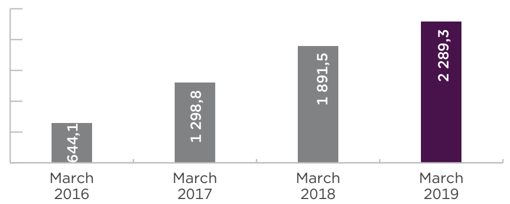
We continue to focus on incremental improvement in ROCE over time. The recent commencement of business optimisation will contribute to this improvement.

Pre-pack units as % of product received



Performance objectives were integrated into relevant strategy plans during the year to enhance cross-docking. We saw a slight increase in the uptake of this critical process, which enhances receiving and throughput at our distribution centres to improve stock availability in store.

Free cash flow (Rm)



We achieved free cash flow equal to 86,8% of net profit, despite significant investment in transformational capital expenditure.

OUR PERFORMANCE AGAINST OUR STRATEGIC PILLARS (continued)

GROWTH

OBJECTIVES

- We will deliver a customer-focused, digital omnichannel ecosystem.
- We will be the leading lifestyle retailer in Africa whilst growing our international footprint.

OUR GROWTH CONTEXT

Our continued strategic international expansion creates value for our shareholders through geographic diversification, the leveraging of our existing retail experience and additional revenue and profit.
TFG Africa trades across eight countries, 21 brands and 2 631 outlets, with multiple opportunities for expansion. TFG Australia trades across two countries, six brands and 483 outlets. TFG London trades across 23 countries, three brands and 971 outlets. There are additional opportunities across sales channels and territories within TFG Australia and TFG London – subject to our stringent acquisition criteria.

MATERIAL MATTERS, RISKS AND OPPORTUNITIES RELEVANT TO LEADERSHIP

- Growth across our various markets and channels
- Increasing complexity of the regulatory environment

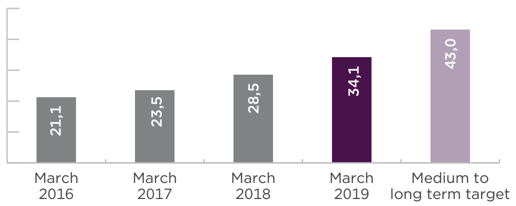
Read more about our material matters, risks and opportunities on page 33.

KEY ACTIVITIES UNDERTAKEN DURING THE YEAR

- Donna and The FIX launched their e-commerce sites during the year. Twenty-three of the Group's 29 brands are now available online.
- We launched myTFGworld.com, our multi-brand online marketplace where all online TFG Africa brands are available on a single URL. This extends our product offering to our customers and creates a one-stop-shop experience. To supplement gaps in our product offering, we launched the site with four non-TFG affiliated brands. These include an online book store, travel partner and flower and gifting services.
- We continued to gain good traction in Botswana and opened a further five stores, including the first @homelivingspace.

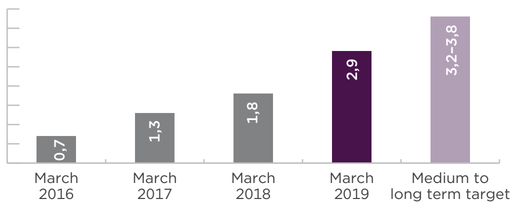
HOW WE MEASURE GROWTH SUCCESS

Retail turnover (Rbn)



Turnover growth was boosted by acquisitions in the prior year, combined with positive organic turnover growth across all three business segments.

E-commerce turnover (Rbn)



Group turnover was underpinned by gratifying online turnover growth of 57,2%. Online turnover now contributes 8,8% to Group turnover. 35% of TFG London's sales are now online.

- TFG London commenced with their back office systems and process consolidation plans, allowing for a solid platform for future growth strategies.
- The launch of five American Swiss concept stores in Australia.

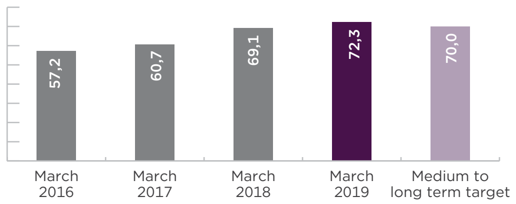
FUTURE FOCUS AREAS

- We will continue to execute our digital transformation strategy and enhance the omnichannel customer experience – this includes driving additional trading growth via our digital marketplace, myTFGworld.com. To enhance this platform, we will also investigate onboarding additional non-Group affiliates to further supplement any product gaps we identify.
- We will improve merchandise efficiency metrics in all the countries we trade in outside of South Africa.
- We will investigate digitising our imports and exports process to achieve better management of tariff codes and cost price variances, as well as increase foreign exchange visibility.

Read more about the performances of TFG Africa, TFG London and TFG Australia in the segmental performance reviews on pages 77 to 80.

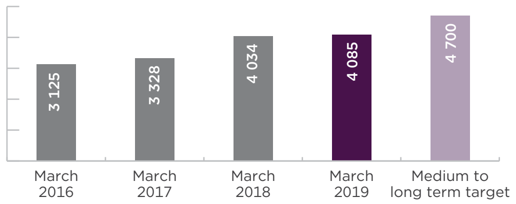
HOW WE MEASURE GROWTH SUCCESS

Cash turnover contribution (%)



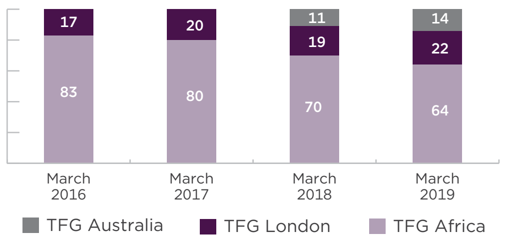
Cash turnover grew by 25,2% and now contributes 72,3% to Group turnover. TFG Africa's cash turnover, contributing 56,7% to the segment's turnover, grew strongly at 10,3% (ZAR).

Number of outlets



At March 2019, the Group's footprint consisted of 4 085 outlets across 32 countries. TFG Australia contributed to growth in outlets through the expansion of existing brands in Australia and New Zealand, with a net increase of 36 stores during the year.

Geographic turnover contribution to total Group turnover (%)



Our investments in Australia and United Kingdom are generating positive cash returns and continue to grow profitability. The current combined turnover contribution of TFG Australia and TFG London is 36%, which is in line with our desired level of offshore exposure.

CASE STUDY: Leveraging our quick response capabilities to strengthen our local supply chain

For the past six years, our focus within TFG Design and Manufacturing has been three-fold: increase efficiency, reduce costs and develop customer-facing, customer-centric teams within our local supply chain.

This was underpinned by our breakeven strategy, which guided our ambition to offer a more relevant service and value offering to retailers.

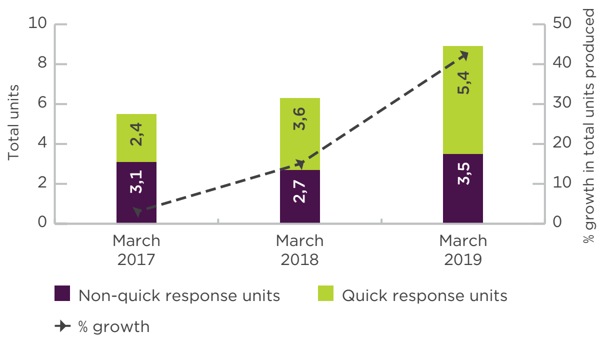
The implementation of our fit-for-purpose quick response model has been critical in this regard. Quick response capabilities increase TFG Africa's speed to market by reducing lead times. Retailers are also able to make style or design-related decisions as late as possible within a season. This means they can be more responsive to what customers want and can more accurately order the correct type and quantity of product. Importantly, quick response makes it easier for retailers to clear stock and achieve full price sales, thereby improving profitability and sales margins.

Building on this success, we revised our strategy in 2018 to focus on becoming a strategic local supply chain partner to the Group. Our new value-adding strategy will guide TFG Design and Manufacturing through to 2025, with our primary objective being to advance the value and fashion position of every apparel retailer in TFG Africa.

This will be driven by quick response as a competitive advantage and core competency. To ensure we remain relevant and deliver an enhanced value offering in comparison to other suppliers, we will focus on building our quick response capabilities to produce a broader product and style offering for retailers. This will enable us to trade more meaningfully in season and help our retailers remain highly responsive to customer needs.

BETWEEN 2014 AND 2019, TFG DESIGN AND MANUFACTURING:

- **Reduced our operating expenses** as a percentage of our turnover **from 21% to 13%.**
- Increased **turnover by 68%**.
- Increased the total number of units produced through TFG Design and Manufacturing from **4,9 million to 8,9 million** – with quick response units **increasing from 1,2 million to 5,4 million**.
- Developed **customer-centric design teams** that cater uniquely to every apparel retailer within TFG Africa (excluding footwear and accessories).
- Strengthened our quick response capability by establishing **two world-class quick response facilities** under Prestige Clothing.



"We made significant strides to align our purpose, processes and people to ensure continuous improvement. This included a strong focus on succession planning and developing a compelling rewards offer that is supported by modern skills development programmes across all levels of the business.

To measure the strength of our quick response model, the performance of TFG Design and Manufacturing will be evaluated against similar apparel supply chains in the upper quartile globally. This will be underpinned by continued investment in skills development, automated and semi-automated energy-efficient manufacturing equipment and systems and ongoing research into robotics.

Read more about this and other initiatives that support our shared value strategy in our sustainability overview report, available on our website.

OUR PERFORMANCE

TFG's vision, values and differentiating factors, combined with the four strategic pillars, are all inseparable elements of our value creation process.

CHIEF FINANCIAL OFFICER'S REPORT

BONGIWE NTULI

INTRODUCTION OF NEW ACCOUNTING STANDARDS – IFRS 9 AND IFRS 15

During the year, the Group adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The Group adopted IFRS 9 retrospectively and elected to reflect it as an adjustment to the Group's opening retained earnings on 1 April 2018 and not to restate its comparative financial statements. IFRS 15 was adopted fully retrospectively by the Group as at the start of the earliest period presented in our consolidated annual financial statements.

Further information with regard to the impact of these changes in accounting policies is provided in note 39 of our annual financial statements.

THE STRONG RESULTS ACHIEVED DURING THE YEAR WERE UNDERPINNED BY KEY ELEMENTS:

- SOLID TURNOVER GROWTH
- GROSS MARGIN EXPANSION
- LIKE-FOR-LIKE EXPENSE CONTROL
- POSITIVE PERFORMANCE FROM ACQUISITIONS

OUR PERFORMANCE DURING THE YEAR

	GROUP March 2019	GROUP March 2018	GROUP % change
Retail turnover (Rm)	**34 101,4**	28 519,5	19,6
Gross margin (%)	**53,6**	52,5	
Headline earnings (Rm)	**2 743,4**	2 448,8	12,0
HEPS (cents)	**1 187,1**	1 088,8	9,0
Total dividend per share (cents)	**780,0**	745,0	4,7
Free cash flow (Rm)	**2 289,3**	1 891,5	21,0
Total debt to equity (%)	**56,6**	62,0	

SOLID TURNOVER GROWTH

The financial year was characterised by difficult trading conditions across our major territories. In addition, the retail sector faced significant disruption due to discounting and generally volatile consumer confidence. Despite this, all three business segments produced strong turnover growth in relation to their respective markets.

* Turnover up 3,5% on a normalised basis.
^ Turnover up 14,5% on a normalised basis

Group retail turnover increased by 19,6%, with turnover growth of 8,9% (ZAR) for TFG Africa, 31,3% (GBP) for TFG London and 58,3% (AUD) for TFG Australia. TFG Africa's performance was underpinned by strong combined Black Friday and December sales in the second half of the financial year. Strong comparable store turnover growth of 5,6% was achieved for TFG Africa and 7,8% for TFG Australia. This indicates that rather than having to open new stores to drive sales, we can use our existing store base to enable growth by offering an appropriate product mix and providing a suitable level of service intensity.

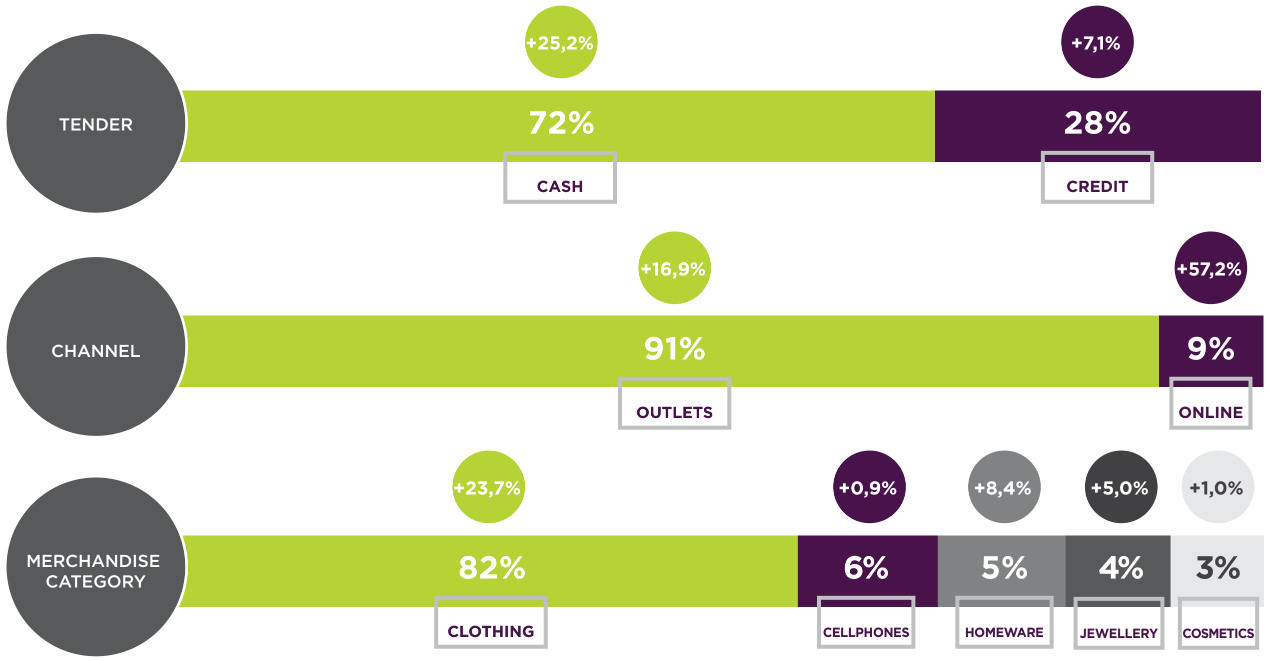
Group turnover was underpinned by gratifying online turnover growth of 57,2%. Online turnover now contributes 8,8% to Group turnover. While digital transformation at TFG extends beyond a focus on online sales and omnichannel retail, we have invested significantly in our online offering to customers and are pleased to see a return on our efforts.

Demand for our products is reflected by the increase in Group cash turnover, which grew by 25,2% and now contributes 72% to Group turnover. TFG Africa's cash turnover, contributing 56,7% to the segment's turnover, grew strongly at 10,3% (ZAR). Group credit turnover increased by 7,1%.

SOLID TURNOVER GROWTH (continued)

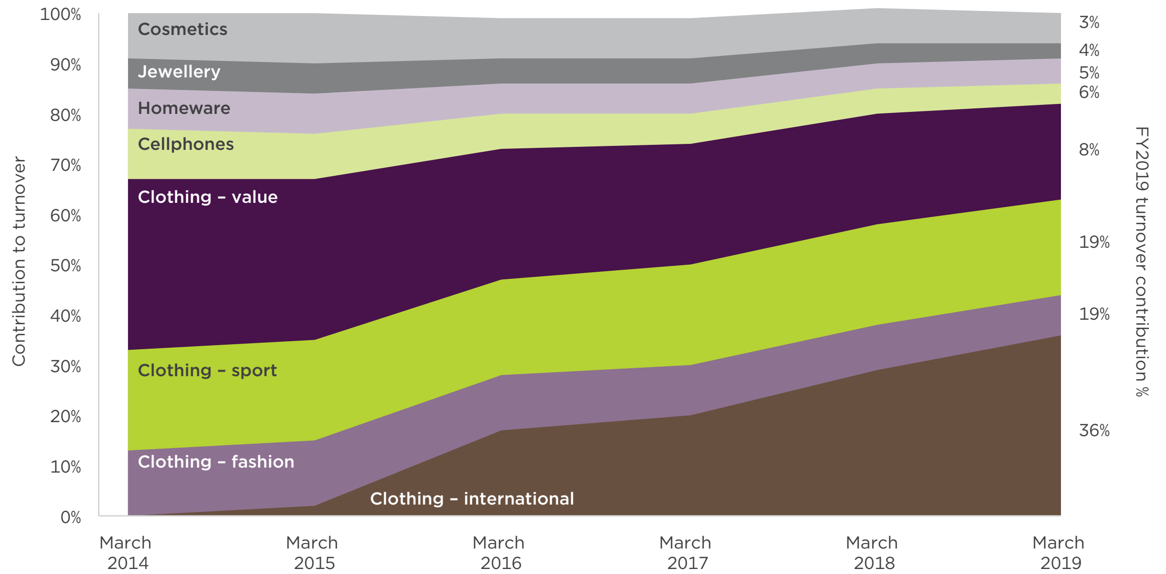
The Group's solid performance is further underpinned by the success of our diversification strategy, which lessens our dependency on any specific merchandise category or channel. The contribution of clothing, a higher margin category, remains significant. We are particularly pleased with the growing contribution of TFG London and TFG Australia to Group clothing turnover.

Key facts on turnover:



MERCHANDISE CATEGORY CONTRIBUTION TO TURNOVER

The Group's performance is underpinned by the success of its diversification strategy which lessens the dependency on any specific merchandise category:



Turnover growths by merchandise category	% turnover growth (Group) ZAR*	% turnover growth (TFG Africa) ZAR	% same store turnover growth (TFG Africa) ZAR	% turnover growth (TFG London) GBP*	% turnover growth (TFG Australia) AUD*
Clothing	23,7	11,1	7,5	31,3	58,0
Jewellery	5,0	4,2	3,3		n/a^
Cellphones	0,9	0,9	–		
Homeware and furniture	8,4	8,4	2,7		
Cosmetics	1,0	1,0	0,2		
Total turnover	19,6	8,9	5,6	31,3	58,3

* *Non-comparable due to inclusion of Hobbs (TFG London) and RAG (TFG Australia).*

^ *American Swiss Australia first year of trade.*

GROSS MARGIN EXPANSION

Tough retail environments gave rise to high levels of discounting in all three of our major territories. Despite this, Group gross margin expanded to 53,6% from 52,5% at March 2018:

- TFG London and TFG Australia reported gross margins of 61,4% (March 2018: 61,9%) and 66,0% (March 2018: 65,5%) respectively. As the international business grows, a proportion of the Group's average margin increases due to the relatively higher margin in these businesses.
- The encouraging improvement in gross margin for TFG Africa continued, with 48,2% achieved for the year compared to 47,8% in 2018. This results from focused initiatives to enhance our local manufacturing and quick response capabilities. Quick response units grew by 50,1% during the year and our local quick response manufacturing now constitutes 60,5% of TFG Design and Manufacturing. Combined, these efforts lessen our fashion risk, improve input margins and decrease markdowns.

Read more about our local manufacturing and quick response capabilities on page 64.

LIKE-FOR-LIKE EXPENSE CONTROL

Expense control remains critical to offset muted trading. To maintain a high operating leverage, we focused on business optimisation within TFG Africa and back office consolidation for our United Kingdom business. We expect to see the benefits of these investments in the upcoming financial year.

TFG Africa

Occupancy costs are a significant component of our overall operating costs in TFG Africa. Average rental renewal escalation improved to 5,8% – down from 7,1% in the prior period. We will continue to work with landlords to drive this number down and reduce our cost base. The rent reversion average was -12,7% for the year, compared to -2,5% in 2018.

TFG London

Employee costs in TFG London increased due to the impact of the National Living Wage introduced in the prior period. Occupancy costs reduced as a result of store closures as well as positive rent renegotiations – average escalation on rental renewals was -3,8% (previously +5,3%).

TFG Australia

Growth in occupancy and employee costs from new store openings contributed to the increased trading expenses. Occupancy costs decreased slightly – with lease escalations on renewals averaging 3,8% (previously 5,3%). Other net operating costs increased in line with TFG Australia's online strategy and in-store investment.

The Group contained total like-for-like store expense growth in TFG Africa to 5,8% for the year. For TFG London, total trading expenses increased by 2,5% on a normalised basis. Trading expenses for TFG Australia increased 13% on a normalised basis.

POSITIVE PERFORMANCE FROM ACQUISITIONS

The Group's international segments now contribute 19% to Group EBITDA.

EBITDA for TFG London remained consistent at £24,8 million and includes £3,5 million in extraordinary costs:

- £2,5 million net write-off after the United Kingdom department store, House of Fraser, was placed under administration (TFG London merchandise was available through the House of Fraser website and concessions)
- Once-off restructuring costs that amounted to £1,0 million

TFG Australia saw comparable growth in EBITDA of 27,6%.

Further information on the performance of the Group's three business segments, TFG Africa, TFG London and TFG Australia, is provided in the segmental performance review on pages 77 to 80.

STATEMENT OF FINANCIAL POSITION

REDUCED GEARING | WORKING CAPITAL MANAGEMENT | ENHANCED FREE CASH FLOW

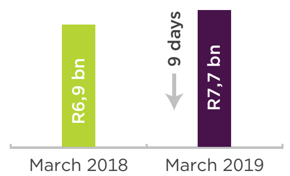
REDUCED GEARING

We reduced a significant portion of our debt through strong cash flow generation with both investments in the United Kingdom and Australia generating positive cash returns. The Group ended the year with reduced gearing levels. Our total debt to equity ratio improved to 56,6% from 62,0% at March 2018.

WORKING CAPITAL MANAGEMENT

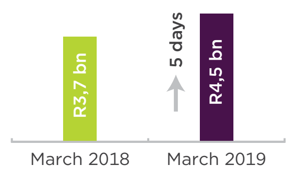
The Group's focus on working capital management continued with pleasing results.

177
INVENTORY DAYS



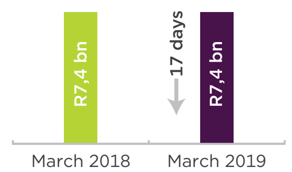
While inventory increased year on year, we reduced our inventory days and inventory growth remains well below turnover growth.

105
CREDITOR DAYS



Improved management of credit payment terms and provision for incentives.

288
TRADE DEBTOR DAYS



The retail net debtors' book of R7,4 billion grew by 0,9% year on year (2018: 7,8%) while the gross debtors' book grew by 9,6% to R9,3 billion (2018: R8,5 billion). The muted growth in the net debtors' book is as a result of the impact of IFRS 9. Net bad debt as a percentage of the debtors' book at March 2019 was 10,7%, up from 9,9% at March 2018.

ENHANCED FREE CASH FLOW

The Group achieved free cash flow of R2,3 billion (2018: R1,9 billion) for the year, equivalent to 86,8% (2018: 77,2%) of net profit after tax (NPAT).

Ongoing focus on capital optimisation, including focused capital allocation to outlets, supported this improvement in free cash flow. In total, 230 outlets were opened during the year, while 179 outlets were closed as a result of the Group's ongoing focus on reducing underperforming outlets as part of our capital allocation model.

	TFG AFRICA	TFG LONDON	TFG AUSTRALIA	GROUP
New outlets	56	116	58	230
Closed outlets	77	80	22	179
Net movement	(21)	36	36	51

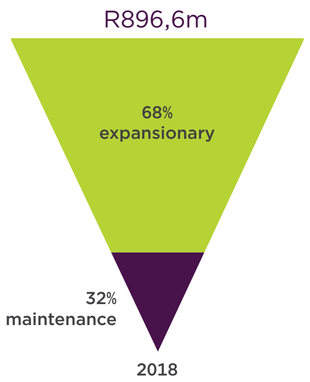
In TFG Africa, capital expenditure on outlets decreased by R91,3 million from R389,7 million to R298,4 million this year. This decrease was slightly offset by a 28,5% increase in capital expenditure on information and technology expansion. This is in line with our focus on digital transformation.

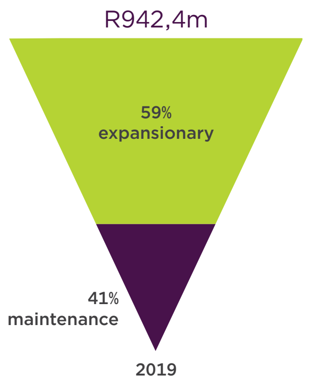
In TFG London, capital expenditure focused on new stores and concessions, particularly for Hobbs and Whistles. As consumer spend continues to shift from offline to online channels, TFG London also invested in its e-commerce platform and in growing the contribution of online sales.

In TFG Australia, capital expenditure supported the segment's focus on store expansion and growing its existing brands in line with its refreshment strategy.

The strong cash generation of the underlying businesses and reduction in the Group's debt to equity ratio are all the more pleasing, given the extent of the Group's ongoing investment in both digital and physical infrastructure to ensure it continues to meet the expectations and needs of its customers.

During the year, the Group invested R942,4 million in capital expenditure.



