



SUSTAINABILITY
OVERVIEW REPORT

2019

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About this report

This report tells the story of our sustainability journey and the steps we have taken to deliver on our shared value strategy.





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and governance

We are committed to being better in everything we do – guided by our values, social conscience and customer-centric mindset.

INTRODUCING TFG

OUR VISION AND MISSION

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

OUR VALUES

We believe teamwork coupled with professionalism in all aspects of retailing will continue to be the foundation for the future.

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

At TFG (The Foschini Group), we are committed to being better in everything we do – guided by our values, social conscience and customer-centric mindset.

George Ivan Rosenthal left America in 1924 and set sail for South Africa with little money, a lot of confidence and a grand plan to become a leading clothing retailer.

Starting his career in America, he became interested in other markets when the boom days ended. His research showed that, while South Africa was an underdeveloped country, it had a traditional fondness for American goods.

He found that Johannesburg was one of the best shopping areas and opened his first store on Pritchard Street on 27 November 1925.

For the first time, South African women had access to affordable, well-made, up-to-date fashion. Within two years, he opened another nine branches across the country.

Foschini had arrived and, in 1941, Foschini Dresses (Pty) Ltd was listed on the Johannesburg Stock Exchange – the first clothing retailer to achieve this.



OUR EMPLOYEES

72,1%

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

27,9%

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

94,4%

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

0,41%

**EMPLOYEES WITH
DISABILITIES**
(2018: 0,32%)

22 755

**TFG AFRICA
EMPLOYEES**
(2018: 21 531)

6 366

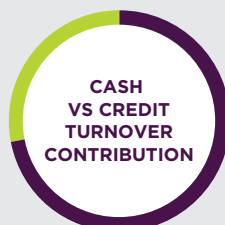
**GLOBAL
EMPLOYEES**
(2018: 6 294)

* Relates to South Africa only.

**TODAY WE EMPLOY 29 121 TALENTED AND
MOTIVATED PEOPLE, OFFER 29 BRANDS IN 4 085 TRADING OUTLETS
ACROSS 32 COUNTRIES AND SELL A BROAD RANGE OF
MERCHANDISE TO OUR CUSTOMERS IN-STORE AND ONLINE.**



IN STORE 91% ONLINE 9%



CASH 72% CREDIT 28%

63%
CONTRIBUTION
TO TURNOVER

**TFG
AFRICA**

14%
CONTRIBUTION
TO TURNOVER

**TFG
LONDON**

14%
CONTRIBUTION
TO TURNOVER

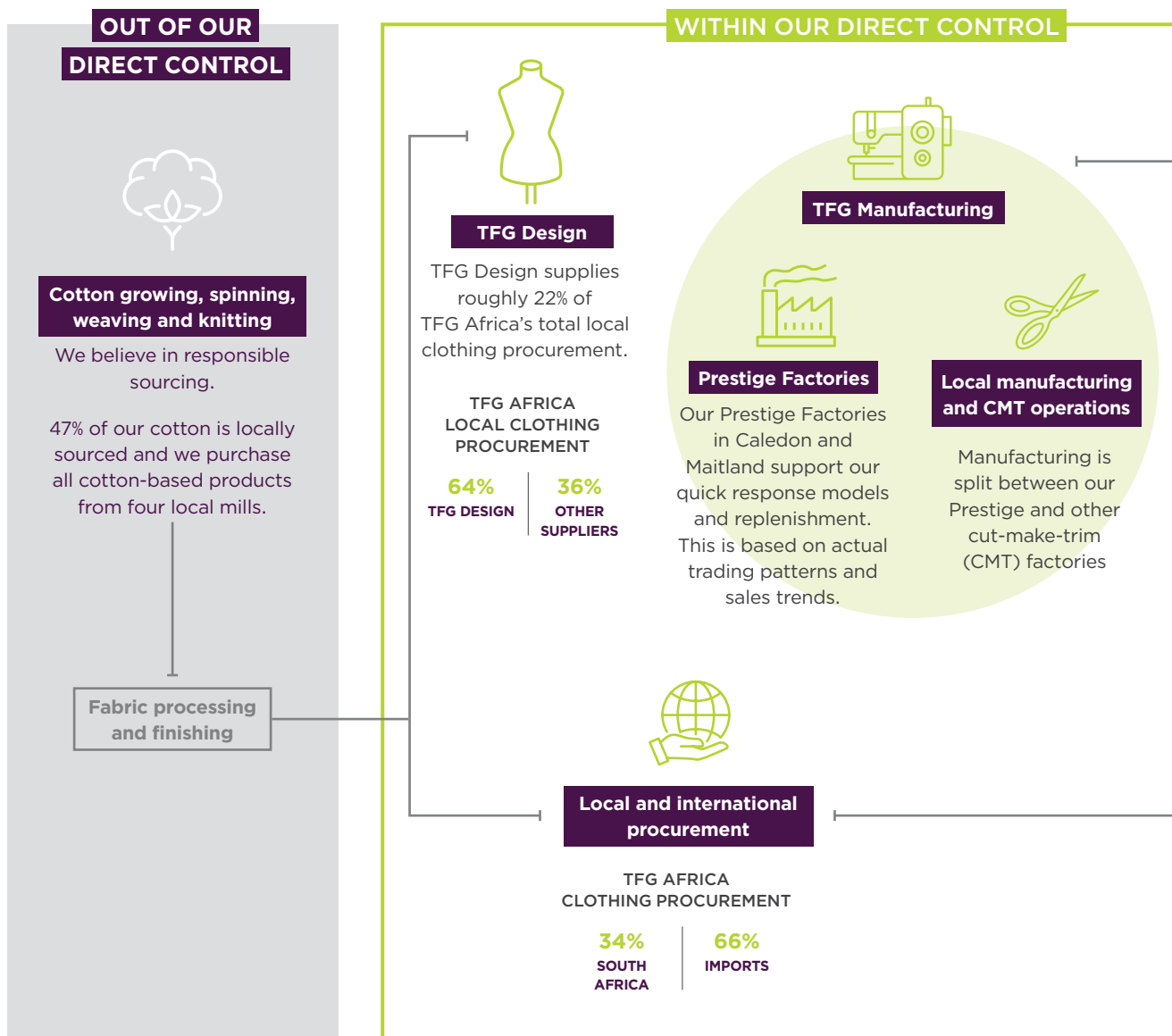
**TFG
AUSTRALIA**

9%
CONTRIBUTION
TO TURNOVER

E-COMMERCE

CREATING VALUE ALONG OUR SUPPLY CHAIN

To sustain growth we understand we need to look beyond business as usual and do things differently. This means rethinking our actions and being a partner for positive change where operations are under our control. Our actions are guided by our shared value strategy, which is about creating a positive and lasting impact within communities while ensuring financial and reputational gain for TFG. Find out more from page 14.



We have identified five focus areas where we believe we can make the biggest impact. These focus areas are discussed in more detail throughout this sustainability report, which tells the story of our journey for 2019 and unpacks what sustainability means for TFG. Find out more about this report from page 65.

- Educate to Employ
- Environment efficiency
- Strengthen our communities
- Develop our local supply chain
- Drive transformation and empowerment



A MESSAGE FROM OUR CEO

ANTHONY THUNSTRÖM



Being in business today is increasingly complex. There are multiple perspectives to consider and a wide group of stakeholders whose interests need to be balanced to ensure long term, sustainable success.

Every one of our decisions needs to be taken keeping in mind that we have a responsibility to contribute to the greater good. This responsibility isn't something we take lightly, and since 2015, we have focused our thinking around our shared value strategy. This means that each business decision we make, should contribute positively to the partners in our supply chain, whilst at the same time delivering financial and reputational value-add for TFG.

Achieving this balance will ensure we leave a lasting and positive impact in the communities we operate in. It also ensures we are sustainable and positioned to be in business for another 100 years.

We continued on our shared value journey in the past financial year. We made positive progress in strengthening the link between our business and sustainability strategies. We also refined our approach to the United Nations Sustainable Development Goals (SDGs), which aligns our sustainability journey with an international agenda and ensures we contribute to good that goes beyond our business borders. Our approach to sustainability remains underpinned by governance and focused management of environmental and social issues within our supply chain.

There are significant challenges facing business and society. In South Africa, we cannot shy away from the

realities of low growth and unacceptably high levels of unemployment. Internationally, the uncertainties relating to Brexit and impact of global trade wars pose real threats to business. On the back of local drought, we have experienced environmental disasters such as cyclones impacting neighbouring countries. These events remind us that we need to be aware of our interdependency within the broader environment. Not surprisingly, we are also seeing shifts in consumer preferences and sentiment. Our customers increasingly want to feel connected to our purpose and want our actions to reflect their evolving values.

Embedding sustainability thinking into our everyday lives develops competencies that are integral to our success, while making us aware of challenges that could hinder our growth. Importantly, sustainability challenges us to adapt and innovate to stay relevant.

I believe that we are on the right path and that we have made positive steps along our shared value journey, but there is more we can do. We will continue to work across the business to identify opportunities to be better as a business for our employees, customers and other stakeholders across our broader supply chain.

Anthony Thunström
Chief Executive Officer

The key highlights of our shared value strategy over the last few years include:

We launched our Sew Good project in 2014.	This project supports job creation and brings relief to disaster-affected communities while enhancing our reputation in the communities we serve.	Read more about this from page 46.
We have invested R3,2 million in environmental-efficiency initiatives over the past few years.	This has reduced our operating costs while ensuring we run a sustainable business.	Read more about this from page 40.
We collaborated with Sedex.	This enhances ethical and leading business practice within our supply chain and creates opportunities for our vendor base to collaborate with other suppliers to strengthen their social supply chain.	Read more about this from page 54.
We have invested R84,7 million in our Prestige Clothing factories in Caledon and Maitland.	This investment has improved the lives of the local communities and enhanced our local supply chain.	Read more about this from page 52.
We remain focused on educating to employ.	This helps create jobs, particularly among unemployed youth, and builds a strong talent pipeline for TFG.	Read more about this from page 30.

A SHORT MESSAGE FROM BRENT CURRY

Chief Information Officer and Group Operating Director
responsible for sustainability and climate change



The foundation for our shared value strategy is in place and we are focused on continual learning and collaboration, internally and with our stakeholders, to move TFG forward.

One of our successes and an example of shared value creation is our Prestige Factory in Caledon. We employ 488 people from the local community – all of who were previously unemployed. We also collaborated with government to build a training academy at the factory. This creates opportunities for employees to gain formal education and obtain a National Qualification.

In turn, the factory has contributed to our local supply chain efforts and strengthened our quick response capabilities. We can now turn styles around more efficiently – from about 10 days in 2015 to a current lead time of between 7 and 8 days. The number of quick response units has increased by 1,8 million year on year and will continue to grow.

We will conduct a social impact study in Caledon in the upcoming financial year to better understand our presence in the community. This will help inform engagement going forward and provide reliable data we can use in other locations where we operate to achieve a positive multiplier effect.

