Sustainability Overview

2013

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ABOUT **TFG**

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About TFG

1. About TFG

The group's mission is to be the **leading fashion lifestyle retailer in Africa**, by providing innovative, creative products and by leveraging our portfolio of diverse brands to differentiate our customer offering.

Our talented and engaged people will always be guided by our values and social conscience.

TFG operates a credit retail business extending to apparel, footwear, sporting, cellphone, jewellery, homewares and furniture businesses. We also provide a range of financial services offerings.

OUR VALUES

PRIDE^2

Professionalism:	We are accountable & drive performance in a creative and innovative way
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 have equal opportunity to grow in a supportive environment
Excellent Service:	Our customers are our future - we look after them

About this REPORT

1. About TFG

The sustainability overview provides insight into TFG's performance and prospects in relation to environmental, social and governance (ESG) issues. The report presents our perspective on what sustainability means for TFG operations and includes information on the progress we have made against five strategic priority areas, namely:

- **Supply Chain**
- **People**
- **Optimisation**
- **Socio-economic development**
- **Governance**

We include relevant case studies and commentary from selected internal and external stakeholders.

TFG's sustainability strategy is applicable to all wholly-owned divisions, which reflects the scope of this report. It does not include sustainability data pertaining to our subsidiary, the RCS Group, in which we have a 55% shareholding.

TFG's sustainability overview is part of a suite of reports within our integrated reporting process and supplements the high-level information included in the TFG Integrated Annual Report 2013. The full suite of reports may be found at www.tfglimited.co.za.

Integrated Annual Report: For an integrated overview of our performance, markets and operations, please refer to our Integrated Annual Report.

Financial statements: For further details on our financial performance, the TFG financial statements may be downloaded at www.tfglimited.co.za.

King Code of Corporate Governance: A King III compliance register is available on our website at www.tfglimited.co.za.

Global Reporting Initiative: The TFG integrated reporting process is aligned with the GRI guidelines. Our GRI content index may be found at www.tfglimited.co.za.

Carbon Disclosure Project: TFG participates in the CDP which provides further insight into our carbon risk and management response. A copy of our latest CDP report may be obtained from Chris Harries, Head of Sustainability: TFG Finance & Advisory, at Chrisha@tfg.co.za.

Kimberley Process: Our jewellery division adheres to the Kimberley Process, a global governments, industry and civil society initiative to stem the flow of conflict diamonds.

Johannesburg Stock Exchange Socially Responsible Investment Index: TFG is listed on the JSE SRI Index.

Although we make significant effort to ensure the validity and accuracy of information, the non-financial data provided in this overview is not externally assured.

This report contains certain forward-looking statements. These statements are not guarantees of operating, financial or other results which may differ materially from what is expressed or implied by such statements.

We would value your views and feedback on this report. Please email Chris Harries, Head of Sustainability: TFG Finance & Advisory at Chrisha@tfg.co.za.

A WORD FROM OUR **CEO**

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2.

A word from our CEO

A word from our CEO

Opening the first retail store in 1924, TFG has had over 90 years to consider what it means to be sustainable. It should be simple by now, but in reality, it's not. Contemplating a sustainable future requires companies to engage with an ever-changing array of complex ideas and challenges.

However I am satisfied that our sustainability efforts to date are appropriate and have begun to reveal some significant opportunities for the group.

We increasingly see these challenges and potential trade-offs as providing our business with the energy and agility needed to compete better, faster and more innovatively.

"Resilience is a core value at TFG.

Putting it into action, informed by a genuine social conscience, has implications for our culture and our business strategy, particularly in a world where short term drivers predominate.

Our sustainability drive is aimed at helping us to get to grips with these implications."

As we engage and learn, we are clear that sustainability is not only aligned with the passion we already feel for retail, but is gearing our operation to compete more effectively, more intelligently, in Africa's expanding marketplace.

Doug Murray, Chief Executive Officer
July 2013

SUSTAINABILITY CHALLENGES IN THE RETAIL SECTOR

3

Top 5 sustainability challenges for fashion retail in 2013

1

Pressure on disposable household income

Consumers are facing significant pressures as a result of rising inflation, marginal job creation, higher debt levels and interest rates. Statistics South Africa indicates that unemployment levels at 25.6% are the highest since 1998.

Socio-economic development on page 26

2

Levels of consumer indebtedness

Although retail credit accounts for only 3% of household lending, a recent study by the National Credit Regulator indicated that clothing accounts were the most common type of credit used by respondents. The number of consumers with impaired credit records and arrears is increasing. At the end of 2012, 39.1% of the South African population had a credit record. Although growth in unsecured lending has slowed, it remains an issue of concern for regulators, policy makers and creditors.

Peter Meiring, Group Director: TFG Financial Services, page 9

3

Localisation driven by the need for quick response

The South African clothing and textile industry has declined significantly in the past 10 years, resulting in job losses and consequent impacts on communities. Government efforts to rebuild the industry are being supported by the emergence of the quick response business model. Responding to the success of Inditec's Zara chain, quick response models aim to improve fashion intelligence by reducing lead times which requires a greater focus on on-shore or near-shore (Lesotho, Swaziland, Mauritius) procurement.

Supply chain localisation on page 19 and supplier ESG performance on page 20

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Supply chain health and safety returns to the global spotlight

The collapse of the Rana Plaza factory building in Bangladesh in April 2013 is considered the deadliest garment-factory accident in history, resulting in the death of more than 1 100 people. It refocused international attention on the safety and health of clothing and textile workers. It also galvanised a legally-binding agreement between textile workers, non-governmental organisations and 77 global retailers to tackle fire safety and security issues. Several British and American fashion retailers did not join the initiative, opting to put in place their own systems for supplier compliance.

Supplier ESG performance on page 20

5

Increasing governance requirements

Social, governance and environmental issues are giving rise to a range of government policy requirements, as well as an increasing number of voluntary frameworks. TFG's commitment to exemplary levels of compliance with both legislative and voluntary initiatives continues to impact our business.