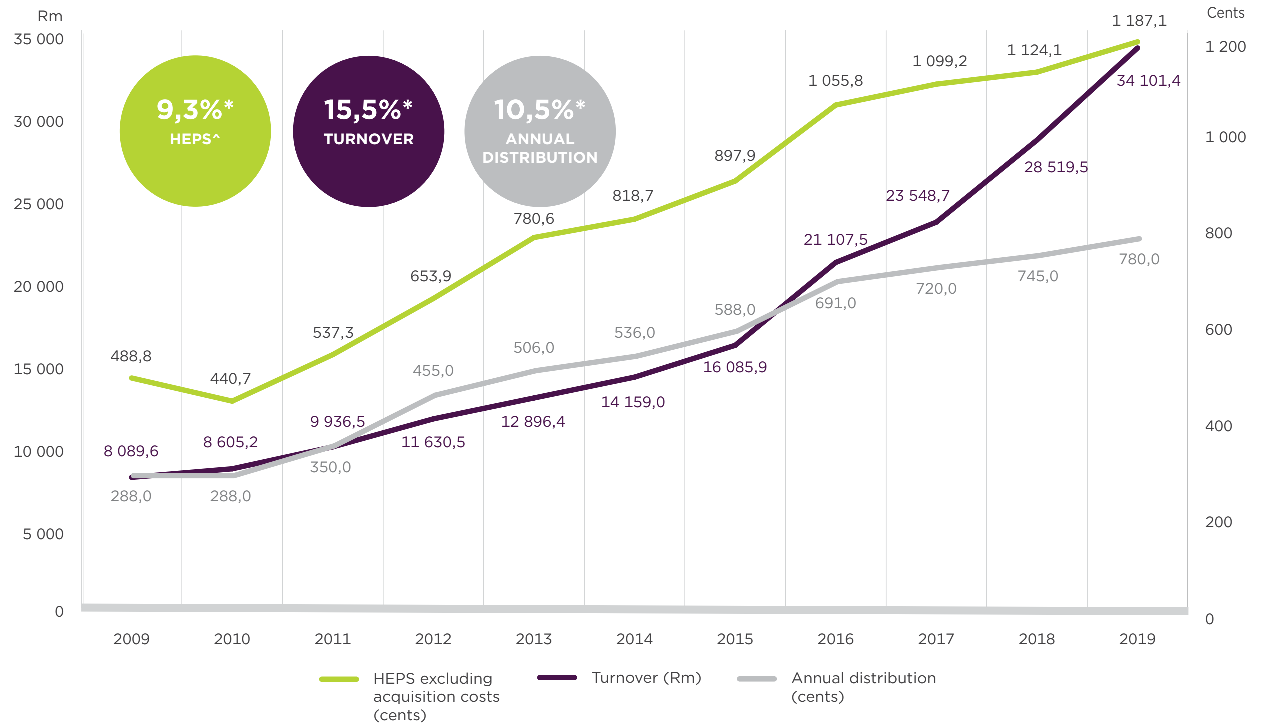


VALUE CREATED DURING THE YEAR

As a result of the Group's strong performance over the past 12 months, headline earnings increased by 12% to R2,7 billion. Excluding the acquisition costs^ incurred in the prior year, headline earnings grew by 8,5%. With the additional 17,2 million shares issued in 2018, total headline earnings per share grew by 9,0% to 1 187,1 cents per share. Excluding acquisition costs^, headline earnings per share grew by 5,6%.

The Group declared a total dividend of 780,0 cents per share – an increase of 4,7%. The dividend comprises an interim dividend of 330,0 cents per share (a 1,5% increase) and a final dividend of 450,0 cents per share (a 7,1% increase).

Our success in the past year – despite continued difficult trading conditions – builds on several years of solid performance and the gains already achieved through our diversification strategies:



Notes:
** Percentages relate to a 10-year compound annual growth rate.*
^ Headline earnings excluding acquisition costs is defined in note 29 of the consolidated annual financial statements.

FOCUS AREAS FOR 2020

Our outlook for trading conditions remains subdued across all three of the Group's business territories with macro-factors creating uncertainty both in South Africa and the United Kingdom.

In line with our continuous improvement drive, we created a new structure focused on business optimisation at the beginning of January 2019, which is made up of both internal and external resources. The team has two key deliverables, one being the enhancement of processes and technology and consequently optimisation and cost reduction of our TFG Africa shared services function and the second deliverable is the delivery of further improvements to working capital through our procurement and supply chain optimisation. We believe this will further improve our operating leverage over the next 12 to 18 months on a sustainable basis.

We will continue to invest throughout the cycle. Capital expenditure of approximately R500 million for digital transformation initiatives has been approved over the short to medium term to support the Group's focus on an enhanced customer experience.

I am pleased to have joined TFG at a time when the company is growing ahead of its peers and at a time of sustained economic intensity. I would like to thank Anthony, our Chief Executive Officer, for helping to manage a seamless management transition. I am also thankful to my fellow Supervisory and Operating Board members, as well as our employees, for embracing me. It is wonderful to join a well-run organisation with strong ethics, governance and shared values across the Group. Together with the management team, I look forward to 2020 and to TFG's continued success.

Bongiwe Ntuli
Chief Financial Officer

28 June 2019

SEGMENTAL PERFORMANCE REVIEW

TFG AFRICA

SALIENT FEATURES

	March 2019	March 2018	% change
Retail turnover (Rm)	**21 813,3**	20 038,2	8,9
Gross margin (%)	**48,2**	47,8	
Credit income (Rm)	**2 235,9**	2 072,0	7,9
Value-added services (Rm)	**754,6**	806,6	(6,4)
EBITDA (Rm)	**4 186,9**	4 035,8	3,7
New outlets	**56**	146	
Closed outlets	**77**	83	
Total outlets at the end of the year	**2 631**	2 652	
Net bad debt (Rm)	**992,8**	837,5	18,5
Net bad debt as a % of debtors' book (%)	**10,7**	9,9	

CPI
4,5%
(March 2019 y-o-y)
(March 2018: 3,8% y-o-y)

GDP
0,8%
(Q4 2018 y-o-y)
(Q4 2017: 1,4% y-o-y)

CONSUMER CONFIDENCE INDEX
2
(Q1 2019)
(Q1 2018: 26)

BUSINESS CONFIDENCE INDEX
28
(Q1 2019)
(Q1 2018: 44)

Source: Stats SA, BER.

OPERATING CONTEXT

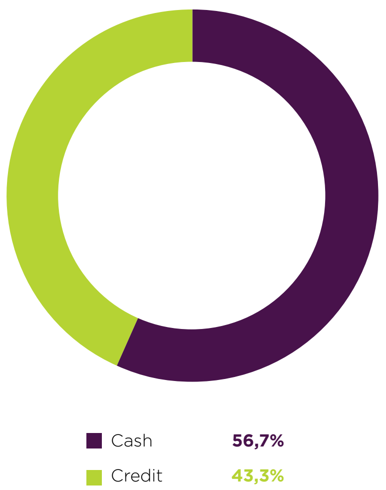
- The South African economy faced another challenging year, with tough trading conditions and consumer confidence under pressure. Increased unemployment and a higher tax, fuel and electricity burden contributed to this pressure.
- Business confidence was at its lowest since 2007, largely attributed to increased labour unrest in most sectors, ongoing political uncertainty, the continued threat of an economic downgrade and the depreciation of the Rand against most major currencies.
- In the rest of Africa, most of the countries we operate in are experiencing economic woes.

PERFORMANCE OVERVIEW

- TFG Africa continued to show strong turnover growth this year – cash turnover increased by 10,3% and credit turnover by 7,1%. There was also positive growth across all merchandise categories:

	TFG Africa % change ZAR	TFG Africa % same store growth
Clothing	11,1	7,5
Jewellery	4,2	3,3
Cellphones	0,9	–
Homeware and furniture	8,4	2,7
Cosmetics	1,0	0,2
Total turnover	**8,9**	**5,6**

CASH VS CREDIT SPLIT



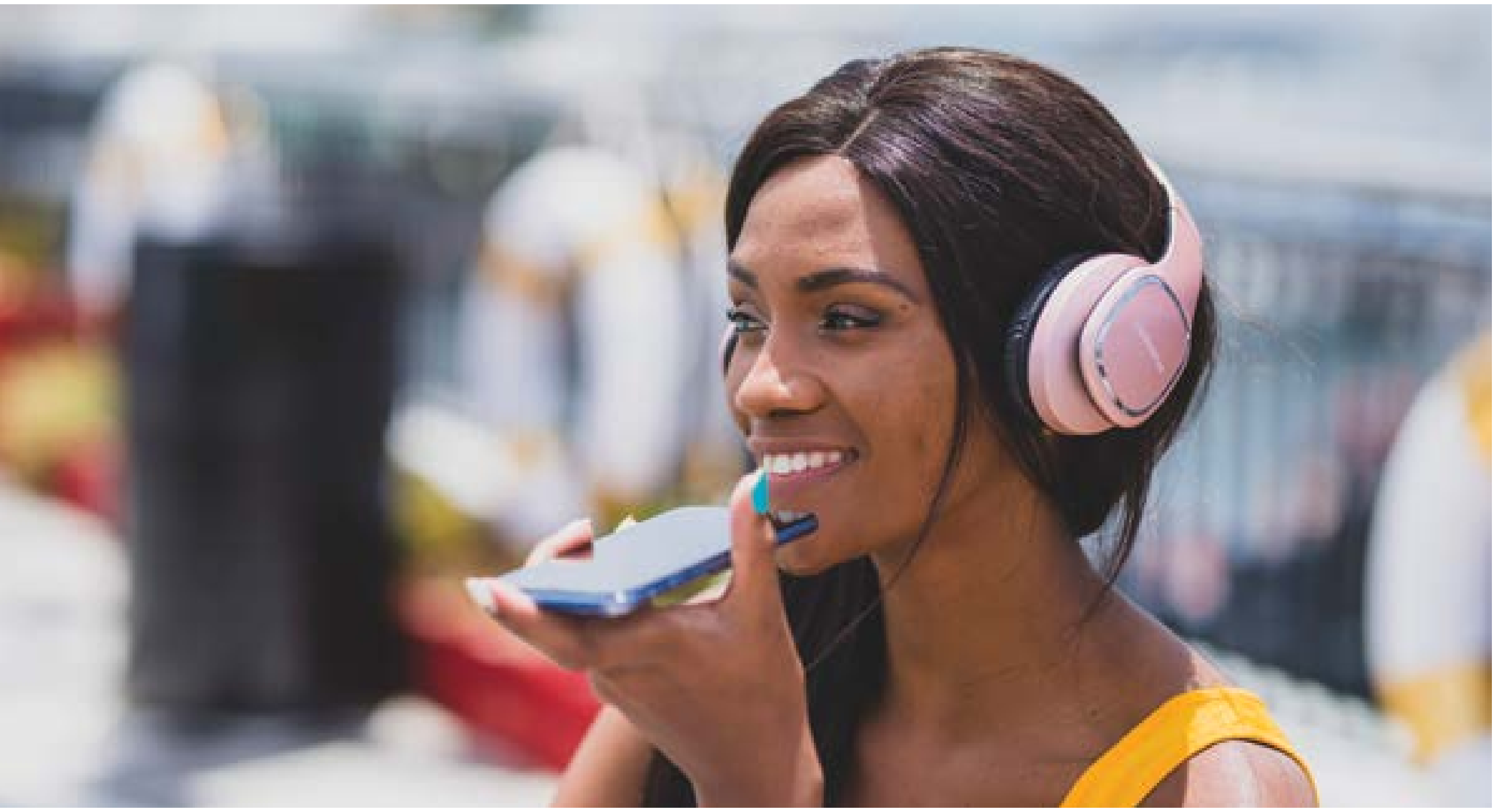
PERFORMANCE OVERVIEW (continued)

- For our value-added services, we saw growth in insurance and mobile revenue. This offset pressure on our publishing revenue.
- We continued evaluating our portfolio of brands within TFG Africa. This included assessing return on capital, future market size and scalability versus the amount of time required to maintain or grow the business. As an outcome of this process, we decided to wind down three South African brands – Duesouth, Charles & Keith and Fabiani Women. All employees impacted by this decision were absorbed within other brands.
- Our investment in our digital transformation journey continued.

Read more about this in our Chief Executive Officer's report on page 48.

OUTLOOK

- Political uncertainty post South Africa's 2019 election is expected to continue.
- Gross margin and product price inflation are expected to continue at similar levels to those experienced in the past financial year.
- Our focus on digital transformation and business optimisation will remain a key focus area.
- Uncertainty around the debt intervention bill is anticipated to continue into the new financial year.



TFG LONDON

SALIENT FEATURES

	March 2019	March 2018	% change
Retail turnover (£m)	**408,3**	310,9	31,3
Gross margin (%)	**61,4**	61,9	
EBITDA (£m)	**24,8**	24,8	–
New outlets	**116**	91	
Closed outlets	**80**	83	
Total outlets at the end of the year	**971**	935	
Online turnover % contribution to TFG London turnover (%)	**35,0**	33,0	

CPI
1,8%
(March 2019 y-o-y)
(March 2018: 2,5% y-o-y)

GDP
1,4%
(2018 y-o-y)
(2017: 1,8% y-o-y)

CONSUMER CONFIDENCE INDEX
-13
(March 2019)
(March 2018: -7)

BUSINESS CONFIDENCE INDEX
-23
(Q4 2018)
(Q1 2018: -4)

Source: Tradingeconomics.com, Office for National Statistics, GfK.

OPERATING CONTEXT

- The retail environment remained challenged by suppressed economic growth and reduced consumer and business confidence.
- Brexit-related political and economic instability increased as the initial deadline for negotiations passed, leading to greater uncertainty over timing and outcome.
- A channel shift in customers' shopping habits from physical to online stores and the associated cost pressures continued.
- Ongoing failures of high-profile retailers resulted in market volatility.

PERFORMANCE OVERVIEW

- 20% of TFG London's sales are generated internationally and there is significant potential to increase profitability in the short to medium term. The focus remains on key markets where we can achieve scale through our brand portfolio.
- 35% of TFG London's sales are now online and TFG London is outperforming the broader market through the delivery of a true omnichannel proposition. Sales through our "click and collect" platform continue to grow. We also developed a new online platform that will be launched in the upcoming financial year.
- Back office consolidation is almost complete, and TFG London has successfully embedded its operating model into Whistles and Hobbs. We plan to leverage these centralised functions to deliver sustainable and scalable profitability.
- We established a shared staffing model, which enables fewer employees to cover multiple TFG London brands within the same department store location. This provides an improved customer experience, supports cost flexibility and helps to improve the overall customer experience.
- For the first time since 2015, the signing of outlet leases has accelerated. This is the result of ongoing engagement with landlords to achieve more favourable payment terms and reduced lease length.

OUTLOOK

- The United Kingdom retail and economic environment will continue to be challenging in the short to medium term, particularly as the uncertainty around Brexit continues. However, it is anticipated that market volatility and the exit of high-profile retailers will present opportunities for market share growth. TFG London is well-positioned to capitalise on this growth due to our financial strength, scale and consolidated back office.
- We anticipate growth in online sales will continue, along with continued cost pressures, growing return rates and growth in customer acquisition costs.

TFG AUSTRALIA

SALIENT FEATURES

	March 2019	March 2018	% change
Retail turnover (A$m)	**494,2**	312,1	58,3
Gross margin (%)	**66,0**	65,5	
EBITDA (A$m)	**57,3**	39,6	44,7
New outlets	**58**	44	
Closed outlets	**22**	11	
Total outlets at the end of the year	**483**	447	

CPI
1,3%
(March 2019 y-o-y)
(March 2018: 1,9% y-o-y)

GDP
2,3%
(Dec 2018 y-o-y)
(Dec 2017: 2,6% y-o-y)

CONSUMER SENTIMENT
98,8
(March 2019)
(March 2018: 103,0)

BUSINESS CONFIDENCE INDEX
0
(March 2019)
(March 2018: 9)

Source: Reserve Bank of Australia, Australian Bureau of Statistics, Westpac-Melbourne Institute – Tradingeconomics.com, National Australia Bank – Tradingeconomics.com.

OPERATING CONTEXT

- While annual GDP growth has largely remained stable year on year, consumer sentiment and business confidence have declined to below their long-term average. This downward trend was particularly evident in the months leading up to the federal elections held in May 2019.
- Unemployment remains historically low at 5% – an annual improvement of 0,5%.
- The Australian retail market remains competitive and two competitor companies closed during the year. The big box department stores remain under pressure.

PERFORMANCE OVERVIEW

- TFG Australia delivered another strong performance, with like-for-like sales ahead of the market at 7,8%.
- New outlet growth remains on track and we continue to expand our existing brands with a net increase of 36 stores and 11 expansions in Australia and New Zealand during the year. Total store count at March 2019 was 483 stores.
- We rolled out American Swiss Australia – a TFG Africa brand. Five stores were opened during the year and we will continue to test this brand in the upcoming year.
- We continue to see steady growth in revenue from digital channels – with online contributing 4,6% to Group sales. This is a 55% increase year on year.
- The assets of the G-Star RAW franchise stores were disposed of in December 2018. These stores made up 16 of the 22 retail outlets closed during the year.

FUTURE FOCUS AREAS

- We will continue to expand our store base, with a particular focus on New Zealand.
- Growth in digital channels is anticipated to continue as we invest in our online strategy.
- We anticipate opportunities to increase market share as other retailers exit the market.

HOW WE GOVERN TFG

TFG remains committed to the highest standards of corporate governance that adds value to the business.

CORPORATE GOVERNANCE REPORT

TFG's Supervisory Board is committed to the highest standards of corporate governance and supports the outcomes and principles set out in King IV™ and the JSE Limited Listings Requirements.

THE SUPERVISORY BOARD IS COMMITTED TO EXERCISING ETHICAL AND EFFECTIVE LEADERSHIP TOWARDS THE ACHIEVEMENT OF THE FOLLOWING GOVERNANCE OUTCOMES, AS STATED IN KING IV™:

ETHICAL CULTURE

TFG maintains an enjoyable, ethical and values-based workplace. We also create opportunities for our employees to develop and grow in a respectful, collaborative, high-performing, career-oriented environment.

The TFG code of good ethical conduct guides how we do business, maintain a workplace free from discrimination and ensure fair and ethical practices for all employees. The code also guides how TFG interacts with external stakeholders and broader society.

Management is responsible for implementing and executing the code of good ethical conduct. The Supervisory Board, with the assistance of the Social and Ethics Committee, exercises ongoing oversight of the management of ethics and monitors TFG's activities with regard to ethics to ensure it is integrated in the operations of the company. The code of good ethical conduct is included on TFG's intranet and referenced in supplier and employee contracts.

In addition to the above, we continued to invest in measures to monitor organisational ethics and minimise the number of incidents during the year.

The Group has a zero-tolerance approach to fraud, corruption and other forms of crime or dishonesty. A whistle-blowing facility has been in place since February 1998. Whistle-blowing is encouraged through the outsourced Deloitte tip-off anonymous line, which is promoted among employees and suppliers. Reports are submitted to the Group Forensics department for investigation.

- 234 (reports received in 2017)
- 202 (reports received in 2018)
- 232 (reports received in 2019)

Feedback from the respective business units and the tip-off line is reviewed by the Audit Committee to ensure appropriate follow-up and remedial action is taken. Significant issues, including fraud, are reported to the Supervisory Board. No significant issues were recorded during the year.

GOOD PERFORMANCE

TFG's vision, values and differentiating factors, combined with the four strategic pillars, material risks and opportunities, business model and sustainability strategy, are all inseparable elements of our value creation process.

During the year, the Supervisory Board approved the strategy formulated by the Operating Board and reviewed and approved the policies and operational plans developed by the Operating Board to give effect to the approved strategy.

Read more about this process on page 54.

Importantly, the Supervisory Board engaged with the Operating Board to assess TFG's performance and ensure alignment between the Group's strategy, performance and remuneration to achieve long-term sustainable growth and the enhancement of shared value for all stakeholders.

EFFECTIVE CONTROL

The Group's governing structures (set out on page 86) assist TFG in setting the direction for how the relationships and exercise of power within the Group should be approached and conducted.

A formal Board evaluation process is followed every two years to evaluate the performance of the Supervisory Board, its committees, its chair and its individual members.

Read more about the formal Board evaluation process followed in 2019 on page 92.

The Supervisory Board remains ultimately responsible for overseeing compliance, technology and information governance, internal control functions, combined assurance and risk management. Duties in this regard are assigned and delegated by the Supervisory Board to the Audit and Risk Committees. An overview of these duties follows later in this report.

LEGITIMACY

The Social and Ethics Committee is responsible for assisting the Supervisory Board with monitoring, reporting and discharging TFG's social, ethical, transformational and sustainability practices consistent with good corporate citizenship. Our stakeholder engagement programme enables us to understand and be responsive to the interests and expectations of all stakeholders.

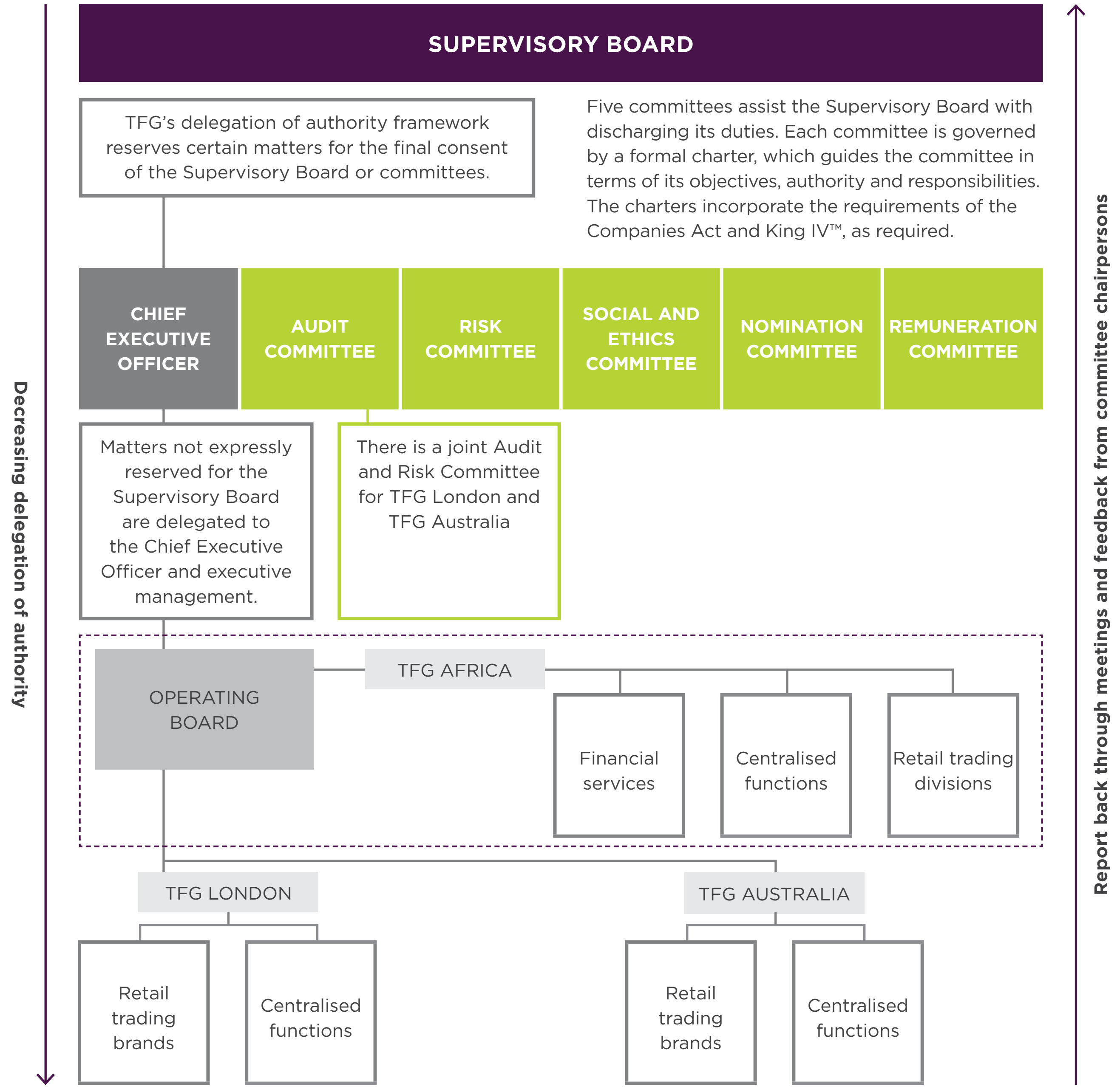
This report, supplemented by our sustainability overview report, details our approach to managing material sustainability challenges. These include governance, ethics, human rights, addressing climate change and promoting effective utilisation of energy, water and other environmental resources to ensure an effective contribution to a sustainable future.

TRANSPARENCY, OPENNESS AND ACCOUNTABILITY REMAIN THE KEY PRINCIPLES ON WHICH ALL TFG'S BUSINESS ACTIVITIES ARE CONDUCTED. THIS IS IN ACCORDANCE WITH THE GROUP'S VALUES OF TRUST AND MUTUAL RESPECT.

Our King IV™ application register is available on our website and demonstrates how we are applying specific governance structures, processes and practices to achieve the 16 King IV™ principles and, as a result, the desired governance outcomes.

GOVERNING STRUCTURES AND DELEGATION

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



The scope and functioning of the Supervisory Board and its committees are governed by charters. These charters are regularly reviewed and updated. They outline the relevant authority, responsibilities, powers, composition and functioning of the Supervisory Board and its committees.

All committees are chaired by an independent non-executive director.

An *ad hoc* Finance Committee, comprising both non-executive and executive directors and chaired by G H Davin, is tasked from time to time to assist the Supervisory Board in several areas. This includes making dividend recommendations to the Supervisory Board and specifically considering and investigating all potential acquisition opportunities and their funding.

The Operating Board is responsible for day-to-day management and operations.

Read more about the role and responsibilities of the Operating Board on page 41.

There is a clear distinction drawn between the roles of Chief Executive Officer and the Chairman and these positions are occupied by separate individuals. The Chairman is considered independent.

The Supervisory Board is satisfied that the delegation of authority framework contributed to role clarity and the effective exercise of authority.

HOW THE SUPERVISORY BOARD SPENT ITS TIME

The Supervisory Board typically meets five times per year in Cape Town.

Proceedings at meetings are directed by way of an agenda. → The proposed agenda is circulated in advance to enable Supervisory Board members the opportunity to request additional agenda items. → A comprehensive Board pack is distributed prior to meetings to ensure members are properly informed and able to engage in meaningful discussions and effectively discharge their duties.

Minutes of all committee meetings are included in the Supervisory Board packs and directors can raise concerns or questions arising from these minutes.

