



## SUSTAINABILITY OVERVIEW 2016

# CONTENTS



## 1 INTRODUCTION

About TFG & this report .....	4
Performance highlights .....	5
A word from our CEO .....	6
Global sustainability trends in the fashion retail sector .....	7

## 2 OUR STRATEGY

Strategy .....	9
In conversation with Brent Curry .....	11

## 3 SHARED VALUE & FOCUS AREAS

Local supply chain development .....	13
Employee empowerment .....	15
Resource efficiency .....	17
Socio-economic development .....	20
Governance, ethics and accountability .....	23

## 4 NON - FINANCIAL DATA

Non-financial data .....	27
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## 5 ABBREVIATIONS

.....	28
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# INTRODUCTION



# ABOUT TFG & THIS REPORT

TFG's vision is to be the **leading fashion lifestyle retailer in Africa whilst growing our international footprint** 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 which in turn enables our employees to implement our strategies, deliver our products and services and thereby create value for our stakeholders.

TFG offers prominent lifestyle brands to consumers across the majority of LSM groups, from value to upper market. We are one of the foremost independent chain-store groups in South Africa, with the company established in 1924 and listed on the JSE in the soft goods retail sector since 1941 – a legacy of 75 years as a listed entity.

Our range of 22 retail brands offers clothing, jewellery, cellphones, accessories, cosmetics, sporting and outdoor apparel and equipment, homeware and furniture. 57.2% of the 2016 turnover is in the form of cash sales to customers, with the balance being from our own in-house credit offering. Credit is currently offered to our customers in South Africa and in Namibia, Botswana, Lesotho and Swaziland. In addition to retail turnover, revenue is also generated from interest received on customers' store cards and through various customer value-added products, which are primarily sold through our 1 500-seat call centre. Seven of our brands offer goods for sale through our e-commerce channel.

TFG has a physical presence in 31 countries spanning five continents. Our most significant

markets are South Africa, Namibia and the United Kingdom, including Ireland.

In South Africa we operate through 2 286 stores, with the majority of merchandise sold under our own brand names.

We have an in-house design and manufacturing facility, which coordinates production through our own factories, as well as through various independent cut, make and trim (CMT) factories.



**This sustainability overview report** 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 against five strategic focus areas, namely:

- **Local supply chain development**
- **Employee empowerment**
- **Resource efficiency**
- **Socio - economic development**
- **Governance, ethics and accountability**

Where applicable, we include relevant commentary from selected stakeholders.

TFG's sustainability strategy is applicable to all divisions, excluding Phase Eight and Whistles. The reason for their current exclusion is because they were recently acquired by TFG and have not yet been integrated into our sustainability strategy.

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 2016. The full suite of reports may be found at [www.tfglimited.co.za](http://www.tfglimited.co.za).

**Integrated Annual Report:** For an integrated overview of our performance, markets and operations, please refer to our Integrated Annual Report which may be found at [www.tfglimited.co.za](http://www.tfglimited.co.za).

**Financial statements:** For further details on our financial performance, the TFG financial statements may be found at [www.tfglimited.co.za](http://www.tfglimited.co.za)

**King Code of Corporate Governance:**

A King III register is available on our website at [www.tfglimited.co.za](http://www.tfglimited.co.za).

**Global Reporting Initiative:** The TFG integrated reporting process is aligned with the GRI guidelines. Our GRI - G4 content index may be found at [www.tfglimited.co.za](http://www.tfglimited.co.za).

**Carbon Disclosure Project (CDP):** TFG participates in the CDP which provides further insight into our carbon risk and management response. The CDP website is [www.cdp.net](http://www.cdp.net).

**Carbon Footprint Report:** TFG's carbon footprint report may be found at [www.tfglimited.co.za](http://www.tfglimited.co.za).

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

**FTSE/JSE Responsible Investment Index:** TFG is listed on this 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 TFG Sustainability at [Chrisha@tfg.co.za](mailto:Chrisha@tfg.co.za).

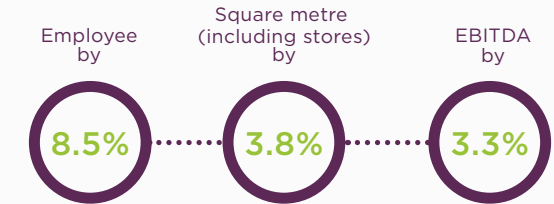
STRATEGY

Consolidating our shift towards shared value

STRATEGIC FOCUS AREAS

RESOURCE EFFICIENCY

Carbon emissions intensities reduced per:



LOCAL SUPPLY CHAIN DEVELOPMENT

TFG manufacturing facilities achieved improved efficiencies

**R10.4 MILLION**

IDC approved support under the Production Incentive programme

**R7.0 MILLION**

Invested in TFG Manufacturing training, including development and lean consulting

TFG Manufacturing units increased to

**5.6 MILLION**

Increased quick response units to representing **34%** of total TFG Manufactured units

**1.9 MILLION**

Prestige Clothing employment

increased from **758** to **949** employees



TFG manufacturing facilities achieved **A grade** internal scorecard performance

EMPLOYEE EMPOWERMENT



Increased TFG headcount by

**1155**

**416** NEW active learnerships

**R2 MILLION**

in bursaries awarded to students who come into pipeline positions



**R2 MILLION** in customer bursaries awarded

SOCIO-ECONOMIC DEVELOPMENT



Fedisa bursary students increased from **1** to **5**

**20 000** +

blankets produced for disaster relief

Assisted **6445** victims of fires

Donated **332 000** litres to Operation Hydrate

Sponsored **5** boreholes



GOVERNANCE, ETHICS & ACCOUNTABILITY

- Adopted employee human rights declaration
- Adopted supplier human rights statement
- Reformulated the agenda of TFG's Social & Ethics Committee
- Implemented international supplier societal audits
- Launched a new Whistle-Blower's line

## A WORD FROM OUR CEO

# DOUG MURRAY



intensity decreasing by 8.5% per employee and by 3.8% per square metre of space. The CSI and volunteer teams also delivered 20 000 blankets for disaster relief and 332 000 litres of water to Operation Hydrate.

TFG's primary sustainability focus, however, has been on local supply chain development in collaboration with the Department of Trade and Industry, the Industrial Development Corporation (IDC) and the SETAs. Our progress has been steady, with a significant approved investment into the Industrial Development Corporation (IDC) production incentive programme of R10.4m, a TFG manufacturing training, development and lean processes investment of R7.0m and an approved CAPEX of over R50.0m to build a new TFG Manufacturing facility in Caledon, Western Cape. While initiated primarily in response to a need for shorter lead times and enhanced efficiencies, our teams are increasingly inspired by the tangible and scalable social benefits that we are measuring as part of the process. Besides margin growth and store expansion, our business increasingly depends on the restoration and inclusive growth of the local manufacturing industry. While challenges and potential tradeoffs may arise, local supply chain development reflects unequivocally the increasing alignment between our sustainability and business strategies.

Although our in-house design and manufacturing capacity is an important differentiator, we recognise that fashion retail is ultimately about partnerships. Whether with young designers, local Cut, Make & Trim operators, expanding our manufacturing operations in Caledon or sourcing from factories in the Far East, effective partnerships enable us to achieve the requisite cost and quality, as well as social and

environmental standards, that our customers expect. Building these partnerships remain a key learning area. In applying our shared value approach further across the value chain, we expect partnerships - with government, small businesses, industry groups and trade union organisations - to grow in importance and focus.

TFG is in a growth phase. We plan to open more than 150 new stores next year, primarily in markets where social challenges define the landscape. Delivering on inclusivity, accountability

and environmental responsibility is integral to our growth ambitions. I am grateful for the considerable efforts made by our teams to date and for the guidance from our Social and Ethics Committee. I look forward to working together with them to build greater value for all our stakeholders in the coming year.

**Doug Murray**  
*Chief Executive Officer*



# GLOBAL SUSTAINABILITY TRENDS IN THE FASHION RETAIL SECTOR

## 1 FAST FASHION SEEKS A RESPONSE TO THE CIRCULAR ECONOMY

In the more developed markets, trendy, affordable brands tend to be criticised for perpetuating waste through the “fast fashion” process. With outdoor specialist Patagonia recognised as an early pioneer in clothing exchange and repair models, bigger retailers such as H&M and M&S are now responding to the challenge. M&S has expanded its Clothing Exchange initiative while H&M have partnered with global recycling company I:CO, locating drop bins in every store, issuing coupons and discounts to incentivise customers to participate and setting an audacious goal to create a closed loop for fashion. Items that can't be reused are disassembled down to the basic fibers (“technical nutrients”) to be re woven into new cloth.