Integrated Annual Report on page 52 for a regulatory overview

About this report on page 3 for a list of voluntary initiatives

SOCIAL IMPACTS

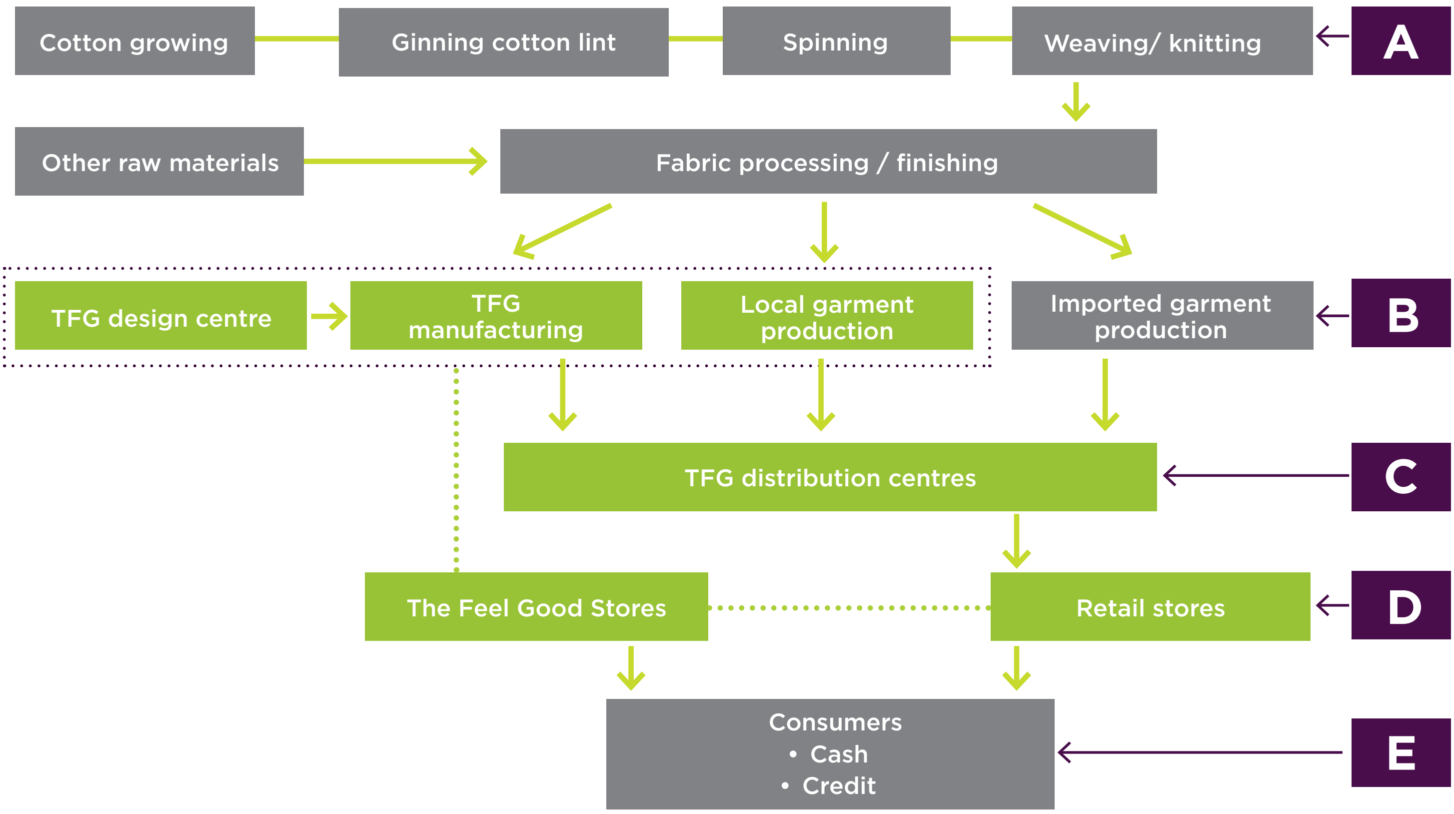
across the clothing value chain

3. Sustainability challenges in the retail sector

TFG's clothing value chain provides a perspective on how we impact environmental and social challenges, as well as those societal issues that impact our business.

Impacts across TFG's clothing value chain

Green boxes: these operations are under the direct control of TFG



A Upstream activities are associated with significant environmental and social impacts, however our ability to influence offshore activity is limited as the SA market is small in global terms.

B We are helping to drive the development of local industry.
Excess raw materials, rejects and customer returns are repurposed via The Feel Good Stores.
We increase our influence by including environmental and social requirements in supplier contracts and by auditing both on-shore and off-shore suppliers.

C We are improving efficiency and reducing impacts associated with transportation and logistics.

D TFG operations employ 17,705 people.
Our stores have introduced energy conservation and waste minimisation practices, while ensuring an attractive shopping environment.

E We provide a positive and responsible entry point into the credit market.

The business of lending

In conversation with...

PETER MEIRING

Group Director: TFG Financial Services

"Fundamentally, credit should act as an enabler in the economy. Having over-indebted customers is not useful for us."

TFG credit sales to turnover ratio:
60%

2.6 million
active accounts

1.3 million
cash rewards customers

In conversation with...
Peter Meiring

Q How is the level of consumer indebtedness impacting TFG?

Given the current economic conditions, the consumer is under significant pressure from an indebtedness point of view, and our bad debt levels have increased as a result. Fundamentally, credit should act as an enabler in the economy. Having over-indebted customers is not useful for us. As we are not a bank, our aim is to get our credit customers back into a buying position as quickly as possible having ample credit available to enable their purchases.

Q Do you see these pressures alleviating any time soon?

It's a challenge – we can access people's ability to repay based on the information provided and from their payment profile on the credit bureau. Once they are a customer, other credit lenders are able to see the same payment profile and extend more credit to them which in many instances causes them to become indebted.

Q The unsecured lending space is drawing a lot of attention. Is this why you're moving to sell your shareholding in RCS Group?

RCS has a very well-managed book, but it makes sense for us to move on. We already have our own big consumer lending book, so keeping a non-core asset that adds R6 billion to the TFG balance sheet, no longer makes commercial sense. In addition, because TFG is a Retailer, we need to focus on maximising our returns from our retail asset base. RCS's opportunities to expand and acquire business will always be limited by the scope of TFG's Retail capital needs.

Q Do you follow responsible credit granting practices?

Absolutely, we pride ourselves on being a responsible credit lender. This is done through the use of risk scorecards combined with detailed affordability checks which incorporate bureau data, all of which is done in order to ensure that the consumer has both an ability and capacity to manage the credit given to them. However, given the current economic environment with escalating petrol prices and utility bills, previously good paying consumers are having difficulties in meeting all of their credit obligations. This is where our collections department will work with the customer to determine how we can assist and we offer various rehabilitation strategies.

Q Do you educate customers on managing credit?

We carry content in our publications, but we could probably do more. We are often peoples' first line of credit, so we could be a useful starting point. While government expects credit providers to be more proactive on education, we believe it also has a role to play, particularly through the schools. Currently, the credit education cycle only begins once the customer is already in trouble and defaulting on payments. Clearly this is not a good experience for anyone.

Q What about using your contact centres to educate customers?

This would be a challenge. We are looking to keep talk time to a minimum, so the phone line is not a good educational tool. Customers don't want to hear any more extraneous information than is absolutely necessary – even if it might be useful for them.

Q Are you taking the TFG credit model into Africa?

Our credit model is already running in Namibia, Botswana, Lesotho and Swaziland. Many African countries have a lack of bureau data, which makes us cautious because our credit management techniques are geared to having data available. But there's opportunity out there. In South Africa, people take credit for granted; in other parts of Africa, there is not the same availability of credit particularly in the Retail environment.

Rebuilding the South African CLOTHING INDUSTRY

Opening of local markets post-1994 saw clothing retailers undergoing a major offshoring drive as goods could be imported cheaper than those produced locally. Local factory output decreased from R42.9 billion in 1998 to R33.9 billion in 2008 (inflation adjusted figures). Since 2003, approximately 25 000 jobs have been lost. Quotas issued by the government in 2007/8 did little to stem the tide of imports.

More recently, the Department of Trade and Industry (dti) in partnership with the Industrial Development Corporation (IDC) launched the Clothing and Textiles Competitiveness Programme. The programme involved vertical fast fashion clusters which linked a specific retailer to several cut-make-trim (CMT) operations and two horizontal fast fashion clusters (Western Cape and KwaZulu-Natal), which engaged several retailers on pre-competitive issues.

Fortunately, this industry initiative dovetailed with retailers' decision to gear their business models for quick response. Inditec's Zara runs lead times of 21.5 days; the average South African retailer was at 142 days – a difference of nearly four months. This was the driver needed to reduce retail reliance on imports and support local development.

"The Quick Response model is a life-line for the local manufacturers. It not only holds great benefits for the retailer but it provides a huge opportunity for local manufacturers to become effective, efficient and sustainable suppliers to such retailers."

Elaine Smith – DTI Director: Clothing & Textiles

There is clearly some way to go. "The fact is CMTs, factories and mills are still closing in South Africa," notes Peter Adams, Head of Supplier Relationships: TFG Merchandise Procurement. "Although the number of units procured locally has increased, we are dealing with fewer factories. And that means fewer jobs."

There are now approximately 1 000 clothing manufacturing firms, evenly distributed across the formal and informal sectors, the majority in the KZN and Western Cape. Recent IDC figures indicate that the sector is stabilising. "When retailers find a midway between keeping the shareholders happy and understanding the importance of keeping the value chain going, South Africa can look forward to a more viable clothing manufacturing sector," says Smith.

...cont

"Going forward, we are more likely to see challenges associated with a supply bottleneck," says Adams. "As major retailers shift to quick response, competition for locally-produced merchandise will intensify. TFG's investments in local manufacturing and design will make even more sense in this context."

> *"There is a clear alignment of interests. Entrepreneurs want to grow their businesses; retailers need secure supply; the government wants jobs. There has to be a commercial benefit for all, immediately."*
>
> ***Professor Justin Barnes - Executive Chairman of Benchmarking and Manufacturing Analysts SA (who assists with TFG's fast fashion initiative)***

"The initiatives must be lean – reduce waste, drive efficiency and create jobs. This model does not provide for greed; manufacturers are trading off smaller margins for greater support," says Barnes.

"Quick response has significantly improved local manufacturing opportunities and this has reduced our average lead times significantly," says John Ledger, previously Head of TFG Design Centre. "But local production still cannot compete head on with the current duty structure and we lack conversion capability on synthetic fabrics." Barnes agrees: "That's why public-private partnerships are so important. These programmes can only work with government support."

"Localisation is part of TFG's business strategy," says Brent Curry, TFG's Chief Information Officer and Director responsible for sustainability & climate change. "We are building manufacturing capacity, supporting local designers, providing training and capacity development. We will continue our efforts in partnership with government and other organisations."

Localisation is clearly the sustainability challenge of the future and a significant driver of innovation for retailers who are committed to developing the apparel industry.

For an example of localisation, read the case study on New Coe Knits on page 21.

What's on OUR RADAR?