During the current financial year, the Supervisory Board undertook several discussions and debates related to the execution of TFG's strategy, the effectiveness of the Group's governance structures and the factors underpinning performance.

The Supervisory Board *inter alia*:

- approved projections and results;
- approved dividends;
- considered compliance and governance matters (including the application of King IV™);
- approved the King IV™ application register;
- considered the independence of non-executive directors;
- finalised succession planning for the Chief Financial Officer, with the appointment of Bongiwe Ntuli;
- considered report-backs on the enhanced governance structures for TFG London and TFG Australia;
- reviewed and updated the Board charter;
- reviewed strategy at various levels;
- focused on current performance;
- considered report-backs from Supervisory Board committees; and
- discussed emerging retail trends and TFG's digital transformation initiatives.

The Supervisory Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2019 financial year. Further, the directors confirm that the committees functioned in accordance with their written terms of reference as contained in their charters during the financial year.

SUPERVISORY BOARD AND COMMITTEE ATTENDANCE

The attendance of the directors at Supervisory Board and committee meetings for the financial year was as follows:

	Supervisory Board	Remu-neration Committee	Risk Committee	Audit Committee	Nomination Committee	Social and Ethics Committee
Number of meetings	5	4	4	3	2	2
Prof. F Abrahams	5	4		2*		2
S E Abrahams	5		4#	3	2	
G H Davin	5					
D Friedland	5	2*	2*	3		
M Lewis	5	4	3#	3#	2	
B L M Makgabo-Fiskerstrand	4*		4	3		2
A D Murray	3**	1#	2**	1#		1**
B Ntuli	1***		1***	1#		
E Oblowitz	5	4	4	3		
N V Simamane	5		4	3		2
R Stein	5		4	3#	2	
A E Thunström	5	4#	4	3#	2#	2

Invitee.
* *Absent with apology.*
** *Retired in September 2018.*
*** *Appointed in January 2019.*

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

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

SUPERVISORY BOARD COMPOSITION, EXPERTISE AND DIVERSITY

The Supervisory Board mainly comprises non-executive directors, with the majority being independent.

Read more about how we evaluate the independence of our directors on page 92.

2 Executive directors
Chief Executive Officer and Chief Financial Officer

8 Independent non-executive directors

1 Non-executive director

All directors exercise unfettered discretion in fulfilling their duties and there exists a balance of power and authority among the members of the Supervisory Board.

TFG has adopted a policy on the promotion of gender and race diversity at Supervisory Board level.

4 Female **7** Male

4 Black **7** White

GENDER DIVERSITY (%)

RACE DIVERSITY (%)

Diversity is important to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management of TFG.

TENURE OF THE BOARD OF DIRECTORS

3 1–4 YEARS

3 5–8 YEARS

5 9 YEARS OR MORE

Of the eight independent non-executive directors, four have served a term in excess of nine years. The Supervisory Board reviewed the independence of Mr S E Abrahams, Mr M Lewis, Prof F Abrahams and Ms N V Simamane and after due consideration (during the relevant meeting the aforementioned directors recused themselves) concluded that the length of their association with the Group does not impair their independence.

The Nomination Committee recommends re-election by shareholders after due consideration is given to the director's attendance at meetings and his/her performance.

Each year, one third of the existing non-executive directors are subject to retirement by rotation. This is in line with the memorandum of incorporation.

The following Supervisory Board members will stand for re-election at the 2019 AGM:

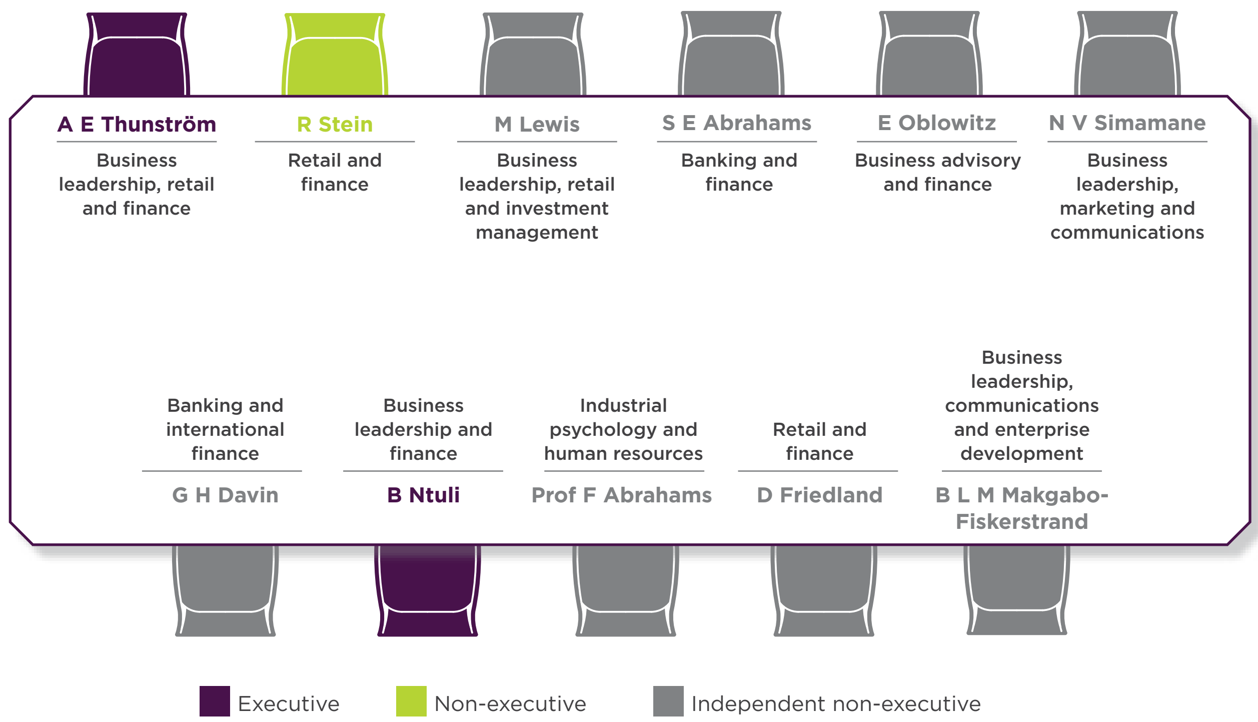
M Lewis

Prof F Abrahams

S E Abrahams

A truly diverse board will include and make good use of different skills, regional and industry expertise, background, race, gender and other distinctions between directors.

The Supervisory Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence, as illustrated below:



TFG's ongoing focus on its strategic objectives is supported by the Supervisory Board's commitment to oversee the execution of these strategies.

This oversight depends on the directors' collective ability to stay ahead of new and changing uncertainties, risks and opportunities facing TFG over time. It is thus important that the Supervisory Board assess any gaps in its collective experience and upskill directors accordingly to ensure decision-making is properly informed. This further ensures that our approach to succession planning, director renewal, training and development and committee composition is relevant and resilient to TFG's changing risk environment.

In addition, a formal induction programme for new non-executive directors is in place to maximise their understanding of the Group and enable them to provide input and make well-informed decisions as quickly as possible. All non-executive directors are exposed to the key aspects of the Group on a regular basis and are invited to proactively participate in this process. Directors have unrestricted access to the Company Secretary and all company records, as well as to independent professional advice at the company's expense in appropriate circumstances.

INDEPENDENCE AND PERFORMANCE EVALUATION

As recommended by King IV™, the Supervisory Board categorises non-executive directors as independent if it concludes there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interests of TFG. The Supervisory Board considers King IV™ and other indicators holistically, and on a substance-over-form basis when performing this assessment and is aided by an annual independence questionnaire completed by each non-executive director.

On this basis, eight of the nine non-executive directors are categorised as independent and one, R Stein, is not considered to be independent.

Non-executive directors have no fixed terms and the performance of all directors is subject to an evaluation process. This formal Board evaluation process is followed every two years as recommended by King IV™, and includes the following steps:

1. Comprehensive questionnaires are sent to all Supervisory Board members to evaluate the performance of the Supervisory Board, its committees, its chair and its individual members.
2. The results are collated and passed on to the Chairman.
3. The Chairman conducts a one-on-one interview session with each director to discuss his/her feedback and any areas of concern.
4. The Chairman provides feedback to the Supervisory Board on any actions arising from the evaluation process.
5. The outcomes of the actions are evaluated to ensure improvements were achieved.

This process was followed in 2019 and will be repeated in 2021. Action plans are in place that address the key themes, which include:

- diversity at Board level;
- ongoing director education and training; and
- enhanced reporting on performance management.

The Supervisory Board is satisfied that the evaluation process is improving its performance and effectiveness.

The Nomination Committee appointed S E Abrahams, an independent non-executive director with substantial board experience, to lead the evaluation of the Chair's performance.

DIRECTOR APPOINTMENT

Potential non-executive directors go through a thorough interview process until a suitable candidate is appointed. The process is contained in a policy that details the appointment procedure and ensures that appointments are a matter for the Supervisory Board, assisted by the Nomination Committee. Newly-appointed directors hold office until the next annual general meeting, at which time their appointment is confirmed and they stand for re-election.

CHANGES TO THE SUPERVISORY BOARD AND COMMITTEES

As reported in our 2018 integrated annual report, Mr A D Murray stepped down as Chief Executive Officer of the Group on 3 September 2018 and retired from the Group at the end of September 2018. Mr A E Thunström, previously the Chief Financial Officer of the Group, assumed the position of Chief Executive Officer on 3 September 2018. Mr Thunström was appointed to the Social and Ethics Committee and is an invitee to the Remuneration and Nomination Committees.

As was announced on the Stock Exchange News Service (SENS) on 1 August 2018, Ms B Ntuli was appointed as Chief Financial Officer and executive director of the Group, with effect from 14 January 2019. Ms Ntuli was appointed to the Risk Committee and is an invitee to the Audit and Social and Ethics Committees.

COMPANY SECRETARY

The Company Secretary, D van Rooyen, is accountable to the Supervisory Board, and all directors have access to his professional corporate governance advice and services. He has unfettered access to the Supervisory Board, but at the same time maintains an arm's length relationship with it and is not a director of the company. The Company Secretary is independent and functionally reports to the Supervisory Board on company secretarial matters. The Company Secretary's duties include but are not limited to those listed in section 88 of the Companies Act of South Africa.

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

Following this assessment in 2019, the Supervisory Board believes the Company Secretary is an objective, suitably qualified, competent and experienced individual able to provide the Supervisory Board with the requisite support for its effective and efficient functioning and discharge of its duties as prescribed by the Companies Act of South Africa, King IV™ and the JSE Limited Listings Requirements. The Supervisory Board further believes that the office of the Company Secretary is empowered and that the position carries the necessary authority.

REMUNERATION AND SHAREHOLDING

The remuneration paid to directors during the current year, as well as details of direct and indirect shareholdings, are disclosed in the Remuneration Committee report which appears later in this report. Information regarding their participation in share incentive schemes (which is limited to executive directors) is also disclosed.

DEALING IN SHARES

The Supervisory Board complies with the Listings Requirements of the JSE Limited in relation to restrictions on directors and employees trading with TFG shares during closed periods. Restrictions may also be placed on share dealings at other times if TFG is involved in corporate activity or sensitive negotiations.

There is a process in place in terms of the Listings Requirements of the JSE Limited for directors to obtain prior clearance before dealing in TFG shares. All transactions are conducted at the ruling market price on the JSE. Details of directors' share dealings are disclosed on SENS.

DIRECTORS' INTERESTS IN CONTRACTS

In addition to a formal annual disclosure process, directors are required to make ongoing disclosures of any interests in contracts. During the year under review, the directors had no interest in contracts as contemplated in the Companies Act of South Africa.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

Responsibility for the implementation and execution of effective compliance management is delegated to management. The Supervisory Board retains ultimate responsibility for compliance with applicable laws, adopted non-binding rules, codes and standards. The constantly changing regulatory landscape is carefully monitored to ensure that key regulatory changes are identified by jurisdiction, impact on the business is determined and appropriate business response plans are developed to ensure compliance.

Read more about how we identify risks and respond to the risk of non-compliance in our Risk Committee report on page 107.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2019 to the shareholders of TFG. This report complies with the Companies Act of South Africa and King IV™.

- Meeting attendance for the committee is set out on page 88. All members of the committee continue to meet the independence requirements of the Companies Act of South Africa and King IV™.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 39.
- Details of fees paid to committee members appear in note 31 of the consolidated annual financial statements.

COMMITTEE MANDATE AND FUNCTIONING

The committee is governed by a formal Audit Committee charter that is reviewed regularly and incorporates all the requirements of the Companies Act of South Africa. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Supervisory Board. The committee fulfilled its responsibilities in accordance with its charter during the 2019 financial year.

The Audit Committee recognises its important role as part of the risk management and corporate governance processes and procedures of TFG.

The committee typically meets three times per year and further meetings are held as required. Salient aspects of Internal Audit reviews are discussed at each meeting. In addition, the following is addressed at each respective meeting:

- Review of enterprise risk management and combined assurance methodology and consideration of outcome of financial risk assessment (typically in March each year)
- Approval of annual results (typically in May each year)
- Approval of interim results (typically in November each year)

The committee considered the draft interim and annual financial reports prepared by executive and senior management and recommended the adoption of these reports to the Supervisory Board subject to certain amendments. The Chairman provided written reports to the Supervisory Board that summarise the committee's findings and recommendations.

The committee held three formal meetings during the 2019 financial year. To further strengthen the Group's governance structures, a joint Audit and Risk Committee was constituted for TFG London and TFG Australia. This committee met twice during the financial year.

Independently of executive management, members of the committee meet separately with the Head of Internal Audit and the external auditors respectively. The Head of Internal Audit reports directly to the Audit Committee.

Meeting dates and topics are agreed well in advance of each year. Each meeting is preceded by the distribution of an Audit Committee pack to each attendee, comprising *inter alia*:

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by executive and senior management including:
  - taxation,
  - compliance and legal,
  - governance over technology and information management,
  - internal audit,
  - insurance and loss statistics, and
  - enterprise risk management (ERM).

AUDIT COMMITTEE MEMBERSHIP

MEMBERS AND APPOINTMENT DATES

S E Abrahams (Chairman)	29 January 1999
Prof. F Abrahams	1 October 2016
D Friedland	1 April 2016
B L M Makgabo-Fiskerstrand	1 October 2015
E Oblowitz	1 October 2010
N V Simamane	24 February 2010

The Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Head of Enterprise Risk Management, the Company Secretary and the external audit partner and staff attended meetings of the committee by regular invitation. Additional attendees, including Mr R Stein, a non-executive director, and members of executive management, are invited to attend meetings on an *ad hoc* basis. The Chairman of the Group has an open invitation to attend meetings of the Audit Committee.

ROLES AND RESPONSIBILITIES

STATUTORY DUTIES AS PRESCRIBED IN THE COMPANIES ACT OF SOUTH AFRICA

General

- to receive and deal appropriately with any concerns or complaints (whether internal, external or on its own initiative) relating to the accounting practices and internal audit of TFG, the content or auditing of TFG's financial statements, the internal financial controls of TFG or any related matter.

External auditors

- to evaluate the independence, effectiveness and performance of the external auditors;
- to obtain assurance from the auditors that adequate accounting records are being maintained and that appropriate accounting policies are in place, which have been consistently applied save for the introduction of IFRS 9 and IFRS 15;
- to evaluate the appointment of the external auditors on an annual basis and to ensure that such appointment is in terms of the provisions of the Companies Act of South Africa and any other legislation;
- to approve the audit fee and fees in respect of any non-audit services; and
- to determine the nature and extent of any non-audit services the auditors may provide to the Group and to pre-approve proposed agreements for non-audit services.

Financial results

- to make submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- to provide, as part of the integrated annual report and consolidated annual financial statements, a report by the Audit Committee.

DUTIES ASSIGNED AND DELEGATED BY THE SUPERVISORY BOARD

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated;
- to assess the effectiveness of the arrangements in place for combined assurance; and
- to assist the Supervisory Board in carrying out its risk management, technology and information management responsibilities.

External auditors

- to consider and respond to any questions from the Supervisory Board and shareholders regarding the resignation or dismissal of the external auditors, if necessary;
- to review and approve the external audit plan; and
- to ensure that the scope of the external audit has no limitations imposed by executive management and that there is no impairment on its independence.

Internal control and internal audit

- to review the effectiveness of the Group's systems of internal control, including internal financial controls, reporting procedures and risk management, and to ensure that effective internal control systems are maintained;
- to ensure that written representations on internal controls are submitted to the Supervisory Board annually by all divisional managing directors and general managers (these being representations that provide assurance on the adequacy and effectiveness of the Group's systems of internal control);
- to monitor and supervise the effective functioning and performance of the internal audit function;
- to review and approve the annual internal audit plan and the internal audit charter;
- to ensure that the scope of the internal audit function has no limitations imposed by executive management and that there is no impairment on its independence; and
- to review that appropriate internal controls and internal audit plans are prepared to cover the TFG International operations.

Finance function

- to consider the appropriateness of the expertise and experience of the Chief Financial Officer; and
- to satisfy itself with the expertise, resources and experience of the finance function.

Financial results

- to consider any accounting treatments, significant unusual transactions, or accounting judgements and estimates that could be contentious;
- to review executive management's assessment of going concern and to make a recommendation to the Supervisory Board that the going concern concept be adopted by the Group; and
- to review the integrated annual report, as well as the consolidated annual financial statements, interim reports, preliminary reports or other financial information prior to submission and approval by the Supervisory Board.

COMMITTEE EVALUATION

A formal Supervisory Board evaluation (which includes an evaluation of all subcommittees) was followed in the 2019 financial year. Action plans are in place to address the key themes.

ELECTION OF COMMITTEE MEMBERS

The following members made themselves available for election to the committee. Such election was recommended by the Nomination Committee and will be proposed to shareholders at the upcoming annual general meeting (AGM):

S E Abrahams (Chairman)
Prof. F Abrahams
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

SPECIFIC RESPONSIBILITIES

The committee confirms that it has carried out its functions in terms of the Audit Committee charter and section 94(7) of the Companies Act of South Africa, by:

- confirming the nomination of Deloitte & Touche as the Group's registered auditor, and Mr M van Wyk as the designated partner, for the year ending 31 March 2020; being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to Deloitte & Touche;
- ensuring that the appointment of Deloitte & Touche complies with the provisions of the Companies Act of South Africa;
- determining the nature and extent of any non-audit services, which the external auditors provide to the company or a related company;
- pre-approving proposed agreements with Deloitte & Touche for the provision of any non-audit services;
- preparing this report for inclusion in the consolidated annual financial statements and the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the Supervisory Board on any matter concerning the Group's accounting policies, financial controls, records and reporting; and
- performing other oversight functions as determined by the Supervisory Board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

Based on the assessment of the system of internal financial controls and reporting procedures conducted by internal audit, as well as information and explanations given by executive and senior management and discussions held with the external auditors on the results of their audit, the committee is of the opinion that TFG's system of internal financial controls and reporting procedures are effective and forms a basis for the preparation of reliable financial statements in respect of the year under review.

In addition, during the 2019 financial year, the committee was not made aware of any material breaches of any laws or regulations or material breaches of internal controls or procedures.

Internal audit continues to develop and refine its approach to analytically examine and interrogate the store data in an attempt to highlight:

- unmitigated risks; and
- potential loss.

This work has involved the development of IT software to enable intelligent scrutiny of stores' data. The Audit Committee, the Risk Committee and senior management believe this initiative is essential to achieve better coverage of critical issues, particularly given the sizeable growth in new stores that has occurred in TFG Africa, London and Australia.

The committee believes that Mr H Nell, the Head of Internal Audit, possesses the appropriate expertise and experience to meet his responsibilities in that position and that the internal audit function is functioning and performing effectively.

COMBINED ASSURANCE

The Audit Committee reviewed the combined assurance process and related methodologies and the outcomes thereof and considers this process to be effective.

Read more in our Risk Committee report on page 109.

RISK MANAGEMENT

While the Supervisory Board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the Risk Committee, assists the Supervisory Board in the assessment of the adequacy of the risk management process. The Chairman of this committee has an open invitation to Risk Committee meetings to ensure that relevant information is regularly shared. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and technology, and information management risks as they relate to financial reporting.

The strategies adopted by the Audit Committee and the Risk Committee ensure timely reviews of any internal control weakness identified by any of the assurance providers. In addition, there continues to be significant improvements in the development of ERM methodologies, which will further enhance the Group's risk management coverage and focus.

Read more about our risk management approach in the Risk Committee report on page 110.

TFG INTERNATIONAL OPERATIONS

The creation of the joint Audit and Risk Committees has continued to significantly enhance the governance oversight of both TFG London and TFG Australia. This committee meets twice a year and provides feedback to the Audit and Risk Committees as well as the Supervisory Board. The Chairmen of both these committees will also review the results of the TFG International operations and provide feedback to the Audit and Risk Committees as well as to the Supervisory Board.

Internal audit continues to draw up an audit plan to cover the significant risks identified and audits were conducted during the year to cover those risks. No major concerns surfaced from their audit work.

THE FINANCIAL AND BUSINESS ENVIRONMENT

SOUTH AFRICA

The year under review has presented significant challenges to the retail industry as a whole. In South Africa there has been a lack of GDP growth; with the result that job creation has not achieved at the required levels to enable the vast majority of South Africans, with insufficient sustainable income, to purchase life's necessities. In addition, increased fuel costs and electricity price increases have placed a further financial burden on the vast majority of our citizens.

The recent political elections were conducted in an exemplary manner and President Ramaphosa must now deliver on his election promises of GDP growth, job creation, the provision of affordable housing, improved educational facilities and appropriate healthcare availability.

It is not surprising that, with the exception of a few retailers, the South African retail industry suffered during the year under review. One remains cautiously optimistic that TFG's superb results in South Africa, which demands continuous commitment to excellence, is sustainable into the future. The investment in state-of-the-art IT holds a key to success as the world struggles with the physical size of outlets and the ever-increasing reliance on online sales. In South Africa, the latter still represents a small percentage of sales but efforts to improve the TFG offering in this regard continue relentlessly.

UNITED KINGDOM

Regrettably, the uncertainty of Brexit has continued and currently no solution to the crisis is apparent. The Brexit uncertainty is not the only reason why retailers in the United Kingdom are failing, with the major groups either downsizing or going into administration.

As our major brands rely on the sales emanating from the concessions we maintain in a number of these department stores, the determination and expertise of our United Kingdom team has been rewarded by achieving remarkable results in a depressed overall environment.

AUSTRALIA

The executive team in Australia continues to achieve stellar results in an environment which is also suffering from depressed turnovers. The management remains confident that the newer brands, some of which have only been launched in the recent past, will complement those more mature brands and believes that the RAG contribution to TFG's results will continue to show sizeable growth.

ACCOUNTING STANDARDS

The Audit Committee has spent a considerable amount of time and effort dealing with the introduction of IFRS 9 and 15 in the year under review and preparing for IFRS 16, which is effective from 1 April 2019.

IFRS 9 presented a real challenge to our credit financial team. Support was required from IT, including an outsourcer, as the provisions moved from IAS 39 (the incurred loss model) to IFRS 9, which requires a forward-looking approach based on ECL (expected credit loss) formulation. In addition to validating our models on a regular basis, consideration had to be given to uncertainties in the environment, particularly the threat, in South Africa, of the introduction of debt forgiveness regulations to assist a defined financial class of customers who find themselves unable to discharge their indebtedness. Various protestations and submissions have been provided to government from credit providers not to introduce such legislation as it goes against the constitutional right of a credit provider to collect debts owing to it. The outcome of the risk is currently unclear. TFG has made an estimated provision against losses which may incur should such legislation become effective.

In the United Kingdom, as indicated earlier, an estimated provision has been raised against the possibility of concession stores being placed into administration (refer to note 20 of the consolidated annual financial statements). Regrettably, our ability to take credit guarantee insurance is no longer an effective mitigant as, in many instances, such insurance is no longer available and/or has become excessively costly.

It must be stressed that the Audit Committee believes that the provisions raised pursuant to IFRS 9 regulations is adequate and embodies sound business judgement; a view shared by our external auditors who independently challenged the provision.

The introduction of IFRS 15 did not present TFG with any major problems and has been integrated with minor impact on our results.

Because of the large number of stores we rent locally and internationally, the forthcoming introduction of IFRS 16 has presented our finance Group in Southern Africa, the United Kingdom (including other countries outside of the United Kingdom) and Australia with formidable challenges. With 4 085 trading outlets in TFG it must be appreciated that providing an opening entry on 1 April 2019 is a mammoth task. As can be seen from note 40 to the consolidated annual financial statements this work is substantially complete with only a few minor updates still outstanding. Management and the Group finance team are confident that this work will be completed well before issuance of our half year results covering the six months ending 30th September 2019.

OTHER ACCOUNTING MATTERS

Provision for doubtful debts

As set out above, the effects of IFRS 9 have played a significant part in determining the level of provisioning required to cover doubtful debts. It has been evident that the financial pressures which all credit customers have had to and continue to endure has had a negative effect on collections. Although we have noticed a slight deterioration in customer settlements, the level of provisioning is considered to be appropriate in the circumstances. The relaxation of income verification requirements imposed by the credit regulator had the effect of many individuals applying for credit facilities. The TFG risk strategy addressed the significant surge in applications, ensuring that the quality of our book was maintained. Further it is gratifying to note that cash sales continue to grow throughout the Group as a percentage of total sales (Refer to page 69 of this report).

Inventory

With the continued growth of the Group via expansion, it is to be expected that the carrying value of inventory will increase. After lengthy debate and review of the external and internal auditors' reports, together with input from senior executives and brand leaders, the Audit Committee is satisfied that the value of inventory reflected on the statement of financial position at 31 March 2019 is fairly stated.

Combined assurance

The progress in providing a comprehensive combined assurance framework is most pleasing as all five layers of risk providers have had input into the process. This financial and operational framework is aimed at ensuring all identified risks facing the Group are mitigated as far as possible. In addition, the risk profiles are updated on a continuous basis, thus enabling the Group to address new risks as they manifest themselves on a proactive basis.