## TFG RESPONSE

Our priorities in this area are to focus on reducing manufacturing waste and the implementation of lean systems. We continue to be recognised for high levels of efficiency and waste reduction in TFG manufacturing operations and actively promote lean principles in our partnerships with our CMT factories. While post-consumer clothing waste is not a key priority at this stage, we have positioned The Feel Good Project as a repurpose incubator, with stores in Claremont and Khayelitsha stocking re-conditioned customer returns, limited samples, rejects and over-runs from the various TFG brands.

## 2 GLOBAL SUPPLY CHAIN ETHICS REMAIN IN FOCUS

Supply chain sustainability remains in focus across virtually every sector, with the fashion industry being no exception. Challenges include ethics and human rights, worker health and safety, fair wage initiatives and environmental

management. Online tools (for example, the Sustainable Apparel Coalition's Higg Index), third-party certification (GoodWeave and Fair Trade) and multi-stakeholder initiatives (such as the Organic Cotton Accelerator) are a growing part of the landscape. Traceability and supply chain transparency are acknowledged as highly complex, particularly in the garment and textile industry, and are the subject of several research initiatives. Despite ongoing industry efforts, the International Trade Union Confederation has accused major brands and retailers of “deferring addressing underlying structural issues”.

## TFG RESPONSE

We procure from suppliers in South Asia and the Far East and this requires us to stay abreast of many developments in the sustainable supply chain arena. As a small market in global terms, we see a benefit from the increasing global focus and pre-competitive response to these challenges. For example, we are aware that many of our international suppliers are subject to audits and certification by large global retailers and brands. While all our suppliers follow rigorous take-on procedures, the increased activity in the international arena enables us to focus and leverage our supplier engagement efforts on local manufacturers. Going forward, we anticipate strategic engagement with both national and global initiatives that deliver practical solutions to supply chain challenges across the sector.

## 3 RETAILERS SEEK GREATER COLLABORATION ON ENVIRONMENTAL ISSUES

With its high consumer profile and complex challenges, the global fashion industry is an inevitable target for human rights, labour and environmental campaigns. Global NGO campaigns (such as Greenpeace's aggressive 2012 Detox drive) are typically aimed at

pressuring manufacturers and retailers into action. While industry's response to the Rana Plaza disaster has elicited differing opinions, there is some indication that firms are seeking a more collaborative response, particularly to environmental issues. Examples include H&M's five-year global partnership with conservation organisation Worldwide Fund for nature (WWF) and C&A's support for a National Geographic documentary on sustainable cotton.

## TFG RESPONSE

SA fashion retailers have not been a priority target for social and environmental campaigners. Our motivation for prioritising the sustainable development of local suppliers is a response to business realities: cost and logistics drivers, as well as recognition that social and environmental challenges impact our ability to trade effectively. We have learnt from the SA clothing cluster experience that multi-stakeholder partnerships are indispensable to progress. We remain committed to partnering in pursuit of further developmental opportunities across the value chain and would encourage the further engagement of the non-governmental sector. We also seek to integrate learning from our CSI partnerships with NGO Learn to Earn (The Feel Good Project) and tertiary training institution Fedisa (Your Fashion Future bursary programme).



# OUR STRATEGY





During the year under review we initiated a strategic shift towards a shared value strategy which emphasises the link to the growth and profit drivers of the business strategy.

The shared value strategy prioritises local supply chain development which enables us to focus on creating shared value – in both financial and social terms – within our core local supply chain operations. The initiative aims to grow a resilient local manufacturing base in a context of high unemployment.

The local supply chain focus is supported by four strategic enablers that contribute to the societal value delivered by our operations, namely:

- **Employee empowerment**
- **Resource efficiency**
- **Socio-economic development**
- **Governance, ethics and accountability**

In order to illustrate the shared value link to the growth and profit drivers of our business strategy and to our sustainability strategy we refer to the table.

The table shows the growing links between the business strategy and the sustainability focus areas. The link between our profit driver and our focus on local supply chain development is a clear indication of the shared value approach. In order to achieve the objective of optimising our supply chain capability and quick response ability we are delivering societal value by developing both our local design and manufacturing capabilities and capacities thereby uplifting our local communities through job creation, training and upskilling. The four strategic enablers of our shared value strategy

## TFG: SHIFTING OUR SUSTAINABILITY STRATEGY TOWARDS SHARED VALUE

### VISION

TO BE THE LEADING FASHION LIFESTYLE RETAILER IN AFRICA WHILST GROWING OUR INTERNATIONAL FOOTPRINT

### SHARED VALUE INITIATIVE

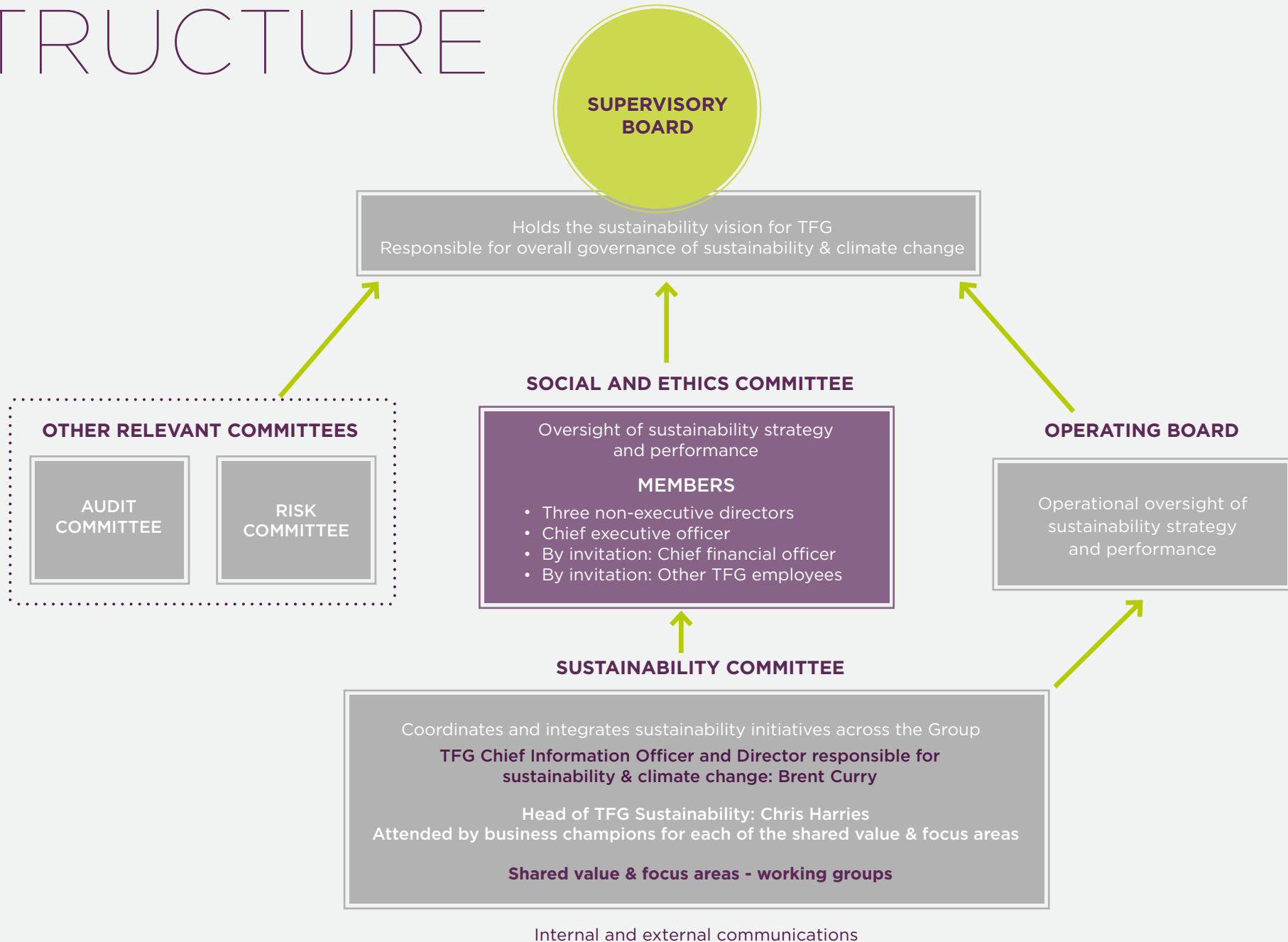
AIMS TO ACHIEVE LOCAL SUPPLY CHAIN SPEED AND FLEXIBILITY AT THE RIGHT PRICE, WHILST UPLIFTING LOCAL COMMUNITIES THROUGH THE DEVELOPMENT OF ITS LOCAL SUPPLY CHAIN