We remain focused on implementing ethical governance and business practices. An important part of this is improving transparency along our supply chain – particularly upstream and downstream where we have less control but where social and environmental impacts are high. Our collaboration with Sedex will be important in this, and we look forward to working with our suppliers to promote social responsibility along our supply chain.

Resource efficiency continues to be top of our agenda – particularly reducing water and electricity consumption at our head office, distribution centres and stores. Environmental targets were set to monitor this and we anticipate achieving positive reductions by the 2020 financial year.

Looking ahead, I see opportunities to learn from and collaborate with existing and potential partners and stakeholders along our supply chain to deliver shared value. This includes identifying black-owned businesses that can be integrated into our enterprise and supplier development initiatives as well as reviewing our preferential procurement policy to drive spend toward black-owned and black woman-owned businesses.

Brent Curry
Chief Information Officer and Group Operating Director



PERFORMANCE HIGHLIGHTS

EDUCATE TO EMPLOY

1 378

TFG AFRICA LEARNERSHIPS
(2018: 1 015)

R145 567 011

TFG AFRICA SPEND ON
TRAINING INITIATIVES
(2018: R139 101 647)

139 174

TOTAL NUMBER OF
EMPLOYEES WHO ATTENDED
TFG AFRICA TRAINING
INTERVENTIONS
(2018: 130 980)

500

CUSTOMER-FACING
EMPLOYEES TRAINED
THROUGH THE TFG RETAIL
ACADEMY

INCREASE RESOURCE EFFICIENCY

ELECTRICITY CONSUMPTION
PER STORE AND PER SQUARE
METRE HAS REDUCED EVERY
YEAR FOR THE LAST FOUR
YEARS

38 205

KILOLITRE WATER USAGE
(2018: 33 494)

Targets

IMPLEMENTED RESOURCE
EFFICIENCY TARGETS TO BE
ACHIEVED BY 2020

R8 million

MOTION SENSORS AND
DAYLIGHT HARVESTING
at head office resulted in
a cost savings of R8 million

STRENGTHEN OUR COMMUNITIES

**over 100 000
blankets**

MADE AND DONATED
THROUGH OUR SEW GOOD
PROJECT

R24,4 million

DONATED THROUGH OUR
TFG AFRICA CSI FUNDING -
POSITIVELY IMPACTING THE
LIVES OF 570 590 PEOPLE

**216 000
meals**

DONATED TO EARLY
CHILDHOOD DEVELOPMENT
CENTRES ACROSS
SOUTH AFRICA, NAMIBIA
AND SWAZILAND

Included on the FTSE/JSE Responsible Investment Index
Included on the Vigeo Eiris Emerging Market 70 Ranking
Participated in the Carbon Disclosure Project

DEVELOP OUR LOCAL SUPPLY CHAIN

SEDEX

JOINED FORCES WITH SEDEX
AS A RESPONSIBLE BUSINESS
PARTNER

85%

OF OUR SUPPLIERS NOW
RANKED A TO B ON OUR
INTERNAL SUPPLIER
SCORECARD

50,1%

GROWTH IN QUICK RESPONSE
UNITS - THIS IS 1,8 MILLION
MORE UNITS THAN LAST YEAR

1 220 people

NOW EMPLOYED THROUGH
OUR PRESTIGE CLOTHING
FACTORIES

DRIVE TRANSFORMATION AND EMPOWERMENT

**B-BBEE
Level 6**

(2018: Level 7)

R28,3 million

SPENT ON SUPPLIER
DEVELOPMENT
(2018: R22,7 million)

R22,0 million

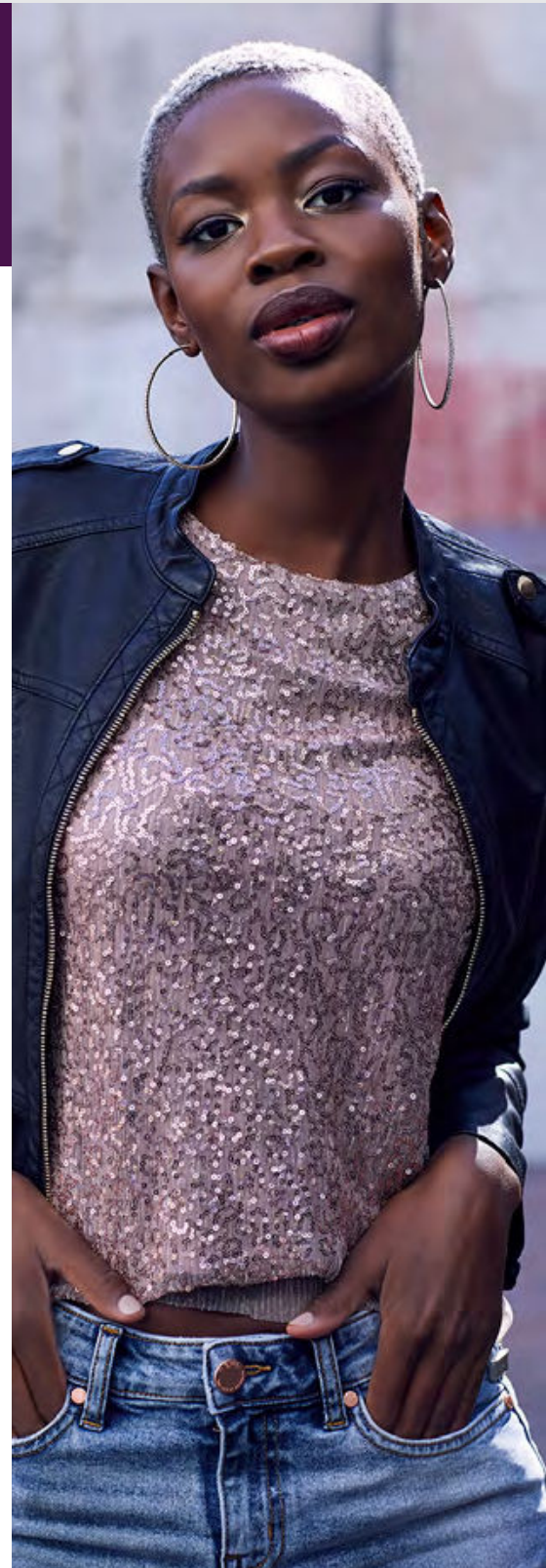
SPENT ON ENTERPRISE
DEVELOPMENT
(2018: R22,5 million)

94,4%

TFG AFRICA'S CURRENT
WORKFORCE IS MADE UP
OF EMPLOYMENT EQUITY
CANDIDATES



We support the
United Nations Sustainable
Development Goals.



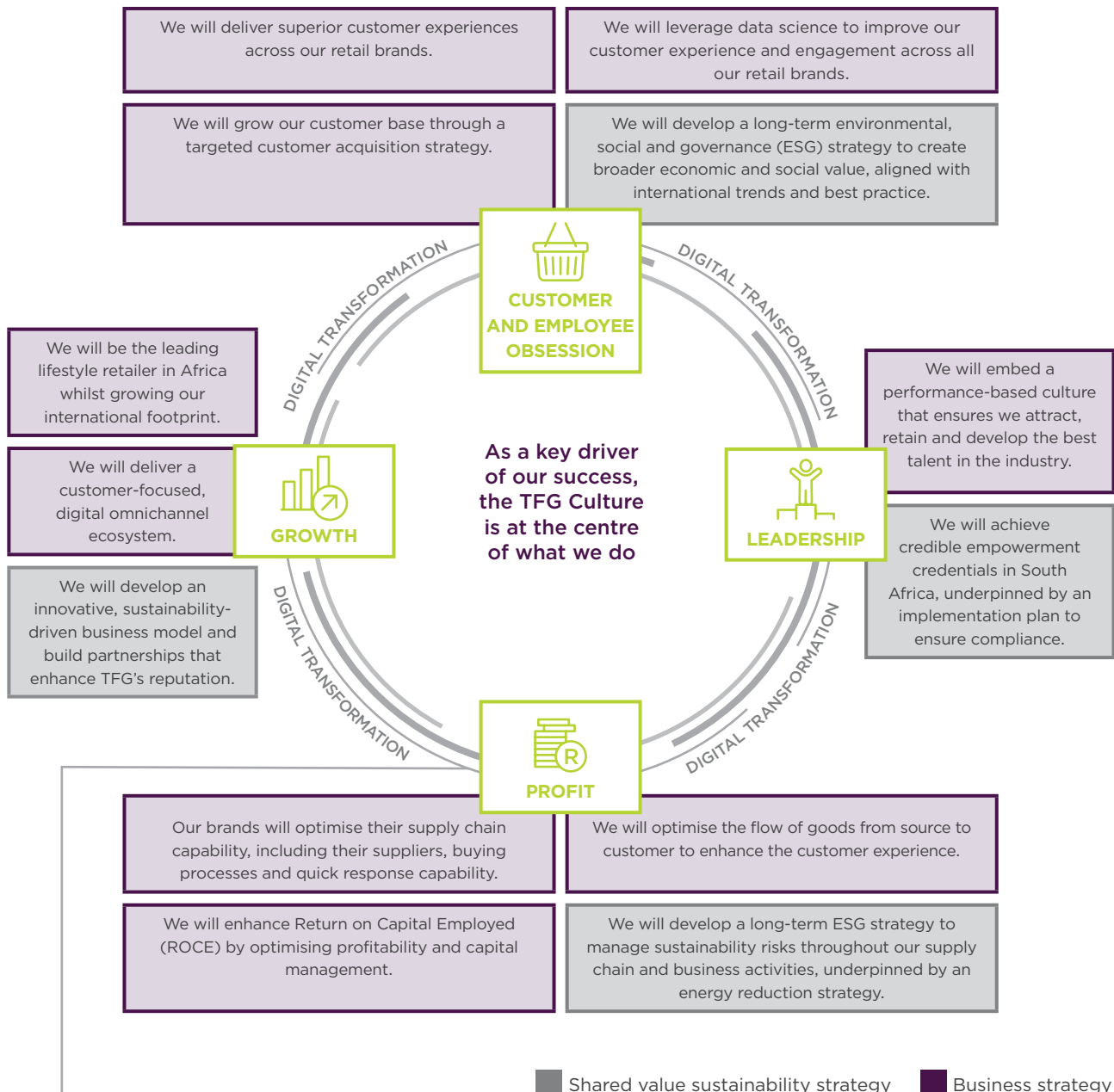
WHAT SUSTAINABILITY MEANS TO US

OUR SHARED VALUE STRATEGY

We recognise the need to find innovative ways to deliver on business imperatives, while ensuring a meaningful and scalable social impact.



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



OUR DIGITAL TRANSFORMATION STRATEGY

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

HOW OUR SHARED VALUE STRATEGY SUPPORTS OUR BUSINESS STRATEGY

We continue to refine our shared value strategy to enhance value creation and promote sustainability thinking within TFG. Importantly, this involves ensuring alignment with the four pillars of our business strategy. We made important progress in this regard during the year and identified financial and non-financial targets and initiatives to evaluate our sustainability performance against our business strategy.