Losses from crime-related incidents

Although the Group continues to suffer losses from crime-related incidents, it has been pleasing to note that an active and highly effective Forensics division has been successful in curtailing losses from fraud, burglaries, armed robberies, etc.

IT Governance

Regular reports are provided to, *inter alia*, the Audit Committee on the progress made by the Group's IT division to be an enabler to the Group's brands. Appropriate levels of investment in IT is a high priority of the Group, with the clear understanding that IT remains a critical service provider to the Group's operations.

Funding

The Group continues to enjoy strong support from many institutions, not only in Southern Africa, but also in the geographies where we trade internationally. Because of multiple properties which the Group rents, gearing ratios will spike following the introduction of IFRS 16 in the 2019/2020 year. This accounting standard is unlikely to pose any concerns to TFG's funders.

EXTERNAL AUDITORS

The Group's external auditors are Deloitte & Touche and the designated partner is Mr M van Wyk.

Deloitte & Touche is afforded unrestricted access to the Group's records and management, and present any significant issues arising from the annual audit to the committee. In addition, Mr M van Wyk, where necessary, raises matters of concern directly with the Chairman of the committee.

The committee gave due consideration to the independence of the external auditors and is satisfied that Deloitte & Touche is independent of the Group and executive and senior management and is therefore able to express an independent opinion on the Group's consolidated annual financial statements. The Committee specifically considered Deloitte & Touche's tenure (two years) and the nature and extent of non-audit services. Non-audit services of R4,1 million were provided in the current year (2018: R0,4 million (KPMG) and R1,5 million (Deloitte & Touche)).

The committee has nominated, for approval at the AGM, Deloitte & Touche as the external auditor and Mr M van Wyk as designated audit partner for the 2020 financial year, having satisfied itself (as required by the JSE Limited Listings Requirements):

- that the audit firm is accredited by the JSE Limited; and
- that the quality of the external audit is satisfactory (after referencing the most recent inspection reports issued by the Independent Regulatory Board for Auditors (IRBA) in respect of both the audit firm and the designated audit partner).

FINANCIAL STATEMENTS

The committee reviewed the financial statements of the company and the Group and is satisfied that they comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

In addition, the committee reviewed executive management's assessment of going concern and recommended to the Supervisory Board that the going concern concept be adopted by TFG.

As recommended by King IV™ the Committee has concentrated primarily on the following financial captions with the actions taken to address the risks listed:

ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Audit Committee specifically considered the impact of the following new accounting standards: • IFRS 15 *Revenue from Contracts with Customers* (adopted fully retrospectively as at the start of the earliest period presented in the 2019 consolidated annual financial statements) • IFRS 9 *Financial Instruments* (adopted retrospectively on 1 April 2018 with an adjustment to the Group's opening retained earnings) • IFRS 16 *Leases* (only applicable to the Group's 2020 financial year)	The Audit Committee received regular presentations from management on the processes and controls in place to address the adoption of these new accounting standards; as well as on the financial impact and the required disclosures.	The external auditors provide detailed reports on their work to satisfy themselves that the adoption of the new accounting standards has been correctly applied.

RECOVERY OF TRADE RECEIVABLES

During the year, we receive detailed presentations from the Group Director responsible for Credit on the progress being made in controlling the collection of receivables, which reports detail trends in recoveries, bad debt write-offs and other matrixes associated with TFG's customer accounts status.	In addition to reports provided to the Audit Committee, similar presentations are made to the Supervisory Board at regular intervals.	The Audit Committee receives reports from the external auditors on their work. Robust discussions take place on their findings.

INVENTORY

The Audit Committee members receive monthly reports from the Chief Executive Officer, which include comments made by each divisional head on: • their inventory holdings, stock-turn statistics and write-down information; and • the adequacy or otherwise of the overall quantum of their inventory holdings per business unit.	Internal audit conducts ongoing cyclical inventory counts and reports on their findings to the Audit Committee. In addition, the detailed internal audit reports relating to inventory counts are reviewed throughout the year by the Risk Committee.	The external auditors provide a detailed year-end report on their work to satisfy themselves that this critical caption is fairly stated.

INTEGRATED ANNUAL REPORT

The committee fulfils an oversight role in respect of the integrated annual report. In this regard, the committee gave due consideration to the need for assurance on the sustainability information contained in this report and concluded that obtaining independent assurance would not be beneficial to stakeholders in all aspects of our business.

The committee considered the sustainability information as disclosed in the integrated annual report, assessed its consistency with the consolidated annual financial statements and sustainability overview report and is satisfied that the sustainability information is in no way contradictory to that disclosed in the consolidated annual financial statements.

EXPERTISE OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

The committee considers the appropriateness of the expertise and experience of the Chief Financial Officer and finance function on an annual basis.

In respect of the above requirement, the committee believes that Ms B Ntuli, the Chief Financial Officer, possesses the appropriate expertise and experience to meet her responsibilities in that position.

The committee further considers that the expertise, resources and experience of the finance function are appropriate based on the nature, complexity and size of the Group's operations.

It should also be noted that the JSE granted a dispensation to the Group for Mr A E Thunström to act in the dual role as Chief Executive Officer and Chief Financial Officer for the period 3 September 2018 to 13 January 2019.

APPROVAL

The committee recommended the approval of the consolidated annual financial statements and the integrated annual report to the Supervisory Board.

S E Abrahams

Chairman: Audit Committee

28 June 2019

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee is pleased to present its report for the financial year ended 31 March 2019 to the shareholders of TFG.

- Meeting attendance for the committee is set out on page 88.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 39.
- Details of fees paid to committee members appear in note 31 of the consolidated annual financial statements.

COMMITTEE MANDATE AND FUNCTIONING

The committee is responsible for assisting the Supervisory Board with the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship and assisting the Group in discharging its business responsibilities in relation thereto.

The committee is governed by a formal charter, which guides the committee in terms of its objectives, authority and responsibilities. The charter incorporates the requirements of the Companies Act of South Africa, specifically regulation 43(5) of the Companies Act of South Africa's regulations, as well as those of King IV™. The committee fulfilled its responsibilities in accordance with its charter during the 2019 financial year.

The committee held two meetings during the 2019 financial year. At each of these meetings, the committee received reports detailing matters relevant to each of the areas within its mandate.

The focus areas of the committee are:

- social and economic development, including transformation;
- good corporate citizenship;
- the environment, health and public safety;
- labour and employment;
- consumer relationships;
- ethics; and
- sustainable development initiatives.

In discharging its duties, the committee takes into consideration any relevant legislation, other legal requirements or prevailing codes of best practice.

Our sustainability overview report provides more detail in respect of some of the aspects falling within the mandate of the committee. This report is available on our website.

SOCIAL AND ETHICS COMMITTEE MEMBERSHIP

The committee comprises three independent non-executive directors and one executive director, being the Chief Executive Officer. In addition, the Chief Financial Officer and other TFG executives attend meetings of this committee by invitation.

MEMBERS

Prof. F Abrahams (Chairperson)
B L M Makgabo-Fiskerstrand
N V Simamane
A E Thunström

INVITEES

B Ntuli

KEY AREAS OF FOCUS FOR THE REPORTING PERIOD

- local supply chain development;
- employee empowerment;
- transformation;
- wage negotiations and labour law developments;
- environmental efficiency, which included metrics for waste, electricity consumption, paper use and recyclables;
- corporate social investment initiatives;
- accountability, ethics and governance;
- implementation of action items arising from the United Nations Global Compact principles;
- compliance with consumer laws; and
- a review of TFG's sustainability strategy and its implementation including approval of TFG's sustainability overview report.

SUPPLY CHAIN

In TFG Africa, our shared value commitment allows us to prioritise local supply chain development and enable us to focus on creating shared value in both financial and social terms within our local supply chain operations. By achieving this, we aim to increase disposable household incomes by uplifting local communities through job creation, job retention, training and upskilling.

HEALTH AND SAFETY

The health and safety of all our stakeholders, both in our outlets and our other business premises, is a key focus area. The Group's operational and compliance teams actively monitors and reports on compliance with the relevant legislation; and the Committee provides oversight in this regard.

OTHER MATTERS

At this stage, there are no other matters the committee would like to bring to the attention of shareholders. The committee is satisfied with the efforts and activities undertaken by TFG in each of the areas falling within the committee's mandate. However, since TFG Africa is the most significant segment in the Group, additional details on transformation are provided as this remains a key focus area.

TRANSFORMATION REPORT

The Supervisory Board recognises the critical role it has to play in the transformation process in South Africa. The Supervisory Board's Social and Ethics Committee, through its governance and oversight role, ensures that an appropriate transformation strategy exists that is aligned with the Broad-Based Black Economic Empowerment Act (B-BBEE) and the associated codes of good practice.

The role of the committee is to achieve sustainable empowerment and it has an ongoing responsibility to govern and oversee all aspects of the Group's B-BBEE strategy and implementation. At its meetings during the 2019 financial year, the committee received feedback detailing matters relevant to each of the functional areas within its transformation mandate.

TRANSFORMATION STRATEGY

Each year, the transformation strategy is reviewed and clear guidelines are defined for each of the five pillars of the B-BBEE scorecard. By delivering shared value through our empowerment initiatives, we are making a meaningful contribution to many of our stakeholders, while ensuring the long-term stability and profitability of our business.

Our B-BBEE performance

The commitment of the Group to transformation has yielded a Level 6 rating. We have also achieved a recognition rating of 60% for preferential procurement and Empowering Supplier status in terms of the dti's B-BBEE scorecard.

A detailed review of our performance against the full scorecard is provided in our online sustainability overview report. Some highlights of our 2019 performance:

Ownership

We maintained our black shareholding with black rights originating from mandated investments.

Management Control

The black representation at both the Operating Board and executive and senior management levels is being secured through a continued focus on diversity in the succession planning and talent management processes. This was evidence this year by the appointment of the new Group Chief Financial Officer. Points for this pillar moved over 55% as a result.

Employment equity remains a critical aspect of the Group's transformation agenda. In line with this, the alignment of Group and divisional targets with the national economically active population of South Africa remains a key focus. Reasonable progress continues to be made in transforming our managerial ranks and a number of initiatives have been put in place to build a pipeline of talent to assist us in reaching our targets. Development opportunities at senior management level continue to be aligned to the selection of employees from designated groups.

Skills Development

The Group continues to support the government's strategy of job creation and skills development by investing in key skills required to sustain and grow the retail sector and its own workforce. As with the Employment Equity scorecard, the skills development targets are based on racial demographics of the economically active population.

TFG was accredited as a training provider in 2018 and can provide accredited training for our customer-facing employees. Over 139 000 South African employees attended training intervention during the year and this amounted to over R146 million in training spend. Our focus continues to be on retaining, developing and growing our talent.

Enterprise and Supplier Development

The collection of supplier B-BBEE certificates for preferential procurement remains a focus, as well as reviewing possible opportunities for black owned and black women owned suppliers.

Our main contribution to enterprise development continues to be clothing, fabric and machinery donations. Supplier development initiatives included loans and advances, donation of machinery and fabric, preferential payment terms and human resources capacity support. A total of R57,2 million was spent on Enterprise and Supplier Development initiatives this year, up from R45,2 million in the prior year.

Socio-economic Development

Socio-economic development expenditure continued to be directed towards initiatives that meet the needs of the communities in which we operate.

One of our flagship initiatives, The Sew Good programme, continued to assist more than 75 people annually by providing training to previously unemployed women to create tens of thousands of purple blankets that are distributed to those in desperate need.

R24,2 million was distributed, through Socio-economic Development activities this year, to beneficiaries that have a Black base of at least 75%.

Read more about these and other projects in our sustainability overview report, available on our website.

Prof. F Abrahams
Chairperson: Social and Ethics Committee

28 June 2019

NOMINATION COMMITTEE REPORT

The Nomination Committee is pleased to provide a report of their activities for the 2019 financial year.

- Meeting attendance for the committee is set out on page 88.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 39.
- Details of fees paid to committee members appear in note 31 of the consolidated annual financial statements.

COMMITTEE MANDATE AND FUNCTIONING

The committee is governed by a charter which sets out its mandate and key responsibilities and reports are provided to the Supervisory Board quarterly. The committee fulfilled its responsibilities in accordance with its charter during the 2019 financial year. The committee typically meets twice a year and further meetings are held as required. The committee held two meetings during the 2019 financial year.

NOMINATION COMMITTEE MEMBERSHIP

At the year end, the committee comprised of two independent non-executive directors and one non-executive director. In addition, the Chief Executive Officer attends meetings of this committee by invitation.

MEMBERS

M Lewis (Chairman)
S E Abrahams
R Stein

INVITEES

A E Thunström

ROLES AND RESPONSIBILITIES

- reviewing the Supervisory Board structure, size and composition;
- reviewing the nature, size and composition of the Supervisory Board committees;
- succession planning;
- reviewing the balance between non-executive and executive directors;
- ensuring the directors have the required blend of experience, skills and knowledge to support the continued success of the Group; and
- ensuring the existence of a formal process of performance evaluation.

KEY AREAS OF FOCUS FOR THE REPORTING PERIOD

- review of the composition of all Supervisory Board committees to ensure an appropriate mix of skills and experience;
- consideration of the diversity of the Supervisory Board and its committees (including gender and race diversity);
- review of independence of non-executive directors;
- review of the charter;
- oversight of the Supervisory Board evaluation process;
- appointment of Ms B Ntuli as Chief Financial Officer and executive director; and
- Chief Executive Officer, Chief Financial Officer and general succession.

M Lewis
Chairman

28 June 2019

RISK COMMITTEE REPORT

The Risk Committee is pleased to present its report for the financial year ended 31 March 2019.

- Meeting attendance for the committee is set out on page 88.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 39.
- Details of fees paid to committee members appear in note 31 of the consolidated annual financial statements.

COMMITTEE MANDATE AND FUNCTIONING

THE SUPERVISORY BOARD REMAINS ACCOUNTABLE TO ENSURE RISKS ARE EFFECTIVELY MANAGED AND HAS DELEGATED RISK MANAGEMENT OVERSIGHT TO THE:

RISK COMMITTEE

The Risk Committee reviews significant risks and their related mitigations and reports back to the Supervisory Board at each meeting.

The committees follow separate but aligned mandates.

AUDIT COMMITTEE

The Audit Committee focuses predominantly on financial risks and reviews the effectiveness of the risk process.

Read more about the functions of the Audit Committee from page 95 of this report.

The committee ensures:

- appropriate risk and control policies are in place and are communicated throughout the Group;
- the process of risk management and the system of internal control are regularly reviewed for effectiveness;
- there is an ongoing process to identify, evaluate and manage the significant risks faced by the Group;
- a formal risk assessment is undertaken annually;
- there is an ongoing process to identify and evaluate opportunities throughout the year;
- assurance providers are aligned to provide adequate assurance over the significant risks across the Group;
- there is an adequate and effective system of internal control in place to manage the more significant risks faced by the Group within an acceptable level;
- a risk register is maintained;
- there is a documented and tested process in place to enable the Group to continue its critical business processes in the event of a disaster, *inter alia*, the destruction of a distribution centre, head office or computer facility that affects its activities; and
- appropriate insurance cover is in place and regularly reviewed and uninsured risks are reviewed and managed.

The committee meets four times a year. The agenda includes:

- updating significant risks;
- overseeing regulatory updates, including the latest available information pertaining to government policy decisions and new or draft legislation and/or regulations;
- feedback on IT governance matters;
- emerging risk matters; and
- feedback on mitigation plans for catastrophic events, including insurance.

During the November and March meetings, the committee focuses on the renewal of TFG's annual insurance and reviewing the outcomes of the formal risk assessment process. Cyber security and combined assurance received additional focus during the year and will continue to be focus areas in the years ahead.

The committee fulfilled its responsibilities in accordance with its charter during the 2019 financial year.

RISK COMMITTEE MEMBERSHIP

MEMBERS

E Oblowitz (Chairman)
D Friedland
B L M Makgabo-Fiskerstrand
B Ntuli
N V Simamane
R Stein
A E Thunström

INVITEES

S E Abrahams
M Lewis

TECHNOLOGY AND INFORMATION GOVERNANCE

The technology and information governance steering committee, chaired by the Chief Information Officer, meets quarterly and reviews emerging technology and information governance-related risks, TFG's disaster recovery plans and any significant initiatives. The committee was expanded during the year to include TFG London and TFG Australia.

The Risk Committee receives feedback on matters discussed and monitors technology and information governance initiatives to ensure these do not pose a risk to the continuity of the Group's operations. The Risk Committee also receives regular feedback on the results of assurance activities undertaken by internal and external providers.

LEGISLATIVE COMPLIANCE

An update on legal compliance is presented at each Risk Committee meeting. This update includes a forecast of significant legislative developments in all of the countries where the Group has a footprint. Key areas of non-compliance, if any, are brought to the attention of this committee.

Based on key laws and regulations effective at 31 March 2019, there were no material areas of non-compliance. There were also no monitoring or legal compliance inspections by environmental regulators, no findings of non-compliance with environmental laws and no criminal sanctions or prosecutions for non-compliance with environmental legislation.

COMBINED ASSURANCE

During the year, the Group embedded its combined assurance model, which aligns and optimises assurance and ensures that significant risks are adequately addressed. This enables an effective control environment and ensures the integrity of information used for decision-making and reporting.

The model recognises the five lines of defence. Regular communication between assurance providers optimises areas of reliance and enhances value delivery to stakeholders. Assurance providers collectively provide assurance to the Supervisory Board.

During the year, no significant matters of concern were highlighted.

TFG COMBINED ASSURANCE MODEL

EXAMPLES OF THE APPLICABLE GOVERNANCE FRAMEWORKS:

- Companies Act No. 71 of 2008, JSE Limited Listings Requirements, King IV Report on Corporate Governance™
- External governance frameworks and legislation
- TFG Supervisory Board charter
- TFG Audit and Risk Committee charters
- Internal TFG policies and procedures

Assurance providers are increasingly engaged and meet more frequently.

LINE

1	**Line/divisional management with regular reporting to Operating Board**	Line management is responsible for managing, measuring and mitigating operational risk and performance.
2	**Governance functions such as risk, IT security, legal and compliance**	Specialised and independent functions assist and guide management in executing its duties and provide assurance through monitoring. The Operating Board, Audit and Risk Committees provide oversight.
3	**Internal audit with regular reporting to the Audit and Risk Committees**	Internal audit operates independently from management, with oversight by the Audit and Risk Committees. The Head of Internal Audit reports directly to the Audit Committee.
4	**Various external, accreditation, certification and assurance providers**	In accordance with the Group's governance framework, independent external assurance providers are appointed as required on an *ad hoc* basis. The external auditors are appointed by shareholders on recommendation of the Audit Committee.
5	**Supervisory Board**	The Supervisory Board has an overall oversight role and mandates the various committees that acts on its behalf. Refer to page 86 for a description of TFG's governance structure.

Assurance providers are increasingly independent.

Both the Audit and Risk Committees oversee the combined assurance model as well as related methodology and assurance outcomes.

OBJECTIVE

Optimise assurance activities across the Group to provide:

- assurance that the financial control environment is effective; and
- assurance that the mitigation steps developed by management are adequate, have been implemented and are effective to reduce risk to an acceptable level.

Read more about combined assurance in the Audit Committee report from page 95.

THE GROUP'S ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group seeks to mitigate and minimise risk through mechanisms such as standardised processes, regular reporting, risk transfer and diversification. Decisions are underpinned by the Group values (PRIDE²), maintaining good legal standing, protecting reputation and an appropriate balance of risk versus reward.

TFG's Enterprise Risk Management (ERM) framework provides a structured, dynamic and consistent approach to risk management. It is an integrated approach and recognises that effective risk management is critical to the achievement of strategic objectives and the long-term sustainable growth of the business. Risks are reviewed throughout the year and this continuous process informs any updates to the Group's risk registers and combined assurance plan. The framework draws on internationally-accepted best practices and is in line with relevant standards. This includes ISO 31000, the COSO framework and King IV™.

The Group continuously seeks to improve and enhance the risk management process, while maintaining a practical and business-minded approach. Updates on current and emerging risks and related mitigations are provided quarterly to the Executive Risk Committee for discussion. The Executive Risk Committee consists of senior executives representing various business divisions across the Group. Significant matters and any revisions to risks are reported to the Risk Committee.

1. Risks highlighted through workshops, assurance reviews, management, third parties and other resources are documented in a centrally managed risk register.
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.

KEY RISKS AND SIGNIFICANT UNCERTAINTIES

The Group annually reviews the level of risk it is willing to accept to achieve its strategic objectives, and in pursuit of creating and maintaining value for all stakeholders.

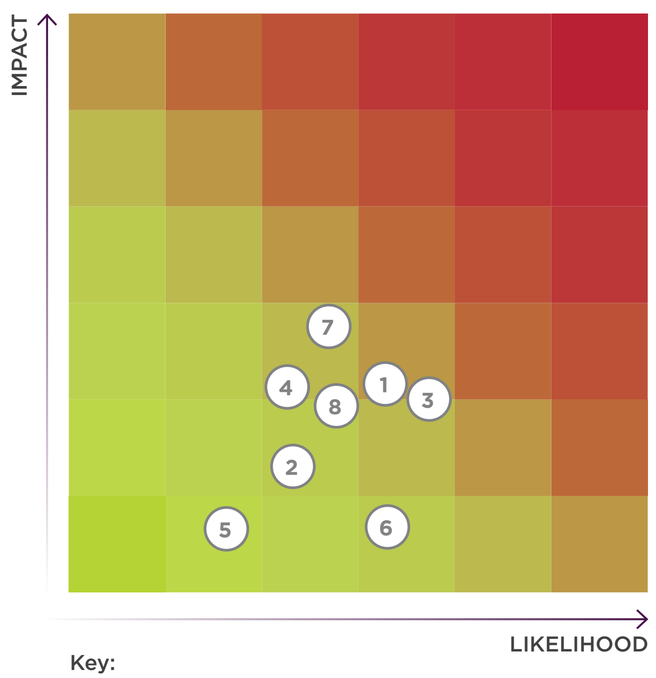
The Supervisory Board adopts a conservative approach to risk, without inhibiting or unduly restricting the Group's ability to utilise and capitalise on risk-adjusted opportunities. The Operating Board and Chief Executive Officer utilise the Executive Risk Committee and senior management to manage the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

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

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

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

The eight most significant risks to the Group are outlined below and unpacked in more detail on the following pages. TFG's material matters on page 33 further elaborate on the risks, opportunities and issues that could affect the Group's ability to create shared and sustainable value.



Key:

○ Residual risk

List of risks:

1. The complexity of the regulatory environment continues to increase.
2. Threat of a fire, flood or other natural disaster.
3. Lack of key resources, i.e. water and power.
4. Failure of TFG's IT environment.
5. Continuity of key suppliers and service providers.
6. Instability of local and global economies.
7. Threat of cyber attacks.
8. A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.

The complexity of the regulatory environment across all three of the Group's business segments continues to increase.

What happened in 2019	Risk mitigation
• There continues to be proposed amendments to South Africa's credit legislation. This includes, for example, debt intervention. • Protection of personal information or data was a focus area with the implementation of General Data Protection Regulation (GDPR) in the United Kingdom.	• The Group Legal and Compliance department monitors significant risks and provides the business with updates and training as and when required. • Regular reports, which address significant aspects across the jurisdictions the Group operates in, are provided to senior management and the Audit and Risk Committees. • TFG submits comments and lobbies on proposed credit changes.

Changes to the Credit Act could adversely affect TFG's credit business.

Data and personal information-related legislation carries significant penalties, with reputational damage to the business also posing a significant risk.

A fire, flood or other natural disaster could affect TFG's stores, distribution centres or head office.

What happened in 2019	Risk mitigation
• The Group concluded independent surveys across key facilities to ensure adequate insurance cover.	• Business continuity plans have been developed across the Group. These plans are reviewed annually and tested on a regular basis. • A Group-wide insurance programme is in place to mitigate losses.

There were five fires during the year. The Group's insurance programme responded as intended, mitigating profit and asset loss.

The Group's risks continue to evolve as new risks emerge and appropriate mitigating activities are introduced to reduce the overall residual risk. The following risks increased in significance during the year:

Lack of key resources i.e. water and power.

What happened in 2019	Risk mitigation
• The Western Cape experienced a significant water shortage during 2018, with severe restrictions being enforced. • Power outages and load shedding reoccurred early in the 2019 calendar year. It is estimated the Group lost between 9% and 11% of its trading hours over this period.	• A focused response plan is in place to ensure alternate water supplies at key facilities. • Head office and other key sites, such as the Group's distribution centres and manufacturing facilities, have generators in place to ensure operations can continue during power outages. • TFG Africa is engaging with landlords to find suitable energy and water alternatives for retail outlets.

Failure of TFG's IT environment.

What happened in 2019	Risk mitigation
• Our continued increasing reliance on IT systems, in line with the Group's focus on digital transformation, has raised the significance of this risk across the Group.	• Disaster recovery plans are in place across the Group and the ability to recover is tested at all locations annually.

During the year, TFG London tested its recovery plans following the relocation of its offices.

Weakening economies and/or a financial and/or catastrophic disasters leads to the collapse of key suppliers and service providers.

What happened in 2019	Risk mitigation
• Global political and economic climate increased the significance of this risk.	• The Group's supply chain strategy includes sourcing alternate suppliers and maintaining relationships with relevant government, industry and trade union organisations. • This includes building sustainable relationships with local suppliers, as well as the continuous performance measurement and grading of suppliers.

There were no significant supplier concerns during the year.

Instability in both local and global economics influences available capital, results in fluctuating exchange rates and affects consumer discretionary spend.