### DEVELOPING TANGIBLE LINKS BETWEEN THE BUSINESS STRATEGY AND THE SUSTAINABILITY FOCUS AREAS

BUSINESS STRATEGY		SUSTAINABILITY FOCUS AREAS		
<p><b>CUSTOMER</b></p> <ul style="list-style-type: none"> <li>• Offer customers a range of compelling rewards</li> <li>• Create alternative credit products that appeal to our changing customer base</li> <li>• Deliver superior customer experiences across our retail brands</li> </ul>	<p><b>LEADERSHIP</b></p> <ul style="list-style-type: none"> <li>• Embed a performance-based culture to attract, retain and develop the best talent in the industry</li> </ul>	<p><b>LOCAL SUPPLY CHAIN DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• <b>Develop and enhance local design capability and capacity</b></li> <li>• <b>Grow local manufacturers, fabric converters and auxiliary suppliers (e.g. printers)</b></li> <li>• <b>Develop partnership-based relationships (e.g. competitiveness improvement clusters)</b></li> <li>• <b>Productivity improvements to positively impact on speed, price and overall value offering to our trading divisions</b></li> </ul>	<p><b>EMPLOYEE EMPOWERMENT</b></p> <ul style="list-style-type: none"> <li>• Transformation</li> <li>• Leadership and skills development</li> <li>• Employee pipeline through learnerships, bursaries, workplace experiences</li> </ul>	<p><b>RESOURCE EFFICIENCY</b></p> <ul style="list-style-type: none"> <li>• Electricity consumption reduction</li> <li>• Paper and packaging consumption reduction</li> <li>• Integrated waste management</li> <li>• Carton re-use</li> </ul>
<p><b>PROFIT</b></p> <ul style="list-style-type: none"> <li>• <b>Optimise our brands' supply chain capability, including their suppliers, buying processes and quick response</b></li> <li>• <b>Optimise the flow of goods from source to customer to enhance the customer experience</b></li> </ul>	<p><b>GROWTH</b></p> <ul style="list-style-type: none"> <li>• To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint</li> <li>• Deliver an integrated, secure omnichannel customer experience across our various brands</li> </ul>	<p><b>GOVERNANCE, ETHICS, ACCOUNTABILITY</b></p> <ul style="list-style-type: none"> <li>• Legal compliance</li> <li>• Supplier compliance and audits</li> <li>• Support of United Nations Global Compact principles - human rights, labour, the environment and anti-corruption</li> <li>• Reporting to stakeholders</li> </ul>	<p><b>SOCIO-ECONOMIC DEVELOPMENT</b></p> <ul style="list-style-type: none"> <li>• "Educate to Empower" project</li> <li>• Align flagship projects such as Feel Good store and Sew Good to shared value strategy</li> <li>• Humanitarian aid</li> </ul>	

also support the business strategy and will do so even more as these enablers are developed. In fact, there are several links starting to emerge such as the links between socio-economic development and the customer, resource efficiency and profit, employee empowerment and leadership as well as governance, ethics and accountability and leadership. Further details on our shared value focus area and our four strategic enablers may be found in the section – Shared Value and Focus Areas.

# TFG's SUSTAINABILITY STRUCTURE



# IN CONVERSATION WITH BRENT CURRY

TFG CHIEF INFORMATION OFFICER AND DIRECTOR RESPONSIBLE FOR SUSTAINABILITY & CLIMATE CHANGE



TFG'S SUSTAINABILITY STRATEGY SHIFTED TO A FOCUS ON "SHARED VALUE" IN 2015. WHAT LED TO THIS DEVELOPMENT?

Our 2010 sustainability strategy prioritised responsible practices and resource savings through efficiency improvements. Porter and Kramer's shared value concept was published the following year, which coincided with growing awareness of the costs and logistical problems associated with the SA retail apparel industry's dependence on offshore sourcing. TFG's focus on local supply chain development took a leap forward with the acquisition of Prestige Clothing (2012), the new TFG Design Centre (2013) and strategic alliances with 12 CMT (cut-make-trim) factories. Our shared value strategy simply formalised the clear link between a business imperative and the potential to deliver a meaningful and scalable social impact.

WHAT CHALLENGES EMERGED IN GUIDING THIS SHIFT TO SHARED VALUE?

We are still in the early stages of this shift. The term "shared value" tends to be used fairly loosely, but we are trying to instil a deeper understanding that highlights its link to the core business strategies, innovation and growth. This is sometimes a challenge as many people still associate sustainability with a trade-off between business and social value. A second challenge is shared value's emphasis on both financial and social metrics. Despite the recent focus on integrated reporting, we still have separate performance measurement systems for financial and non-financial indicators. Social metrics themselves present some challenges as they don't aggregate in the way financial metrics do and are not commonly understood. This has been a focus with our new strategy, but we envisage ongoing improvements as we further develop our understanding and systems.

WILL TFG STILL RETAIN ITS STRONG FOCUS ON COMPLYING WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REQUIREMENTS?

Definitely. Compliance with ESG issues is higher up on the investor agenda than shared value at this stage. Our earlier efforts at coordinating and focusing responsible practices have borne some fruit. We're seeing savings from energy conservation at our stores, improved take-on procedures for local and international suppliers and I think any business today needs to recognise the moral and economic imperative of addressing human rights and equity issues. I believe shared value innovation is underpinned by a strong commitment to responsible ESG management.

WHAT FEEDBACK ARE YOU GETTING FROM YOUR CUSTOMERS AND OTHER STAKEHOLDERS?

We don't drive a strong social message through our retail brands at this stage and direct customer feedback on sustainability issues is fairly limited. Investors' queries on societal value are also very rare. Feedback from two stakeholder groups has been significant: policy makers and potential management recruits. Top recruits today want more than a job; they also want to know the company is aligned with their social awareness. On the supply chain side, we've received great support and feedback from the dti and Economic Development Minister Ebrahim Patel for our efforts in TFG Manufacturing.

WHAT DO YOU SEE AHEAD FOR TFG'S SUSTAINABILITY DRIVE?

Our sustainability message is strongly aligned with current initiatives in leadership development, risk management, productivity and supply chain flexibility. We are already communicating internally at greater depth on sustainability issues, and this alignment makes it easier to engage on the bigger picture, expanding our conversations with the retail brands and external stakeholder groups. We also want to encourage innovative shared value thinking in other areas of the value chain, perhaps in our alliances with CMT factories and further upstream in the textile industry. Looking ahead, I see huge opportunity to learn from our partnerships and stakeholders and we want to capitalise on that.



SHARED VALUE AND  
FOCUS AREAS



# LOCAL SUPPLY CHAIN DEVELOPMENT

## WHAT'S IMPORTANT

- Develop and enhance a local design capability and capacity
- Growing the capability and capacity of our manufacturing
- Continue our engagement and support in competitiveness improvement clusters
- Develop our local fabric conversion and supply (e.g. mills, finishing houses)
- Learning, mentoring and partnership activities in respect of the supply chain (e.g. enterprise and supplier development)

## OVERALL GOAL

- The upliftment of local communities through the development of our local supply chain

## KEY OUTCOMES

- Growth of local design capability and capacity
- Growth of local manufacturers, fabric converters and suppliers (e.g. printers)
- Development of partnership-based relationships (e.g. clusters)
- Productivity improvements which will positively impact on speed, price and on the overall value offering to our trading divisions

## HEADLINES

- Continued improved efficiency at TFG Manufacturing facilities
- Construction has started at our new

TFG Manufacturing facility in Caledon

- IDC approved support of R10.4m under the Production Incentive programme
- Investment of R7m in TFG Manufacturing training, including development and lean consulting. Our investment is done in collaboration with DTI, IDC and SETA's
- Increased quick response units to 1.9m, representing 34% of total TFG Manufactured units
- Increased employment at Prestige Clothing's Maitland and Caledon factories from 758 to 949 employees
- TFG Manufacturing facilities achieved A grade internal scorecard performance

## LOOKING AHEAD

- Continued focus on local supply chain development in support of our shared value strategy
- Development of strategic relationships with local fabric converters and mills
- Projecting increased growth in TFG Manufacturing units for the financial year ahead
- Targeting 25% growth in quick response units
- Additional approved investment of R14.9m in TFG Manufacturing training
- Source, develop and retain local manufacturers

## WHY LOCAL SUPPLY CHAIN DEVELOPMENT IS SO IMPORTANT

A TFG strategic business objective is to optimize its supply chain capabilities which will allow it to offer customers a wider range of in-demand products and a compelling rewards programme.

The competitive imperative lies in the need to reduce our lead times, improve efficiencies and reduce waste, which enables us to increase our percentage of orders on a quick response timeline.

The strategic shift towards a shared value strategy will now allow 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, training and upskilling.

This local supply chain development focus is supported by four strategic enablers that also contribute to societal value delivered by our operations, namely: employee empowerment, resource efficiency, socio-economic development and governance, ethics and accountability.