CUSTOMER AND EMPLOYEE OBSESSION

We will develop a long-term ESG strategy to create broader economic and social value. This will be aligned with international trends and best practice.

We will achieve this by:

- Developing an internal model to facilitate investor ESG analyses
- Introducing appropriate technology to support integrated reporting requirements

This is supported by sustainability focus areas:

- Environmental Efficiency and Accountability, Ethics and Governance



LEADERSHIP

We will achieve credible empowerment credentials in South Africa, underpinned by an implementation plan to ensure compliance.

We will achieve this by:

- Achieving set targets for race and gender for our executive management team
- Achieving set employment equity targets for senior, middle and junior management (supported by employment equity plans)
- Focusing on disability internships and learnerships to fill existing vacancies
- Contributing a set percentage of net profit after tax toward enterprise and supplier development
- Running a series of diversity and inclusion forums and campaigns across the business

This is supported by sustainability focus areas:

- Drive Empowerment



PROFIT

We will develop a long-term ESG strategy to manage sustainability risks throughout our supply chain and business activities, underpinned by an energy reduction strategy.

We will achieve this by:

- Implementing a sustainability dashboard across our operations
- Implementing an energy reduction plan with quantitative targets and conducting energy audits
- Incorporating climate change and supply chain risks and mitigation actions into our risk registers and throughout our supply chain
- Ensuring proper water and waste compliance and management programmes are in place
- Increasing energy efficiency awareness across the Group and head office through focused training

This is supported by sustainability focus areas:

- Environmental Efficiency and Local Supply Chain Development



LEADERSHIP

We will develop innovative, sustainability-driven business models and build partnerships that enhance TFG's reputation.

We will achieve this by:

- Identifying opportunities to generate an income stream through a 'sustainability' product range. This includes partnering with retail brands and creating new products and markets
- Implementing a sound reputation management strategy
- Building partnerships with government and communities in operating geographies outside South Africa
- Positioning TFG as an employer of choice

This is supported by sustainability focus areas:

- Local Supply Chain Development and Drive Empowerment

ALIGNING OUR SUSTAINABILITY APPROACH WITH THE SUSTAINABLE DEVELOPMENT GOALS

The SDGs and the 2030 Agenda for Sustainable Development were adopted by member states in September 2015 and call for worldwide action among governments, business and civil society to address social and economic challenges.

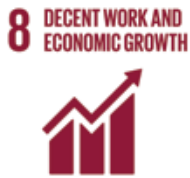


We want to ensure we have a positive impact in the five focus areas unpacked in this report. Therefore, as part of our efforts to refine our sustainability strategy, we also relooked how we engage with the SDGs.

We previously reported against seven of the global goals. To improve our focus and have more impact, we made a decision to reduce these seven goals to three. The primary focus is on SDG 8 and SDG 12. This is underpinned by SDG 17 as there are numerous partners we rely on to effectively execute these initiatives, many

of whom have guided our thinking and efforts for several years. We acknowledge there may be other SDGs we support indirectly, but we believe it is important to focus our efforts and disclosures on demonstrating meaningful impact.

We also identified targets that are aligned to global targets per goal. This will enable our stakeholders to monitor and track our performance, thereby enhancing the transparency and value of our sustainability reporting.



PURPOSE

We continue to see slow economic growth, widening inequalities and insufficient jobs to keep up with a growing labour force. The SDGs promote sustained economic growth, higher levels of productivity and technological innovation. Encouraging entrepreneurship and job creation are key as are effective measures to eradicate forced labour, slavery and human trafficking. With these targets in mind, the UN's global goal is to achieve full and productive employment by 2030 for women and men.

Global targets

TFG's annual targets and achievements

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

Target	What we achieved	✓ or ✗
QR units – 4 million	5 383 964	✓

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Target	What we achieved	✓ or ✗
Supplier development spend – 2% of South African net profit after tax	1,40%	✗
Enterprise development spend – 1% of South African net profit after tax	1,09%	✓

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Target	What we achieved	✓ or ✗
Employment equity targets – 4,75	3,74	✗
Skills development targets – 17,00	16,24	✗
Socio economic development – 1% of net profit after tax	1,16%	✓

By 2020, substantially reduce the proportion of youth not in employment, education or training



PURPOSE

Achieving economic growth and sustainable development requires that we reduce our ecological footprint by changing the way we produce and consume goods and resources. Therefore, the efficient management of our shared natural resources is important. This includes encouraging industries, businesses and consumers to recycle and reduce waste while creating more efficient production and supply chains to shift the world towards a more resource efficient economy.

Global targets

TFG's annual targets and achievements

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Target	What we achieved	✓ or ✗
2 x Social and Ethics Committee meetings	2	✓
4 X Sustainability Steering Committee meetings	4	✓
4 x Green Committee meetings	3	✗

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Target	What we achieved	✓ or ✗
Achieve 85% recycling at all our sites	78%	✗

By 2030, achieve the sustainable management and efficient use of natural resources

Target	What we achieved	✓ or ✗
Electricity consumption at head office - 20% reduction in kW/h	0,1%	✗
Electricity consumption in store - 5% reduction in kW/h per m ²	(4,8%)	✗
Paper consumption at head office - 10% reduction in volume	(2,2%)	✗
Paper consumption in store - 10% reduction in volume per store	1,07%	✗
Water consumption - remain below 50% of our 2017 baseline	1,0%	✗

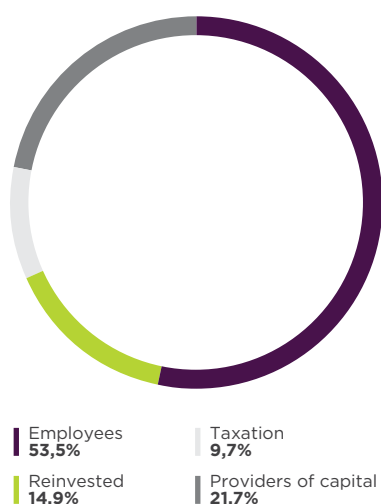
INTRODUCING OUR STAKEHOLDERS

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

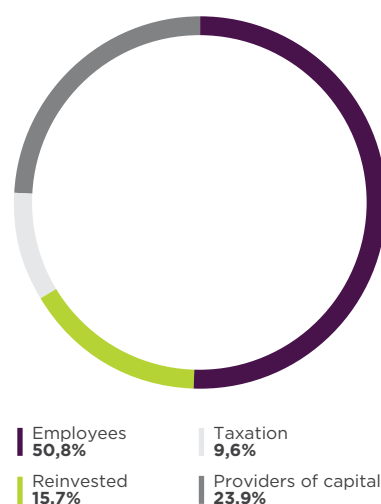
Our Supervisory Board is the ultimate custodian of our reputation and oversees our relationships with our stakeholders. Read more about the role of our Supervisory Board from page 25 of this report.

ALLOCATION OF VALUE TO OUR PRIMARY STAKEHOLDERS IS REFLECTED BELOW

VALUE ADDED STATEMENT 2019



VALUE ADDED STATEMENT 2018



OUR KEY STAKEHOLDER ENGAGEMENT ACTIVITIES DURING THE YEAR

CUSTOMERS

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

The needs, concerns and expectations of our customers

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

How we respond

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

SHAREHOLDERS

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

The needs, concerns and expectations of our shareholders

As our major source of financial capital, shareholders require sustainable growth. This requires transparent and ongoing communication regarding our strategy, business model, approach to capital allocation and future growth prospects. In 2019, concerns included adjusting our remuneration policy in line with shareholder feedback. Read more about these concerns in our integrated annual report, which is available on our website.

How we respond

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

Read more in our remuneration report in our integrated annual report, available on our website.

EMPLOYEES

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

The needs, concerns and expectations of our employees

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

How we respond

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

Read more about training and development in the 'Educate to Employ' chapter of this report, from page 28.

SUPPLIERS

- 34% of TFG Africa apparel units procured from local suppliers in South Africa
- 22% of TFG Africa apparel units procured from TFG Design and Manufacturing
- The TFG supplier base consists of merchandise and non-merchandise suppliers
- R50,3 million spent on enterprise and supplier development in South Africa

The needs, concerns and expectations of our suppliers

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

How we respond

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

Read more about these initiatives in the 'Develop our local supply chain' chapter of this report, from page 51.

GOVERNMENTS, LEGISLATORS AND REGULATORS

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

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

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

How we respond

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

NON-PROFIT ORGANISATIONS AND COMMUNITIES

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

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

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

How we respond

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

Read more about these partnerships throughout this report.

RESOURCE AND STAKEHOLDER TRADE-OFFS

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

Examples of these decisions include:

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



ACCOUNTABILITY, ETHICS AND GOVERNANCE

Transparency and accountability remain the key principles on which our business activities are conducted. Governance extends beyond regulatory compliance to ensure TFG implements practices and behaviours that create and maintain a culture of ethical leadership and effective control.

OUR GOVERNANCE STRUCTURE

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

THE SUPERVISORY BOARD

The Supervisory Board oversees TFG's sustainability vision and is responsible for the overall governance and oversight of the business's sustainability.



THE SOCIAL AND ETHICS COMMITTEE

This Committee has oversight of our sustainability strategy and performance. It is also responsible for assisting the Supervisory Board with monitoring social, ethical, transformational and sustainability practices.

The Committee consists of:

3

Independent non-executive directors

1

Executive director (the CEO)

As the majority of members are independent, this ensures stronger supervision of decision making and impartial oversight of control systems.

Read the full report of the Social and Ethics Committee in our integrated annual report, available on our website.

Other relevant Committees
include our Audit and Risk Committees.

Read more about these Committees in our integrated annual report, available on our website.

The Operating Board
has operational oversight of our sustainability strategy. It is responsible for ensuring that the strategy is executed effectively and that our performance is consistent with good corporate governance practices.

Read more about the role and functions of the Operating Board in our integrated annual report, available on our website.



THE SUSTAINABILITY COMMITTEE

This Committee coordinates and integrates our various sustainability initiatives.

Members of this Committee include:

Chief Information Officer and Group Director: Brent Curry – responsible for sustainability and climate change

Head of TFG Sustainability – Nyarai Pfende

Internal working groups

These internal working groups oversee our contribution to shared value and our five sustainability focus areas. These groups undertake an annual detailed assessment of inputs and outputs, outcomes and impacts for each of our chosen focus areas. They also analyse chosen metrics and data collection systems to enable better tracking of progress and performance per focus area.



THE GREEN COMMITTEE

This Committee drives all the environment efficiency initiatives within our outlets and in the head office buildings.

Members of the Committee include: Head of TFG Sustainability, Head of Property, Group Services representatives and internal working groups.



Our Enterprise Risk Management (ERM) and combined assurance frameworks form the cornerstones of TFG's approach to responsible corporate governance.