What happened in 2019	Risk mitigation
• It was widely anticipated that South Africa would be downgraded to sub-investment grade. This would have likely caused short-term interest rate spreads to widen, with a tightening of available short-term funding. • Most of the currencies transacted by the Group were subject to extreme volatility during the 2019 financial year.	• TFG's funding strategy is presented to and reviewed by the Supervisory Board annually. • This is in addition to the specific attention applied by the Finance Committee, which meets on an *ad hoc* basis to consider all funding matters of the Group. • Treasury meetings are held monthly to review funding requirements and options. • The strategy for purchasing forward cover is reviewed regularly to ensure it remains relevant and provides the best possible protection against currency fluctuations for committed and future orders. • The Group has an increasingly diversified business model across market segments and jurisdictions.

A downgrade would restrict access to and increase the cost of funding.

The hedging policy protected our margins from significant losses over this period.

Threat of cyber attacks.

What happened in 2019	Risk mitigation
• The threat of cyber attacks continues to increase globally and there is a worldwide focus on privacy legislation.	• A cutting-edge cyber security operations centre with dedicated specialists was established in 2017. • TFG has adopted best practice, including various security measures and targeted awareness campaigns.

A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.	
What happened in 2019	**Risk mitigation**
• During the year, South Africa experienced fuel hikes, increasing unemployment, concerns of corruption and the threat of a credit downgrade. These factors have increased the significance of this risk.	• The Group strives to increase accessibility to a broad spectrum of the market by growing its footprint in various locations. • The Group continues to refine credit score models for collections and follow-ups to assist customers in maintaining an open-to-buy position. • Credit applications are reviewed for fraud indicators and assessed against NCA-compliant internal scorecards, credit bureau scores and employment verification where necessary. • Collection strategies are regularly reviewed with assistance of internal behavioural and credit bureau scorecards.

The following risk, although still relevant, continued to reduce in significance during the year due to successful mitigation steps:

Continued high levels of crime (i.e. burglaries and armed robberies but excluding credit fraud) could lead to a reduced operating margin: Crime levels across South Africa continue to be concerning. However, TFG has reduced the number and value of incidents experienced by more than 15% compared to the prior year through a dedicated investigations team and a focused security strategy. There continues to be a focused effort to further reduce the impact of crime on the business.

KEY AREAS OF FOCUS FOR THE ENSUING YEAR

- Continue to focus on enhancing our ability to effectively manage significant strategic and operational risks;
- Improve alignment and reporting of assurance providers to optimise skills and resources across the Group;
- Continue to refine our IT governance approach in response to the increasing significance of cyber and data privacy risks; and
- Optimise technology to provide improved risk and assurance reporting to facilitate and enhance governance processes.

E Oblowitz
Chairman: Risk Committee

28 June 2019

REMUNERATION COMMITTEE REPORT

The Remuneration Committee (Remco) report comprises three sections:

SECTION A:	**A letter from the Remco Chairman that summarises key considerations and highlights internal and external factors that influenced remuneration during the year**
SECTION B:	**The remuneration philosophy, policy and framework**
SECTION C:	**The application of the remuneration policy during the financial year**

THE REMCO

The Remco reviews and makes recommendations on the remuneration policy to be approved by the Supervisory Board. The Remco's responsibilities are set out in the Remco charter, which is available at www.tfglimited.co.za. The Remco considers the contributions made by key individuals on certain remuneration-related topics. These individuals are invited to attend meetings and include:

- the Chief Executive Officer (CEO);
- relevant Group directors;
- the Head of TFG Remuneration; and
- independent external advisors.

The relevant individuals do not participate in any discussions pertaining to their own remuneration and are not allowed to vote on remuneration matters tabled at meetings. They recuse themselves as is necessary.

REMCO MEMBERSHIP

E Oblowitz (Chairman)
Prof. F Abrahams
D Friedland
M Lewis

In line with best practice, the Remco meets four times a year.

- Meeting attendance for the committee is set out on page 88.
- Each member's qualifications and experience are set out in the profiles on pages 38 to 39.
- Details of fees paid to committee members appear in note 31 of the consolidated annual financial statements.
- The independence of the non-executive directors is noted on page 92.

SECTION A: A LETTER FROM OUR REMCO CHAIRMAN

Dear Shareholders

This report summarises TFG's philosophy, principles and approach to remuneration for FY2019, relevant to executive directors, non-executive directors (NEDs) and other employees.

THE YEAR IN REVIEW

During the year under review, retailers faced a severely competitive environment locally and internationally. Political uncertainty in the South African, the United Kingdom and European economies, alongside high-profile corporate failures and changing consumer patterns, impacted adversely on the retail industry. Despite this, TFG performed well against its peers locally and internationally, and achieved positive results.

19,6%

GROUP RETAIL TURNOVER INCREASE

9,0%

HEADLINE EARNINGS PER SHARE INCREASE
(excluding acquisition costs +5,6%)

24,1%

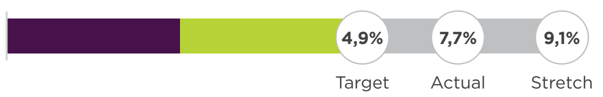
RETURN ON CAPITAL EMPLOYED (ROCE)

Read more about our performance in the Chief Executive Officer's report on page 48.

Variable pay is linked to the Group's financial performance. The following summarises the outcomes of our short-term incentive (STI) and long-term incentive (LTI) schemes as a result of TFG's positive results:

STI SCHEME PERFORMANCE OUTCOMES

Performance measure: growth in earnings before interest and tax (TFG Africa)

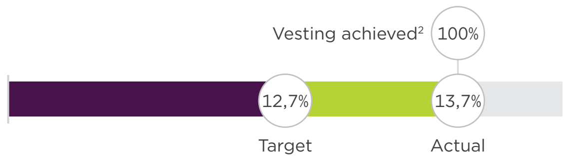


Outcome: Target exceeded

LTI SCHEME PERFORMANCE OUTCOMES

Share appreciation rights (SARs) award

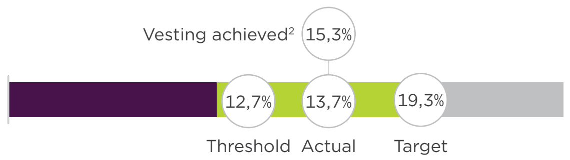
Performance measure: HEPS three-year cumulative annual growth of weighted CPI[1]



Outcome: Achieved, with 100% vesting in respect of the SARs award

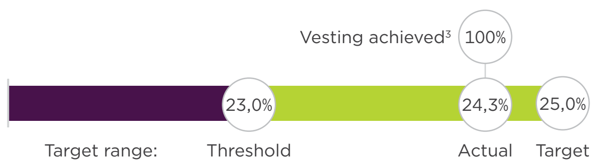
Forfeitable share plan (FSP)

Performance measure: HEPS three-year cumulative annual growth of weighted CPI[1] plus 2%



Outcome: Threshold achieved, with 15,3% vesting per performance share in respect of the FSP

Performance measure: Three-year average ROCE target range of 23% to 25%



Outcome: Achieved, with 100% vesting in respect of the FSP

1 *Actual CPI at 31 March 2019 for South Africa, United Kingdom and Australia weighted by the geographical turnover.*
2 *Vesting % calculated on cumulative growth over three year performance period.*
3 *Vesting % calculated on average ROCE over three year performance period.*

Read more in the implementation report on page 136.

THE OUTCOMES OF OUR 2018 ANNUAL GENERAL MEETING (AGM)

At the AGM held on 3 September 2018, TFG received a 79,3% non-binding advisory vote in favour of the remuneration policy and a 77,9% non-binding advisory vote in favour of the remuneration implementation report. This is a material improvement on the prior year's results and reflects the outcome of ongoing and responsive engagements with our shareholders.

SHAREHOLDER ADVISOR AND INVESTOR ENGAGEMENTS

At a minimum, we engage annually with our major investors and on a one-on-one basis to enhance our remuneration policy. We noted the engagement feedback received from shareholders' advisors and investors following the 2018 AGM and provided individual responses to the feedback received. The key issues raised, and our response to each, are set out in the table below.

SHAREHOLDER ADVISOR AND INVESTOR COMMENTS		RESPONSE FROM THE REMCO AND ACTIONS TAKEN
STI Individual Performance Measures (IPM), target and payout.	Increased disclosure on STI target setting is encouraged.	Improved disclosure is published on page 128.
	IPM measures are sufficiently explained but more clarity on how the multiples are calculated is encouraged.	As disclosed on pages 128 and 137, an internal rating is applied to each of the four strategic pillars, resulting in an overall rating, which is converted to an individual performance modifier as per the variable pay policy.
	The maximum STI opportunity at threshold and stretch is relatively high in comparison to the market. As such, it appears that TFG places greater focus on STIs than LTIs and is too focused on short-term performance.	The Remco reduced the stretch STI payout multiple from 200% to 160% (before application of the individual performance multiple) to implement a fair and market-related bonus. Updated payment multiples are published on page 129. Furthermore, the Remco introduced a linear payout between threshold and target to avoid the hit-or-miss target profile and to ensure consistent employee incentivisation between each level of performance. The impact of these changes is illustrated on page 124 and reaffirms that TFG does not have an undue focus on STI rather than LTI.
	The STI does not incorporate a deferral element.	The Remco considered a deferral STI. The Remco believes there is sufficient retention control and long-term alignment with shareholders through the current LTI structure, which has a three-year vesting period.

SHAREHOLDER ADVISOR AND INVESTOR COMMENTS		RESPONSE FROM THE REMCO AND ACTIONS TAKEN
LTI Target	There is a fair attempt to link reward to strategic performance, but more detailed elaboration is required to support this link.	Please refer to page 122 for a more detailed explanation.
	Limit the size of share awards to 0,5% per participant and not 1%.	The Remco does not consider it necessary to reduce this self-imposed limit (share scheme rules allow for 3% limit). It should be noted that the highest share awards held by any one individual is currently 0,11%. The Remco commits to reviewing share award limits on an annual basis.
	Treatment of dividends on unvested shares not disclosed.	This is now disclosed on page 131.
	Instead of a cliff vesting, there should be a prorated vesting between threshold and stretch for SARs.	A cliff vesting is appropriate for SARs, as explained on page 132 under the policy section.
	The ROCE target should be more challenging, the weighting should be increased and there should be a prorated vesting.	ROCE is a newly introduced target. Its weighting, target-setting and vesting will be reviewed annually to ensure it remains relevant and challenges TFG's executives.
	The HEPS target of 2% real growth is not sufficiently challenging.	Please refer to page 133 for further detail.
NEDs: Rem and Independence	NED service on the Remco should be limited to three terms of three years each plus one additional term to support NED succession. Therefore, NED service of 12 years' service on the Remco is supported.	Board and Committee composition as well as the independence of non-executive directors is considered in detail by the Nomination Committee and the Supervisory Board, detail of which has been included in the corporate governance report on page 92 and the Nomination Committee report on page 106.
Discretion	The level of discretion in the STI and LTI is not supported.	Discretion was last applied in FY2017 when a discretionary bonus was declared to reward the executive directors for successfully implementing the Group's international expansion plans. The Remco also considered that in FY2017, the earnings before interest and tax (EBIT (TFG Africa)) target was narrowly missed and, relative to its peers, TFG performed well.
Benchmarking	The benchmark is a positive but the appropriateness is incalculable without proper disclosure of the comparator group.	Please find the disclosure of our peer group on page 123.

THE REMCO UNDERTOOK THE FOLLOWING ACTIVITIES IN FY2019:

The Remco focused on enhancing TFG's remuneration policy to reflect more accurately the spirit of King IV™ and include shareholder feedback. The intended outcome was to develop a holistic framework that ensures fair and responsible remuneration throughout the organisation.

In FY2018, the Remco identified several forward-looking changes that would be implemented in FY2019. The table below provides an update on these focus areas, the actions undertaken by the Remco and the outcomes arising:

FORWARD-LOOKING CHANGE IDENTIFIED IN FY2018 AND ACTIONED IN FY2019	OUTCOME
ROCE targets were extended to the next tier of management.	This ensures alignment with the Supervisory Board's strategic intent and embeds ROCE into the culture and operations of the business.
The Remco defined TFG's peer group and categorised the comparator companies per retail sector and market capitalisation respectively. See page 123.	All future benchmarking for remuneration practices will be conducted against TFG's peer group.
TFG supports the principle of fair and responsible pay. Accordingly, the Remco introduced an entry pay rate for store-based customer-facing employees. This rate will be revised annually.	All employees earn above the Sectoral Determination legislative minimum for Area A.

Additional activities undertaken by the Remco in FY2019 include:

- A weighted CPI was introduced for our LTI. This will enable the Remco to rate more fairly the performance of HEPS, taking into consideration the Group's international operations.
- EBIT (TFG Africa) will be introduced in FY2020 as an LTI performance criterion for future performance share awards to eligible participants at Operating Board level (excluding CEO and CFO) and below. Share scheme participants at this level have no or little involvement with international strategic decision-making and hence their performance should be aligned with a strategic measure that is within their control. Accordingly, EBIT (TFG Africa) will replace Group HEPS as the LTI performance measure. The LTI performance metrics for the CEO and CFO will remain Group HEPS and ROCE.
- The Remco conducted a gender-based remuneration analysis across all levels of the business and confirmed that there is no gender remuneration bias within TFG.

ANNOUNCEMENTS

Doug Murray retired as CEO in September 2018. The Remco commends him for facilitating a smooth and operationally effective transition and thanks him for his continuous support, advice and involvement within the Group. Following Mr Murray's retirement, Anthony Thunström, who previously held the position of CFO, was appointed as the new CEO and held the position of joint CEO and CFO until January 2019.

The Remco welcomes Bongiwe Ntuli, who was appointed as the new CFO effective 14 January 2019. To compensate Ms Ntuli for financial entitlements forfeited as a result of leaving her previous employer, she was paid a once-off sign-on bonus of R4 million and awarded a once-off restricted share award of R2,5 million in June 2019.

To compensate Ms Ntuli for financial entitlements she forfeited as a result of leaving her previous employer, she was paid a once-off sign-on bonus of R4 million and awarded a once-off restricted share award of R2,5 million in June 2019. The local talent pool of CFOs with the expertise and credentials of Ms Ntuli is limited. Given that TFG initiated the engagement with Ms Ntuli and that Ms Ntuli would forfeit a short term and long term incentive due in 2019 from her previous employer, the Remco decided that the awards of a once-off sign-on bonus and a special share award would be necessary and appropriate in these circumstances. The sign-on bonus is repayable if Ms Ntuli leaves TFG within 12 months of joining and the special share award is forfeited if she terminates her employment with TFG before the end of the three year vesting period (June 2022).

EXTERNAL ADVISORS

The Remco retained PwC as an independent specialist advisor on certain matters pertaining to remuneration. This includes, for example, compliance in relation to remuneration aspects and its attendant disclosure with King IV™ and the JSE Listings Requirements, remuneration best practices and benchmarking. The Remco is satisfied that PwC provided independent advice and services to TFG.

FUTURE AREAS OF FOCUS

The Remco considers the remuneration policy to be aligned with TFG's overall business strategy and long-term objectives. However, we continuously consider shareholder feedback and market best practices to refine and improve our remuneration policy. The table below contains forward-looking considerations determined by the Remco:

FORWARD-LOOKING CHANGE	RATIONALE
A biennial total reward benchmarking exercise will be conducted on the revised peer group during FY2020.	This will provide the Remco with a reference point for discussion when determining and structuring remuneration packages to ensure alignment to the market.
The Remco will conduct a comprehensive review of the share award and share vesting policy for employees nearing retirement.	This is in line with good governance and industry best practice.

CLOSING REMARKS OF THE CHAIRMAN

The Remco has duly executed its responsibilities during the financial year under review in accordance with its terms of reference. Furthermore, the Remco is satisfied that the remuneration policy achieved its stated objectives during this period.

Sections B and C of this report (containing the 2020 remuneration policy and 2019 implementation report, respectively) will be put to two separate non-binding votes at the 2019 AGM. We look forward to your positive votes in favour of our policy and the implementation thereof.

E Oblowitz
Chairman: Remuneration Committee

28 June 2019

SECTION B: AN OVERVIEW OF OUR REMUNERATION POLICY

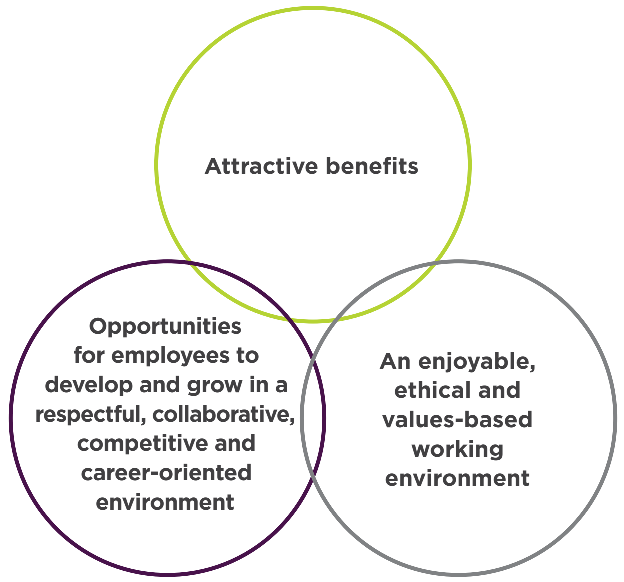
THE PRINCIPLES AND PHILOSOPHY THAT DEFINE OUR POLICY

TFG's remuneration policy aims to attract, engage and retain the best talent, which is essential for implementing our business strategy and achieving performance objectives. The remuneration policy aligns with TFG's approved risk and governance framework, optimising sustainable and long-term returns for shareholders.

The policy seeks to achieve the following principal objectives:

External equity (employees are rewarded in line with national and retail market benchmarks, taking all relevant and appropriate factors into account)	Read more on page 125.
Internal equity (employees are remunerated fairly in relation to one another and in recognition of their individual contribution and accountability)	Read more on page 125.
Performance alignment (employees are aware of the requirements for strong short-term and long-term performance, as well as rewards)	Read more on page 126.
An appropriate remuneration mix (employees are aware of the need to establish a balance between cash salary, benefits, STI and LTI to drive the desired behaviour)	Read more on page 123.

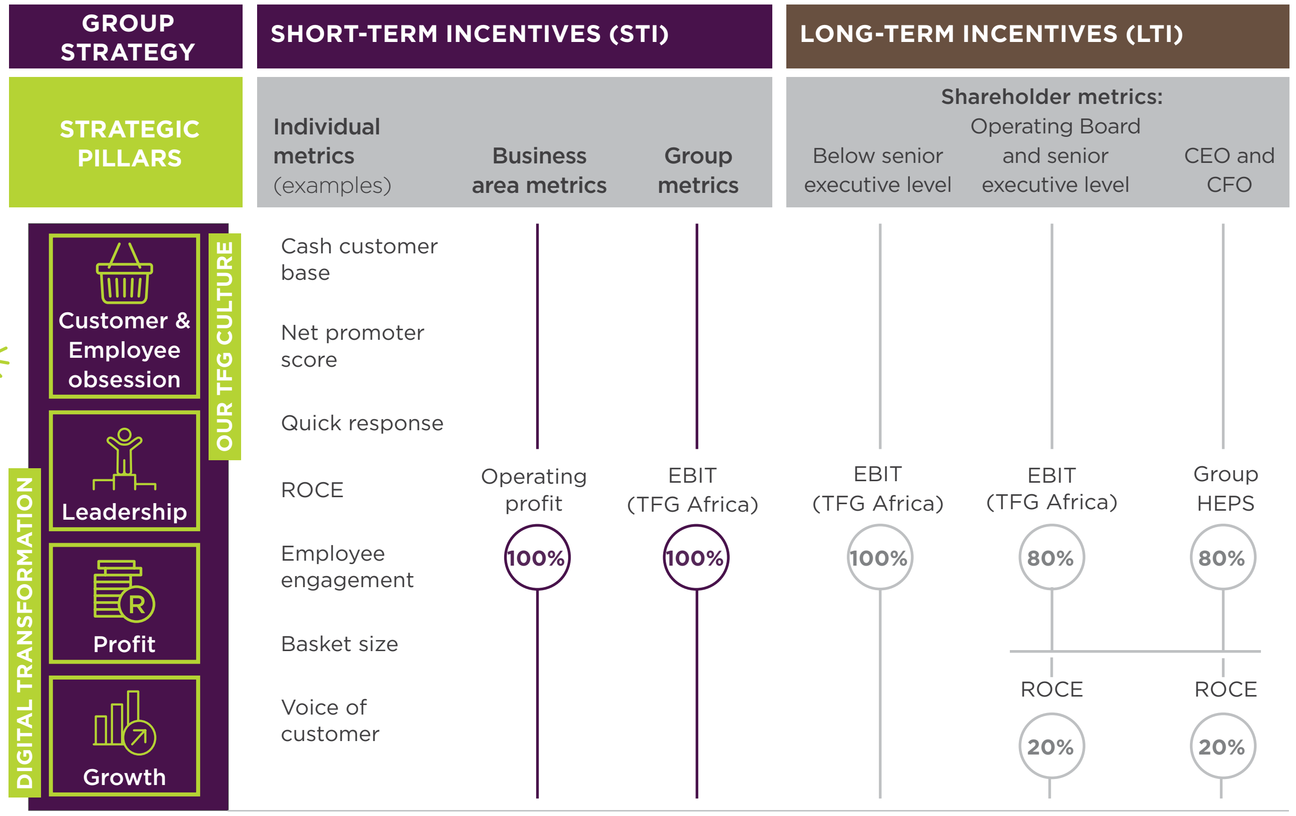
Remuneration must be balanced with:



A sound employee value proposition ensures a healthy balance between remuneration and non-financial rewards. In line with their individual performance metrics, and to ensure employees are appropriately rewarded for performance that supports the Group strategy, the remuneration policy recognises and fairly rewards individual performance, behaviour and responsibility.

The remuneration policy is designed to achieve a fair and sustainable balance between guaranteed pay, STIs and LTIs, and is applicable to all employees.

Participation in STI and LTI schemes depends on an individual's organisational level within the Group.



Are we mindfully considering principles of fair and responsible remuneration?

TFG is committed to fair and responsible remuneration and provides all employees with the chance to grow their earnings through training and upskilling and by leveraging opportunities to apply for internal positions.

For example, an employee starting out as a sales associate may well, through the assistance of TFG programmes over a period of three to five years, move into a store management role. Customer-facing employees' remuneration could further be supplemented by store- and brand-based STIs and commission.

The following activities support fair and responsible remuneration at TFG:

- A benefits assessment was performed across all levels of the business during 2018 and resulted in the following changes:
  - We replaced a medical aid plan with a more cost-effective option offering benefits that are more accessible to all our employees.
  - We adjusted the retirement age from 60 to 65 to support longevity forecasts. Employees can choose to retire anytime from 55 onwards.
  - We increased the death benefit payout from 4,5 to 5 times the annual pensionable salary to support more significantly our lower income category employees.
- TFG's Retail Academy and Skills Development team work closely with South Africa's Sector Education and Training Authority (SETA) to develop leadership and retail skills for employees and previously unemployed youth. Skills development initiatives in our factories, call centres, stores and distribution centres upskill local communities and enable employment. Going forward, TFG will focus on providing additional support for training opportunities for people living with disabilities. More information about these and other initiatives is available online in our sustainability overview report.
- Annual performance reviews are conducted for all employees and talent maps are developed for high-performance employees who demonstrate potential. These employees are offered additional and specific training and development support to advance their careers and pay progression is aligned with their actual performance and experience.

Are we actively investigating internal inequity and eliminating unjustified differentials in remuneration?

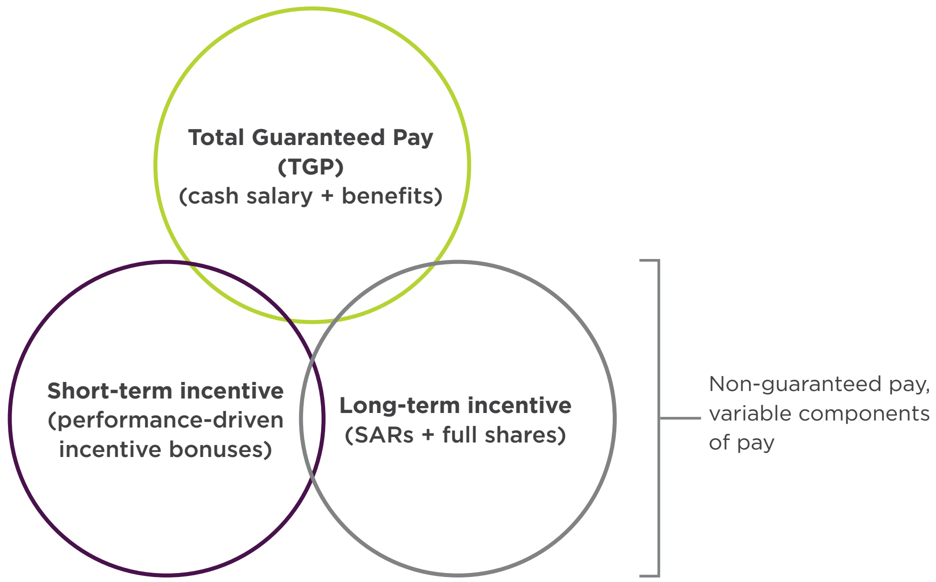
We undertake an annual exercise to identify unjustified income differentials between employees doing work of equal value. Any unjustified income differentials are flagged and monitored for corrective action.