## HOW IS TFG APPROACHING THE CHALLENGE?

TFG is achieving the business objective of optimising its supply chain capabilities through local supply chain development initiatives such as those detailed below:

- Enhancing local design capability and capacity which gives us an ability to react and design into in-season sales
- Growing the capability and capacity of TFG Manufacturing through, for instance, building a new TFG Manufacturing facility in Caledon with an investment of over R50m and investing heavily in upskilling TFG Manufacturing employees
- Continued TFG engagement and support in "Competitiveness Improvement Clusters"

- by investing and influencing at regional and national levels
- Development of local fabric conversion and supply whereby we are trying to increase our capability in dyeing, printing and finishing of fabrics
- Learning, mentoring and partnership activities are required to support the above initiatives

This developmental approach is material and applies across the full value chain - linking fabric mills, manufacturers, auxiliary suppliers, TFG Design Centre and TFG brands - in creating sustainable social and financial value.

## WHAT WAS ACHIEVED IN THE REPORTING YEAR?

During the year under review we have commenced many initiatives which are, in the main, on-going within TFG Manufacturing facilities.

Our numbers show that we have grown our manufactured units and improved efficiencies and productivity through increased investment in plant and machinery. One such initiative was the upgrading of facilities to include generators to ensure continuous production during load shedding. Significant funding and resources have been invested in training and the development of individuals through a number of programmes.

Our percentage of quick response units to total manufactured units has increased, which in turn has led to reduced average lead times.

Employee numbers have grown within our Prestige Maitland and Caledon facilities. Focus has also been on improved employee wellness through a number of projects.

Grade A status, measured through an internal scorecard system (based on best practice), has been achieved across all TFG Manufacturing facilities for reliability, quality and conformance.

## WHAT WERE THE DISAPPOINTMENTS?

Whilst there have been many local supply chain development successes during the year under review, constraints such as volatile input prices, load shedding, slow economic growth and political uncertainty have impacted retail sales. However, we are well positioned with local supply chain development for an economic turnaround.

## WHAT SHOULD WE EXPECT IN THE NEXT YEAR OR TWO?

The outlook ahead shows a continued focus on local supply chain development in support of our shared value strategy:

- Strategies and initiatives will be strengthened to improve local design capabilities and sourcing capabilities including the development and retention of local manufacturers
- Our existing initiatives will continue to be enhanced to facilitate the achievement of the increased projected growth in TFG Manufactured quick response units
- Additional approved investments will be used to further improve and develop TFG Manufacturing capacity, efficiencies and training
- New facilities under construction are being built with energy saving and 'go green' principles in mind, along with employee wellness
- Resources will also be directed to the development of strategic relationships with fabric converters and fabric mills



CONSTRUCTION HAS STARTED AT OUR NEW PRESTIGE CLOTHING FACTORY IN CALEDON



# EMPLOYEE EMPOWERMENT

## WHAT'S IMPORTANT

- Providing opportunities for employment
- Leadership development
- Employment equity and diversity
- Skills development and talent pipeline
- Employee health and wellness
- R2m in bursaries awarded to students who will come into pipeline positions
- R2m worth of bursaries awarded to customers

## LOOKING AHEAD

- Establishment of a Youth Development Function specifically driving strategies for targeted youth employment and development
- Launch of new sourcing initiatives to meet transformation goals
- Establishment of more formal partnerships with service providers to ensure that the wellness offering continues to improve and reach more employees
- Employee helpline to be re-marketed to increase use by non-office based employees
- Refresh the employee wellness information portal to focus on specific health risks and also provide useful information and contacts for those employees who are ready to make key lifestyle changes
- TFG Retail Academy will focus on providing our leaders, at all levels, with opportunities to develop further
- Continued partnership with the SETA to offer new leadership programmes to all our managers including our store managers. These new programmes will be offered from NQF level 5 to NQF level 7

## OVERALL GOALS

- 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

## KEY OUTCOMES

- Transformation
- Leadership and skills development
- Employee pipeline through learnerships, bursaries, work place experience

## HEADLINES

- Opened 210 stores and increased headcount by 1155 people (excluding Phase Eight and Whistles)
- 416 new active learnerships
- Absorption rate of 30% of previous learners into permanent employment within TFG
- 91 new workplace experience opportunities

## WHY EMPLOYEE EMPLOYMENT IS SO IMPORTANT

### Providing opportunities for employment

Retail is a large employment provider.

Our South African operations employ 18968 employees and 980 employees are employed in our African operations. Over peak periods we employ many additional contractors.

Our participation in many work place experience programmes has given many young South Africans opportunities to upskill themselves in various retail functions which have given access to employment opportunities.

### Employment, equity and diversity

We believe that a successful organisation is a diverse one, where different views and opinions make the organisation sustainable for the future.

Total employment equity representation in our South African operations has increased from 91.65% in 2015 to 92.25% in 2016.

Employment equity representation at senior management levels has increased to 23% for the year, whilst at professional middle management and skilled junior management levels it has increased to 50% and 86% respectively. Many employment equity leaders continue to benefit from targeted development opportunities to ensure a steady growth through our pipeline.

We continue to allocate shares to our key employment equity middle managers.

Representation of women in the workforce remains consistent at approximately 72%.

Our senior management population is 50% female and we continue to make progress with the employment of disabled employees.

### Leadership development and skills development

The highly competitive retail market requires a strong focus on talent management which includes both talent acquisition by way of proactively identifying future incumbents for leadership positions in the pipeline and talent

development programmes developing our future leaders.

### TFG initiatives include:

- A strong leadership development focus including coaching, masterclasses and where applicable various business school programmes
- Opportunities for bursaries for further studies
- A focus on stores and field development
- The merchant academy which provides numerous learning interventions for buyers and planners
- The graduate development programme
- Various skills development programmes leading to a qualification

### Employee health and wellness

At TFG we recognise that there are multiple elements that contribute to our employee's overall well being.

The focus for the year under review was on three specific elements of well-being: physical, financial and emotional well-being. Specific initiatives such as: wellness days across multiple locations; financial wellness workshops; and skills in trauma handling were initiated. Achievements for the year include an increase in the number of employees participating in wellness days, as well as a decline in the number of disability applications from 0.3% to 0.2% of the total employee population. In addition to the uptake at the financial wellness workshops that were run in partnership with Old Mutual for head office and distribution centre campuses, there has also been a drop in the number of garnishees from 3.7% to 2.3% of total employees.

Our well being structures include a trauma helpline, a disease management programme that provides support and guidance to employees and line management, an HIV treatment programme as well as on-site clinics supporting occupational and primary health needs for our head office in Cape Town and distribution centre campuses.

## WHAT WAS ACHIEVED IN THE REPORTING YEAR?

### Skills development and talent pipeline

Over the past financial year we have been able to reach over 200 delegates as part of our skills development initiatives. This entailed offering programmes such as Retail Management Development Programme, Management Development Programme, Senior Management Development Programme, Managerial Action Plan (RPL), Programme Retail Practice, UNISA Retail Certificate, Store Managers Retail Qualification and a new initiative to train on retail acumen called Retailing 1. Just under 1000 unemployed youth have been given opportunities to gain work experience through internships at TFG. Our external bursary programme has expanded its partnerships by kick starting a new bursary programme with the University of the Western Cape. We continued to focus on our disability initiatives and are making progress in the employment of people with disabilities. A further 56 learners were enrolled on a learnership programme. We have managed to absorb approximately 25% of our disability learners into permanent employment.

## WHAT WERE THE DISAPPOINTMENTS?

### Employee health and wellness

We believe there is further opportunity to provide more of our store based employees with access to wellness assessments and services through partnerships with various providers. Employee use of the wellness helpline is good, however we think we can do more to raise awareness that the support services exist and are available free of charge to all our employees.

### Skills development

Our formal academies that offer interventions for developing our field and store teams took time to be finalised and we had hoped to be able to launch more programmes.

## Employment equity and diversity

Our progress in achieving transformation at senior management levels remains steady, but slower than we had hoped.

## WHAT SHOULD WE EXPECT IN THE NEXT YEAR OR TWO?

During the medium term our focus will remain on physical, financial and emotional well-being with specific attention given to reaching our store and distribution centre based employees. To this end we are looking at various partnerships which will allow us to provide access to wellness assessments and financial education for these employees.

In addition we refer to the section above - Looking Ahead - which outlines our forthcoming initiatives.

## CASE STUDY 1

### Creating opportunities for employment through learnerships and education:

There are many wonderful stories of young matriculants who through learnership opportunities are making a career for themselves in retail. In many cases, these young employees are then further supported in their education by TFG.

Regomoditswe Image Mamogopodi was born in Ga-Habedi village and grew up at Maile-Diepkuil near Rustenburg. During her teenage years she and her brother lost their father and had to be raised by their unemployed mother who was dependant on her late husband's provident fund. Regomoditswe attended high school at Sekete High where she matriculated. In 2011 she studied Information Technology at Boston College but due to lack of finance, she was forced to drop out before she could finish her studies. She had never considered retail as a career, but fortunately she heard of learnership opportunities offered by the Wholesale and Retail SETA through a partnership with TFG and Retail Relate.