1. **Greater retailer involvement in localisation to meet quick response requirements.**
2. **SA household indebtedness continues to put pressure on credit models.**
3. **SA labour issues in the run up to the 2014 elections, as well as six other legislative regimes.**
4. **Sustainability-related indices and rating systems likely to proliferate, with companies becoming more selective in their engagement.**
5. **Land issues arising from increasing competition between cotton, food and biofuel crops. Water issues will become more important.**

TFG
SUSTAINABILITY STRATEGY
4

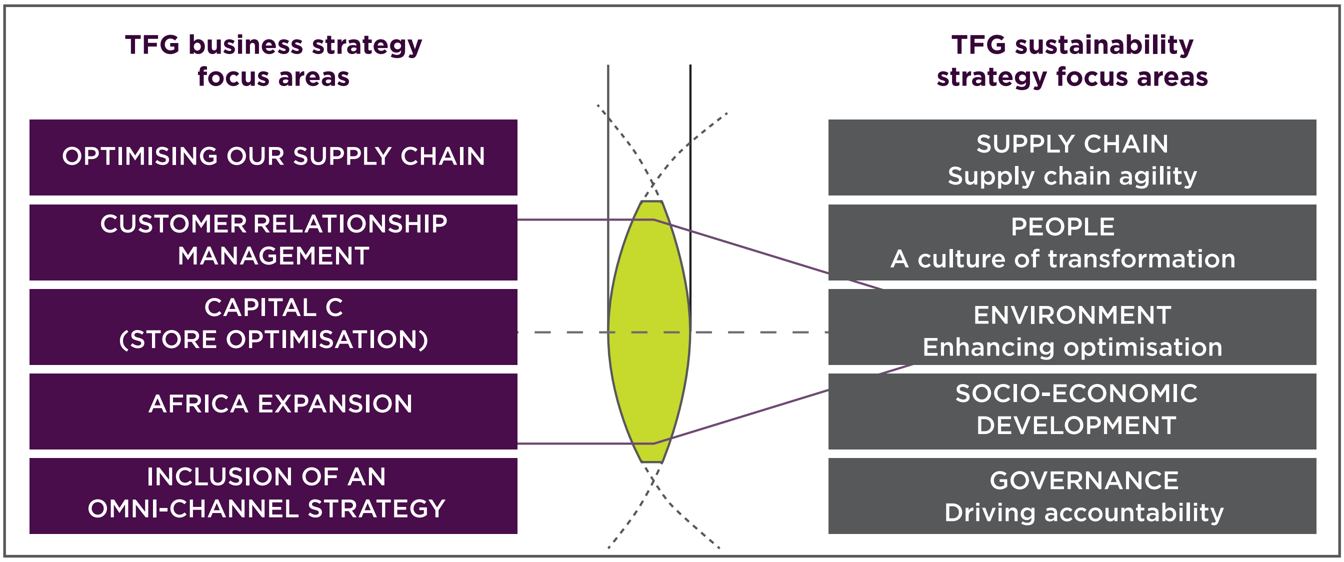
TFG's sustainability STRATEGY

In 2011, TFG's Operating Board approved a group-wide strategic framework and system to track and manage performance on environmental, social and governance (ESG) commitments.

Mindful of the challenging macro-environment, the sustainability strategy avoided audacious goals. To gain traction, it prioritised those commitments that would find resonance in tough operational circumstances. All sustainability commitments had to dovetail explicitly with the core business strategy, as well as helping TFG teams to build the capacity to deliver in a changing world. At the same time, they needed to address material ESG challenges, such as supply chain localisation, reducing energy use and increasing employment potential within the clothing sector.

> ***"Our business approach is fairly even-keeled, working a balance between being conservative and agile. We've been conservative in our strategic positioning around sustainability, but I believe we're moving beyond this now, particularly in the supply chain area."***
>
> ***Brent Curry -***
> *TFG Chief Information Officer and Director responsible for sustainability & climate change*

Sustainability at TFG is framed around five focus areas **(refer below)**. These focus areas were identified following a comprehensive materiality analysis undertaken by a selected team of managers from across the group.



The TFG sustainability strategy views the business strategy through an environmental, social and governance (ESG) lens. It seeks to address societal challenges while enhancing business performance and capabilities.

"Our sustainability strategy is well-aligned to our business strategy," says Curry, "but we don't see value in complete integration at this stage. Our business focus areas tend to be project-driven or tactical, like Capital C which is our store optimisation initiative. Sustainability is a long term framework."

...cont

Two high-level objectives were identified for each of the five focus areas. Key performance indicators were selected to track performance on each of these objectives. During 2012, efforts were aimed at achieving useful baseline measures for our KPIs. Following these baseline studies, some of these measures are being revised. Chris Harries, Head of Sustainability: TFG Finance & Advisory acknowledges: "Managing non-financial data is a challenge. It is not simply about tracking data – it is about ensuring that data is material and meaningful, making a tangible contribution to both the business and society. We still consider ourselves in a learning phase."

To ensure alignment with an expanding array of best practice guidelines, numerous additional data elements are tracked for each focus area. See page 14 for an overview of initiatives which guide our efforts. "We used these initiatives initially to scope the sustainability arena," says Harries. "New ESG surveys are launched every year, so our approach is becoming more selective."

A detailed strategic review of sustainability commitments and performance is undertaken every three years. A strategic review is presently underway and will be completed by the first quarter of 2014.

Defining material issues

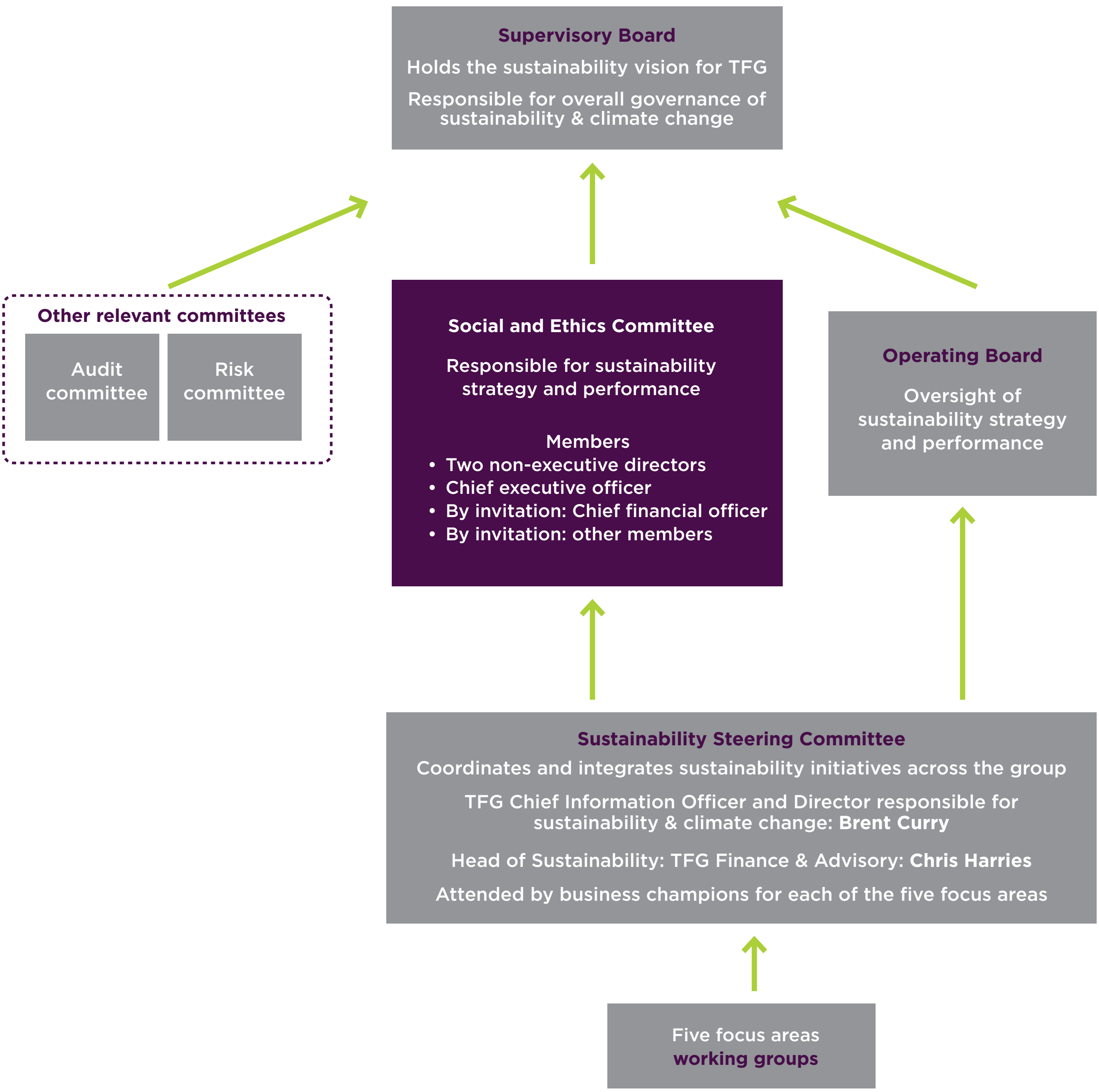
A comprehensive materiality process was undertaken in 2010. Facilitated by external advisors Incite, the analysis engaged a cross-section of managers in systematic consideration of TFG's:

- Core value drivers
- Operational impacts (both positive and negative) on social, natural and human capital
- ESG-related risks and opportunities, and
- Key stakeholder perspectives on ESG issues.