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

Read more about corporate governance at TFG in our integrated annual report, available on our website.



We are committed to leading governance frameworks and implementing best practice

KING IV

The Supervisory Board is committed to exercising ethical and effective leadership and achieving the desired governance outcomes highlighted in the King IV Report on Corporate Governance™ for South Africa 2016 (King IV)¹. These outcomes support value creation in the short, medium and long term:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

For details on how we support the four outcomes, please refer to our integrated annual report, which is available on our website.

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

INTERNAL DOCUMENTS AND OVERSIGHT

There are multiple internal guiding documents to ensure we remain an ethical business and moral corporate citizen. The most important of these is the TFG code of good ethical conduct. It was launched in 2015 with an awareness campaign and forms part of an employee's sign-on pack and induction programme. A whistle-blowing facility is also in place. Employees and suppliers are encouraged to use this facility to report fraud, corruption, bribery or employee misconduct.

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THE UNITED NATIONS GLOBAL COMPACT

We follow the 10 principles in the United Nations Global Compact (UNGC). Below is a table listing the four main areas in the Global Compact, its 10 principles and TFG's implementation of the principles.

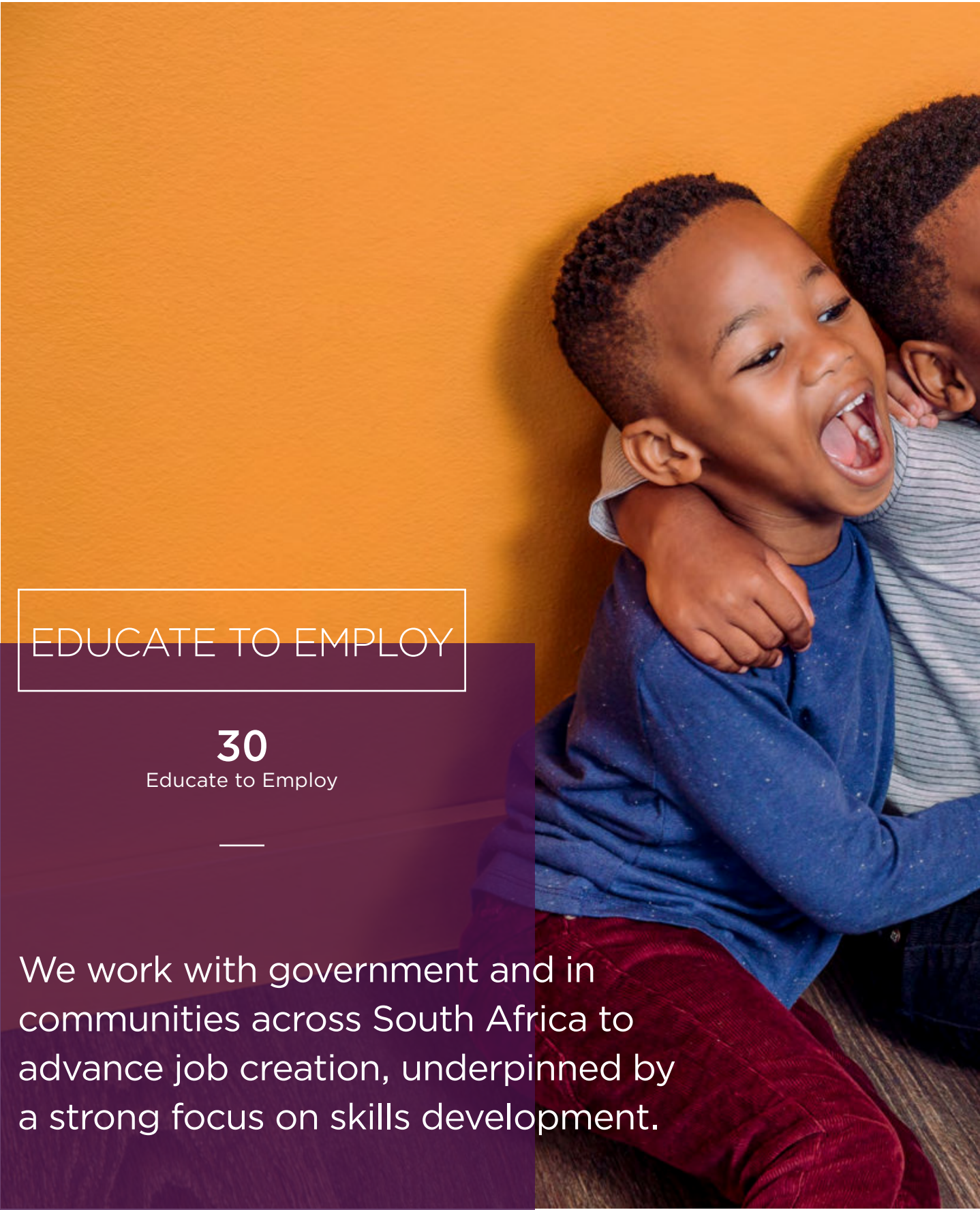
Subject:	Businesses should:	Progress to date:
Human rights	Support and respect the protection of internationally proclaimed human rights Make sure that they are not complicit in human rights abuses	Human rights declaration for employees adopted Human rights statement for suppliers adopted All suppliers are required to comply with UNGC as part of the on-boarding process. Code of good ethical conduct adopted
Labour	The freedom of association and effective recognition of the right to collective bargaining The elimination of all forms of forced and compulsory labour The effective abolition of child labour The elimination of discrimination in respect of employment and occupation	In place The standard terms and conditions amended to include UNGC principles The standard terms and conditions amended to include UNGC principles
Environment	Support a precautionary approach to environmental challenges Undertake initiatives to promote greater environmental responsibility Encourage the development and diffusion of environmentally friendly technologies	In place Initiatives being undertaken. Refer to the environment Efficiency section of this report Initiatives taking place such as e-commerce platform, mobile digital new account application solution, e-statement and e-till slip solutions
Anti-corruption	Work against corruption in all its forms, including extortion and bribery	Addressed in TFG code of good ethical conduct Anti-corruption policy in place and training initiatives to commence

We are also included in the:

- FTSE/JSE Responsible Investment Index
- FTSE4Good
- The Vigeo Eiris Best Emerging Market Performers Ranking
- Sustainalytics ESG Report ranking

CARBON DISCLOSURE PROJECT

We participate in the Carbon Disclosure Project and achieved a score of B for 2018. This improvement shows that we are upholding our responsibility to measure and reduce our carbon emissions and encourage responsible environmental practice.



EDUCATE TO EMPLOY

30

Educate to Employ

We work with government and in communities across South Africa to advance job creation, underpinned by a strong focus on skills development.



EDUCATE TO EMPLOY



Through our work under Educate2Empower we support SDG 8

E2E supports the 'Leadership' and 'Customer and Employee obsession' pillars of our business strategy



The youth are our future and we have a role to play in developing them into leaders who can contribute toward sustainable businesses and positively impact South Africa.

The South African National Development Plan envisions a nation where the country embraces its potential and where opportunity is not determined by birth but by ability, education and hard work. This has inspired our way of thinking about our shared value strategy and we promote skills development and create employment opportunities across the country, with a strong focus on South Africa's youth.

THE CHALLENGE

South Africa has one of the highest youth unemployment rates in the world at 38.7% among those aged 15 to 34*. This leads to social inequality and an underperforming economy. It also means a significant portion of the country's talent pool is unskilled and lacking formal workplace experience.

* Source: Stats SA (Quarterly Labour Force Survey, Quarter 4: 2018).

OUR RESPONSE

We work with government and in communities across South Africa to advance job creation, while building a strong pipeline of talent for TFG. This is underpinned by a strong focus on skills development.

FOCUS AREAS

Our approach is two-fold:

- We offer internships, learnerships, skills development, academic programmes and bursaries to attract and up-skill high-calibre individuals for roles at our head office and across our brands in all stores. This is underpinned by an aggressive talent acquisition strategy.
- In addition to our metropolises, we roll-out projects in rural areas in South Africa where youth unemployment is rife and geographic location acts as a barrier to employment.

E2E IN ACTION

THE MERCHANT PATHWAY

This programme is offered to merchants and comprises technical and leadership skills and targets 'junior' merchants where skills are needed the most. We have trained 538 delegates through this programme since its launch in 2016. A particularly effective intervention on this pathway has been the Full Negotiator workshop, which has achieved a total return on investment of R156 million.

GENMAN100

We launched this 12-month programme in the last quarter of the 2019 financial year, with the aim of equipping more than 100 customer-facing managers with South Africa's National Qualification Framework (NQF) Level 5 Generic Management qualification. A total of 111 African black TFG employees were selected to take part in this programme.

CARMEN'S STORY

Carmen's nine-year career with TFG began in 2010 when she was appointed as a Distribution Centre Picker. She was then promoted to a Clerk, became a Supervisor and is now a Distribution Centre Controller. In 2019, she was nominated to participate in the GenMan100 programme. However, shortly afterwards she was diagnosed with breast cancer and needed to stay home for several months to complete her treatment.

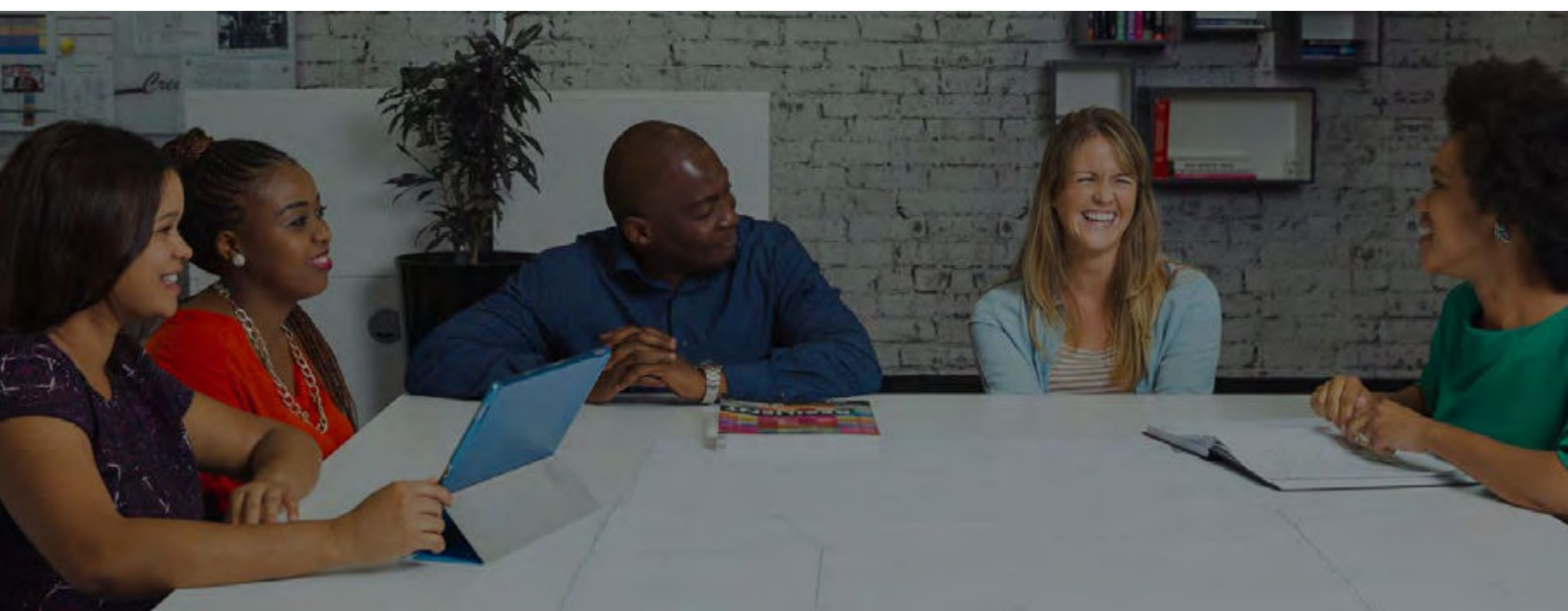
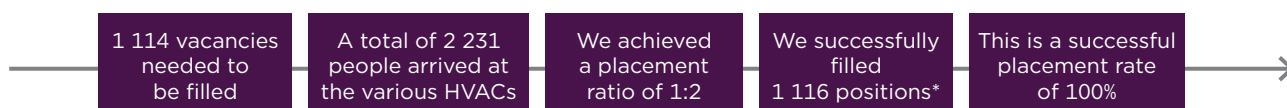
TFG supported her and offered the chance to resume her studies when she returned to work. Carmen was determined not to miss out on this opportunity. It was this tenacity and her attitude towards learning that empowered her to catch-up on what she had missed and graduate at the same time as her colleagues who were on the programme.