PwC also conducts regular independent total remuneration benchmarking against selected peer groups for executives and board members. The selected peer group includes:

RETAIL SECTOR	MARKET CAP
Woolworths, Mr Price, Truworths, Pepkor, Clicks, Dis-Chem, Massmart, Lewis, Cashbuild, Italtile, Shoprite, Pick n Pay and Spar	Bid Corporation, AVI, Tiger Brands and Imperial

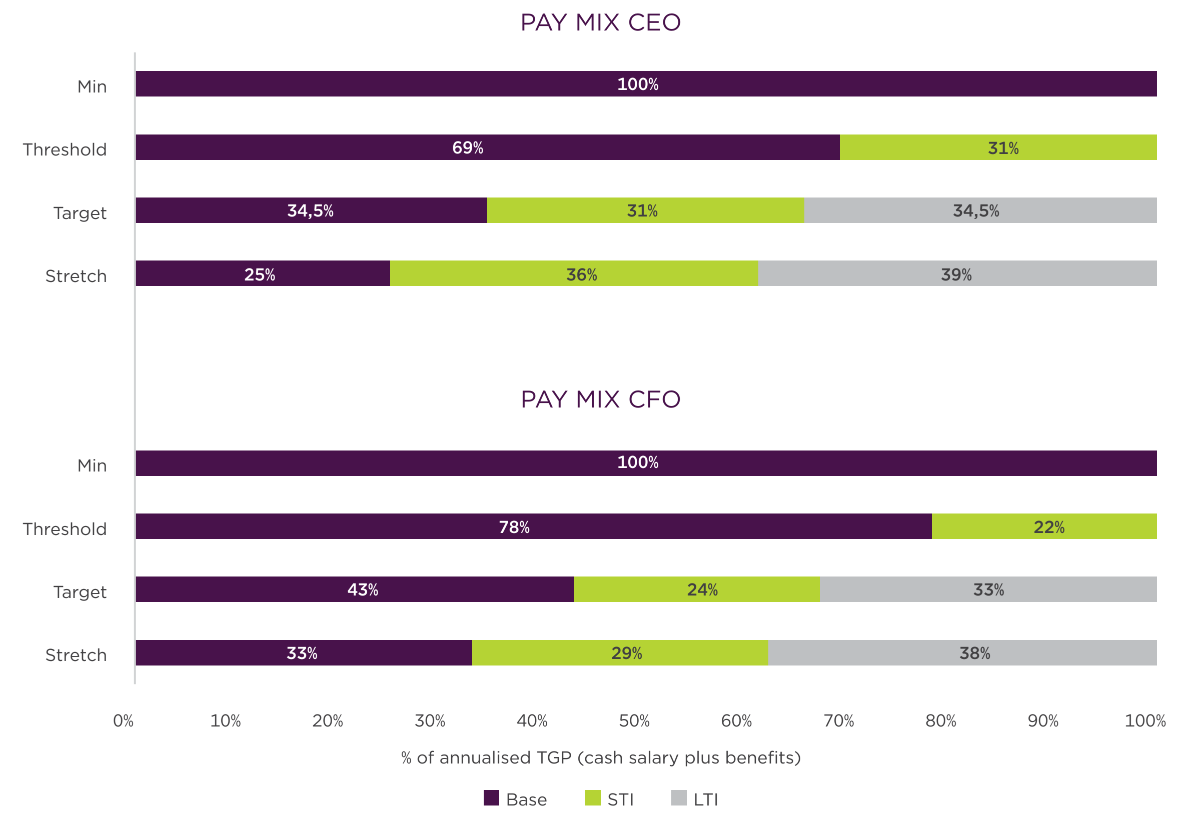
DETAILS ABOUT OUR REMUNERATION MIX

The remuneration mix includes:



STIs and LTIs are designed relative to total guaranteed pay (TGP) to achieve an appropriate remuneration mix that drives performance and is aligned to TFG's business strategy.

The remuneration mix varies by organisational level, as approved by the Remco. Variable pay (STI and LTI) is a significant component at more senior operational levels as the risk of forfeiture is higher if set performance targets are not met. Consider the graphs on the next page, which illustrates the remuneration mix of the CEO and CFO.



Remuneration mix based on annualised TGP (cash salary and benefits) at March 2019.

STI calculated using the performance percentages at the three levels of performance with an IPM of 3.

LTI based on the current allocation policy and the annualised TGP at March 2019. LTI value is determined using industry standard option pricing formulae and probability factors and estimated achievement of performance conditions.

Total guaranteed pay (TGP)

TOTAL GUARANTEED PAY

CASH SALARY

Cash salary is intended to attract and retain key talent, with a focus on external market equity, internal equity and equal pay for work of equal value.

- Pensionable and non-pensionable cash salary
- A tenure-based 13th cheque for permanent employees Peromnes* Grade 6 and below

Applicable to all permanent employees

BENEFITS

Benefits influence the attraction and retention of key talent.

TFG Retirement Fund^
The company contribution is between 12% – 13,5%, depending on the employee's organisational level and role. A 7,5% member contribution applies. All permanent employees are eligible to participate.

Group life and disability benefits
All permanent employees participate in Group life and disability benefits, subsidised in full by TFG.

Applicable to all permanent employees

TFG medical aid scheme (where applicable)
Income-related but lower contributions are required from employees in lower salary bands. TFG provides a 50% subsidy for all approved dependants on the in-house medical aid. This eases the cost of living for employees.

** TFG has two grading structures in place: a Peromnes grading for employees falling in level Grade 6 and below and Paterson grading for employees falling in level D3 and above.*
^ Contributions to retirement savings are based on pensionable salary. No element of variable pay is regarded as pensionable.

External and internal equity
TFG seeks to create external and internal equity when determining TGP, taking into consideration trading conditions and affordability.

External equity:

- Best practice remuneration processes that position TFG's salary ranges at the most appropriate levels to ensure we remain competitive to the market for each role are in place.
- To achieve external equity, TFG relies on market information (e.g. PwC REMchannel®) and TFG's pay position strategy of 50th percentile.

Internal equity:

- Among other factors, an employee's position in the salary range depends on performance and/or proficiency in their role.
- Best practice talent processes that ensure employees are equitably placed within the most appropriate remuneration range relative to one another are in place.

TFG considers external and internal equity when new employees enter the business or existing employees are promoted, as well as when conducting annual reviews and/or merit increases.

Salary increases are guided by and based on comparison with industry peers, independent market surveys such as the PwC REMchannel® and Korn Ferry Hay Group's salary surveys and national economic indicators. The Remco also considers TFG's trading performance when determining annual increase guidelines. Salary increases are awarded taking into consideration various factors such as guidelines, budget constraints, placement in range and individual performance.

Variable components of remuneration

Variable pay (STIs and LTIs) is linked to performance that supports sustainable growth and responsible corporate citizenship. In line with King IV™, the table below sets out the positive outcomes of the performance criteria across the economic, social and environmental context in which TFG operates.

Positive outcomes per key resource	Performance criteria	
	STI	LTI
Financial capital		
Achieving the budgeted EBIT (TFG Africa) places TFG in a position to determine how effectively the Group generates profit from its operations. This serves as one of the foundations to raise capital.	EBIT (TFG Africa) Group metric	EBIT (TFG Africa) Group metric
Employees are encouraged to achieve TFG's liquidity profile and future cash requirements, with a specific focus on ROCE and cost-saving initiatives. This achieves a more profitable business and ultimately increases shareholder and broader stakeholder value.	Operating profit – divisional metric	
HEPS drives increases in the value of TFG's shares over a significant period of time through operational and capital investment activities.		HEPS
ROCE drives the return of and responsible reinvestment of financial capital in the form of sustainable shareholder distributions and interest payments at responsible levels of risk.		ROCE
Manufactured capital		
Ensuring that the infrastructure that forms part of TFG's business is used efficiently helps the Group achieve revenue targets.	Operating profit – divisional metric	
Financial capital and manufactured capital		
Strategic metrics in the executive management's balanced scorecards encourage executives to manage the Group's liquidity profile to meet current and future cash requirements. It further encourages them to maintain profit margins and manage, grow and diversify TFG's local and international asset base.	Individual performance	
Human capital		
Investment in human capital deepens employee engagement and encourages employees to grow and succeed, while providing an environment of employee retention, support, transformation, collaboration and respect.	Individual performance	

STIs

STIs reward employees for achieving or exceeding targeted performance levels.

Changes were made to the STI policy in FY2019. These changes are noted on page 117 under section A and highlighted in the policy on page 129.

STI overview

The Group's annual bonus scheme defines three targeted tiers of performance at divisional and Group level, with commensurate bonus payments at each of these tiers. These tiers are defined as threshold, target and stretch.

Permanent employees from Peromnes Grade 7 (middle management) and above are eligible to participate. Scheme rules are communicated to each participating employee. Approved bonus payments and confirmation of the underlying performance measures are made shortly after the annual financial results are published.

Customer-facing employees are not eligible to participate in the Group annual bonus scheme. Their remuneration could be supplemented with store- and brand-based STIs and commission, directly linked to store and divisional KPIs.

STI performance metrics

Two performance metrics are used to set targets for STI payment. These measures are divisional profit before tax and EBIT (TFG Africa).

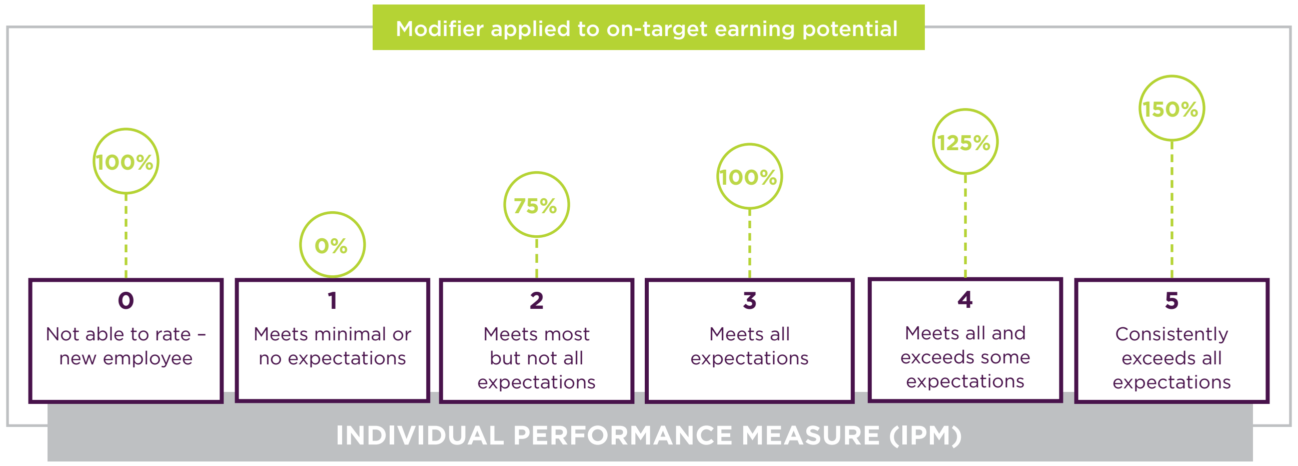
The bonus pool for executive management and centralised functions is weighted 100% to EBIT (TFG Africa), while the bonus pool for retail brands is weighted 60% to divisional profit before tax and 40% to EBIT (TFG Africa). The bonus pool accrues when the various target levels are achieved by retail brands and at Group level.

This structure exists for the following reasons:

- To drive collaboration between divisions to the overall benefit of the Group; and
- To reward strong divisional performance.

After calculating the bonus pool, individual performance and the value added by an individual to the business is applied as a secondary measure to determine an individual's bonus. The purpose of considering individual performance is to support a pay-for-performance culture.

Individual performance is measured on a five-point scale:

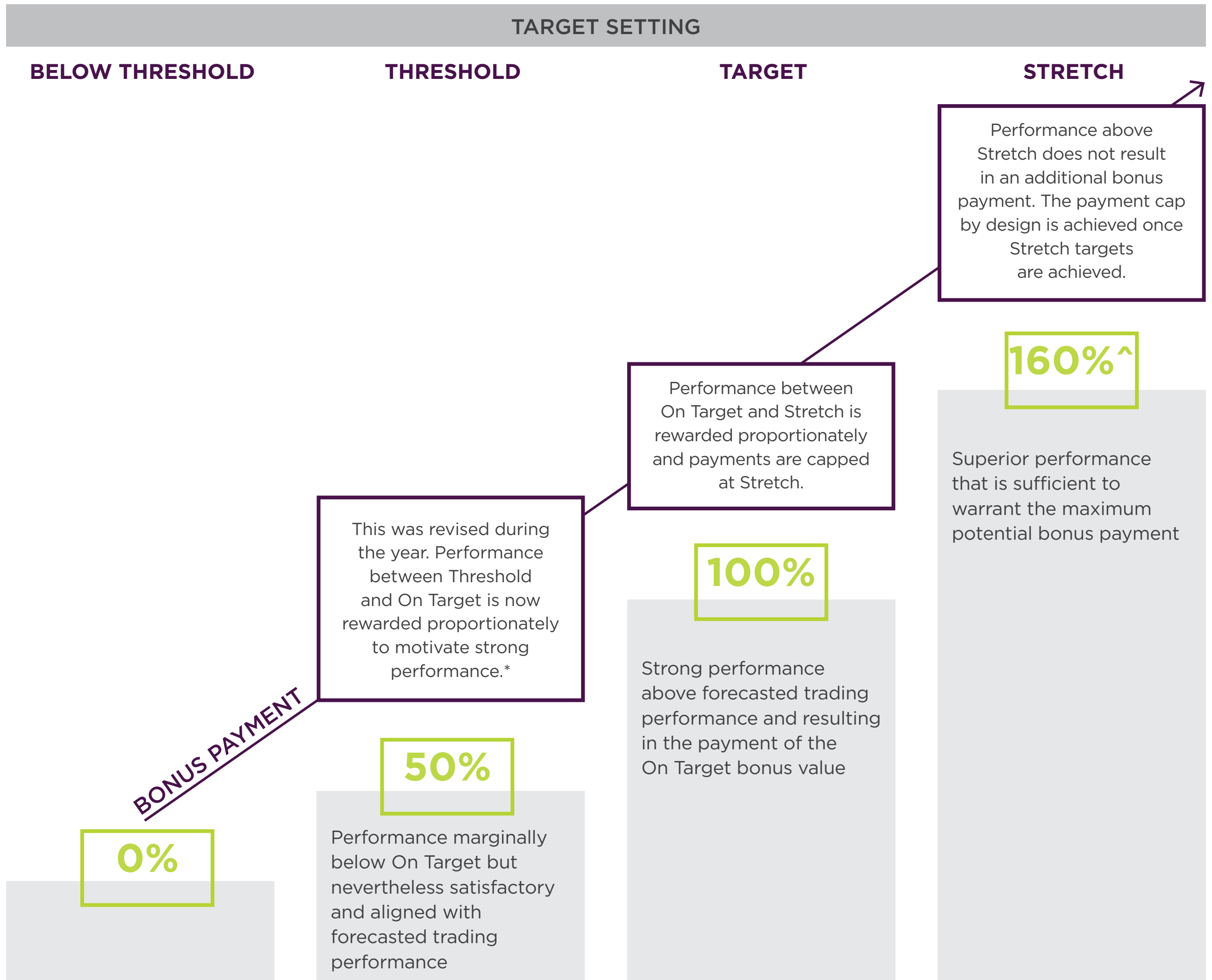


In line with good practice, these ratings are calibrated to ensure the Group achieves a reasonable distribution curve within the total bonus pool.

Performance objectives for all Operating Board members (including the CEO); all heads of retail brands; and all heads of functions are aligned with TFG's strategic agenda as detailed on page 54 of the integrated annual report. CEO objectives are set and assessed by the Chairman of the Supervisory Board. The CFO and Operating Board members' objectives are set and assessed by the CEO.

STI target setting

The Remco approves Group bonus targets using annual profit forecasts as a benchmark and primary measure. → **The Remco then reviews whether approved Group and divisional targets are achieved.**



* *Previously, payment between Threshold and On Target was paid on an all-or-nothing basis to limit bonus payments at performance below strong levels. In line with feedback received from shareholders, the Remco introduced a linear pay-out between Threshold and On Target to avoid the hit-or-miss profile and ensure consistent employee incentivisation between each level of performance.*

^ *The Remco reduced the stretch STI pay-out multiple from 200% to 160% (before the individual performance multiple) to implement a fair and market-related bonus.*

To effectively monitor TFG's operational performance in a tough retail environment, profit and other key retail metrics are reported internally on a daily basis. This supports robust STI design principles and underpins divisional profit before tax and EBIT (TFG Africa).

STI payment multiples

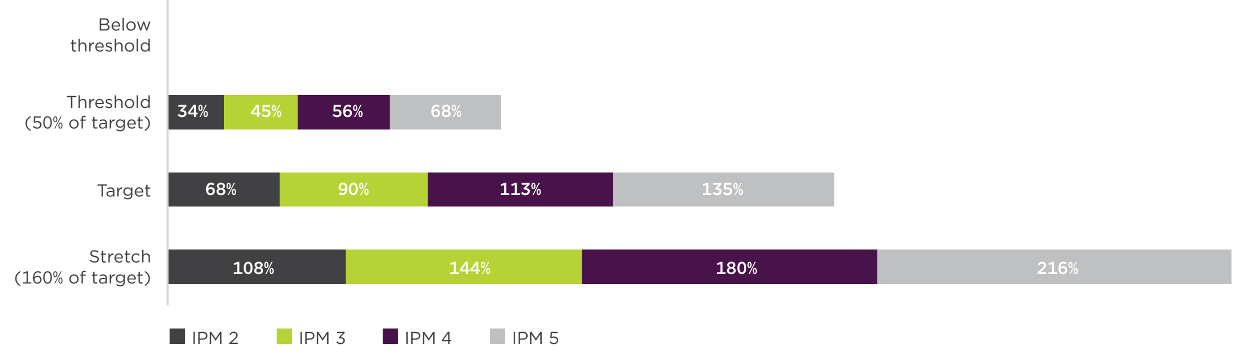
STI benchmarks are reviewed regularly to ensure bonus payments at each organisational level and performance tier are appropriate to the overall pay mix. Any changes to the payment multiples or structures require prior approval from the Remco. During the year under review, the stretch payment multiple was reduced (from 200% of target to 160% of target).

Before the influence of any individual factors is considered, bonus multiples are calculated as a factor of:

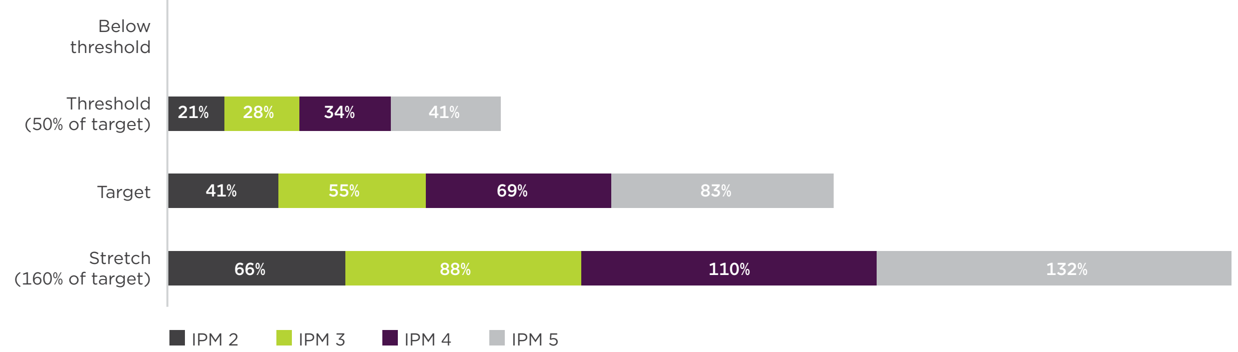
- each individual's annual total guaranteed pay; and
- each organisational level.

For ease of comparison and reporting, bonus multiples are shown as a percentage of annual TGP in this report.

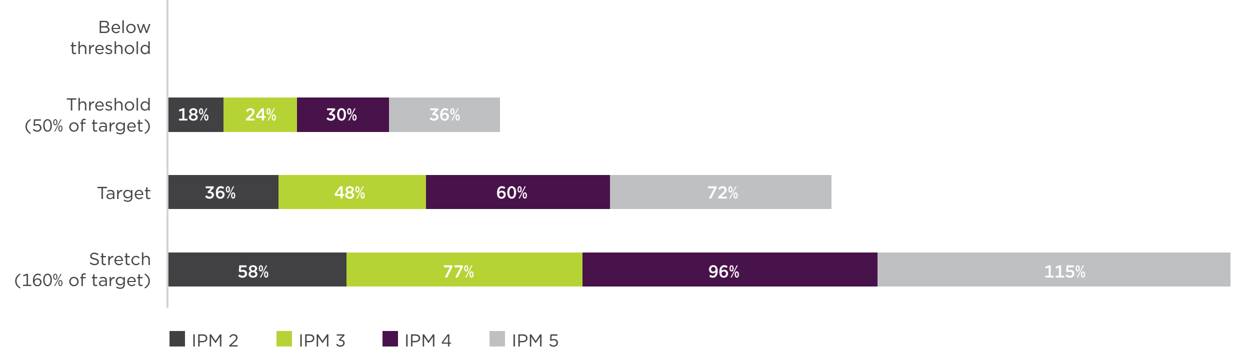
CEO – % OF TGP PER INDIVIDUAL PERFORMANCE MEASURE (IPM) ACHIEVED



CFO – % OF TGP PER INDIVIDUAL PERFORMANCE MEASURE (IPM) ACHIEVED



OPERATING BOARD – % OF TGP PER INDIVIDUAL PERFORMANCE MEASURE (IPM) ACHIEVED



LTIs

LTI schemes include SARs and forfeitable shares that align executive and key management interests with those of shareholders.

Changes were made to the LTI policy in FY2019. These changes are noted on page 118 under section A and highlighted in the policy on pages 132 to 133.

LTI allocation policy

Allocations are made annually using predefined multiples for each share incentive type based on:

- organisational level Senior Manager (Paterson D4) and above;
- annual total guaranteed pay; and
- targeted pay mixes that consider market guidelines appropriate for each organisational level.

Allocations are made consistently to establish the awards as an accumulating asset for eligible employees. The objective of this is to incentivise, grow and retain these employees in TFG's service for at least three years. Each annual allocation has a three-year vesting period, with each new LTI allocation providing a further three-year incentive and retention period.

LTI allocations made to the CEO and Operating Board members are in their entirety subject to Group performance criteria. The LTI allocation split for CEO and Operating Board members is 50% SARs awards and 50% forfeitable share awards, while executives below Operating Board level are allocated 100% forfeitable shares. LTI shares vest based on the performance criteria applicable to the relevant LTI scheme. Forfeitable shares are full shares that provide an employee with shareholder rights but with restricted disposal thereof. Accordingly, TFG pays dividends to these eligible employees in relation to unvested shares.

As part of TFG's retention strategy for other key senior employees, annual allocations are a defined mix of performance and restricted forfeitable shares.

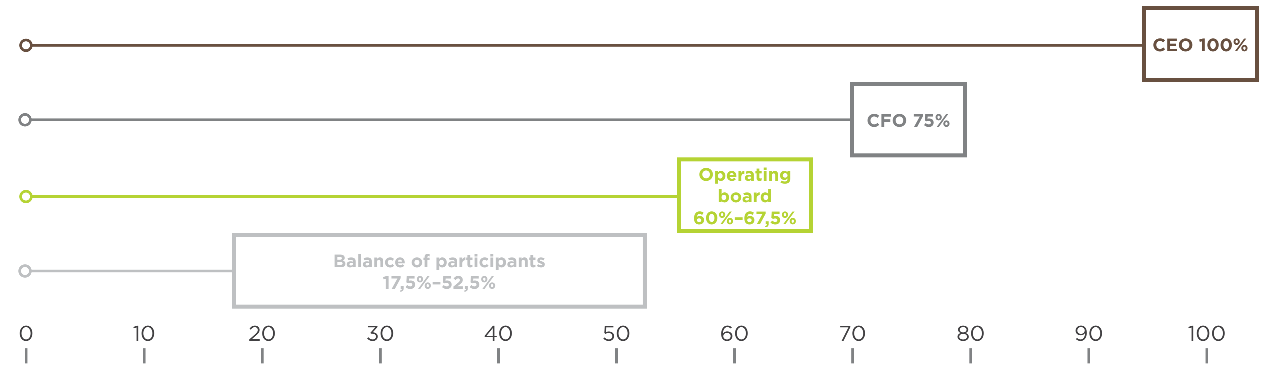
Ad hoc, once-off allocations are exceptional and typically represent upfront approved remuneration when a senior executive is first employed by TFG. Any such exceptional awards are disclosed to shareholders. Once-off allocations or any other type of sign-on payments are awarded by exception to senior executives to compensate them for financial entitlements that will be forfeited as a result of leaving their previous employer.

New allocations are not adjusted to compensate for any existing allocations that may be financially "underwater".

Benchmarks for the expected value of share awards, performance criteria and weightings are reviewed annually. No changes are made without prior approval by the Remco and Supervisory Board.

The allocation levels per role for LTIs (as a percentage of annual TGP) are outlined below:

EXPECTED ON TARGET VALUE* OF ANNUAL SHARE ALLOCATION AS A % OF ANNUAL BASE PAY.



* *The expected value of the LTI allocations is determined using industry standard option pricing formulae and probability factors, together with established performance conditions.*

Share appreciation rights (SARs)
(Foschini 2007 Share Incentive Scheme)

Participants are entitled to resultant shares equal in value to the growth in the share price. This relates to a defined number of rights between the grant date and the date of conversion to resultant shares. As per the below table, all shares issued under this scheme are subject to Group performance criteria, which are tested over a period of three years. The minimum period between grant and conversion is three years, and all rights expire after six years. As the SARs are an optional LTI instrument, the value of which is determined by inherent share price performance conditions, the Remco believes an 'all-or-nothing' approach to vesting is most appropriate.

Instrument	Participants	Allocation frequency	Performance target	Measurement period	Vesting summary
Share appreciation rights (SARs)	CEO and CFO	One allocation per annum	Group HEPS growth (continuing operations) of at least weighted CPI* compounded annually***	Three years with no retesting. Expiry period six years from grant date.	100% vesting if Group HEPS growth of at least weighted CPI*. 0% vesting if Group HEPS growth of less than weighted CPI*.
	Operating Board	One allocation per annum	EBIT (TFG Africa)**** growth of at least CPI** compounded annually***	Three years with no retesting. Expiry period six years from grant date.	100% vesting if EBIT (TFG Africa) growth of at least CPI**. 0% vesting if EBIT (TFG Africa) growth of less than CPI**.