Material environmental, social and governance issues arising from the analysis were clustered into five focus areas which formed the TFG sustainability framework.

Material issues informing the sustainability framework are reviewed annually, drawing on analysis of global sustainability trends, significant sustainability-related risks identified in the enterprise risk management process (see page 36) and our experience of the year's hot topics.

TFG's sustainability STRUCTURE



A structure for TFG sustainability was established in 2012. The sustainability steering committee provides a co-ordinating centre and also encourages learning across the group.

SUSTAINABILITY QUO VADIS?

4. TFG's sustainability strategy

In conversation with...

BRENT CURRY

TFG Chief Information Officer and Director responsible for sustainability & climate change

Q What do you see up ahead for sustainability?

We started out by putting the basics in place, but sustainability must become more integral to our perspective on the future. Our omni-channel strategy takes an integrated, single view of the customer approach. We will increasingly be using predictive analytics to understand what customers want, including their concerns around social or environmental issues.

Q Do your customers ask about social or environmental issues?

Right now, our customers don't ask where the fabrics or garments come from. But a big target market for us is the 16-25 years old. These are digital natives and they expect quick reference to everything. So they will want a QR code that tells them exactly where a garment is made and what it is made of – should they choose to ask. We think it's coming and we are building this into our plans for the future.

Q That explains why the CIO is heading up the sustainability portfolio. It's quite unusual.

We're very future focused, so that's the connection. Our 'store of the future' provides an interactive R&D lab where we test technologies and interactive tools for working with customers, staff and suppliers. We're not generating vapourware here – these are new technologies that we will introduce to our stores and offices within a six to twelve month period.

Q It sounds like digital is a big part of your future.

We've just launched our new smart phone app for Apple, Blackberry and Android, as well as a mobi site. This is the first stage of the omni-channel strategy, which will eventually see us operating a search, select and checkout process by phone (mobile device) or conventional on-line. Customers will be able to search for stock across all our stores and order it.

Q Will we see the TFG store network shrinking in the future?

Although it would decrease our environmental footprint, and perhaps we'll need smaller sites, we are not yet looking at dropping our bricks and mortar expansion plans. We see online as a complementary service potentially delivering about 10% of our sales by 2023.

Q Would you say TFG has a sustainability culture?

Although we've made good progress, most managers in the organisation still regard sustainability as a 'need to do' exercise. We need to shift this. The links to innovation and adaptability are clear but not yet widely appreciated. We will be focusing more strongly on communication in the coming year.

Q Will we be reading more about TFG sustainability in the future?

Yes. Although we tend to be conservative when communicating in the public arena regarding achievements within the group, our sustainability initiatives are gaining momentum and we have many success stories to tell. Sustainability is definitely becoming more aligned to the way we do business.

SUPPLY CHAIN AGILITY

5

Supply Chain
AGILITY

5.
Supply chain agility

Material issues

- Supply chain localisation
- Supplier environmental, social and governance (ESG) performance
- Optimising freight and logistics operations
- Preferential procurement and enterprise development

Key sustainability objectives

- Support development of local clothing, footwear, textile and jewellery industry
- Reduce the use of fuel in the local supply chain

For these objectives, local refers to countries within the Southern African Customs Union (SACU)

Headlines

- Active engagement in dti fast fashion clusters
- Purchase of Prestige Clothing in March 2012
- Investment in the TFG Design Centre
- Growth in local merchandise procurement 4.2%
- Number of employees in local supply chain: 21,738 (2012); 18,446 (2013)
- Improved carton utilisation has reduced the cubic metres of merchandise transported
- Despite efficiency measures, store expansion drove an increase in fuel use (+11.4%)

Looking ahead

- Continued focus on localisation of the apparel supply chain
- Focus on enhanced efficiency and visibility from source to store
- New BBBEE codes could challenge our merchandise-oriented enterprise development initiatives, pushing the focus to non-core enterprises

SUPPLY CHAIN LOCALISATION

Competitive pressures and the need for quick response are driving localisation. “Of course values are important, but they are not the only driver of this initiative,” says Peter Adams, Head of Supplier Relationships: TFG Merchandise Procurement. “Recognising localisation as a core business driver is probably a far more resilient proposition”.

TFG’s fast fashion cluster works with key manufacturers with the support of the dti and IDC. TFG received R25 million in funding and contributed a further R8 million for development of the supply chain. The company has also supported the regional clusters from their inception. “Commitment to the development of domestic manufacturers means getting involved on the ground,” says Graham Choice, Head of TFG Manufacturing, TFG Design Centre & Prestige Clothing. TFG acquired Prestige Clothing in 2012, providing manufacturing capability in two locations, namely Maitland (Cape Town, Western Cape) and Caledon (Western Cape).

“TFG is investing in local manufacturing to produce garments very quickly, at scale, using world class as well as lean processes,” says Choice. “But this is a process – not an event. Local companies must increase their spend on training and technology. This is certainly possible with the government assistance that is currently available. Every week, we unpack improvements and set new benchmarks within our supply chain. We are sharing this learning with all our suppliers through the TFG fast fashion cluster”.

A critical link in this strategy is provided by TFG’s investment in the TFG Design Centre. Delivering competence in design, graphics and textiles, the centre works with multiple local suppliers to deliver 19% of TFG ladies wear. “In the past three years, fabric purchased from local mills has increased to 40% of procurement from close to a zero base,” says John Ledger, previously Head of TFG Design Centre. “We now deliver 4.8 million units of locally produced design – up from 2.9 million three years ago.”

TFG sees local investment in quick response capability and accelerated learning from global benchmarks as the basis of more resilient competitive advantage into the future.

> *“TFG has played a vital role in displaying their commitment to local industry and ensuring compliance when procuring goods. The support and commitment that they have shown to local manufacturers is exemplary and noteworthy and without it, I doubt very much whether the local manufacturers would survive.”*
>
> ***Elaine Smith – DTI Director: Clothing & Textiles***

5.

Supply chain agility

SUPPLIER ESG PERFORMANCE

Although the Rana Plaza factory in Bangladesh which suffered the devastating collapse in April this year is not a TFG supplier, we do procure merchandise from countries in the Middle and Far East, including Bangladesh (0.4%) and China.

TFG's extent of influence over supplier ESG performance varies. Local suppliers are accessible and often highly dependent on TFG procurement, which increases our level of influence; offshore suppliers are further away and procurement levels are usually relatively small. But TFG's supplier take-on process, which includes up front consideration of ethical and ESG criteria, is the same for any supplier.

Our stated intent is for every supplier to become a sustainable, compliant and cost effective merchant. We also aim to limit exposure of the group to operational risks associated with sourcing of product.

> ***"Keyed by rapid growth and monthly scorecard ratings, TFG undertakes its own audits of suppliers, including a review of environmental, social and governance performance. While we support, in principle, global collaborations on health, safety and environmental audits, we consider TFG global procurement volumes as insufficient to warrant formal engagement in such initiatives."***
>
> ***Peter Adams - Head of Supplier Relationships: TFG Merchandise Procurement***

OPTIMISING FREIGHT AND LOGISTICS

Significant improvements in carton utilisation (used for packaging merchandise for distribution) and efficiencies have been offset by store expansion. We opened 146 stores in the 2013 financial year and expect further expansion in coming years. While fuel use per unit delivered initially seemed a good logistics indicator, we are not seeing our efforts reflected in the numbers.
We continue to measure and optimise logistics and fuel use, and are currently in negotiation with forwarding and clearing agents to improve efficiency and visibility of our merchandise from source to store. We are looking at significant improvements in efficiency in global forwarding, better tracking and a reduced carbon footprint.

PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT

On the BBBEE generic scorecard, TFG achieves the maximum possible score of 15 points for enterprise development and 17.1 points out of 20 for preferential procurement. We seek to link these initiatives to the fast fashion clusters, with particular success at Eddels, a manufacturer of ladies and men's footwear based in Pietermaritzburg (KwaZulu-Natal) and New Coe Knits, based in Cape Town (Western Cape). Please see case study on page 21. Currently 44% of our BBBEE procurement spend applies to merchandise purchases.