GenMan100 taught her the benefits of good communication and how to coach and guide others more effectively. This strengthened her role as a manager. Carmen is grateful for the opportunity she was given and looks forward to a future of continued learning and development with TFG.

HIGH VOLUME ASSESSMENT CENTRE (HVAC)

As part of our talent acquisition strategy, we ran 22 HVACs across the Gauteng and Western Cape in 2019 to source, screen and appoint high-calibre customer-facing talent. We ran multiple social media campaigns on Facebook, Twitter and LinkedIn and advertised on our TFG Careers website to advertise this project.

We collaborated with TFG brands, including The FIX, Sportscene, @Home, Markham, Exact, Foschini and Totalsports, to fill vacancies from sales associates to store managers.



* Over-recruitment occurs to ensure time to hire is reduced.



PROJECT ELEVATE

TFG was approved as a registered, accredited training provider with the Wholesale and Retail (W&R) SETA in 2018. We then launched Project Elevate – a skills development initiative to attract and develop high-calibre individuals for entry-level, customer-facing roles within stores across our brands.

Project Elevate targets unemployed youth who are given the opportunity to take part in a 12-month learnership programme that combines classroom-based training with practical work experience. The programme culminates in a nationally-recognised retail qualification.

ACTIVE LEARNERS FOR 2019 SPLIT BY REGION



This is a TFG-led initiative and as such, we customise content and ensure individuals are equipped with the skills they need to be successful. We also benefit from more opportunities to grow our talent pool and fill our stores with qualified and competent employees able to deliver an exceptional customer experience.

In our first year as an accredited training provider, TFG registered 377 learners for a nationally-recognised retail qualification. Our learnership retention rate is currently 78%, and we aim to absorb a minimum of 80% of qualified learners into long-term employment within TFG.

To increase our efforts to reduce youth unemployment in South Africa, we will target a further 350 new learnership candidates and extend this programme to the North West, Free State, Eastern Cape and Mpumalanga provinces in the upcoming year.

KHANYISILE'S STORY

Khanyisile joined Exact in April 2018 as a sales associate on the NQF Level 2 learnership in Retail Operations, provided by TFG. This learnership opportunity enabled her to gain a better understanding of retail and the importance of customers. It also showed her what opportunities there are to be had in retail. This is the first step and Khanyisile plans to continue her journey, study further and expand her academic qualifications.

THE TFG RETAIL ACADEMY

Our Retail Academy continues to go from strength to strength. Key focus areas include 'customer obsession', 'employee obsession' and 'store optimisation' and these themes are integrated into the various modules offered through the Retail Academy. The following illustrates the success of the Retail Academy, as measured against performance targets set by our Supervisory Board.

A total of 500 customer-facing employees went through the TFG Retail Academy, which is 7,5% above target.

Operating Board performance target: Drive 20% of sales employees through the TFG Retail Academy

Employee category	Target number	Complete/competent
Area managers	32	23
Store managers	433	488
Total	465	500

WORDS FROM WANDILE WEBB

I am truly thankful for the opportunity to be part of such a great learning platform. I was previously a floor manager at a flagship store and during my course at the Retail Academy I was blessed with the opportunity to become a store manager at a different location. I wasted no time implementing the knowledge I acquired along my journey and it worked wonders. The most important thing was that I could share this knowledge: my store's performance is not only exceeding expectations but is consistently excellent. For me, the Retail Academy was a stepping stone and I will forever be grateful for the opportunities that TFG offers individuals like myself who are eager to explore avenues of empowerment, both in a professional and personal capacity.

WORDS FROM CONDRY KHOROMBI

In my opinion, the Store Manager pathway I attended at the Retail Academy is the best learning tool TFG has created. Modules are easy to understand but comprehensive, which is important not only for employee growth but for the growth of the business as well. The programme has added incredible value to my personal and business life by improving my confidence and equipping with the skills to construct and present a business case. It has also equipped me to manage my store more effectively and productively. Thank you TFG!

WORDS FROM LIZ JONES

It was an honour to attend the Retail Academy in 2018. As a manager with 24 years of retail experience, I embrace the opportunity to learn and gain knowledge that will help me as a person and manager and benefit my business. The main take away for me was how imperative it is to know your business. While we may know and understand targets, teamwork and customer service, we also need to know and understand strategic and operational reports. These reports provide a guideline of what works, what doesn't and what kind of opportunities there are to increase sales and turnover.

WORDS FROM TRACY MANEVELD

The Retail Academy enabled me to gain a deeper understanding of the strategic requirements needed to be successful in my role and have a positive impact on my business. Knowledge around coaching for performance was a game changer: I was able to turnaround the performance of my biggest store by working closely with my store manager and following our mantra 'what can we do better?'. If we are consistently coaching our store managers to do better and to be better, they will in turn coach their employees in the same way. This helps us provide the best service to our customers and ultimately create the perfect customer journey.

BURSARY CAMPAIGNS

We ran bursary campaigns through fashion and design school, Fedisa, and the University of the Western Cape (UWC). Applicants are shortlisted, assessed and then reviewed by a bursary committee. These students have their studies funded and will come into our talent pipelines as future trainees. For the 2019 academic year, we successfully recruited and placed four individuals through Fedisa and UWC from a total of 80 applicants who met the minimum requirements.

MHINGA VILLAGE THREE PROJECT

We partnered with W&R SETA to run a rural development project in Mhinga Village in Limpopo and recruited 150 unemployed local youth. These individuals formed part of a learnership programme resulting in a NQF Level 4 retail qualification with 12 months of relevant workplace experience, increasing their employability.

Of the 150 youth participating in this project, 85% completed their qualification. Almost 70% of these qualified learners have been absorbed into long-term employment.



This is an example of the public and private sectors working together to create access to training that increases the capacity of South Africa's youth to gain sustainable employment.

JUDGEMENT'S STORY

Judgement started his retail career at TFG five years ago, when he was accepted into a learnership programme for a National Certificate in Retail Supervision as part of the Mhinga Rural project. This was a turning point in his life, and has opened up several opportunities since then.

In 2013, he was appointed as a permanent sales associate and became a Store Manager in 2017. He also had the opportunity to work across different brands – starting with Exact and now working for The FIX. He attributes his growth to his perseverance and the ability to apply the knowledge and skills gained from the learnership to his role in store.

The programme covered important aspects of retail such as point-of-sale supervision, customer service, budgeting and daily operations. Judgement is proud he can support his family and has a chance at reaching his career goals. He is eager to enrol in our Retail Academy and continue his learning journey.

BALOYI'S STORY

At 28, Baloyi is delighted to have been appointed as a permanent Sales Associate within Totalsports. She recently completed a 12-month learnership programme that combined theoretical learning with on-the-job workplace exposure and will graduate with a National Certificate in Retail Supervision.

Baloyi, who hails from Joseph village in Limpopo, struggled to find employment after matriculating in 2012. Her first big break came in 2018 when she was selected for the Mhinga Rural learnership project. Being a sports fanatic and avid soccer player, Baloyi relished the chance to work in a brand she resonated with.

Being the family breadwinner, she was also delighted to be able to make her family proud and support her ten year old daughter. She is looking forward to studying further and being able to implement what she has learnt on the programme to her new role.

RIXONGILE'S STORY

Rixongile is 24 years old and was born and raised in the Mhinga Village of Limpopo. After matriculating in 2012, she struggled to find employment and grabbed the opportunity to participate in TFG's Retail Supervisory learnership in 2018. Financially responsible for her little brother, she understood the significant opportunity of employment and how it would assist her to provide for her brother and help him with his tertiary education. Importantly, studying towards a formal qualification while working enabled her to highlight the importance of working hard to break the cycle of poverty common in her village.

Rixongile appreciates the support and guidance she received from her Store Manager and colleagues throughout her learning journey with TFG. She is especially proud of the Totalsports brand, and her goal is to build a career in retail and ultimately become an Area Manager for the stores in her region.

She believes her success can be attributed to hard work, dedication and a contagious passion for the brand, which helped her acquire customers and deliver a superior shopping experience. Rixongile will complete her NQF Level 4 qualification with TFG in 2019 and was appointed as a permanent sales associate in Totalsports Polokwane.

EHLANZENI MPUMALANGA PROJECT

In partnership with W&R SETA and Technical and Vocational Education and Training (TVET) Colleges, we created an opportunity for 54 unemployed youth to gain an NQF Level 2 retail qualification. This is done through their participation in a 12-month learnership as trainee sales associates. The programme was rolled out across various TFG stores in Hazyview, Matsulu, Acornhoek, Nkomazi, Barberton, Lydenburg and Nelspruit in the Mpumalanga province.

LOOKING BEYOND SOUTH AFRICA

We piloted a learning intervention at our Midrand distribution centre in Gauteng. Eighteen unemployed youth were selected to do an NQF Level 2 qualification in retail and distribution operations. They have also been appointed on a 12-month employment contract as trainee distribution centre associates, thereby creating employment opportunities in the impoverished communities surrounding the Midrand DC. Based on the success of this, we will continue to roll out similar interventions in TFG's remaining distributions centres across South Africa in the upcoming year, creating further opportunities for employment within disadvantaged communities.