Through the Retail Operations learnership she learnt retail at American Swiss at Waterfall Mall in Rustenburg and this opened a whole new world of opportunities for her. She subsequently was appointed as a store display champion and then later promoted to an Assistant Manager. Today she is a successful store manager at Sterns, Moruleng. As a role model to her peers in the village, Regomoditswe is able to encourage young children in her village to develop themselves further. In 2015 her area manager persuaded her to further her studies. She has now registered with Unisa to study a Diploma in Retail Buying and is being supported in her studies by TFG.



## CASE STUDY 2

We believe youth talent attraction should not only happen in a student's last year of studies. Over the past financial year we have engaged students at all levels of their studies ranging from grade 10 - 12 and first year to postgraduate students.

### Engagement initiatives include :

- Fashion school events
- Mock interviews
- Holiday internships
- Mentoring circles
- On - site hosting for final year classes
- Guest lecturing at various tertiary institutions as well as partnering with university faculty

and university career services

- Countrywide career fair

This approach has allowed us to form relationships with students as they make their decisions about retail as an employer and more specifically TFG being their employer of choice.

**“More and more we are understanding what drives students to connect with an employer before they seek employment. They are telling us the culture of the organisation is their main point of curiosity. Learning about the work environment and what the company values, in addition to profit, is important to them.”**

**Zani Mashinini -**

Head of Talent Acquisition and Talent Management



# RESOURCE EFFICIENCY

## WHAT'S IMPORTANT

- Resource efficiency is critical in a retail business
- Electricity consumption, waste, packaging and paper = contributors to our carbon footprint
- Reducing resources usage saves costs and increases sustainability
- Staff awareness and involvement are crucial to the success of reducing carbon emissions
- Optimising logistics reduces costs and wastage

## OVERALL GOALS

- Reduce TFG's carbon footprint
- Reduce consumption of natural resources (electricity, fuel, paper, water and other materials)
- Increase the level of recycling and re-use (reduce the level of waste)
- Reduce the fuel and packaging in the full supply chain from source to customer

## KEY OUTCOMES

- Reduce our electricity consumption in terms of kilowatts per m<sup>2</sup> by 5% per annum
- Reduce our paper and packing consumption and ensure that at least 85% of all waste is recycled

**“Natural resources are critical for the survival on our planet. We need to ensure that we use these as efficiently as possible. As retail technologies and shopping trends change we need to adapt to ensure that we remain relevant. As online and traditional bricks and mortar shopping converge there will be threats and opportunities for TFG. Unless we can adapt we run the risk of being uncompetitive as traditional retailing consumes valuable resources.”**

**Brad Rothenburg -**

Head of TFG Property and the Resource Efficiency focus area

- Implement and maintain an integrated waste management system
- Ensure that over 80% of the cartons sent to stores are re-used supplier cartons

## HEADLINES

- Improved staff awareness on the need to save resources
- Whilst our overall electricity consumption has gone up – the consumption per store / and per m<sup>2</sup> has reduced every year for the last 3 years
- New head office lighting and motion sensors introduced resulting in the energy usage per head office employee reducing

## LOOKING AHEAD

- Online electricity metering is being trialled in selected Western Cape stores
- Air-conditioner electricity usage has been highlighted as another area to focus on for greater efficiency as up to 50% of a store's power needs are for air-conditioning
- A FTSE/JSE responsible investment index gap analysis has been undertaken, reporting theme indicator gaps will be addressed

## WHY RESOURCE EFFICIENCY IS SO IMPORTANT

Natural resources are limited and are becoming costly. The efficient use of resources not only saves the business unnecessary costs but also does the planet good at the same time.

## HOW IS TFG APPROACHING THE CHALLENGE?

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

It should be noted that the resource efficiency section focuses on the head office, distribution centres and stores environments. Efficiency and the lean approach in our manufacturing operations is addressed in the local supply chain development section.

There are ways in which we can reduce our impact on the environment and enhance sustainability - and we have identified three major categories in which we believe we could make an impact, namely electricity, printing and packaging and waste.

### Electricity & Store Lighting:

Lighting is an important part of the retail experience, the store windows need to be well lit and attractive to the customer and the in-store lighting should enhance the shopping experience - but at the same time we need to ensure that we are as efficient as possible in terms of the watts per m<sup>2</sup> that we consume.

**“The implementation of LED lighting into our stores has brought about an appreciable reduction in the wattage per square metre as well as maintenance costs to the business. With new improvements in lighting technology, we are seeing an improvement in both the quality and level of lighting”**

**Richard Williamson -**

Senior Manager: TFG Store Procurement

At head office, the TFG Facilities team have introduced new technologies such as motion sensors and daylight harvesting into our new buildings.

### Paper Usage:

Paper usage at head office was identified as an area where the wastage of excessive and unwanted printing could be reduced. A new system to manage the printing and printers was introduced in 2015 and we have seen reductions in the amount of printing.

**“The introduction of TFG's managed print service has allowed users and managers to better manage their day-to-day printing at head office. By providing user codes, the printing costs can be properly allocated and monitored. Users can also release prints from any device and cancel unwanted prints before they are printed - this flexibility reduces waste and we no longer see piles of uncollected print outs next to the printers. The introduction of multi-function devices has also allowed for the consolidation of dedicated imaging devices and helped reduce power and consumable usage”**

**Amanda de Swardt**

Senior Manager: TFG Service Management Centre

### Waste Management:

Waste is inevitable but how we manage waste is important - reduce, re-use and recycle are the environmental buzz words. Managing the waste at the head office campuses and distribution centres has been another key focus area. We recently implemented an integrated waste management system using a large and reputable service provider which has seen a significant increase in the level of our head office waste that is being recycled. The recycling area was upgraded with a new roof and proper bins and staff are also encouraged to bring in their home recyclables.

## Carton re-use:

TFG's logistics management realised a few years ago that if they could get suppliers to provide slightly better quality cartons, they could re-use these to send stock from the distribution centres to the stores. This was done and now almost three million cartons are re-used annually (which is almost 90% of all the cartons used).

## WHAT WAS ACHIEVED IN THE REPORTING YEAR?

The key achievements during the year under review have been:

- The electricity consumption per store / and per m2 being reduced
- A big improvement in our waste management system
- Greater staff awareness and involvement

## WHAT WERE THE DISAPPOINTMENTS?

The level of printing has not reduced as much as we had expected. We believe that staff are still printing more than is necessary and this needs to be addressed in the year ahead.

## WHAT SHOULD WE EXPECT IN THE NEXT YEAR OR TWO?

We will continue to seek ways to improve our resource efficiency. The online electricity monitoring will be rolled out to more stores, which in turn will create greater staff awareness. Paper usage will continue to be monitored at both the head office campuses and stores and will encourage all staff to reduce printing - the paperless office is the office of the future.

## CASE STUDY 1

### Waste Management:

An integrated waste management system is in place to ensure our head office waste is being recycled. - staff are also encouraged to bring in their home recyclables.



## CASE STUDY 2

### Carton re-use:

By re-using the supplier cartons we save annually almost three million cartons (which is almost 90% of all the cartons used).



# IN CONVERSATION WITH BRAD ROTHENBURG

HEAD OF TFG PROPERTY  
& THE RESOURCE EFFICIENCY FOCUS AREA



ARE WE MANAGING OUR WASTE AND RECYCLING AS MUCH AS POSSIBLE?

We have the basics in place in terms of the integrated waste management systems but there is still room for improvement.

COULD WE DO MORE TO SAVE ELECTRICITY?

Yes - we need to be doing more to save electricity. Whilst our carbon footprint intensity has reduced (refer table), better technology and greater staff awareness is the next phase in our quest to reduce our energy consumption.

HOW CAN NEW TECHNOLOGIES HELP TFG REDUCE RESOURCES?

Technologies such as LED lights, smart sensors, daylight harvesting, online metering with dashboards and air-conditioner enhancements are new ways in which we can save on energy consumption.

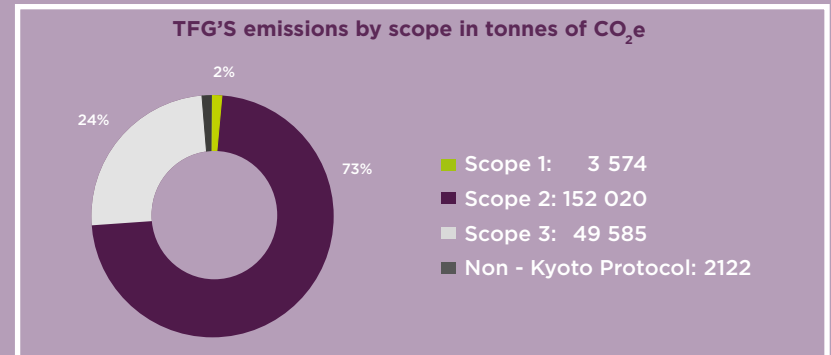
IS TFG REALLY CONCERNED ABOUT THE ENVIRONMENT AND SUSTAINABILITY?