> ***"Our challenge is to work a trade-off between established suppliers who can deliver the volume, efficiencies and quality we want and growing small and previously disadvantaged suppliers, who are often more vulnerable to change. We will inevitably undertake a greater mentorship role for small suppliers."***
>
> ***Chris Harries - Head of Sustainability: TFG Finance & Advisory***

Payment terms are important in working with smaller suppliers. Suppliers on our enterprise development programme have preferential payment terms to assist with cash flow.

CASE STUDY:

NEW COE KNITS EXPANDS IN PARTNERSHIP WITH TFG

Clyde Newman
Chief Executive Officer of Newman Clothing CC

New Coe Knits production line

Personally impacted by the demise of the Western Cape textile industry in the nineties, Clyde Newman started New Coe Knits in his garage with one knitting machine in 2001. Today his vision and passion have expanded the knitwear business into four operational units, including Newman Clothing, providing employment for more than 300 people.

The company established a relationship with TFG in 2007. For TFG, the ability to source popular knitwear locally met its quick response mandate; in return, TFG offered New Coe Knits access to a market, materials and ongoing business development support. New Coe Knits's production increased from 4,000 to 30,000 units a month over the past decade. In only two years, Newman Clothing has attained production volumes of 100,000 units per month.

The growth trajectory was enabled by securing access to Department of Trade and Industry (dti) funding through TFG's Fast Fashion Cluster. Following lean principles, machines purchased with dti loans are eight times more energy efficient, dramatically increasing production capacity and reducing waste.

Having to meet the quality and time demands of TFG's retail businesses has helped New Coe Knits become more adaptive. "There have been growing pains", Newman admits. "We needed to go back and make sure the foundations were sound, but we emerged stronger than before." The company has optimised its management systems, enabling better planning, increased cost efficiency and greater flexibility.

Seasonal demand remains a challenge, with a possible solution in diversification and an eye on export. A new factory in Saldanha (Western Cape) was set up for this purpose and offers training and employment for young job seekers in the local community.

While any small business has its challenges, Newman has little doubt: "This is the beginning of a new dawn for the industry, and the emergence of golden opportunities in the Cape, South Africa, and the rest of Africa". While his optimism may not be shared by all industry stakeholders, New Coe Knits certainly provides evidence of local potential yet to be realised.

A CULTURE OF **TRANSFORMATION**

6

A culture of TRANSFORMATION

Material issues
- Providing employment
- Employment equity and diversity
- Skills development and talent pipeline
- Employee health and wellness
- Leadership development
- Building social conscience and a culture of trust

Key sustainability objectives
- Develop and grow diverse leadership talent to ensure the continuous supply of a capable, competent workforce
- Identify multiple talent sources to achieve corporate transformation goals and ensure critical vacancies are filled

Headlines
- Opened 146 stores and increased headcount by 1 235 people
- Acquisitions of Fabiani, G Star raw and Prestige Clothing saw 1092 staff transferring to employment of TFG
- Insourced functions across TFG Logistics and Financial Services, resulting in the permanent employment of 140 staff
- 80% participation in employee engagement surveys
- Ranked 3rd in the 2013 Mail & Guardian Top Empowerment company survey within the retail sector

Looking ahead
- Unionisation drive and run up to the 2014 elections may spur industrial action within the sector
- African expansion will see collective bargaining across many legislative regimes
- Increased focus on building a sustainability culture at all levels

PROVIDING EMPLOYMENT

TFG's store expansion and acquisitions have enabled it to extend employment opportunities to a further 1 235 people. We employ a total of 17 705 people at our operations and over peak periods many additional contractors.

Employee turnover at head office level is very low, at about 15%. At stores, it is approximately 32%. Although this is standard for retail, we anticipate a positive shift following changes in the Labour Relations Act.

EMPLOYMENT EQUITY AND DIVERSITY

Representation of total employment equity employees to total employees has increased from 88.9% in 2010 to 90.4% in 2013. Although all other targets were met, employment equity progress at a senior management level continues to be an important focus area.

We have seen good progress with leadership pipelines created to develop internal employment equity employees. We have also allocated TFG share incentives in 2012 financial year to key employment equity middle managers as part of our recognition and retention strategy.

The representation of women in the workforce remains consistent at approximately 74.8 %. Our senior manager population is 43.3 % female. The workforce has a young age profile with 81.9 % being under the age of 40 and the average age being 31 years. We have made progress with the employment of disabled employees.

SKILLS DEVELOPMENT AND TALENT PIPELINE

"There's no doubt that sustainability issues are impacting our ability to source the best talent. We engage each year with the University of Cape Town (UCT) Emerging Leaders Group, which includes 200 top students and faculty heads. They don't ask much about salaries or profitability; they ask about sustainability and transformation. Generation Z are interviewing us – and they expect clear answers."

Adele Smith –
Head of Resourcing & CSI:
TFG Human Resources

The highly competitive retail market requires a strong focus on talent management. TFG initiatives include:

- A strong leadership development focus
- Stores and field management development, including full or short programmes, as well as distance learning programmes
- The merchant academy, which provides in-house learning interventions for existing buyers and planners
- The "I AM ME" trainee development programme
- Learnership programmes aimed at addressing both transformation challenges, pipeline needs and the South African Government's strategy of creating opportunities for employment

Further details on resourcing, skills development and talent management are available in our Integrated Annual Report pages 85-86.

EMPLOYEE HEALTH AND WELLNESS

We engage an external service provider to ensure optimal management of all aspects of occupational health. Our performance has improved, reflecting fewer incidents and lower associated costs. Wellness offerings are outlined in our Integrated Annual Report page 87 and include an HIV testing and treatment benefit for all permanent employees and psycho-social support for all employees via a helpline.

Contact centres are an important ongoing focus. "Working in a contact centre is tough," says Peter Meiring, Group Director: TFG Financial Services. "We continually look at what's happening internationally to make it an easier space. We've added playrooms, quiet rooms, chill rooms, meeting rooms, Internet and coaching. But we see contact centres as an effective training ground for first-time job seekers. One year on, contact centre trainees become candidates for our academy and talent pipeline."

BUILDING SOCIAL CONSCIENCE AND A CULTURE OF TRUST

Social conscience is part of TFG 's mission and is growing within our culture. We introduced the theme of 'doing good never goes out of fashion', which found positive resonance with our employees. We use employee surveys to gauge the issues and sentiment, with survey participation levels of about 80%.

From an employee relations perspective, TFG has historically fairly low levels of unionisation at head office and stores, with stronger representation in manufacturing and call centres. We continue to have a formal relationship with SACCAWU despite low union membership. "Our relationship with SACCAWU is a positive one," says Senta Morley, Head of TFG Human Resources. "They are organised, they play by the book and so do we."

SACTWU membership at the Maitland (Cape Town, Western Cape) and Caledon (Western Cape) operations increased marginally in the last year and we are seeing some increase in union recruitment in other areas.

Through our African Expansion strategies, we are entering into formal relationship agreements with unions in a number of the African countries.

Leadership Development

In conversation with...

SENTA MORLEY

Head of TFG Human Resources

6. A culture of transformation

Certainly, the appetite to pay a premium for merchandise that is differentiated as green or overtly ethical is limited. But conversations are starting to happen around these issues.

Q You launched a new executive development programme in 2012. What results are you seeing?

We had 40 executive / senior managers on the programme, which included leadership, strategy and coaching interventions. Our engagement with the UCT Unilever Institute has helped to re-orient our thinking around customers. The point is to really understand customers as people – what they want, how they are different. We have literally seen how this has influenced our thinking and strategy.

Q Are customers actually interested in how TFG responds to social and environmental challenges?

I think customers do want a sense that what they buy contributes to society. Certainly, the appetite to pay a premium for merchandise that is differentiated as green or overtly ethical is limited. But conversations are starting to happen around these issues.

Q What is your progress on employment equity at leadership levels?

We have not moved backwards, but we are not making the progress we would have liked to see. We're working with a trade-off here in terms of stability. Our strong culture can partly be attributed to the low turnover levels in our senior leadership teams.

Q Is diversity useful within your leadership team?

There's been a big drive on diversity in leadership. We identify and celebrate different leadership styles because they provide a critical perspective in a diverse world. We use assessments, training and coaching. This starts at our Board and is filtering through TFG.

Q Do TFG leaders fully appreciate the role of business in a broader societal context?

Seeing the business in a broader social context is a logical follow-through on customer-oriented leadership, so it's certainly a focus we'd look at for next year.