We plan to extend the benefits of our Retail Academy beyond South Africa's borders by enrolling two groups of 20 learners from Namibia. As per our focus in South Africa, we will target customer-facing employees.

EMPOWERING OUR EMPLOYEES THROUGH A FOCUS ON WELLNESS AND WORK-LIFE BALANCE

We enhanced our employee value proposition

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

- An improved **helpline service that is available 24/7** and extends to employees and their families
- An online service to enable head office employees to **book and manage their clinic appointments**

We implemented a range of initiatives to further the wellbeing of our employees:

- We partnered with Old Mutual to strengthen our employee induction training and **enhance our employees' financial wellbeing**. A total of 609 employees benefited from this.
- **415 employees attended Retailers Unite**, a wellness day hosted in shopping malls across South Africa. As part of this initiative, employees can undertake a health assessment, eye test or voluntary HIV/AIDS test. Our retirement fund is also present on site to engage employees on the benefit of making additional voluntary contributions.
- Departmental wellness days were held across our head office and in our distribution and contact centres, in partnership with Discovery Health. Employees had access to a financial consultant and could also obtain more information about TFG's benefits, participate in a medical screening and receive counselling. **A total of 640 employees** attended these wellness days.
- We conducted **224 armed robbery interventions**, where group counselling was made available to the 64 employees impacted by crime.

WHAT WE CAN LOOK FORWARD TO IN 2020

THE IMPLEMENTATION OF A DIVERSITY AND SOCIAL INCLUSION STRATEGY

Led by TFG's National Employment Equity and Skills Development Forum (NEESDF), the focus for 2020 will be implementing a robust Diversity and Social Inclusion strategy.

To enable this, we will approve and roll-out our first Diversity and Social Inclusion policy, underpinned by education and awareness campaigns across the Group to promote diversity and social inclusion and create a workplace culture that supports diversity. To support these initiatives, we aim to spend 0.3% of our annual payroll on training and development initiatives for differently abled employees.

SPRINGBOARDING OUR E-LEARNING CAPABILITIES

TFG's Technology Facilitated Learning (TFL) journey is positioned to springboard our e-Learning capabilities into the future. The foundation of the TFL journey is to have a "Single View of Employee". Other benefits include:

- Increased learning access and flexibility
- Alignment with best practice standards
- Improved quality of learning
- Faster and improved application of learning
- Improved consistency of learning experiences
- Greater value for money
- Improved management and administration of learning
- Reduced time to competence
- Faster response rate to changing business requirements and conditions
- Enhanced performance delivery

Six brands are currently participating in the pilot launch of our TFL journey, which aims to test the content delivery platform, store connectivity and engagement among store employees. We plan for most of our brands to be included when we undertake the full-roll out of TFL in August 2019.







ENVIRONMENT EFFICIENCY

40

Environment efficiency

We recognise our responsibility to make a positive difference by increasing our resource efficiency.

ENVIRONMENT EFFICIENCY



Through our focus on resource efficiency we support SDG 12

Resource efficiency supports the 'Customer and Employee obsession' and 'Profit' pillars of our business strategy



Resource efficiency is critical: reducing our resource usage saves costs and increases our sustainability.

Although our direct environmental impacts are low, it is still important that we measure and reduce as much as possible. There are more significant impacts found upstream in our supply chain (cotton growing, colour dyeing, printing and manufacturing) and downstream in customer washing, drying and ultimate disposal of garments. However, we recognise our responsibility to make a positive difference by increasing our resource efficiency at our head office and in our distribution centres and stores.

THE CHALLENGE

Natural resources are under pressure and becoming increasingly costly. An electricity crisis has resulted in

load shedding and tariff hikes in South Africa. Water restrictions and drought across South Africa have further demonstrated our reliance on and urgent need to preserve the natural resources we depend on.

OUR RESPONSE

The efficient use of resources reduces pressure on the planet and saves us money. We have identified four major ways in which we believe we can reduce our impact:

- Manage paper and packaging waste
- Manage energy usage and implement energy efficient initiatives
- Reduce water consumption
- Manage our overall carbon footprint

While we have seen some good results in terms of waste reduction and energy efficiency improvements, an important milestone in 2019 was identifying set environmental efficiency targets that will be tracked from 2020:

Targets

- Electricity consumption at head office – 20% reduction in kW/h
- Electricity consumption in store – 5% reduction in kW/h per m²
- Paper consumption at head office – 10% reduction in volume
- Paper consumption in store – 10% reduction in volume per store
- Water consumption – remain below 50% of our 2017 baseline
- Electricity consumption at head office – 20% reduction in kW/h
- Recycling – achieve 85% recycling across all sites

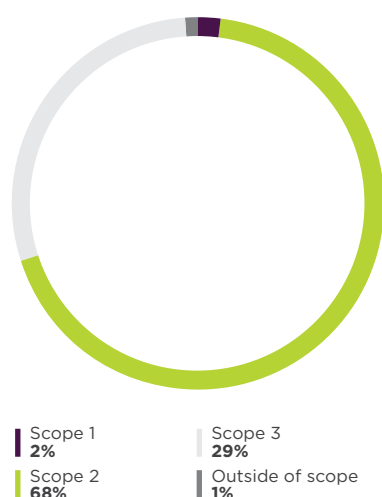
We work hard to eliminate waste across our supply chain by implementing lean operations within our manufacturing and merchandise procurement divisions. This is unpacked in more detail in the local supply chain development section of this report, from page 51.

RESOURCE EFFICIENCY IN ACTION

MANAGING OUR CARBON FOOTPRINT

Electricity consumption, waste, packaging and paper are the largest contributors to our carbon footprint and our efforts to reduce these impacts are detailed in the rest of this chapter.

TFG's CARBON EMISSIONS



	2017	2018	2019
Scope 1 (this includes emissions from sources owned or controlled by TFG, such as generators or air conditioning units)	4 263	4 564	4 672
Scope 2 (this includes emissions associated with the consumption of purchased electricity, heat or steam from a source that is not controlled TFG. For example, South African electricity utility, Eskom)	158 735	163 247	153 097
Scope 3 (this includes indirect emissions, other than purchased electricity, which are relevant to TFG's business activities – for example, this includes business travel, outsourced transportation and paper consumption)	66 184	69 780	66 650
Outside of scope	1 901	1 935	2 542

We included TFG London in our carbon footprint reporting in 2017. We plan to include the carbon emissions for TFG Australia by 2020 and are working with the business to improve the accuracy of their data collection processes.

Purchased electricity is the biggest contributor to our carbon footprint. We continue to see improvement in reducing the volume of purchased electricity and energy intensity per employee and at our stores:

	2017	2018	2019
Intensity: emissions per employee	10,9	10,8	10,0
Intensity: emissions per m ² (including stores)	0,2	0,2	0,2
Intensity: emissions per ZARm EBITDA	44,2	40,9	30,5
Purchased electricity (kilowatt)	169 510 151	172 142 641	153 097

IMPLEMENTING ENERGY EFFICIENT INITIATIVES

The TFG Group Services team at head office introduced new technologies that include motion sensors and daylight harvesting in all new buildings. This has resulted in a reduction in energy usage per head office employee.

Lighting is an important part of the retail experience and can enhance the customer journey. However, at the same time we need to ensure we are as efficient as possible in terms of the watts per m² we consume.

Analytics is currently in place for over 100 of our stores across the country and we continue to monitor lighting and how we can improve efficiency through better store design. Significantly, this resulted in a cost savings of over R8 million for 2019.

We are engaging with our landlords to introduce alternative sources of sustainable energy in stores. This will help to reduce reliance on purchased electricity and support more sustainable business practices. The importance of this again become evident as South Africa was impacted by load shedding and interrupted power supply. Therefore, finding alternative sources of power is critical for business continuity and also reduces our landlords' reliance on purchased electricity which is becoming increasingly expensive. We estimate an average increase of 9% in electricity tariffs year on year, varying slightly depending on location and municipality.

The vast majority of TFG's premises are rented (typically in shopping centres) and our current focus is on upgrading and renovating existing properties rather than only investing in new developments, which can cannibalise existing sites. When renovating a building or store, our focus is on installing environmentally-friendly technologies. Considering the slow economic growth within South Africa, this will most likely remain our approach going forward.

REDUCING WATER CONSUMPTION

Significant water saving initiatives were implemented at head office and our warehouses in 2018. This included the use of underground water and a grey water system. We also continue to work hard to increase awareness among our employees, across our operations and our supply chain, to reduce water consumption.

MANAGING PAPER AND PACKAGING WASTE

Managing waste at head office and our distribution centres remains a focus area. A new system was introduced in 2018 to manage printing and we have seen a positive decrease of 5% in paper usage at head office. However, the level of printing and paper usage in stores has not reduced as much as we would have hoped and we will continue to focus on this moving forward.

It is a challenge to manage fabric waste – particularly offcuts and overruns that are an outcome of our in-house, local manufacturing. We are investigating various ways of re-purposing this waste through strategic third-party collaborations.

We understand that if suppliers provide better quality cartons, we can re-use these to send stock from our distribution centres to our stores. This has been a focus area since around 2015 and almost three million cartons are re-used annually. This amounts to over 90% of all cartons used. We are now investigating returning cartons that are in good condition back from stores for re-use (reverse logistics).

Investigating the impact of plastic in South Africa and across the continent

There continues to be a strong focus globally on the harm that plastic can do to our environment and particularly our oceans. This is a complex issue in retail as plastic bags offer a convenient and affordable option in stores. If sourced and used correctly, plastic bags can also be reused and provide a more sustainable alternative to single-use carrier bags.

Therefore, we recognise the responsibility to balance the environmental imperative of reducing plastic waste with finding a sustainable alternative for our stores. One opportunity we have identified is to increase awareness among our customers and employees of the importance of reusing plastic bags. We are therefore also looking into options to introduce plastic bags in our stores made from recycled plastic, which are strong enough to be re-used.

WHAT WE CAN LOOK FORWARD TO IN 2020

Our Green Committee was tasked with identifying possible 'green initiatives' that could be implemented in the upcoming financial year. These include:

- Introducing re-usable coffee mugs at head office instead of offering paper cups with plastic lids
- Installing air dryers in bathroom facilities rather than paper towels
- Installing more showers for cyclists and runners
- Identifying possible locations for solar panels at our distribution centres
- Initiating a recycling awareness campaign
- Introducing a re-usable bag for stores
- The re-use of store cartons through an enhanced return project with a possible third-party





STRENGTHEN OUR COMMUNITIES

46

Strengthen our communities

We implement flagship projects and collaborate with key partners to strengthen and give back to the communities we operate in.



STRENGTHEN OUR COMMUNITIES



Through our focused CSI initiatives we support SDG 8

CSI supports all four pillars of our business strategy



As a leading lifestyle retailer, it is our responsibility to give back to the communities we operate in. The concept of 'paying-it-forward' is significant to us and has inspired the thinking around our shared value strategy and how we strengthen the communities in which our existing and potential customers reside.