I believe TFG is concerned about the environment and sustainability and is implementing a number of initiatives to manage resources within the constraints of running a multi-national business.

IF YOU COULD DO ONE THING TO IMPROVE RESOURCE EFFICIENCY WHAT WOULD IT BE?

In the perfect world we would have all stores on renewable energy, powered by solar panels on the roofs of shopping centres. Until then if I could just have improved staff awareness with the motivation to save resources.

## TFG'S 2015 CARBON EMISSIONS: 207 301 CO<sub>2</sub>e metric tonnes



TFG's 2015 top five carbon-emitting activities are listed below as a percentage of the entire carbon footprint.

Purchased electricity	73%
Outsourced transport	9%
Consumption of paper for magazines	5%
Employee commuting	4%
Cardboard packaging	2%

Our efforts at energy reduction have shown success with electricity use in terms of total kilowatts consumed, only increasing marginally in spite of our space growth of over 2%.

	2015	2014	2013	
Purchased electricity	Kilowatt	156 070 254	156 150 783	151 738 956

Purchased electricity is the major contributor to our footprint and is therefore a focus area. In terms of intensity (efficient usage) we have seen good improvements over recent years.

	2015	2014	2013
Intensity: Emissions per employee	10.98	11.92	11.47
Intensity: Emissions per m <sup>2</sup> (incl stores)	0.26	0.27	0.28
Intensity: Emissions per m Rand EBITDA	71.16	73.52	74.55

# SOCIO-ECONOMIC DEVELOPMENT

## WHAT'S IMPORTANT

- Strong focus on aligning our socio-economic development to the National Development Plan
- Incorporating TFG's shared value strategy within our socio-economic development's key initiatives
- Optimising flagship projects to impact our communities more significantly
- Produced 20 000 blankets for Disaster Relief
- Assisted the victims of 19 fires around South Africa aiding 6 445 individuals
- Mandela Month: TFG staff packed over 130 000 meals for hungry children
- Launched a socio-economic development initiative in Zambia and upscaled our project in Namibia
- Donated 332 000 litres towards Operation Hydrate Initiatives for drought relief of worst - hit communities
- Sponsored 5 boreholes across South Africa to support farming and rural communities in a sustainable way

## OVERALL GOALS

- To create opportunities for employment by leading sustainable developments
- Aim to “educate to empower (E2E)” across educational levels starting from Early Childhood Development to Post School education

## KEY OUTCOMES

- E2E implemented across all TFG projects
- Retail brand initiatives aligned to support and optimise the group strategy
- SED flagship projects aligned to TFG's shared value strategy

## HEADLINES

- Achieved a maximum of 5 points for socio-economic development in our BBBEE scorecard
- Launched University of Western Cape “future leaders” bursary programme
- Increased the number of SA's leading fashion institute, Fedisa, bursary students from 1 to 5

## LOOKING AHEAD

- Implement an online shopping initiative, allowing online shoppers to donate to their selected socio-economic development project
- Implement TFG employee engagement giving initiative
- Continue with the expansion of socio-economic development projects in African countries where we are operating
- Launch Sew Good school uniform project
- Investigate better monitoring and evaluation methods
- Expand the retail brand socio-economic development initiatives

## WHY SOCIO-ECONOMIC DEVELOPMENT (SED) IS SO IMPORTANT

### Educate to empower (E2E)

The youth are our future leaders and it is our collective responsibility to train and develop them into leaders who will positively impact South Africa. At TFG, we believe that we are able to make a meaningful difference in South Africa by contributing towards the National Development Plan (NDP). The NDP envisions a nation where we embrace our full potential and opportunity is not determined by birth, but by ability, education and hard work. This statement has inspired our way of thinking about our strategy and the impact thereof.

TFG is approaching this challenge by implementing our vision: creating opportunity for employment by leading sustainable developments. We aim to E2E across educational levels starting from Early Childhood Development to Post School education. This strategy will allow us to make a meaningful contribution and significantly impact on our communities. A strong focus will be placed on developing individuals from an early age and to provide them with all the tools necessary in order to succeed. E2E will act as an enabler to allow individuals the opportunities to become employable within today's competitive environment.

### BBBEE focus

Our main focus is to successfully implement E2E across all our key flagship projects where the main beneficiaries are those as prescribed by the Codes. It is also equally important for SED to better align with the other scorecard components so that we add value to each category.

In addition, we will continue to support our main flagship project; The Feel Good Store where we donated over R27million worth of merchandise to support the training of unemployed individuals and the running of our stores.



## SOME OF OUR NEW INITIATIVES/ACHIEVEMENTS OVER THE LAST YEAR INCLUDED:

- **Gift of the Givers (R955 000):** TFG sponsored 5 boreholes in the Northern Cape and Free State provinces to bring relief to the rural and farming communities
- **Making a difference leadership (MAD) foundation (R1 000 000):** MAD has come on board with Fedisa to help develop the bursary students into future fashion business professionals
- **Operation Hydrate (R450 000):** TFG ran a successful "Operation Hydrate" employee initiative where our employees contributed 82 000 litres of water and in total TFG donated 332 000 litres of water to communities worst affected by the drought
- **Stop Hunger Now (R589 560):** Another year of involving our employees in packing meals for hungry children. These meals were distributed to 130 000 kids across South Africa
- **University of Western Cape (UWC) (R600 000):** TFG launched its "future leaders" bursary programme with UWC where 4 postgraduate bursary students were appointed within the HR and IT fields at TFG
- **Volunteer Wildfire Services (VWS) (R100 000):** TFG supported the VWS phone-a-thon hosted by Cape Talk radio where the donation was used to assist firemen/fire women



## CASE STUDY : SEW GOOD

As a leading fashion lifestyle retailer we wanted to create a project that had a dual purpose; using existing TFG resources and benefiting disaster affected communities. Prestige Clothing, our internal manufacturing division, has a training school that had the capacity to assist us. This presented an opportunity for us to upskill individuals by training them to make blankets. These blankets were then donated to disaster relief communities. In this way we were able to "educate to empower" individuals by upskilling them, and then donate what they produced to communities in need.

### So how does it work?

1. TFG Design team orders blanket material
2. Blanket material gets sent to TFG distribution centre (DC) and then the DC team delivers the material to the Prestige Clothing, Maitland training school for cutting
3. The DC team then delivers the cut material to Prestige Clothing, Caledon where the blankets are sewn together by the trainees
4. Once the blankets have been produced, they are delivered to Gift of the Givers
5. Gift of the Givers distributes the blankets to assist with disaster relief
6. In the first year of this project, we have produced 20 000 blankets and plan to produce another 40 000 in the next year!

We certainly live by our motto:

*Doing good never goes out of fashion*

# IN CONVERSATION WITH KATHRYN SAKALIS

HEAD OF TFG MARKETING & eCOMMERCE  
& THE SOCIO-ECONOMIC DEVELOPMENT FOCUS AREA



## WHY IS TFG INVESTING ITS RESOURCES IN SED?

SED cannot be something that corporates do on the side. It has to be integrated into the corporate strategy, which is the case at TFG. We believe strongly in the word 'empowerment' - so our projects are not only about 'writing out cheques' but about upskilling and empowering individuals, giving them the opportunity to reach their full potential.

## HOW IMPORTANT IS EMPLOYEE INVOLVEMENT?

Very important, I believe strongly that everyone can make a difference, and that we all have the responsibility to do so. Employees want to do the right thing, they just need to be given the opportunities to do so. An excellent example of this was our support of Operation Hydrate for drought relief - employees contributed 82 000l of water which TFG then increased to 332 000l, bringing relief to communities worst affected by the drought.

## TFG HAS MADE AN IMPACT IN ASSISTING WITH DISASTER RELIEF, HOW DOES THIS FIT INTO YOUR MANTRA OF: "EDUCATE TO EMPOWER"?

TFG doesn't exist in a vacuum and we feel the responsibility to assist communities which are the most vulnerable in their time of need. At the same time, our donation of blankets totally fits into our mantra, as the blankets are produced by individuals who are being trained (educated) and therefore being empowered.

## WHY DID TFG MAKE A COMMITMENT TO SUPPORT THE NELSON MANDELA CHILDREN'S FUND?

TFG has a history with Nelson Mandela through our Sterns retail brand - in the 1990's they were already supporting the Nelson Mandela Children's Fund. Sterns also made the wedding rings for the marriage of Nelson Mandela to Graca Machel.