SOCIO-ECONOMIC **DEVELOPMENT**

7

7.
Socio-economic development

Socio-economic DEVELOPMENT

Material issues
- Unemployment and household debt reduce disposable income levels
- Focus CSI spend into a clear social value proposition
- Capitalise on linkages between CSI spend, talent pipeline and enterprise development requirements
- Active engagement of TFG people to build learning and understanding of the market

Key sustainability objectives
- Use practical learning experience to create jobs, income generating opportunities and to enhance employability in communities within which TFG operates
- Provide humanitarian relief to communities that have been affected by natural disasters

Headlines
- New CSI funding focus launched in 2012
- Achieved a maximum of 5 points for socio-economic development on our BBBEE scorecard
- Supported 600 learnerships, with 30% of graduates finding immediate placement
- A total of 23 trainees graduated from The Feel Good Project, with 74% finding placements
- Solid partnership network including Learn to Earn and other non-profit organisations (NPOs)

Looking ahead
- From “Feel Good” to “Sew Good”: extending our CSI business model into manufacturing
- Actively promote and support employee participation in chosen CSI initiatives to help drive change nationally

In an environment where social challenges impact market access and expansion, TFG’s commitment to social conscience must be seen in action rather than words. “The success of retail is dependent on an economically active population”, says Adele Smith, Head of Resourcing & CSI: TFG Human Resources. “Using systemic thinking, CSI shifts from being about charitable donations into a powerful business tool.”

This approach goes well beyond points on the BBBEE scorecard or the reputational risk of not being seen to care. It speaks to the foundations of the TFG culture. “TFG is sincere,” says Professor Justin Barnes: Executive Chairman of Benchmarking and Manufacturing Analysts SA, who advises on the company’s fast fashion cluster. “Management focuses on what is necessary, but they are passionate and have a balanced perspective”.

Doing good never goes out of fashion.

7. Socio-economic development

NEW CSI STRATEGY

TFG launched a new CSI funding focus in 2012 which was aimed at creating opportunity for employment in the communities within which TFG operates. “Our CSI spend is on programmes, projects and organisations who share that objective,” says Smith.

A CSI steering committee reviews and decides on funding allocations, with operations taking place through an extensive partnership network.

“The Feel Good Store in partnership with Learn to Earn has been a tremendous success, having trained on average 45 unemployed people a year since inception. The model is also prefaced on customer returns, which are dwindling as cut, make, trim (CMT) operations are being pushed to improve quality.”

The obvious move is from repair of clothing into production. TFG aims to extend The Feel Good partnership into 25 CMT factories in the Western Cape. This will herald the birth of the Sew Good project, providing participating factories with preferential access into our supplier network.

“It’s already happening on the ground and the linkages are beginning to sink in,” says Smith. “We’re involving our NPO partners, FET colleges, suppliers, manufacturers and the dti . It’s not about marketing – it’s about leadership. If we cannot activate these linkages, we will not develop the leadership skills to compete in the future.”

“We supply The Feel Good Project with our excess buttons, trim and thread,” says Graham Choice, Head of TFG Manufacturing, TFG Design Centre & Prestige Clothing, “but with their move into production, we are expanding this contribution to providing surplus equipment and training where required.”

“Ultimately, we are seeking to close the loop into our talent pipeline,” says Smith. “From staff turnover alone, we need about 150 people a year. It makes sense to engage people we have trained in cutting, sewing and trimming in partnership with local suppliers.”

ACTIVATING EMPLOYEE ENGAGEMENT

TFG actively encourages a culture of philanthropy and community involvement amongst employees. Both individual staff members and teams may apply for funding towards their projects. The CSI team also organises on site volunteer events for staff.

“We see 17,000 people having access to a philosophy and the ability to make a difference,” says Smith. “More and more, we see our retail brands – Markham, Fabiani and others – sharing stories about what they are doing.”

EXAMPLES OF 2012 CSI EMPLOYEE ENGAGEMENT AND PARTICIPATION INITIATIVES INCLUDE:

- Stop Hunger Now (Johannesburg): Employees, together with the NGO, prepared and packaged 25 000 meals to the value of R50 000 for distribution to six worthy organisations of their choice.
- Good Hope FM’s ‘Keep Cape Town Warm’ Campaign (Cape Town): Employees made donations of clothing, food and blankets. This together with R300 000 from TFG foundation was donated to Red Cross Society of South Africa for Disaster Relief.

INVESTING IN COMMUNITY ORGANISATIONS

- **A total of R5 million was granted to non-governmental organisations in 2012. Examples of 2012 CSI projects include:**
- **NETwork (Cape Town):** A R100,000 donation from TFG enables NETwork to connect unemployed people to job opportunities
- **GetOn Skills Development** (Greater Atteridgeville, Pretoria): Our partnership has trained 447 unemployed people in point of sale, basic computing, bake for profit and office administration. Research indicates that 53% of GetOn graduates find work or become self-employed
- **Etafeni (Nyanga, Cape Town):** Funding provided for “Fit for Work / Fit for Life” programme, training 180 youth in life and work skills
- **Thembalethu Life Skills and Economic Empowerment Centre (Johannesburg):** TFG’s R200,000 donation enables economic empowerment for women

CASE STUDY:

TFG's FEEL GOOD PROJECT

7.
Socio-economic development

"Stepping into The Feel Good Project, and getting first hand experience of what TFG is doing through CSI, leaves one hopeful that we are living in a country alive with possibilities. It would be nice to see more private sector companies emulating TFG, and transferring the necessarily skills to our communities to improve their lives."

Mahlomola Malafane - Trade & Industry Advisor for DTI

The Feel Good Project is a social investment initiative started in 2008 in partnership with non-profit organisation Learn to Earn. It provides the public with access to affordable, quality clothing while creating opportunities for employment in the local community. The programme provides skills training in three areas: store operations (retail), warehousing and sewing. Trainees are recruited from local communities. The project opened its second store, a brand new warehouse and sewing repair centre in Khayelitsha (Western Cape) in May 2013. With this additional capacity, the project aims to double the number of trainees in future.

More than 80% of The Feel Good Project participants are from Khayelitsha, where it is estimated that every employed person supports a further seven people. More than a job, the project gives trainees the warehousing, production and retail skills needed to succeed in the retail industry.

"Two thirds of all trainees graduating from The Feel Good Project's training programmes over the past four years have secured permanent employment," says William Bent, The Feel Good Project manager. Proceeds from the stores go back into sustaining this project and to fund further skills development and employment.

ENHANCING OPTIMISATION THROUGH **RESOURCE EFFICIENCY**

8

Enhancing optimisation through RESOURCE EFFICIENCY

8.
Enhancing optimisation through resource efficiency

Material issues
- Supporting Capital C (store optimisation initiative) through environmental efficiencies
- Lowering our carbon footprint
- Reducing waste and streamlining resource use
- Contributing to staff awareness and responsibility

Key sustainability objectives
- Reduce environmental footprint of stores and head offices (with focus on energy and paper usage)
- Reduce packaging from source to customer

Headlines
- Positive engagement from store managers on improved energy data
- Total emissions increased over the past five years due to expansion of store network
- Decrease in emissions intensity due to absolute reductions in purchased electricity
- Improved carton utilisation and carton re-use programme
- Data centre energy usage reduced by 25%
- Reduced paper usage by issuing field staff with laptops and improved printer management

Looking ahead
- Maintain initiatives to reduce group environmental footprint
- Development of an internal environmental portal for staff awareness
- Improving the efficiency and effectiveness of non-financial data collation

As a retailer, environmental impacts associated with our operations are relatively low. More significant environmental impacts are to be found upstream in our supply chain (cotton growing, colour dying, printing and manufacturing) and downstream in customer washing, drying and ultimate disposal of garments. We have greater leverage on direct operations, including stores and local logistics, where key impacts are associated with energy, water and paper consumption, and waste.

"Whilst the financial implications of these impacts are fairly small , we have seen large growth in these expenses over recent years" admits Brad Rothenburg, Head of TFG Property. "Electricity costs account for approximately 6% of store costs and over 1% of turnover. But unless we reduce our own footprint, we can't justify initiatives to drive responsible environmental practice in our supply chain (refer supply chain ESG performance, page 20). Environmental efforts also inspire a genuine sense of positive action amongst TFG staff".

The group's environmental policy is being implemented as part of the sustainability strategy. A green committee of senior managers meets monthly and reports twice a year to the Social and Ethics Committee.

CREATING AWARENESS AND RESPONSIBILITY

Resource efficiency supports Capital C, which is our customer-driven store optimisation strategy. "Given the costs, we decided against a massive retrofit programme," says Rothenburg. TFG's approach has been to increase feedback to managers and to upgrade technologies when stores are refurbished.

"While we have achieved both impact reductions and savings, the real value of this initiative is the enhanced level of awareness at store level," suggests Rothenburg. Store managers respond to energy data with queries, both on accounting issues and on practical ways to reduce their consumption.

LOWERING TFG'S CARBON EMISSIONS

8.
Enhancing optimisation through resource efficiency

TFG engaged an external consultant to determine and analyse the group's carbon footprint.