* *A weighted CPI is used as a threshold vesting target to ensure real growth is achieved before SAR vesting.*
** *CPI is used as a threshold vesting target to ensure real growth is achieved before SAR vesting.*
*** *A SAR is an option-type LTI and value is only generated if the share price appreciates from date of award.*
**** *EBIT (TFG Africa) will be introduced in FY2020 as an LTI performance criterion for future performance shares awards to eligible participants at Operating Board level (excluding CEO and CFO) and below. Share scheme participants at this level have no or little involvement with international strategic decision-making and hence their performance should be aligned with a strategic measure that is within their control. Accordingly, EBIT (TFG Africa) will replace Group HEPS as the LTI performance measure. The LTI performance metrics for the CEO and CFO will remain Group HEPS and ROCE.*

Forfeitable shares
(Foschini 2010 Share Incentive Scheme)

Two instruments form part of this scheme, namely Performance Shares and Restricted shares.

Instrument	Participants	Allocation frequency	Performance criteria	Target range	Vesting profile
Performance shares (forfeitable shares) – awarded 2019	CEO, Operating Board and executives (Paterson scale E1 and above)	One allocation per annum	Group HEPS [weighting 80%], and ROCE [weighting 20%] for CEO and CFO. EBIT (TFG Africa)* [weighting 80%], and ROCE [weighting 20%] for Operating Board and Senior Executives. EBIT (TFG Africa)* [weighting 100%) for levels below Senior Executives.	**Group HEPS** • Growth of weighted CPI plus 2% • Growth of between weighted CPI and CPI plus 2% • Growth of less than weighted CPI **EBIT (TFG AFRICA)** • Growth of CPI plus 2% • Growth of between CPI and CPI plus 2% • Growth of less than CPI **ROCE** • ROCE between or greater than target range of 23% to 25% • ROCE less than 23%**	• 100% vesting after three years*** • Linear vesting after three years • 0% vesting • 100% vesting after three years • Linear vesting after three years • 0% vesting • 100% vesting after three years • 0% vesting
Restricted shares (forfeitable shares)	Senior management above the entry-level of middle management, i.e. Paterson scale D4 (excluding Senior Executives, CEO and Operating Board).	One allocation per annum	Issued to improve the retention of key senior talent, while utilising an instrument that aligns the interests of participants with those of shareholders.		Subject to continued employment and vests after three years.

* *EBIT (TFG Africa) will be introduced in FY2020 as an LTI performance criterion for future performance shares awards to eligible participants at Operating Board level (excluding CEO and CFO) and below. Share scheme participants at this level have no or little involvement with international strategic decision-making and hence their performance should be aligned with a strategic measure that is within their control. Accordingly, EBIT (TFG Africa) will replace Group HEPS as the LTI performance measure. The LTI performance metrics for the CEO and CFO will remain Group HEPS and ROCE.*
** *A cliff-vesting approach measurement is appropriate as ROCE is a relatively small portion of the LTI and therefore an 'all-or-nothing' approach is more appropriate to motivate executives.*
*** *Considering market conditions and South Africa's economic growth forecast, a Group HEPS real growth of 2% is considered performance worthy of 100% share vesting.*

Share scheme limits and manner of settlement

Despite higher dilution limits detailed as part of each share scheme's rules, the Remco does not permit the total number of allocated shares issued across all schemes to exceed the following limits:

- 1% individual limit
- 5% Group limit

LTI shares are settled through on-market purchases and do not result in any dilution to shareholders. The usage of the dilution limits in FY2018 is well below these limits and is set out in section C.

Vesting on termination and retirement

Based on relevant circumstances and in line with scheme rules, the Remco must consider whether a portion of the unvested LTI may vest as a result of termination.

- In the case of normal retirement, death, ill health or retrenchment, all shares vest.
- In the case of early retirement, the Remco applies defined decision-making guidelines to determine if all or a portion of the shares will vest.
- All shares and rights are forfeited upon an employee's resignation or dismissal in terms of the scheme rules.

Malus and clawback

With effect from June 2019, TFG subscribes to the principles of malus and clawback for STI and LTI.

Malus

Any variable pay may be reduced in whole or in part after an actual risk event (trigger event) occurs which, in the judgement of the Remco, had arisen during the relevant vesting, payout or financial period.

In the event of early termination of employment during the vesting period of an award, the Remco will consider whether a trigger event arose between the award date and the date of termination of employment.

Clawback

The Remco may apply clawback and take steps to recover awards that have vested or bonuses that have been paid out (on a pre-tax basis) as a consequence of a trigger event which, in the judgement of the Remco, arose during the clawback period. The clawback period will run for three years from the vesting date of the awards or the bonus payout. In the event of a breach of director's duties and/or TFG policies by a participant, TFG reserves the right to pursue any remedies available to it in terms of the clawback policy, as well as common and statutory law.

The summarised trigger events for malus and clawback include:

- Employee dishonesty, fraud or gross misconduct;
- A material misstatement of the financial results for the performance or employment period of the award, resulting in an adjustment in the audited consolidated annual financial statements of TFG (or any employer company);
- The assessment of any performance metric or condition (where applicable) in respect of an award which was based on error, or inaccurate or misleading information;
- Any information used to determine the quantum of a cash STI or LTI scheme payment, or the number of shares subject to an LTI award was based on error, or inaccurate or misleading information; and/or
- Events or behaviour of the employee that had a significant detrimental impact on the reputation of TFG.

Decisions made by the Remco regarding the application of malus and/or clawback are final and binding.

Service agreements and retention strategy

Executive directors have service agreements and there are specific programmes in place with TFG to ensure that business continuity and strategic execution are supported despite the loss of key employees. This is bolstered by effective risk management.

Restraints and minimum service agreements

TFG has restraint of trade and minimum service agreements in place for the CEO and Operating Board members. These agreements exist for the duration of employment and contain notice periods of between six and twelve months. In the event of summary dismissal on the grounds of misconduct (for example, dishonest or fraudulent conduct), notice periods do not apply.

Ex gratia or other lump sum payments on severance or retirement

There are currently no agreements in place that provide for *ex gratia* or other lump sum payments to executives on severance or retirement. Executives who depart are not awarded "golden handshakes". There are no *ex gratia* payments made in the event of a merger or takeover.

Non-executive directors (NEDs)

NED fees are based on market benchmarks and the level of increased responsibility of regulatory oversight placed on NEDs due to TFG's international expansion. The arrangements pertaining to NEDs (South African resident and non-resident) are set out below:

- NEDs are appointed for a three-year term on recommendation by the Nomination Committee.
- NEDs may be eligible for re-election depending on their annual performance evaluation.
- NEDs are paid a base fee as well as a committee fee based on the number of committees on which they serve.
- NEDs are reimbursed by TFG for all travel expenses incurred during the course and scope of their duties in accordance with TFG's approved travel policy.
- NEDs do not receive any form of variable pay.
- None of the NEDs has service contracts with the Group.

The Remco's proposed NED fees[1] for FY2019 will be listed for approval at the 2019 AGM for the period 1 October 2019 to 30 September 2020 and are as follows:

	Current NED fees	Proposed NED fees	% increase
Chairman (all inclusive)	R999 800	R1 150 000	15,0[2]
Director (South African)	R349 000	R366 500	5,0
Director (Foreign)	R600 000	R618 000	3,0
Audit Committee chairperson	R320 000	R336 000	5,0
Risk Committee chairperson	R235 000	R247 000	5,1
Remco chairperson	R135 000	R146 000	8,1
Social and Ethics Committee chairperson	R124 000	R130 500	5,2
Member/Invitee of Audit Committee	R135 000	R142 000	5,2
Member/Invitee of Risk Committee	R103 000	R111 000	7,8
Member of Remco	R84 500	R89 000	5,3
Member of Social and Ethics Committee	R68 000	R72 000	5,9
Member of Nomination Committee	R45 000	R47 300	5,1
Member of *Ad hoc* Finance Committee	R45 000	R47 300	5,1

1 *All NED fees are VAT exclusive.*

2 *The Remco commissioned an independent PwC NED fee benchmarking review against the TFG selected peer group and where appropriate fees have been adjusted. This review highlighted that the current Chairman's fee was below the lower quartile of the peer group. Taking into account that the current fee is substantially below market median and considering the complex nature of an international group such as TFG, the Chairman fee has been increased by 15%. This fee will be reviewed annually.*

Shareholder engagement and voting procedures

TFG tables its remuneration policy and implementation report for two separate non-binding advisory votes by shareholders at the AGM each year. We are confident shareholders will support the remuneration policy and the implementation thereof.

In the event that 25% or more of shareholders vote against either or both the remuneration policy and implementation report, the Remco will engage with TFG's shareholders (in particular, the dissenting shareholders) to examine their vote and address their concerns. The Remco may consider various manners of engagement, including extending an invitation to dissenting shareholders in the SENS announcement of the AGM results (or in a subsequent SENS announcement at a later stage) with the manner and timing of engagement; and/or communicating with dissenting shareholders via email, telephone calls and meetings.

Following this engagement, the Remco may use its discretionary powers to amend components of the remuneration policy and further align these to market practice and/or shareholder value creation.

SECTION C: HOW WE IMPLEMENTED OUR REMUNERATION POLICY IN 2019, IN LINE WITH KING IV™

A REVIEW OF THE KEY ITEMS IMPACTING TGP IN 2019

The Remco confirms that remuneration was implemented in line with the remuneration policy (section B).

TOTAL GUARANTEED PAY

CASH SALARY

Salary increase: Set at 5% for executives and middle management and 6,5% (or a minimum amount of R420 per month) for other employees. For these employees the effective increase ranged from 6,5% to 8,4%.

BENEFITS

Car allowances:
Adjusted by 5% for eligible employees

Housing allowances:
Not adjusted

Medical aid company contributions:
Increased by 7,5% on a comparable average

Pension fund and death and disability contributions:
Depending on an employee's organisational level and role, contributions varied between 12% – 13,5% of basic pay.

THE OUTCOME OF THE STI SCHEME

The target set by the Remco for actual EBIT (TFG Africa) was achieved.

Actual performance versus target and the resultant bonuses paid to A D Murray and A E Thunström are set out below.

Short-term incentive (STI) scheme performance outcomes

Performance measure: growth in earnings before interest and tax (TFG Africa)

The table below sets out the potential (at threshold, target and stretch) and the actual pre-IPM (individual performance measure) bonus allocation for the executives as a % of annualised total guaranteed pay.

STI outcome	Threshold (50% of on-target bonus)	Target (100% of on-target bonus)	Stretch (160% of on-target bonus)	Actual (140% of on-target bonus)
% annualised total guaranteed pay per performance tier				
A E Thunström	45%	90%	144%	125,9%
A D Murray	45%	90%	144%	125,9%

Individual performance modifier

CEO performance is evaluated by the Chairman of the Supervisory Board, Mr M Lewis. CFO performance is evaluated by the CEO in consultation with Mr Lewis.

For the year under review, Mr Lewis evaluated the performance of Mr Murray. Mr Lewis also evaluated the performance of Mr Thunström in consultation with Mr Murray.

The evaluation is based on performance against a number of various Group strategic objectives. These objectives are detailed on page 122 of this report.

In addition to evaluating performance against a number of strategic objectives, Mr Lewis took into account the successful and smooth transition of CEO from Mr Murray to Mr Thunström, as well as the fact that Mr Thunström managed the joint responsibility of CEO and CFO for the period September 2018 to January 2019 when Ms Ntuli was appointed as CFO.

Taking all the above into account and considering the Group's financial performance for the year under review, Mr Lewis is pleased to report a performance evaluation that exceeded expectations for both Mr Murray and Mr Thunström. The Remco unanimously endorses this performance evaluation.

The Remco is satisfied that a robust performance evaluation process has taken place for Mr Murray and Mr Thunström. The Remco does not believe that it is in the best interests of TFG to disclose specific details comprising the performance evaluations because of the strategic nature of the detail.

As a result, an overall performance rating is achieved, which is converted to an individual performance modifier as per the variable pay policy.

A E Thunström achieved an overall performance rating of 4 which resulted in a performance modifier of 125% and an actual bonus of R13 381 588 which is 157,4% of TGP.

A D Murray achieved an overall performance rating of 4 which resulted in a performance modifier of 125% and an actual bonus of R8 843 070 which is 157,4% of TGP (six months prorated according to period in service).

Ms Ntuli received no bonus payment for FY2019.

THE OUTCOMES OF THE LTI SCHEME

The LTI allocation policy on page 131 sets out the expected value of share allocations to the CEO and Operating Board members for FY2019. Share scheme awards are shown at their expected value on award date to ensure meaningful benchmarking. Internally, share scheme awards are communicated to participants at face value. The expected value of the award is expressed as a percentage of annual TGP.

LTI performance outcomes

The SARs and FSP awards granted in 2016 have performance conditions that ended on 31 March 2019. The table below details the company performance and resulting vesting outcome.

SARs

Required: HEPS three-year cumulative annual growth of weighted CPI* [weighting 100%]

Target HEPS	Actual HEPS	Vesting at target and beyond	Actual SAR vesting
12,7%	13,7%	100%	100%

FSP

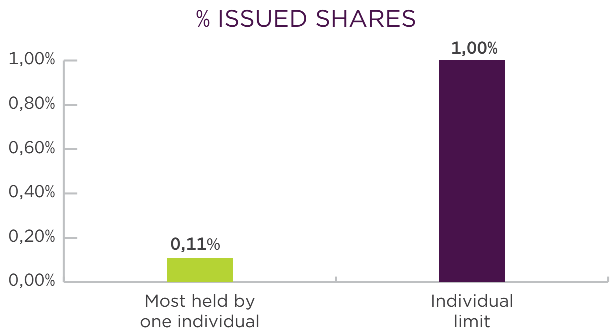
Required: HEPS three-year cumulative annual growth of weighted CPI* plus 2% [weighting 80%], and three-year average ROCE target range of 23% to 25% [weighting 20%]

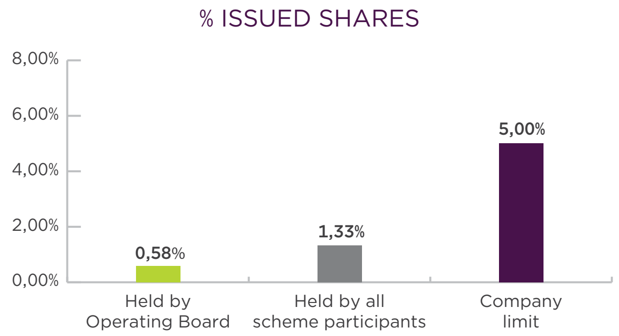
	Weighting	Threshold performance (0% vesting)	Target performance (100% vesting)	Actual performance	Vesting %**
HEPS	80%	12,7%	19,3%	13,7%	15,3%
ROCE	20%	<23%	23% – 25%	24,3%	100%
Overall	100%				32,2%

* *Actual CPI at 31 March 2019 for South Africa, United Kingdom and Australia weighted by the geographical turnover.*
** *Vesting % calculated on cumulative growth over a three year performance period.*

Current allocation versus policy limits

In terms of the Remco's policy, the maximum aggregate number of shares that may be awarded to participants collectively in terms of the LTIs may not exceed 11 837 841 shares (5% of issued share capital). The maximum number of shares that may be awarded to any one participant is 2 367 568 shares (1% of issued share capital). At both an individual and overall level, share awards held by scheme participants are within the defined limits. The CEO is the highest individual holder of share awards and is therefore compared against the individual limit.





Outstanding share instruments awarded to employees and executives at 31 March 2019 are as follows:

SARs	1 457 750
Forfeitable shares	2 967 605
Total	4 425 355

EXECUTIVE DIRECTORS' REMUNERATION

The Supervisory Board determined that the CEO and CFO are TFG's prescribed officers for FY2019. A E Thunström and B Ntuli serve as executive directors on the Supervisory Board and exercise general executive control. A D Murray served as an executive director until his retirement in September 2018.

2019

Executive Directors	Salary R'000	Benefits[1] R'000	Guaranteed Pay[2] R'000	STI[3] R'000	LTI[4] R'000	LTI vested on retirement[5] R'000	Dividends[6] R'000	Total Remu-neration R'000
A E Thunström	6 268,2	1 356,8	7 625,0	13 381,6	1 617,2	–	559,9	23 183,7
B Ntuli[7]	1 162,2	251,6	1 413,8	–	–	–	–	1 413,8
A D Murray	4 700,3	916,8	5 617,1	8 843,1	23 083,6	28 512,0	1 088,2	67 144,0

1 *Benefits include travel allowance, housing allowance, pension fund and medical aid subsidy.*
2 *Mr Thunström was appointed CEO in September 2018 and on appointment his annualised TGP was increased from R6,500k (for 5 months of the year) to R8,500k (for 7 months of the year).*
3 *STI includes a performance bonus included in FY2019 remuneration to be paid in FY2020 but accrued in FY2019.*
4 *LTI includes 100% of SAR and 32% FSP due to vest in June 2019, based on FY2017 to FY2019 performance,valued at YE VWAP of R161,54 at 29 March 2019. LTI also include 100% of the FSR due to vest in June 2019 valued at YE VWAP of R161,54. Mr Murray met the criteria for vesting of his special award as set out in the FY2016 remuneration report, namely the appointment of the CEO and the smooth transition from A D Murray to A E Thunström.*
5 *A D Murray retired on 30 September 2018. In line with TFG's good leaver provisions, 100% of his performance shares issued more than 12 months prior to retirement vested, and 100% of his SARs issued more than 12 months prior to retirement became available for conversion (to be converted or exercised within 12 month of retirement date). The below share instruments vested on retirement:*

119 000 SAR awarded 2 June 2016	*54 900 FSP awarded 2 June 2016*	*These share instruments are valued at VWAP of R173,54*
132 800 SAR awarded 2 June 2017	*61 300 FSP awarded June 2017*	*on 29 September 2018*

6 *Dividends include total dividends received from all unvested forfeitable share allocations during FY2019.*
7 *In addition to the earnings set out above, Ms Ntuli received a once-off sign-on bonus of R4 million during FY2019 to compensate her for financial entitlements she forfeited as a result of leaving her previous employer. In addition to the earnings set out above, Ms Ntuli received a once-off sign-on bonus of R4 million during FY2019 to compensate her for financial entitlements she forfeited as a result of leaving her previous employer. The local talent pool of CFOs with the expertise and credentials of Ms Ntuli is limited. Given that TFG initiated the engagement with Ms Ntuli and that Ms Ntuli would forfeit a short term and long term incentive due in 2019 from her previous employer, the Remco decided that the award of a once-off sign-on bonus would be necessary and appropriate in these circumstances. The sign-on bonus is repayable if Ms Ntuli leaves TFG within 12 months of joining.*

2018

Executive Directors	Salary R'000	Benefits[1] R'000	Guaranteed Pay R'000	STI[2] R'000	LTI[3] R'000	Dividends[4] R'000	Total Remu-neration R'000
A E Thunström	4 026,6	972,9	4 999,5	3 436,1	7 965,9	466,2	16 867,7
A D Murray	8 865,9	1 733,7	10 599,6	11 923,1	13 054,2	2 116,3	37 693,2

1 *Benefits include travel allowance, housing allowance, pension fund and medical aid subsidy.*
2 *STI includes a performance bonus included in FY2018 remuneration to be paid in FY2019 but accrued in FY2018.*
3 *LTI includes 100% of SAR and forfeitable shares due to vest in June 2018, based on FY2016 to FY2018 performance, valued at VWAP of R223,19 at 31 March 2018.*
4 *Dividends include total dividends received from all unvested forfeitable share allocations during FY2018.*

DIRECTORS' INTERESTS

As at 31 March 2019, the directors had the following interest in the company's issued shares:

	Non-executive					Total non-executive	Executive		Total executive	Total non-executive plus executive
	M Lewis '000	E Oblowitz '000	D Friedland '000	N V Simamane '000	R Stein '000		A E Thunström	B Ntuli		
Direct beneficial		2,2		1,6	266,6	270,4				270,4
Indirect beneficial			20,4		70,1	90,5				90,5
Indirect non-beneficial	1 591,7					1 591,7				1 591,7
Total	1 591,7	2,2	20,4	1,6	336,7	1 952,6				1 952,6

As at March 2019, directors had accepted and/or exercised the following SARs and forfeitable shares.

	Unvested share awards as at 31 March 2019							Unvested share awards as at 31 March 2019							
	Financial year of award	Financial year of earliest delivery	Financial year of latest delivery	Status of award	Strike price per instrument	Number of instruments awarded '000	Number of instruments vested in year '000	Number of instruments lapsed in year '000	Closing number of unvested and/or unexercised instruments '000	Number of instruments exercised or settled in year '000	Share price at which instruments were exercised or settled cents	Result in number of shares issued '000	Value of shares on exercise or settlement R'000	Dividends received in year R'000	Indicative value of unvested and/or unexercised instruments R'000
A E Thunström															
SARs[1]	2016	2019	2022	Available for conversion	R148,15	31,2	31,2	–	31,2	–					417,7
[2]	2017	2020	2023	Unvested	R142,72	37,8	–	–	37,8	–					711,3
[2]	2018	2021	2024	Unvested	R138,30	47,0	–	–	47,0	–					2 384,3
[2]	2019	2022	2025	Unvested	R183,89	77,0	–	–	77,0	–					3 009,9
FSP[3]	2015	2019		Vested		11,8	11,8	–	–	11,8	184,8		2 180,5		–
	2016	2019		Vested		13,4	13,4	–	–	13,4	184,8		2 476,2		–
	2017	2020		Unvested		17,4	–	–	17,4	–				130,5	905,9
	2018	2021		Unvested		21,7	–	–	21,7	–				162,7	2 278,5
	2019	2022		Unvested		35,6	–	–	35,6	–				266,6	3 732,7
A D Murray[4]															
SARs[1]	2015	2018	2020	Available for conversion	R111,10	89,4	89,4	–	89,4	–					4 509,0
[1]	2016	2019	2020	Available for conversion	R148,15	76,4	76,4	–	76,4	–					1 022,7
[1]	2017	2019	2020	Available for conversion	R142,72	119,0	119,0	–	119,0	–					2 239,2
[1]	2018	2019	2020	Available for conversion	R138,30	132,8	132,8	–	132,8	–					3 085,8
FSP	2016	2019		Vested		32,8	32,8	–	–	32,8	184,8		6 061,1		–
	2017	2019		Vested		54,9	54,9	–	–	54,9	175,7		9 645,3	230,6	–
	2018	2019		Vested		61,3	61,3	–	–	61,3	175,7		10 769,7	257,5	–
FSR[3]	2017	2020		Unvested		142,9	–	–	142,9	–				600,2	23 083,6

1 *SARs vested and not yet converted, valued at YE VWAP of R161,54.*
2 *Unvested SARs valued using the YE VWAP of R161,54 and applying a fair value calculation that uses the Binomial pricing method and expected vesting percentages.*
3 *Unvested forfeitable shares valued using the YE VWAP of R161,54 and applying expected vesting percentages.*
4 *A D Murray retired on 30 September 2018. According to TFG's good leaver provisions (as set out under executive remuneration on page 134), 100% of A D Murray's share instruments vested on retirement. All remaining instruments have to be delivered in FY2020. The FSR shares will vest in FY2020 as the relevant KPIs were deemed achieved at year end.*

CHANGES TO DIRECTORS' INTERESTS AFTER YEAR END

1. Acceptance of SARs in June 2019:

	SARs accepted 000's	Price per SAR R
A E Thunström	85,6	174,32
B Ntuli	43,9	174,32

2. Acceptance of FSPs in June 2019:

	Shares accepted 000's	Indicative value Rm[2]
A E Thunström	49,0	8,7
B Ntuli	25,1	4,5

3. Acceptance of FSRs in June 2019:

	Shares accepted 000's	Indicative value Rm[2]
B Ntuli[1]	13,5	2,4

[1] *In addition to the standard annual share award, Ms Ntuli received retention shares to the value of R2,5 million that vest in June 2022. This award forms part of Ms Ntuli's sign on share award to compensate her for financial entitlement she forfeited as a result of leaving her previous employer. In addition to the standard annual share award, Ms Ntuli received retention shares to the value of R2,5 million that vest in June 2022. This award forms part of Ms Ntuli's sign on share award to compensate her for financial entitlements she forfeited as a result of leaving her previous employer. The local talent pool of CFOs with the expertise and credentials of Ms Ntuli is limited. Given that TFG initiated the engagement with Ms Ntuli and that Ms Ntuli would forfeit a short term and long term incentive due in 2019 from her previous employer, the Remco decided that the special share award would be necessary and appropriate in these circumstances. The special share award is forfeited if she terminates her employment with TFG before the end of the three year vesting period (June 2022).*

[2] *Indicative value based on closing share price of R177,05 on 3 June 2019.*

NON-EXECUTIVE DIRECTORS

NED fees are reviewed annually and approved changes are effective 1 October. The proposed NED fees (VAT exclusive) per role as from October 2019 are detailed in section B on page 135 of this report.

Below are the actual NED fees (VAT exclusive) for FY2019 based on current committee membership:

Non-Executive Directors	Fees paid in respect of 2019[1]	Fees paid in respect of 2018[1]
M Lewis	**R976 900**	R927 000
E Oblowitz	**R830 750**	R720 250
S E Abrahams	**R790 750**	R678 750
Prof. F Abrahams	**R655 750**	R601 000
R Stein	**R613 500**	R534 000
D Friedland	**R629 250**	R570 000
N V Simamane	**R613 250**	R554 750
B L M Makgabo-Fiskerstrand	**R613 250**	R554 750
G H Davin	**R586 250**	R556 250
Total	**R6 309 650**	R5 696 750

[1] *Fees only relate to services as directors.*

APPENDICES

This report is a concise communication, complemented by further reporting elements and information.