TFG is strongly driven by our values, and Madiba continues to be an inspiration to us.

Nelson Mandela once said: "Education is the most powerful weapon which you can use to change the world" - which ties in strongly with our SED vision.

## HOW DO YOU BELIEVE TFG IS MAKING A DIFFERENCE FOR THE YOUTH OF SA?

### So many of our projects are youth orientated:

We assist within the category of early childhood development through our projects with WHEAT, Red Cross Children's Hospital, Nelson Mandela Children's Fund and Stop Hunger Now.

At a high school level we are involved with 18twenty8. We sponsor bursaries through Fedisa and UWC. And we are involved in the UCT100UP+ initiatives.

We believe that the youth are our future leaders and we want to "educate to empower" them.



# GOVERNANCE, ETHICS & ACCOUNTABILITY

## WHAT'S IMPORTANT

- Being committed to the highest standards of corporate governance to address business risk
- All business activities are to be based on accountability and transparency
- Following good corporate governance principles, thereby creating and maintaining a culture of good governance and ethical leadership within TFG

## OVERALL GOALS

- Ensuring good governance across TFG
- Thereby promoting transparency and accountability and encouraging ethical business practices and building social trust
- KPIs are in place for shared value and the focus areas, KPIs are measurable and are reported on at least annually

## KEY OUTCOMES

- Legal compliance
- Supplier compliance with take-on procedures and audits
- Support for the United Nations Global Compact principles which covers the areas of human rights, labour, the environment and anti-corruption
- Reporting to stakeholders

## HEADLINES

- Adopted an employee human rights declaration
- Adopted a supplier human rights

statement and educated trading divisions' senior management on the statement and their responsibility

- Progressed further with implementation of the United Nations Global Compact principles, particularly as regards suppliers and anti-corruption
- Reformulated the agenda of Social and Ethics Committee meetings to move from compliance orientated monitoring and reporting, to added value monitoring and reporting based on our shared value sustainability strategy
- Implemented international supplier societal audits
- Enhanced the supplier take-on process to include a declaration of compliance with the 10 principles of the United Nations Global Compact
- Launched a new whistle-blowers' line which included employee awareness campaigns

## LOOKING AHEAD

- Implement a sustainability management and reporting system
- Continue to follow the United Nations Global Compact principles
- Enhance sustainability reporting including evaluating gaps in the FTSE/JSE responsible investment index
- Expand supplier take-on and societal audits

## WHY GOVERNANCE, ETHICS AND ACCOUNTABILITY IS SO IMPORTANT

### Delivering on stakeholder value

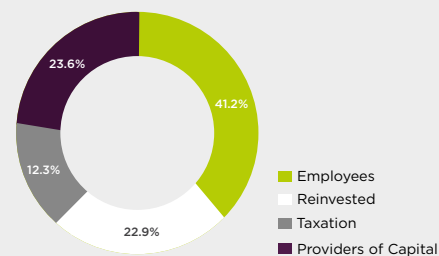
Value creation involves interacting with many stakeholders. Financial value is an important element in value creation. Key figures from TFG's consolidated results for the financial year end 2016 are:

Retail turnover increased by 31.2% with adjusted headline earnings per share from continuing operations up 17.6% (2016: 1 055,8cents) from the previous year (2015: 897,9cents). In relation to our retail turnover, 63.1% (Rm13 325,0) was paid to suppliers for goods and services.

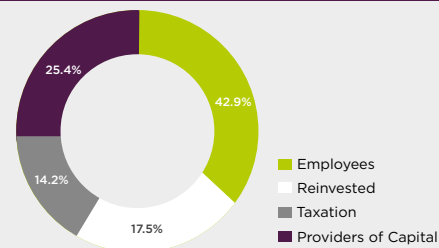
	2016 Rm	2015 Rm
Retail turnover	21 107.5	16 085.9
Paid to suppliers for goods and services	13 325.0	10 668,3
Value added	7 782.5	5 417.6

Allocation of value to our primary stakeholders is reflected below.

### VALUE ADDED STATEMENT (2016)



### VALUE ADDED STATEMENT (2015)



Part of engaging with stakeholders includes ensuring that TFG's good reputation is upheld. The board of directors is the ultimate custodian of the reputation of TFG and its relationships with stakeholders. Our stakeholder engagement approach is based on the principle of shared value and we believe that value creation depends on the interaction with many stakeholders and that value delivery must turn this into a virtuous cycle.

Our engagement with our primary stakeholders is summarised as follows:

STAKEHOLDER GROUP	ENGAGEMENT INTENT
Employees	To maximise employee productivity, innovation and efficiency, and to minimise employee turnover by investing in training and development. We want to provide a rewarding work environment with market - related remuneration, attractive incentive schemes and supportive environments that contribute towards making us an employer of choice.
Shareholders	To maintain a positive relationship with current and potential investors through our transparent reporting, and by ensuring consistency in our trading performance.
Customers	To understand and respond to their preferences through a strong customer relationship management focus, our Rewards programme and online platforms. Customer insights allow us to grow our customer base and actively manage customer credit limits and account payments.
Communities	To strengthen and resurrect the South African clothing industry by investing in local procurement activities. We are committed to support the communities in the markets in which we operate.
Government & regulators	To maintain constructive relationships with key government departments, closely monitor policy developments and submit comments on new legislation, either directly, or through industry bodies.
Merchandise suppliers	To actively engage with suppliers to maximise buying efficiencies, improve speed to market and reduce potential external risks.
Key service providers	To ensure consistency and reliability of supply.
Landlords and concession partners	To optimise our location strategy for our various brands in the markets in which we operate.

We believe that the above engagement and interaction will be of greater importance in the future to ensure that we remain competitive and a sustainable business.

There are many guidance frameworks and best practice publications on governance and sustainability. TFG supports the principles and recommendations contained in King III and is keeping abreast of developments regarding King IV to ensure that it is well placed to implement its contents. Having been part of the JSE's socially responsible index over the past 5 years, TFG is proud to be part of the FTSE/JSE responsible investment index and will continue to assess any gaps we may have in meeting the FTSE/JSE's requirements.

Within TFG, there are many guiding documents for staff members to ensure that we remain an ethical business and moral corporate citizen. The backbone of the documents is the new TFG code of good ethical conduct. It was launched with a supporting awareness campaign after having been adopted by the board of directors. It is part of a new employee's sign-on pack and induction programme.

Working with this, is TFG's newly launched whistle-blowing facility. There was an extensive awareness campaign for TFG employees supporting the launch. Employees (as well as suppliers) are encouraged to use this facility to report fraud, corruption, bribery or employee misconduct.

***“ Sustainability is often looked at narrowly as only applying to green initiatives; it is so much more than this. The fundamentals of creating and managing a business which adds value and generates a profit are the essence of sustainability. Sustainable businesses incorporate sustainable societies and respect for the environment ”***

**Christine Malan -**  
Head of TFG's Legal Compliance



Accompanying TFG's ethical stance to doing business, it follows the 10 principles in the United Nations Global Compact. Below is a table listing the 4 main areas in the Global Compact, its 10 principles and TFG's implementation of the principles.

## COMMITMENT TO THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT (UNGC)

SUBJECT	PRINCIPLE	PROGRESS TO DATE
<b>Human Rights</b>	<p>Businesses should:</p> <ol style="list-style-type: none"> <li>1. support and respect the protection of internationally proclaimed human rights</li> <li>2. make sure that they are not complicit in human rights abuses</li> </ol>	<ul style="list-style-type: none"> <li>• Human rights declaration for employees adopted</li> <li>• Human rights statement for suppliers adopted and new supplier take-on pack refers to UNGC</li> <li>• Code of good ethical conduct adopted</li> </ul>
<b>Labour</b>	<p>Businesses should uphold:</p> <ol style="list-style-type: none"> <li>3. the freedom of association and effective recognition of the right to collective bargaining</li> <li>4. the elimination of all forms of forced and compulsory labour</li> <li>5. the effective abolition of child labour</li> <li>6. the elimination of discrimination in respect of employment and occupation</li> </ol>	<ul style="list-style-type: none"> <li>• In place</li> <li>• The standard terms and conditions amended to include UNGC principles</li> <li>• The standard terms and conditions amended to include UNGC principles</li> <li>• In place</li> </ul>
<b>Environment</b>	<p>Businesses should:</p> <ol style="list-style-type: none"> <li>7. support a precautionary approach to environmental challenges</li> <li>8. undertake initiatives to promote greater environmental responsibility</li> <li>9. encourage the development and diffusion of environmentally friendly technologies</li> </ol>	<ul style="list-style-type: none"> <li>• Approach being reviewed</li> <li>• Initiatives being identified</li> <li>• Initiatives taking place such as e-commerce platform, mobile digital new account application solution and e-statement solution</li> </ul>
<b>Anti-corruption</b>	<p>Businesses should:</p> <ol style="list-style-type: none"> <li>10. work against corruption in all its forms, including extortion and bribery</li> </ol>	<ul style="list-style-type: none"> <li>• Anti - corruption policy in place and training initiatives to commence</li> </ul>

TFG's enterprise risk framework rests on a comprehensive annual risk review with management input before it is reviewed by the board. This reflects our bottom-up approach to risk assessment and ensures that risks are kept current and relevant to the business. Risk is a key governance area in ensuring we have a sustainable business.