THE CHALLENGE

There is a close relationship between a business and the environment it operates in. TFG cannot be successful without a functioning economy and stable social conditions in the communities and markets we operate in. However, South Africa faces various challenges that include high levels of poverty and unemployment, which threaten this stability.

OUR RESPONSE

We focus on implementing flagship projects and initiatives that strengthen the communities we operate in. These are aligned to the NDP and SDGs and are rolled out in collaboration with key partners to ensure they are delivered successfully and sustainably.

FOCUS AREAS

Our focus areas include:

- The Sew Good Project
- Doing good through Prestige Clothing
- Investing in and supporting our communities through impactful CSI initiatives

STRENGTHENING OUR COMMUNITIES IN ACTION

THE SEW GOOD PROJECT

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

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

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

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

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

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

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

Social impact

We use our existing resources to empower and upskill previously unemployed women and create lasting employment opportunities. In turn, these women produce blankets that benefit communities affected by disasters and poverty.

Financial gain

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



DOING GOOD THROUGH PRESTIGE CLOTHING

Our Prestige Clothing factory in Caledon was opened in 2008.

About Caledon

Caledon is a rural town and classified as an agricultural service centre. Challenges facing the community of Caledon include a lack of sustainable employment opportunities and low levels of education, limited access to affordable housing and poverty.

The significance of our factory and how it supports our shared value strategy

The establishment of our factory was a substantial development within the region that created opportunities to empower, educate and upskill previously unemployed local people and create meaningful employment. Importantly, Caledon and the surrounding towns provide a large labour catchment area for Prestige Clothing to draw from and expand on.

This enabled TFG to create scalable, sustainable and reliable local manufacturing capacity that supports our quick response production timeline.

More information about the importance of quick response is available in the 'develop our local supply chain' chapter of this report, from page 51.

Creating a world-class workforce

The challenge of a lack of skilled apparel manufacturing employees was overcome by effective recruitment and the establishment of an on-site training facility. In addition, we have invested in a clinic and have a permanent social worker on site to assist employees. We provide employees with a daily meal and a monthly hamper of basic goods at no extra charge. We also assist our employees with transport to and from the factory.

Building a best-in-class apparel manufacturing facility

Since 2008, the factory has continued to grow and expand:

- Caledon – from 20 employees in 2008, to **488 employees** in 2019
- Maitland – from 450 employees to **741 in 2019**
- It is equipped with the **latest technology** and **globally-competitive machinery**
- Rain water harvesting is utilised and solar panels provide 30% **of the plant's energy requirements**
- From 16 manufacturing lines and **1,47 million units** in 2012, the factory now has **37 lines that produced 5,4 million units** in 2019

Extending our reach beyond the factory and into the community

It is estimated that each employee supports four or five other local people in and around their homes. Therefore, we recognise our responsibility to spread the benefits of our presence in Caledon into the local community and surrounding towns. The Group has donated the following to the Caledon community:

- **600 stationery items** and **700 school uniforms**
- Assisted with funding and establishing **three vegetable gardens** that **feed 335 children daily**
- **Contributed R80 000** toward early childhood development initiatives
- **Donated 3 432** sanitary towels
- **Contributed R416 000** towards a soup kitchen
- **Donated 100 000** beanies and hooded tops to the community, which are made from the offcuts from our Sew Good project



Sharing more about our sustainability initiatives with our customers

It is important to us that our customers and employees are aware of the work we are doing to create shared value along our value chain.

A key step in this journey was partnering with Proudly South African to increase awareness among internal and external stakeholders of our local production success. We also want to build the profile of our locally-produced products and services.

To take this forward we want to roll out a communications campaign that highlights our contribution to skills development and job creation and the great work being done at our Prestige Clothing factories. The campaign will be run via our social media platforms, media press releases and consumer magazines, through events hosted in collaboration with Proudly South African and using internal employee communication platforms.

WHAT WE CAN LOOK FORWARD TO IN 2020 INCREASE CSI IN GAUTENG

We want to ramp up CSI in the Gauteng province, as this is where our footprint is largest. This will be in line with TFG Africa's commitment to contribute to SDG 8 through a focus on education, food and warmth.

We plan to:

- Roll out five mobile libraries across the province to encourage reading and increase literacy rates
- Offer daily meals by creating an additional nine vegetable gardens
- Make and donate a further 80 000 blankets through our Sew Good project in 2020

CELEBRATE TFG'S CLASS OF HOPE

We will celebrate 500 women who have been critical to the success of the Sew Good project.

LAUNCH A SUSTAINABLE CAPSULE RANGE

We will manufacture and sell a range of items made from sustainable resources – with the profits being used to fund our CSI initiatives. These products will be made by the women who form part of our Sew Good team.

Looking beyond South Africa

We have partnered with SOS Children's Villages International in Namibia, Zambia, Lesotho, Swaziland and Botswana. SOS Children's Villages International is a global federation focused on promoting child care and safety, advocating for children's rights and ensuring access to quality education and training.

In partnership with the federation, we support various initiatives targeted at reducing unemployment through education and training. For example, in Zambia we are providing financial assistance to the Secondary School Workshop for Design and Technology. This financial aid provides tools and equipment for design and technology lessons for over 1 600 students. We also provide funding for over 300 primary and 300 high school learners in Namibia to improve educational standards, enhance teaching methods and develop optimal school conditions.

INVESTING IN AND SUPPORTING OUR COMMUNITIES THROUGH IMPACTFUL CSI INITIATIVES

We donated R24,4 million and positively impacted the lives of 570 590 people in South Africa.

Highlights include:

We donated R7,3 million worth of customer-returned merchandise to Fashion For Change. This is a self-sustainable, social enterprise that provides unemployed youth with job opportunities in a retail environment.

We partnered with Hands of Hope, a development project that supports women who struggle to find employment once released from prison. Women are equipped with workplace experience.

@home launched its 'heart of home' range, where R10 from every product sold was donated to Habitat for Humanity. This gave our customers a chance to get involved and give back and, through their support, two homes were built.

Each year Totalsports donates a portion of the ticket sales from its annual Totalsports Women's Race to the Pink Drive, a leading non-governmental organisation

dedicated to creating and promoting awareness about breast cancer in South Africa. The money is used to fund the Pink Drive's point-of-contact, mobile mammogram screening service, which is offered by a skilled medical or nursing practitioner.

We launched multiple initiatives to support Nelson Mandela Day:

- Markham sold Mandela t-shirts to customers and 100% of the profits were donated to the Nelson Mandela Foundation.
- Through our Mandela Drive, employees were encouraged to pledge to do good and help someone in need. Our people rose to the challenge and made a total of 5 481 pledges across our head and regional offices and in our stores.
- Within our distribution centres, we encouraged employees to name someone from their community who inspired positive change. They could then win a t-shirt for themselves and the person they nominated. We received 43 nominations and 25 winners were chosen. We launched a similar drive across social media targeted at our customers and received 92 nominations with 25 winners selected.



30 000 PEOPLE
to have **access to water** daily via sponsored borehole

117 
Number of **organisations supported**

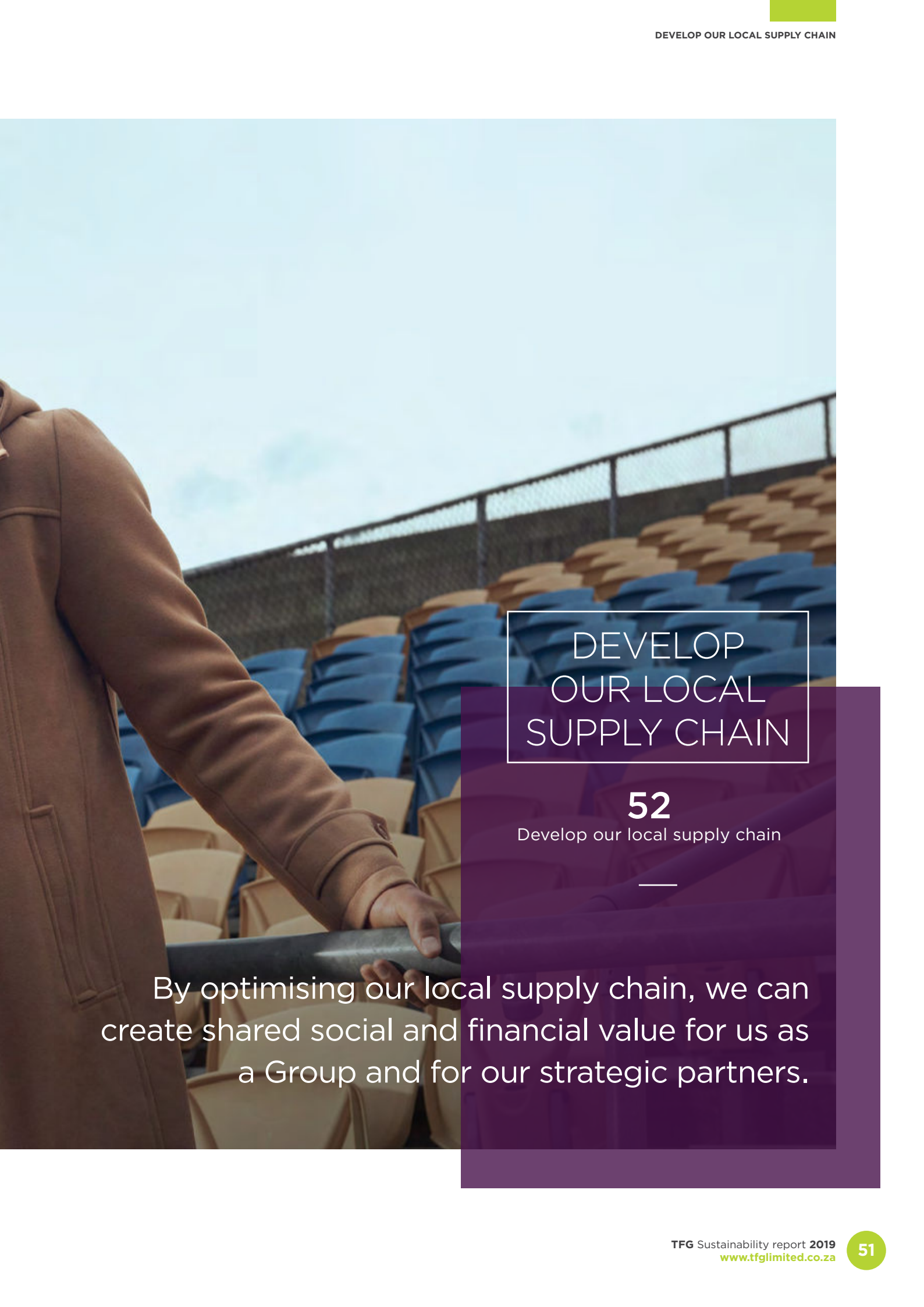


216 0000
Number of **meals donated**



72 992
litres of **water donated** towards disaster relief





DEVELOP OUR LOCAL SUPPLY CHAIN

52

Develop our local supply chain

By optimising our local supply chain, we can create shared social and financial value for us as a Group and for our strategic partners.