APPENDIX 1: DEFINITIONS

Companies Act of South Africa	Companies Act of South Africa, No. 71 of 2008, as amended
Concession arrangement	In addition to their own stand-alone stores, TFG London has concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product
Current ratio	Current assets divided by current liabilities
Debt to equity ratio	Net borrowings expressed as a percentage of total equity
Dividend cover	Basic earnings per share divided by dividend declared
Doubtful debt provision as a % of debtors' book	Provision for doubtful debts expressed as a percentage of gross receivables
EBIT	Earnings, excluding acquisition costs, before finance costs and tax
EBITDA	Earnings, excluding acquisition costs, before finance costs, tax, depreciation and amortisation
EBITDA finance charge cover	EBITDA divided by finance costs
EBITDA margin	EBITDA expressed as a percentage of retail turnover
Finance charge cover	Operating profit before finance costs divided by finance costs
Free cash flow	Earnings, excluding acquisition costs, before finance costs and tax plus depreciation and amortisation net of changes in net working capital and capital expenditure
Gross square metre	The total leased store area, including stock rooms
Headline earnings	Net income attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items
Headline earnings – adjusted	Headline earnings adjusted for the impact of acquisition costs incurred
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year
Market capitalisation	The market price per share at year end multiplied by the number of ordinary shares in issue at year end
Net bad debt as a % of debtors' book	VAT-exclusive bad debts, net of recoveries and including provision movement as percentage of gross receivables
Net bad debt write-off	VAT-inclusive bad debts, net of recoveries and excluding movement in provision
Net bad debt write-off as a % of credit transactions	Net bad debt write-off expressed as a percentage of credit transactions
Net bad debt write-off as a % of debtors' book	Net bad debt write-off expressed as a percentage of gross receivables
Net borrowings	Interest-bearing debt and non-controlling interest loans reduced by preference share investment (where relevant) and cash
Non-recourse debt	Debt where lenders cannot seek compensation from TFG parent companies, their sponsors or guarantors, and is typically debt raised by our international companies
Omnichannel	Describes the integrated multi-channel retailing (e-commerce, online sales, mobile app sales)
Operating margin	Operating profit before finance costs expressed as a percentage of retail turnover
Operating profit	Profit earned from normal business operations
Outlets	TFG London trades through a combination of stand-alone stores and concession arrangements resulting in their presence being referred to as outlets rather than the traditional stores
Overdue values as a % to debtors' book	Overdue portion of debtors at statement month-end as a percentage of gross receivables
Recourse debt	Amounts owed by TFG companies in Africa (excluding our international subsidiaries) where the lenders have the ability to claim for damages from the borrower's parent, sponsor or guarantor
Recourse debt to equity ratio	Recourse debt reduced by preference share investment (where relevant) and cash, expressed as a percentage of total equity
Return on capital employed (ROCE)	Earnings, excluding acquisition costs, before finance costs and tax (EBIT)/average capital employed
Same store	Stores that traded out of the same trading area for the full current and previous financial years
Tangible net asset value per ordinary share	Total net asset value, after non-controlling interest, excluding goodwill and intangible assets, divided by the net number of ordinary shares in issue at year end
Total shareholder return (TSR)	The return for a shareholder through the appreciation in TFG's share price plus dividends paid over a specified period
Trading expenses	Costs incurred in the normal course of business including, among others, depreciation, amortisation, employee costs, occupancy costs, net bad debt and other operating costs
VWAP	Volume weighted average price
Weighted CPI	CPI of the major geographical areas that TFG trade in (South Africa, United Kingdom and Australia), weighted by their respective geographical turnover contribution percentage

APPENDIX 2: 10-YEAR STATISTICS

Years ended	2019	2018^	2017	2016	2015	2014	2013	2012	2011	2010
Profitability										
Retail turnover (Rm)	**34 101,4**	28 519,5	23 548,7	21 107,5	16 085,9	14 159,0	12 896,4	11 630,5	9 936,5	8 605,2
Operating profit before finance charges – continuing operations (Rm)*	**4 327,8**	4 126,5	3 811,2	3 596,1	2 807,1	2 536,9	2 407,3	2 232,6	1 845,1	1 559,3
Profit before tax – continuing operations (Rm)	**3 577,9**	3 350,5	3 203,8	3 021,2	2 286,6	2 375,1	2 298,9	2 156,4	1 775,5	1 485,2
Profit attributable to equity holders of The Foschini Group Limited (Rm)	**2 638,4**	2 406,9	2 351,4	2 155,6	1 858,0	1 859,6	1 792,0	1 582,1	1 301,8	1 085,6
Adjusted headline earnings (Rm)**	**2 743,4**	2 528,2	2 332,8	2 185,2	1 881,9	1 872,3	1 796,6	1 584,2	1 305,6	1 085,6
Statement of financial position										
Non-current assets (Rm)	**12 455,8**	11 192,7	7 628,5	8 448,9	6 925,3	2 120,5	1 883,1	1 623,8	1 353,1	1 380,5
Current assets (Rm)	**17 553,6**	16 598,9	14 407,5	13 646,2	11 608,1	9 351,2	8 425,9	7 281,2	6 156,0	4 949,9
Assets of disposal group (Rm)	**–**	–	–	–	–	5 631,5	4 985,4	3 912,9	3 164,3	2 883,7
Total assets (Rm)	**30 009,4**	27 791,6	22 036,0	22 095,1	18 533,4	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1
Total shareholders' interest (Rm)	**14 307,3**	13 121,5	10 515,3	9 896,7	8 130,9	7 228,6	7 043,8	6 293,1	5 462,9	5 058,3
Non-controlling interest (Rm)	**–**	4,5	4,2	4,0	2,7	861,3	705,5	571,1	485,6	427,0
Non-current liabilities (Rm)	**7 629,4**	6 278,7	5 350,4	5 973,8	4 491,4	2 016,0	1 392,4	1 048,4	1 251,7	1 226,4
Current liabilities (Rm)	**8 072,7**	8 386,9	6 166,1	6 220,6	5 908,4	3 296,1	2 750,3	2 284,8	1 417,3	764,3
Liabilities of disposal group (Rm)	**–**	–	–	–	–	3 701,2	3 402,4	2 620,5	2 055,9	1 738,1
Total equity and liabilities (Rm)	**30 009,4**	27 791,6	22 036,0	22 095,1	18 533,4	17 103,2	15 294,4	12 817,9	10 673,4	9 214,1
Cash flow statement										
Cash flows from operating activities – continuing operations (Rm)	**1 240,3**	856,5	1 014,2	461,5	(61,7)	128,2	485,2	(77,9)	190,8	352,0
Cash flows from investing activities – continuing operations (Rm)	**(868,4)**	(3 796,4)	(870,9)	(1 030,5)	(1 779,6)	(537,5)	(557,0)	(377,2)	(353,9)	(264,0)
Cash flows from financing activities – continuing operations (Rm)	**(546,8)**	3 401,0	(46,7)	585,1	2 328,5	339,5	121,4	666,9	179,4	(131,1)
Net (decrease) increase in cash (Rm)	**(174,9)**	461,1	96,6	16,1	487,2	(69,8)	49,6	211,8	16,3	(43,1)
Cash at the beginning of the year (Rm)	**1 206,1**	878,5	888,8	800,4	301,3	593,4	504,7#	338,5	284,0	296,2
Cash at the end of the year – discontinued operations (Rm)	**–**	–	–	–	–	(222,4)	39,0	160,5	38,2	30,9
Cash held in non-controlling interest (Rm)	**(6,4)**	–	–	–	–	–	–	–	–	–
Effect of exchange rate fluctuations on cash held (Rm)	**86,2**	(133,5)	(106,9)	72,3	11,9	0,1	0,1	0,1	–	–
Cash at the end of the year – continuing operations (Rm)	**1 111,0**	1 206,1	878,5	888,8	800,4	301,3	593,4	710,9	338,5	284,0
Performance measures/ratios										
Turnover growth (%)	**19,6**	21,4	11,6	31,2	13,6	9,8	10,9	17,0	15,5	6,4
Same store turnover growth (TFG Africa) (%)	**5,6**	2,2	2,8	5,7	5,5	4,2	5,8	10,6	10,8	–
Same store turnover growth (TFG Australia) (%)	**7,8**	–	–	–	–	–	–	–	–	–
Operating margin – continuing operations (%)	**12,7**	14,5	16,2	17,0	17,5	17,9	18,7	19,2	18,6	18,1
Debt to equity ratio – continuing operations (%)	**56,6**	62,0	65,3	73,5	76,8	36,8	22,3	20,7	20,1	14,4
Total liabilities to shareholders' interest (times)	**1,1**	1,1	1,1	1,2	1,3	1,2	1,1	0,9	0,9	0,7
Total liabilities to shareholders' interest – continuing operations (times)	**1,1**	1,1	1,1	1,2	1,3	0,7	0,6	0,5	0,5	0,5
Net retail borrowings (Rm)	**8 102,4**	8 144,5	6 870,7	7 276,9	6 242,2	2 659,1	1 567,4	726,1	237,6	(169,4)
Current ratio – continuing operations (times)	**2,2**	2,0	2,3	2,2	2,0	2,8	3,1	3,2	4,3	6,5
Headline earnings per ordinary share (HEPS) – continuing operations** (cents)	**1 187,1**	1 124,1	1 099,2	1 055,8	897,9	818,7	780,6	653,9	537,3	440,7
Change in HEPS from continuing operations (%)	**5,6**	3,4	4,1	17,6	9,7	4,9	19,4	21,7	21,9	(9,8)
Distribution declared per ordinary share (DPS) (cents)	**780,0**	745,0	720,0	691,0	588,0	536,0	506,0	455,0	350,0	288,0
Dividend yield (%)	**4,8**	3,3	4,7	4,9	3,3	5,0	4,4	3,3	3,6	4,3
Tangible net asset value per ordinary share (cents)	**2 471,8**	2 358,1	2 728,7	2 063,5	1 701,0	3 396,3	3 205,0	2 918,9	2 598,3	2 316,7
Price/earnings ratio at year end (multiple)	**14,28**	20,91	13,94	13,58	19,9	11,9	13,2	16,0	13,4	12,9

Notes

2013 and prior years were restated where appropriate to reflect the RCS Group as a discontinued operation.

* *Operating profit before finance charges excludes the impact of acquisition costs.*

** *Adjusted headline earnings is calculated to remove the impact of the acquisition costs.*

\# *Restated, as insurance cells are no longer consolidated and their cash flow is now included in working capital as part of the insurance receivables.*

^ *Financial year ended 2018 restated as a result of the change in the IFRS 15 accounting policy.*

Years ended	2019	2018^	2017	2016	2015	2014	2013	2012	2011	2010
Share statistics										
Number of ordinary shares in issue (millions)	**236,8**	236,8	219,5	215,4	211,0	222,0	228,5	240,5	240,5	240,5
Number of ordinary shares on which headline earnings per share is calculated (millions)	**231,1**	224,9	212,2	207,0	204,3	206,0	209,3	205,2	206,5	208,2
Net number of ordinary shares on which net asset value per share is calculated (millions)	**231,3**	231,3	214,0	209,3	205,4	204,3	210,1	206,4	205,3	209,0
Number of shares traded during the year (millions)	**315,9**	391,8	378,8	285,9	283,8	387,7	275,2	259,1	261,6	371,3
Volume traded/number of shares in issue (%)	**133,4**	165,5	172,6	132,8	134,5	174,6	120,4	107,7	108,8	154,4
Closing share price (cents)	**16 300**	22 375	15 449	14 144	18 057	10 715	11 280	12 368	8 465	6 700
Market capitalisation (Rm)	**38 591,4**	52 974,3	33 912,9	30 459,2	38 101,2	23 787,8	25 774,6	29 744,8	20 480,8	16 113,4
Outlet information										
Number of outlets – TFG	4 085	4 034	3 328	3 125	2 724	2 111	1 979	1 857	1 727	1 627
Number of outlets – TFG Africa	2 631	2 652	2 589	2 462	2 280	2 111	1 979	1 857	1 727	1 627
Number of outlets – TFG London	971	935	739	663	444	–	–	–	–	–
Number of outlets – TFG Australia	483	447	–	–	–	–	–	–	–	–
Floor area (gross square metres) (TFG Africa)	809 505	794 232	767 347	735 367	690 190	646 665	609 411	579 365	537 951	505 676
Floor area (gross square metres) (TFG Australia)	70 798	57 165	–	–	–	–	–	–	–	–

Notes
2013 and prior years were restated where appropriate to reflect the RCS Group as a discontinued operation.
** Operating profit before finance charges excludes the impact of acquisition costs.*
*** Adjusted headline earnings is calculated to remove the impact of the acquisition costs.*
 # Restated, as insurance cells are no longer consolidated and their cash flow is now included in working capital as part of the insurance receivables.
^ Financial year ended 2018 restated as a result of the change in the IFRS 15 accounting policy.

APPENDIX 3: SHAREHOLDINGS OF THE FOSCHINI GROUP LIMITED

ANALYSIS OF SHAREHOLDINGS

Compiled by JP Morgan Cazenove utilising the company's transfer secretaries' records as at 29 March 2019.

Spread analysis	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
1–1 000 shares	10 168	73,9	3 082 050	1,3
1 001–10 000 shares	2 607	19,0	7 208 919	3,1
10 001–100 000 shares	716	5,2	23 966 468	10,1
100 001–1 000 000 shares	215	1,6	60 454 290	25,5
1 000 001 shares and over	44	0,3	142 045 087	60,0
	13 750	100,0	236 756 814	100,0

DISTRIBUTION OF SHAREHOLDINGS

Category	Number of shares held	% of shares in issue
Unit trusts	86 083 946	36,3
Pension funds	68 418 692	28,9
Sovereign wealth	17 523 744	7,4
Other managed funds	15 059 369	6,4
Insurance companies	13 404 609	5,7
Private investors	8 540 823	3,6
Trading position	7 820 322	3,3
Exchange-traded funds	6 487 221	2,7
Custodians	4 603 844	1,9
Employees	4 388 555	1,9
Hedge funds	1 454 628	0,6
Corporate holdings	1 104 199	0,5
Other	1 866 862	0,8
	236 756 814	100,0

BENEFICIAL SHAREHOLDINGS GREATER THAN 5%

Beneficial interests – direct and indirect, as per share register and information supplied by nominee companies as at 29 March 2019.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	33 006 888	13,9

FUND MANAGERS' HOLDINGS GREATER THAN 5%

According to disclosures made, the following fund managers administered client portfolios which included more than 5% of the company's issued shares.

	Holding	% of shares in issue
Government Employees Pension Fund (PIC)	27 550 944	11,6
Investec Asset Management Holdings Proprietary Limited	14 084 112	6,0
Hermes Investment Management Limited	13 994 091	5,9
	55 629 147	23,5

SHAREHOLDING SPREAD

Category	Number of holders	% of total shareholders	Number of shares held	% of shares in issue
Public	13 371	97,2	196 304 577	82,9
Government Employees Pension Fund (PIC)	12	0,1	33 006 888	13,9
Directors	5	–	1 952 595	0,8
Trust	1	–	1 457 750	0,7
Subsidiary	1	–	1 080 599	0,5
Employees of TFG	360	2,7	2 954 405	1,2
Total	13 750	100,0	236 756 814	100,0

GEOGRAPHICAL SPLIT OF INVESTMENT MANAGERS AND COMPANY RELATED HOLDINGS

Region	Total shareholding	% of shares in issue
South Africa	130 387 538	55,1
United States of America and Canada	43 131 279	18,2
United Kingdom	33 331 419	14,1
Rest of Europe	13 955 268	5,9
Rest of world*	15 951 310	6,7
Total	236 756 814	100,0

GEOGRAPHICAL SPLIT OF BENEFICIAL SHAREHOLDERS

Region	Total shareholding	% of shares in issue
South Africa	124 005 883	52,4
United States of America and Canada	41 245 939	17,4
United Kingdom	23 458 112	9,9
Rest of Europe	27 679 007	11,7
Rest of world*	20 367 873	8,6
Total	236 756 814	100,0

* *Represents all shareholdings except those in the above regions*

APPENDIX 4: SHARE PERFORMANCE AND ADDITIONAL INFORMATION

EXCHANGE RATE INFORMATION	2019	2018
Closing US$ conversion rate	**14,49**	11,83
Average US$ conversion rate	**13,76**	12,98
Closing GBP conversion rate	**18,87**	16,59
Average GBP conversion rate	**17,99**	17,20
Closing AUD conversion rate	**10,28**	9,08
Average AUD conversion rate	**10,00**	10,04

SHARE PERFORMANCE	2019	2018
Market price per share (cents)		
– year end	**16 300**	22 375
– highest	**22 900**	24 080
– lowest	**15 367**	12 821
– average	**17 594**	16 128
Number of beneficial shareholdings	**13 750**	12 211
Price/earnings ratio at year end	**14,28**	20,91
Dividend yield	**4,8**	3,3
Number of shares traded during the year (millions)	**315,9**	391,8
Volume traded/number of shares in issue (%)	**133,4**	165,5
Market capitalisation (Rm)	**38 591,4**	52 974,3

APPENDIX 5: VALUE-ADDED STATEMENT

	2019 Rm	2019 %	2018 Rm	2018 %
Retail turnover	**34 101,4**		28 519,5	
Paid to suppliers for goods and services	**(22 542,9)**		(18 787,4)	
Value added	**11 558,5**	**100,0**	9 732,1	100,0
Applied as follows:				
Employees				
Remuneration to employees	**6 181,0**	**53,5**	4 948,0	50,8
Providers of capital				
To lenders as finance charges	**749,9**	**6,5**	696,6	7,2
To shareholders as dividends	**1 756,1**	**15,2**	1 627,2	16,7
Taxation				
Taxation	**1 145,1**	**9,9**	935,1	9,6
Reinvested				
Reinvested in the Group to finance future expansion and growth	**1 726,4**	**14,9**	1 525,2	15,7
Employment of value added	**11 558,5**	**100,0**	9 732,1	100,0

APPENDIX 6: OUR BRANDS

@HOME

@home offers a comprehensive range of premium fashion homeware needed to equip and decorate a stylish modern home.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women of all age groups

Number of outlets
2019: 89 (2018: 90)

@HOMELIVINGSPACE

@homelivingspace offers a comprehensive range of contemporary homeware and furniture for lounge, dining room, bedroom, office and outdoor.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women of all age groups

Number of outlets
2019: 37 (2018: 34)

AMERICAN SWISS

Fine jewellers since 1896 creating jewellery that celebrates life's precious moments, with quality at the heart of everything we do.

Business segment
TFG Africa, TFG Australia

Income category
Mid to upper market

Target audience
Men and women of all age groups

Number of outlets
2019: 242 (TFG Africa)
2019: 5 (TFG Australia)
2018: 243 (TFG Africa)

ARCHIVE

Archive is a destination sneaker store that specialises in exclusives and limited edition sneaker, apparel and accessories drops.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 18 to 25

Number of outlets
2019: 39 (2018: 46)

CONNOR

Connor is one of the fastest growing on-trend menswear brands.

Business segment
TFG Australia

Income category
Value market

Target audience
Men aged 25 to 34

Number of outlets
2019: 157 (2018: 145)

CHARLES & KEITH

Charles & Keith offers international footwear, handbags and accessories and is renowned for its unique fashion-forward collection for the urban trendsetter.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Women aged 18 to 40

Number of outlets
2019: 10 (2018: 10)

DONNA

Donna offers a full range of apparel, footwear, lingerie and accessories, with a versatile end use to be able to dress up or down. All garments are developed to deliver a polished, smarter execution and engineered with curve expertise for fuller figured women.

Business segment
TFG Africa

Income category
Mid market

Target audience
Women of all age groups

Number of outlets
2019: 92 (2018: 102)

COLETTE

Colette has become the essential destination for accessories and is renowned for jewellery and statement bags that embrace the pace of fast fashion.

Business segment
TFG Africa

Income category
Mid market

Target audience
Women aged 18+

Number of outlets
2019: 8 (2018: 8)

DUESOUTH

Duesouth offers casual lifestyle apparel, footwear, accessories and a curated range of the latest gadgets to all customers who want to live life with intent; for those who enjoy the wherever whenever.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women aged late 20s to early 40s

Number of outlets
2019: 77 (2018: 77)

EXACT

Exact offers great value everyday essentials and is renowned for its trend-appropriate range of quality, well-priced contemporary fashion for the whole family.

Business segment
TFG Africa

Income category
Value market

Target audience
Men, women, children and babies

Number of outlets
2019: 304 (2018: 297)

FOSCHINI

Foschini offers good value smart, casual, denim, leisurewear, accessories, lingerie, footwear, cosmetics, fine jewellery and kids wear, and is renowned for its fashionable and contemporary clothing in a modern environment.

Business segment
TFG Africa

Income category
Mid market

Target audience
Women aged 18 to 40 and children

Number of outlets
2019: 314 (2018: 319)

FABIANI

Fabiani is a luxury apparel brand that delivers on exceptional personalised customer experience by offering curated product collections, as well as a world-class store and online environment.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men aged 25 to 45

Number of outlets
2019: 34 (2018: 32)

G-STAR RAW

G-Star RAW offers authentic denim wear and is renowned for its fusion of high-level craftsmanship with street-level edge.

Business segment
TFG Africa

Income category
Upper market

Target audience
Men and women aged 20 to 35

Number of outlets
2019: 12 (TFG Africa)
2018: 11 (TFG Africa)
2018: 16 (TFG Australia)

THE FIX

Fast fashion at incredible value, The FIX is the destination for see-now, buy-now, wear-now fashion. Aligned to international fashion trends as they happen, fashion-forward customers look here to get their latest fashion fix.

Business segment
TFG Africa

Income category
Value market

Target audience
Women aged 18 to 25

Number of outlets
2019: 178 (2018: 184)

HI

Hi offers a range of connected lifestyle products and is renowned for its must-have mobile technology hardware and related accessories, including smartphones, laptops, TVs, audio, fitness and smart home accessories, as well as prepaid data and airtime.

Business segment
TFG Africa

Income category
Value to upper market

Target audience
Men and women of all age groups

Number of outlets
2019: 11 (2018: 24)

HOBBS

Hobbs is an emerging global affordable luxury brand with a track record of addressing the wardrobe needs of busy, modern women with a focus on luxurious fabrics and quality craftsmanship.

Business segment
TFG London

Income category
Upper market

Target audience
Women

Number of outlets
2019: 231 (2018: 198)

MAT & MAY

Mat & May provides accessible quality leather and contemporary lifestyle accessories.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 25 to 40

Number of outlets
2019: 20 (2018: 26)

JOHNNY BIGG

Johnny Bigg is an on-trend big & tall menswear brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 25 to 34

Number of outlets
2019: 55 (2018: 38)

PHASE EIGHT

Phase Eight offers stylish and contemporary daywear, bridal wear, occasion wear, evening wear, holiday wear and accessories and is renowned for its high-quality fabric used for an impeccable cut and fit.

Business segment
TFG London

Income category
Upper market

Target audience
Women aged 35 to 55

Number of outlets
2019: 571 (2018: 590)

MARKHAM

Markham offers on-trend smart and casual wear, including footwear, accessories and fragrances and is renowned for its youthful, current, vibrant store experience.

Business segment
TFG Africa

Income category
Mid market

Target audience
Men aged 18 to 35

Number of outlets
2019: 339 (2018: 336)

RELAY JEANS

Relay Jeans is a South African men's only speciality denim lifestyle brand. The brand is renowned for its youthful, on-trend products and specialist denim store experience.

Business segment
TFG Africa

Income category
Mid market

Target audience
Men aged 18 to 30

Number of outlets
2019: 22 (2018: 20)

ROCKWEAR

Rockwear is a differentiated on-trend women's athleisurewear brand.

Business segment
TFG Australia

Income category
Value market

Target audience
Women aged 25 to 34

Number of outlets
2019: 42 (2018: 32)

STERNS

Since 1896, Sterns has provided customers with gifting solutions to celebrate important milestones in their lives.

Business segment
TFG Africa

Income category
Mid market

Target audience
Men and women of all age groups

Number of outlets
2019: 189 (2018: 188)

SODA BLOC

SODA Bloc offers denim, tees, dresses, skirts, shorts, gadgets and stationery, shoes and accessories to kit out tweens and is renowned for its coolest fashion fits for their generation.

Business segment
TFG Africa

Income category
Mid market

Target audience
Boys and girls aged 2 to 14

Number of outlets
2019: 30 (2018: 31)

TAROCASH

Tarocash is a leading on-trend menswear apparel brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 25 to 34

Number of outlets
2019: 118 (2018: 116)

SPORTSCENE

Sportscene offers sports-inspired footwear, apparel and accessories and is renowned for its blend of street-credible sports brands.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women aged 18 to 25

Number of outlets
2019: 265 (2018: 251)

TOTALSPORTS

Totalsports offers athletes and sports enthusiasts a broad range of apparel, footwear and equipment from leading sports brands.

Business segment
TFG Africa

Income category
Mid to upper market

Target audience
Men and women of all age groups

Number of outlets
2019: 319 (2018: 323)

WHISTLES

Whistles offers contemporary fashion and is a shopping destination for the busy, dynamic woman, renowned for timeless pieces with an intelligent sense of design.

Business segment
TFG London

Income category
Upper market

Target audience
Women aged 30+

Number of outlets
2019: 169 (2018: 147)

yd.

yd. is a leading fashionable younger menswear brand.

Business segment
TFG Australia

Income category
Mid market

Target audience
Men aged 18 to 24

Number of outlets
2019: 106 (2018: 100)

COMPANY INFORMATION

THE FOSCHINI GROUP LIMITED
Registration number 1937/009504/06
JSE codes: TFG – TFGP
ISIN: ZAE000148466 – ZAE000148516

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SHAREHOLDERS' CALENDAR

Financial year end	31 March 2019
Integrated report publication date	12 July 2019
Annual general meeting (82nd)	3 September 2019
Interim profit announcement (2020)	7 November 2019

UPCOMING DISTRIBUTION PAYMENTS

Ordinary	
– final 2019	July 2019
– interim 2020	January 2020
Preference	
– interim 2020	September 2019
– final 2020	March 2020

QUERIES REGARDING THIS REPORT CAN BE ADDRESSED TO:
D van Rooyen (Company Secretary)
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