Emissions are categorized as:
- "direct" when generated from activities or sources within the organization and which are owned or controlled by the organization; and
- "indirect" when those emissions relate to the company's activities but are emitted from sources owned or controlled by another organization

NOTE:

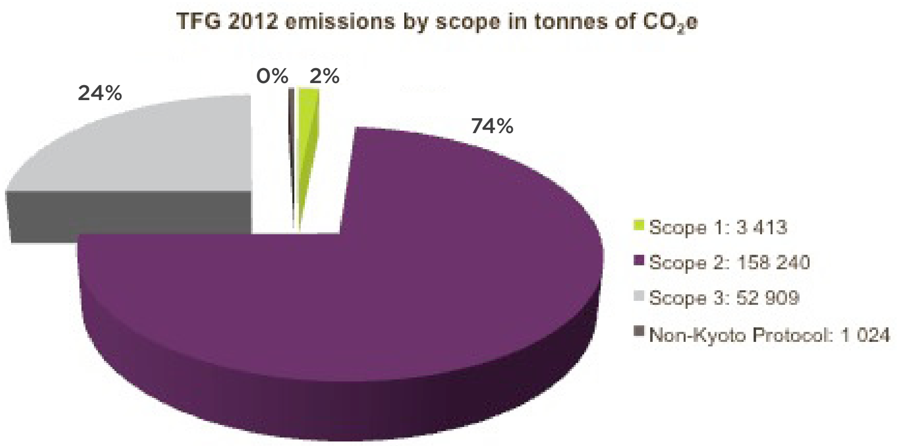
Scope 1 emissions are from sources owned or controlled by the reporting company such as generators and air-conditioning units.

Scope 2 emissions are associated with the consumption of purchased electricity, heat or steam from a source that is not owned or controlled by the reporting company such as the electricity utility Eskom.

Scope 3 emissions are indirect emissions, other than purchased electricity, which can be described as relevant to the activities of the reporting company such as business travel, outsourced transportation and paper consumption.

Purchased electricity is responsible for 74% of our emissions. Further details are below:

TFG'S CARBON EMISSIONS



TFG's 2012 top five carbon-emitting activities are listed below as a percentage of the entire carbon footprint.

1.	Purchased electricity	74%
2.	Outsourced transport	7%
3.	Employee commuting	6%
4.	Consumption of paper for magazines	5%
5.	Cardboard packaging	4%

Our efforts at energy reduction have had some success, with electricity use decreasing by 3.4% from 2010.

		2010	*2011*	*2012*
Purchased electricity	*Kilowatt*	*163 861 019*	*165 161 791*	*159 838 858*

Because purchased electricity dominates our footprint, this has driven a reduction in emissions intensity. When considered in relation to turnover, this reduction is fairly significant (26.1% reduction in emissions intensity per million Rand EBITDA from 2010).

	2010	*2011*	*2012*
Intensity: **Emissions per employee**	14,16	13,45	13.01
Intensity: **Emissions per m2 (incl stores)**	0,34	0,33	0,31
Intensity: **Emissions per m Rand EBITDA**	93,60	82,60	69,15

8.
Enhancing optimisation through resource efficiency

Lighting: Efforts at head offices, stores and distribution centres have focused on the conversion of lighting systems to lower consumption units, the installation of sensors and behavioural interventions.

Air conditioning: Shopping centre air conditioning, over which we have no control, makes up over half of our carbon footprint, and we continue to address this with our landlords.

Green IT: We have reduced power consumption in our data centres by 25% by moving to virtualised servers. Expanding data needs required us to grow our capacity and moving to virtual servers enabled us to include more systems in a smaller physical space.

Carton utilisation: Optimising carton fill has achieved both cost savings and efficiency improvements. Some of the waste cardboard generated is shredded and utilised for protective packaging, with the balance handed to our contracted waste service providers for recycling.

Carton re-use: TFG Logistics work with merchandise suppliers on standardising carton specifications, enabling us to re-use in-bound supplier cartons for dispatching stock to stores. Introduced a few years ago, this initiative reduced costs in excess of R5 million per annum. It also saves time as we are able to cross-dock cartons and have less unpacking to do.

Merchandise transport: Transportation of merchandise from distribution centres to the stores is outsourced and we work with transport partners on modelling networks and optimisation opportunities. Optimisation efforts deliver a dual benefit of reducing lead times and kilometres travelled.

New stores development: The opening of new stores is the biggest contributor to the growth of the group's carbon footprint. However, new stores make use of new technology and smarter, more efficient systems. "It is encouraging to note that leases increasingly include environmental clauses," says Rothenburg. "The use of natural light and other environmental considerations are becoming standard practice for shopping centre developers, which we strongly support."

REDUCING WASTE AND STREAMLINING RESOURCE USE

The focus to date has been on paper usage and office and store waste streams. We have reduced office paper use by about 4% over 6 months following the introduction of a centralised print system. Further reductions were achieved by introducing an electronic stationery ordering system.

"We've changed paper-intensive operations by providing all store managers and field staff with laptops,' says Curry. "It's more efficient and we've eliminated month end peaks. We've also introduced a hot-seat system instead of having desks for all field staff. It's part of a drive to a more innovative culture."

"E-statements are still on our wish-list," says Rothenburg. "Our financial services teams have some concerns and marketing distributes promotional material with the mailers."

Our biggest paper user is our publishing unit which issues a range of nine titles, including Sports, Soccer, Kidz, Livingspace and Balanced Life. Income from publishing rose by 9.4% this year.

Waste reduction efforts continue via recycling drop-off points and a relationship with a local black empowered recycling company. Plastic waste significantly decreased following the elimination of shrink-wrapping of cartons. Residual plastic waste is recycled.

GOVERNANCE, ETHICS AND ACCOUNTABILITY

9

Governance, Ethics and ACCOUNTABILITY

9.
Governance, ethics & accountability

Material issues
- Understanding and delivering on stakeholder value
- Aligning with best practice in corporate governance and sustainability
- Ensuring identification of ESG-related risks and opportunities
- Strengthening ethics and eliminating corruption
- Implementing sustainability performance management and reporting systems

Key sustainability objectives
- Establish an effective sustainability management and reporting structure
- Ensure sustainability KPIs are in place and measured quarterly for each focus area

Headlines
- Effective sustainability governance structure up and running from April 2012
- Strong code of ethics and longstanding whistle-blowing facility
- Integration of environmental and social aspects into annual risk review process
- Listed on the JSE Socially Responsible Investment Index
- First sustainability strategic review will be completed by the first quarter of 2014

Looking ahead
- Formalising our commitment to the ten principles of the United Nations Global Compact and ensuring alignment of our operations
- Improving the efficiency and effectiveness of non-financial data collation
- More focus on communicating sustainability-related information to our stakeholders

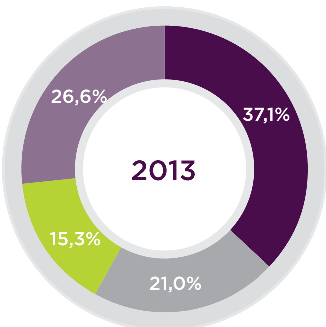
DELIVERING ON STAKEHOLDER VALUE

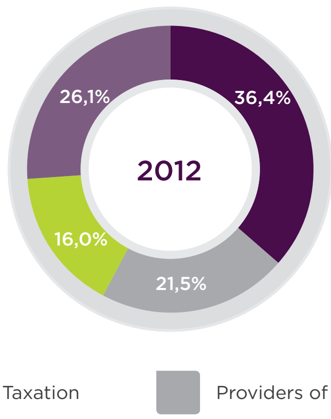
Value creation depends on the interactions of many stakeholders; value delivery must turn this into a virtuous cycle. Financial value is an important element of this delivery.

Retail turnover increased by 10.9%, with headline earnings up 13.4% (2013: Rm 1 796,6) from the previous year (2012: Rm 1 584,2). In relation to our retail turnover, 56.8% (Rm 7 321,7) was paid to suppliers for goods and services.

	2013 Rm	2012 Rm
Retail turnover	**12 896,4**	11 630,5
Dividend income	**–**	9,9
Paid to suppliers for goods and services	**(7 321,7)**	(6 347,4)
Value added	**5 574,7**	5 293,0

Allocation of financial value to our primary stakeholders is reflected below.





Certainly, value delivery goes well beyond earnings and allocation. Stakeholders expect different kinds of value, and it is our job to ensure delivery on this broad stakeholder value proposition.

The Board is the ultimate custodian of the corporate reputation of TFG and its relationships with stakeholders. We acknowledge the importance of proactive engagement with all stakeholders, including employees, shareholders, investors, banks and other financial institutions, customers, suppliers, government, regulatory authorities, industry bodies and the communities in which we operate.