# NON-FINANCIAL DATA



# NON-FINANCIAL DATA

Focus areas	2016	2015	%Change	2014	2013
<b>Local Supply Chain Development</b>					
<b>Development of local supply chain</b>					
TFG Manufactured units	5 580 000	5 360 000	<b>4.1%</b>	Not available	Not available
Quick response units	1 916 000	1 864 000	<b>2.8%</b>	Not available	Not available
Quick response units contribution %	34.3%	34.8%	<b>-1.3%</b>	Not available	Not available
<b>Employee Empowerment</b>					
<b>Develop &amp; grow diverse leadership talent to ensure the continuous supply of a capable, competent workforce</b>					
<b>Identify multiple talent sources to achieve corporate transformation goals and ensure critical vacancies are filled</b>					
Permanent full time employees <sup>1</sup>	15 053	14 277	<b>5.4%</b>	13 265	12 657
Permanent part time employees <sup>1</sup>	2 207	1 562	<b>41.3%</b>	110	175
Flexitime employees <sup>1</sup>	4 721	4 268	<b>10.6%</b>	3 435	3 807
Contract employees <sup>1</sup>	747	487	<b>53.4%</b>	953	920
Casual employees <sup>1</sup>	152	134	<b>13.4%</b>	135	146
Employee turnover at stores (excluding contractors) % <sup>1</sup>	37.1	35.8	<b>3.6%</b>	30.8	32.1
Total expenditure on employee training and development (R million)	124.9	120.6	<b>3.6%</b>	117.6	110.9
Expenditure as % of payroll	3.9	5.4	<b>-27.8%</b>	6.0	5.8
Total employees trained <sup>2</sup>	116 043	117 737	<b>-1.4%</b>	117 341	126 021
Participation in executive development programme	54	78	<b>-30.8%</b>	76	40
EE% <sup>3</sup> Top management	11.1	8.3	<b>33.7%</b>	10.0	11.1
EE% <sup>3</sup> Senior management	22.6	20.6	<b>9.7%</b>	20.2	19.9
EE% <sup>3</sup> Specialists and middle management	49.8	47.2	<b>5.5%</b>	46.3	45.8
EE% <sup>3</sup> Skilled technical and junior management	86.1	84.8	<b>1.5%</b>	83.7	82.5
EE% <sup>3</sup> Semi-skilled and unskilled employees	98.2	97.9	<b>0.3%</b>	97.4	99.6
EE% <sup>3</sup> Total	92.3	91.7	<b>0.7%</b>	90.6	90.4
% Female employees	71.3	72.0	<b>-1.0%</b>	73.6	74.8
% Female employees in senior management positions	50.6	50.9	<b>-0.6%</b>	47.3	43.3
Work related fatalities	zero	zero	<b>0.0%</b>	zero	zero
Number of days lost	1 415	1 614	<b>-12.3%</b>	1 685	1 360
Number of incidents	538	427	<b>26.0%</b>	330	306
Number of incidents resulting in three days off or less	374	318	<b>17.6%</b>	223	226
Number of work days lost due to industrial action	zero	zero	<b>0.0%</b>	13	zero
<b>Resource Efficiency</b>					
<b>Reduce environmental footprint of stores and head offices<sup>4</sup></b>					
Total energy use (DCs, Stores, Offices) kWh	156 070 254	156 150 783	<b>-0.1%</b>	151 738 956	150 493 817
kWh per m2 stores	201.6	214.6	<b>-6.0%</b>	225.4	234.6
kWh per m2 head offices	154.2	129.5	<b>19.1%</b>	124.2	121.1
Total Carbon Emissions (tonnes CO2e) <sup>6</sup>	207 301	213 405	<b>-2.9%</b>	203 079	201 838
Scope 1 Emissions (tonnes CO2e)	3 574	3 408	<b>4.9%</b>	3 419	3 413
Scope 2 Emissions (tonnes CO2e)	152 020	155 354	<b>-2.1%</b>	144 275	148 989
Scope 3 Emissions (tonnes CO2e)	49 585	52 959	<b>-6.4%</b>	53 781	48 411
Non-Kyoto (tonnes CO2e)	2 122	1 684	<b>26.0%</b>	1 604	1 024
Emissions per m2 intensity	0.26	0.27	<b>-3.7%</b>	0.28	0.29
Water consumption (Offices and DCs) kl	58 924	64 481	<b>-8.6%</b>	76 618	67 302

Focus areas	2016	2015	%Change	2014	2013
Head Office/DC paper used (A4 equivalent) pages	11 070 781	9 981 078	<b>10.9%</b>	Not available	Not available
<b>Reduce packaging from source to customer</b>					
Head Office/DC waste recycled (kgs)	291 968	218 118	<b>33.9%</b>	151 959	248 838
Supplier cartons reused	2 624 673	2 606 879	<b>0.7%</b>	2 730 296	2 565 791
Cartons purchased	331 097	361 005	<b>-8.3%</b>	355 387	264 005
<b>Reduce the use of fuel in the local (SACU) supply chain</b>					
Units transported per litre of fuel used	9.99	9.91	<b>0.8%</b>	9.18	9.17
M3 transported per litre of fuel used	0.034	0.035	<b>-2.9%</b>	0.034	0.038
Litres of fuel used per m3 transported	29.1	28.8	<b>1.0%</b>	29.6	26.5
Kms per litre of fuel used	2.41	2.41	<b>0.0%</b>	2.40	2.35
Units transported per km	4.14	4.12	<b>0.5%</b>	3.83	3.90
Number of stores	2 462	2 280	<b>8.0%</b>	2 111	1 979
<b>Socio-Economic Development</b>					
<b>Create jobs, income generating opportunities and enhance employability in communities in which TFG operates by providing practical learning experience</b>					
TFG black learnerships <sup>4</sup>	676	543	<b>24.5%</b>	781	1 089
TFG Feel Good Project graduates	47	61	<b>-23.0%</b>	81	50
Number of graduates placed <sup>5</sup>	41	35	<b>17.1%</b>	41	14
<b>Provide humanitarian relief to communities that have been affected by severe winter seasons and natural disasters</b>					
Number of individuals supported	72 690	9 828	<b>639.6%</b>	13 636	14 928
CSI (total spend R million)	7.0	8.6	<b>-18.6%</b>	5.3	5.0
Merchandise donations for the benefit of the Feel Good Project (R million)	27.4	32.1	<b>-14.6%</b>	35.0	47.0
NPAT%	1.6%	2.1%	<b>-23.8%</b>	2.0%	2.7%
<b>Governance, Ethics and Accountability</b>					
Establish an effective sustainability management and reporting structure	Achieved	Achieved	-	Achieved	Achieved
KPI sustainability metrics agreed and measured	Achieved	Achieved	-	Achieved	Achieved

## Notes:

- 2015 restated - includes international
- Number of attendees and not individual employees
- EE%: % representation of previously disadvantaged groups among permanent employees - South African workforce only
- Data in respect of environmental issues and black learnerships is presented one year in arrears
- Number of graduates placed: refers to those individuals who have become economically active as a result of the training interventions
- 2015 restated

## ABBREVIATIONS

<b>BBBEE</b>	Broad Based Black Economic Empowerment
<b>CDP</b>	Carbon Disclosure Project
<b>CMT</b>	Cut, Make and Trim (manufacture of textile products)
<b>CSI</b>	Corporate Social Investment
<b>DTI</b>	Department of Trade and Industry
<b>EBITDA</b>	Earnings Before Interest Tax Depreciation and Amortisation
<b>ESG</b>	Environmental, Social, Governance (factors influencing responsible investment decisions)
<b>FTSE/JSE</b>	FTSE/JSE Responsible Investment Index
<b>GRI</b>	Global Reporting Initiative Guidelines
<b>IDC</b>	Industrial Development Corporation
<b>King III &amp; IV</b>	King Report on Corporate Governance (3rd and 4th Edition)
<b>KPI</b>	Key Performance Indicator
<b>NPAT</b>	Net Profit After Tax
<b>SETA's</b>	Skills Education Training Authorities
<b>TFG</b>	The Foschini Group Limited and its subsidiaries TFG Manufacturing/Manufactured refers to Prestige Clothing (Maitland and Caledon) and core CMT manufacturers
<b>UCT</b>	University of Cape Town
<b>UWC</b>	University of Western Cape