The ability to work in public-private partnership with the dti, the IDC and many small businesses has been inspiring. Initiatives such as the clothing clusters have provided accelerated learning and we believe these forms of engagement will be of increasing importance to our future competitiveness.

For an overview of our group's engagement with stakeholder groups, please refer to our Integrated Annual Report, pages 54-58.

ALIGNING WITH BEST PRACTICE IN GOVERNANCE AND SUSTAINABILITY

The number of guidance frameworks, practice notes and best practice publications on governance and sustainability is considerable and growing.

From a governance perspective, TFG fully supports the principles outlined in the King Code of Corporate Governance for South Africa 2009 (King III) and the listings requirements of the JSE Limited. We retained our listing on the JSE Socially Responsible Investment Index for the fourth consecutive year.

> ***"TFG sees value in integrated reporting and we continue to explore how to improve communication of strategic performance and prospects."***
>
> ***Dee Sheard - Head of TFG Finance & Advisory***

A register documenting the assessment of all 75 principles of King III is available on our website: www.tfglimited.co.za

See page 14 for an overview of initiatives which guide our governance and sustainability efforts.

"This supplementary sustainability overview is a first for TFG and we look forward to feedback from our stakeholders," says Sheard.

IDENTIFICATION OF ESG-RELATED RISKS AND OPPORTUNITIES

Two primary business risks relate directly to socio-economic issues. The first is the high levels of unemployment and strike action which negatively impact our customers' purchasing power; the second is the increase in affordability-based delinquency from our customers who have been directly impacted by aggressive unsecured lending since 2008. Customers have also been impacted by the subsequent contraction in lending since late 2012.

"A number of environmental issues are on our radar, however the view at this point is that they do not constitute serious risks," says Mike Wilson, Senior Manager: Enterprise Risk Management. Environmental issues include new legislative requirements, changing resource prices, shifts in customer expectations and impacts on our supply chain and distribution activities. In addition, certain policy measures such as the proposed carbon tax may prompt a general price increase, with a reduction in disposable income and a slowdown in consumer spending.

See page 37 for an overview of our risk identification process.

STRENGTHENING ETHICS AND ELIMINATING CORRUPTION

TFG's code of ethics is aimed at creating a culture of the highest standards of ethics and uncompromising honesty amongst all employees throughout the group. Adopted by the Board, the code is comprehensive and forms an integral part of our employee induction process.

TFG's whistle-blowing facility has been in place since February 1998 for the reporting of suspected fraud and unethical behaviour. Use is made of an outsourced, anonymous, toll-free hotline. A minimum reward of R10 000 is paid when follow up confirms evidence of fraud or unethical behaviour. During the year, 89 reports were received, resulting in eight dismissals and six resignations before enquiry.

For further information on our code of ethics and whistle-blowing policy, please refer to the Integrated Annual Report, page 112.

For progress on our sustainability performance management and reporting systems, please refer to the strategy section (refer page 14 of this report).

> *"TFG does not pay bribes. This means it can take longer to get things done, particularly as we expand operations into Africa. But it goes back to doing business with a social conscience. It makes sense in the long run."*
>
> ***Brent Curry - TFG Chief Information Officer and Director responsible for sustainability & climate change***

ENGAGING TFG MANAGERS IN RISK IDENTIFICATION

The annual risk review has been revised to achieve greater interaction of TFG managers. A software application facilitates a bottom-up approach, engaging all management teams in assessing the previous year's risks and identifying additional risks.

Each management team member assesses the likelihood and severity of each risk on an individual basis. A composite score is then obtained which facilitates discussion. Higher level risks feed to the director level, which uses the same system to short list significant risks for the Board.

"A valuable part of the system is that it enables a 360 peer review process to take place within each management team," notes Mike Wilson, Senior Manager: Enterprise Risk Management.

CONSOLIDATED **NON - FINANCIAL DATA**

10

Consolidated
NON-FINANCIAL DATA

Focus areas	2013	2012
Supply Chain		
Support development of local (SACU) clothing, footwear, textile and jewellery industry		
Number of units procured	12,183,238	11,689,505
Number of people employed in local supply chain	18,446	21,738
Number of suppliers	79	93
Reduce the use of fuel in the local (SACU) supply chain		
Units transported per litre of fuel used	9.23	10.12
M^3 transported per litre of fuel used	0.038	0.043
Litres of fuel used per m^3 transported	26.5	23.5
Kms per litre of fuel used	2.35	2.37
Units transported per km	3.93	4.27
Number of stores	1979	1857
People		
Develop & grow diverse leadership talent to ensure the continuous supply of a capable, competent workforce		
Identify multiple talent sources to achieve corporate transformation goals and ensure critical vacancies are filled		
Permanent full time employees	12,657	11,420
Permanent part time employees	175	251
Flexitime employees	3,807	3,951
Contract employees	920	701
Casual employees	146	147
Employee turnover at stores (excluding contractors) %	32.1	32.4
Total expenditure on employee training and development (R million)	110.9	114.7
Expenditure as % of payroll	5.8	6.8
Total employees trained[1]	126,021	128,437
Participation in executive development programme	40	N/A
EE%[2] Top management	11.1	11.1
EE%[2] Senior management	19.9	16.6
EE%[2] Specialists and middle management	45.8	42.0
EE%[2] Skilled technical and junior management	82.5	81.0
EE%[2] Semi-skilled and unskilled employees	99.6	96.4
EE%[2] Total	90.4	89.4
% Female employees	74.8	74.8
% Female employees in senior management positions	43.0	42.5
Work related fatalities	none	none
Number of classified injuries resulting in work days lost	1360	1310
Number of classified injuries	306	431
Number of classified injuries resulting in three days off or fewer	226	322
Number of work days lost due to industrial action	none	none

10.
Consolidated non-financial data

Consolidated NON-FINANCIAL DATA

Focus areas	2013	2012
Socio-Economic Development		
Use practical learning experience to create jobs, income generating opportunities and to enhance employability in communities within which TFG operates		
TFG learnerships	535	Not available
Number of individuals placed[3]	93	Not available
TFG Feel Good Project trainees	50	Not available
Number of individuals placed[3]	14	Not available
Provide humanitarian relief to communities that have been affected by natural disasters		
Number of individuals supported	14,928	Not available
CSI (total spend R million)	5.0	4.7
Merchandise donations for the benefit of the Feel Good Project (R million)	47.0	22.8
Optimisation		
Reduce environmental footprint of stores and head offices		
Total energy use (DCs, Stores, Offices) kWh	159,838,858	165,151,791
kWh per m2 stores	243.4	245.2
kWh per m2 head offices	169.2	185.1
Total Carbon Emissions (tonnes CO2e)	215,586	213,424
Scope 1 Emissions (tonnes CO2e)	3,413	3,608
Scope 2 Emissions (tonnes CO2e)	158,240	163,510
Scope 3 Emissions (tonnes CO2e)	52,909	45,415
Non-Kyoto (tonnes CO2e)	1024	891
Emissions per m2 intensity	0.31	0.33
Water consumption (Offices and DCs) kl	58,089	46,449
Paper purchased (A4 equivalent) pages	10,421,000	10,516,500
Reduce packaging from source to customer		
DC waste recycled (tonnes)	265,755	279,184
Supplier cartons reused	2,567,662	2,503,691
Cartons purchased	160,014	246,104
Governance and Accountability		
Establish an effective sustainability management and reporting structure	Achieved	-
KPI sustainability metrics agreed and measured	Achieved	-

Notes:

1. Number of attendees and not individual employees
2. EE%: % representation of previously disadvantaged groups among permanent employees
3. Number of individuals placed: Refers to those individuals who have become economically active as a result of the training interventions
4. Data in respect of environmental issues is presented one year in arrears

SACU:BNLS: South African Customs Union : Botswana; Namibia; Lesotho; Swaziland

ABBREVIATIONS

BBBEE	Broad Based Black Economic Empowerment
CDP	Carbon Disclosure Project
CMT	Cut, Make and Trim (manufacture of textile products)
CSI	Corporate Social Investment
DTI	Department of Trade and Industry
DRC	Democratic Republic of Congo
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ERM	Environmental Resource Management
ESG	Environmental, Social, Governance (factors influencing responsible investment decisions)
GRI	Global Reporting Initiative Guidelines
IDC	Industrial Development Corporation
JSE SRI	Johannesburg Stock Exchange Socially Responsible Investment Index
King III	King Report on Corporate Governance (3rd Edition)
KPI	Key Performance Indicator
PPP	Private Public Partnership
SACCAWU	South African Commercial, Catering and Allied Workers Union
SACTWU	Southern African Clothing and Textile Workers Union
SACU	Southern African Customs Union (Botswana, Lesotho, Namibia, Swaziland, South Africa)
UCT	University of Cape Town
WDP	CDP's Water Programme