DEVELOP OUR LOCAL SUPPLY CHAIN



Through initiatives in our local supply chain we support SDG 8 and 12

Developing our local supply chain supports all four pillars of our business strategy



By optimising our supply chain, we can offer customers a wider range of in-demand, in-season products. This depends on our quick response capability and access to a high-performing, efficient supply chain that supports local design capacity.

THE CHALLENGE

Identifying and developing local supply chain partners is a challenge as South Africa's local clothing and textile industry is stagnant and characterised by outdated production processes. There is also a lack of young, experienced management to oversee technical and production activities at plant level.

OUR RESPONSE

To grow the capacity of TFG Design and Manufacturing, we have established two regional manufacturing hubs in South Africa – one in the Western Cape and another in KwaZulu-Natal. These hubs were made possible by leveraging strategic relationships with partners along our local supply chain. We have built two world-class quick response facilities – Prestige Clothing in Caledon and Maitland – which currently employ 1 229 people. We invest in supplier development and upskilling; and this approach applies across our supply chain and links fabric mills, manufacturer, suppliers and our retail brands. There is a focus on enhancing local design capability and improving our ability to react to in-demand, in-season sales. We invest in world-class automation and semi-automation energy-efficient manufacturing equipment.

FOCUS AREAS

In 2019, our key focus areas included:

1. Delivering more quick response units year on year
2. Aligning the elements of our local supply chain to enhance our value offering, uplift local communities and create shared value

DEVELOPING OUR LOCAL SUPPLY CHAIN IN ACTION

DELIVERING MORE QUICK RESPONSE UNITS YEAR ON YEAR

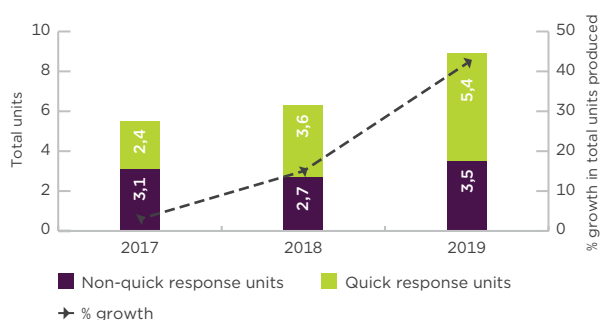
For the past six years, our focus within TFG Design and Manufacturing has been three-fold: increase efficiency, reduce costs and develop customer-facing, customer-centric teams within our local supply chain.

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

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

BETWEEN 2014 AND 2019, TFG DESIGN AND MANUFACTURING:

- **Reduced our operating expenses** as a percentage of our turnover **from 21% to 13%.**
- Increased **turnover by 68%.**
- Increased the total number of units produced through TFG Design and Manufacturing from **4,9 million to 8,9 million** – with quick response units **increasing from 1,2 million to 5,4 million.**
- Developed **customer-centric design teams** that cater uniquely to every apparel retailer within TFG Africa (excluding footwear and accessories).
- Strengthened our quick response capability by establishing **two world-class quick response facilities** under Prestige Clothing.
- Made **significant strides** to align our purpose, processes and people **to ensure continuous improvement.** This included a strong focus on succession planning and developing a compelling rewards offer that is supported by modern skills development programmes **across all levels of the business.**



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

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

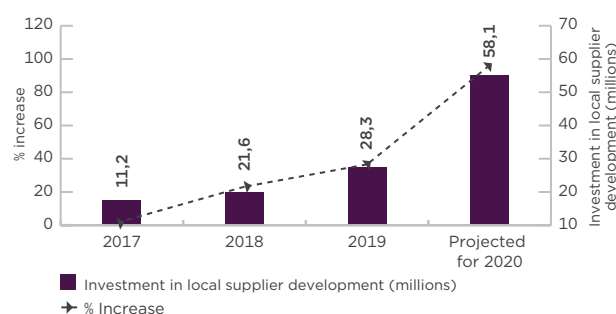
To measure the strength of our quick response model, the performance of TFG Design and Manufacturing will be evaluated against similar apparel supply chains in the upper quartile globally. This will be underpinned by continued investment in skills development, automated and semi-automated energy-efficient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

ALIGNING THE ELEMENTS OF OUR LOCAL SUPPLY CHAIN TO ENHANCE OUR VALUE OFFERING, UPLIFT LOCAL COMMUNITIES AND CREATE SHARED VALUE

We continue to form strategic partnerships and engage with our stakeholders in industry, labour and government to support our 2025 objectives and align the various elements of our local supply chain.

Over the past three years, we have focused particularly on forming strategic partnerships with local yarn suppliers, mills, converters, outwork and factories to vertically integrate them into our supply chain. This gives us greater control and helps us achieve shorter lead times and reduced costs.

Importantly, local businesses benefit from and are more sustainable as a result of our investment into their people, processes and systems through business enhancement, skills development and improved job retention.



We believe our efforts reflect our commitment to being 'Proudly South African' as we prioritise local supply chain development that creates shared social and financial value for us as a Group and for our strategic partners.

A strong example of this is the positive impact we continue to make in the local communities of Caledon and Maitland, where we established our Prestige Clothing factories. By creating and supporting employment in these areas and investing in skills development we have increased disposable household income and strengthened community resilience.

[Read more about our Caledon factory from page 46 of this report.](#)

DEVELOPING AN ETHICAL AND TRANSPARENT SUPPLY CHAIN

We joined forces with Sedex as a responsible business partner

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

WHO IS SEDEX AND WHAT ARE THE BENEFITS FOR TFG?

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

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

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

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

WHO IS INVOLVED?

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

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

GETTING OUR SUPPLIERS ON BOARD

As part of our journey to onboard our suppliers, particularly many of our international suppliers, we hosted an international supplier conference in March 2019. The aim of this conference was to communicate the benefits and value-add of Sedex and ensure our suppliers are involved and committed to undertaking this journey with us. It will be compulsory for our suppliers to join Sedex. To date, 69% of our Top 100 suppliers are on board, demonstrating their willingness to commit to better and more ethical supply chain practices for the long term.

Monitoring supplier conduct against our internal supplier scorecard

Our internal supplier scorecard for TFG Africa remains in place and supplements the benefits of our partnership with Sedex.

TFG's supplier scorecard ranks our existing suppliers from A to D based on whether we can rely on them to deliver goods at the right time and in the right quantities and we continue to see good improvement in this regard.

60% of suppliers ranked A to B

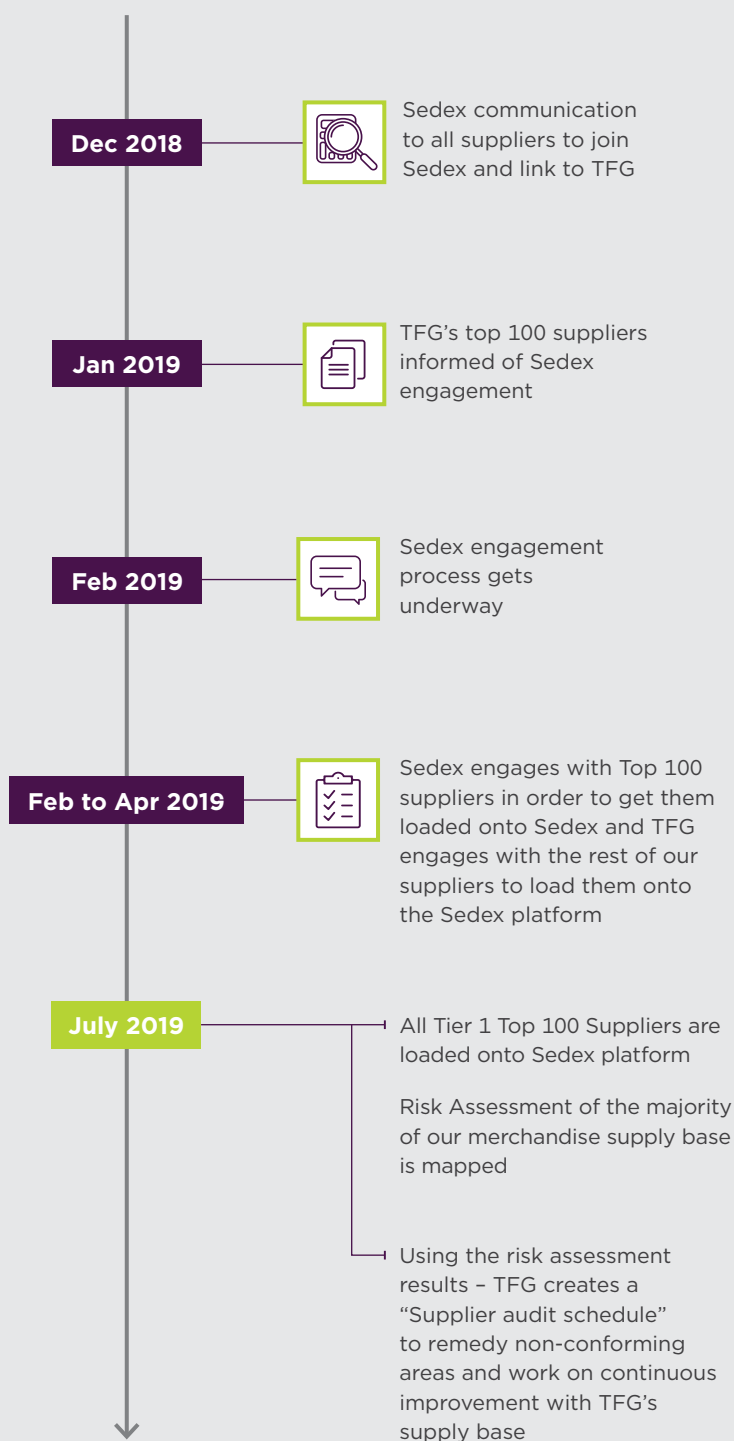


85% of suppliers now ranked A to B

Over the past five years

As we continue to drive improvement across our supply chain we want to evolve this scorecard and aim to include a B-BBEE measure for our South African suppliers and carbon footprint reporting for international suppliers.

OUR SEDEx ENGAGEMENT TIMELINE



ETHICAL TRADING IN OUR UK OPERATIONS

Our TFG London brands joined the Sedex platform and took additional steps to ensure ethical trading along their supply chains.

Hobbs

- Hobbs is a member of the Ethical Trading Initiative. The brand appointed an ethical trading team that oversees progress against set targets and milestones.
- Hobbs also undertook a supply chain mapping exercise to enhance transparency along its value chain.

Whistles

- Whistles is a member of the Ethical Trading Initiative and continues to make positive progress against set objectives.
- Whistles signed up as a member of Segura. Segura is a new cloud-based platform that enables businesses to understand, map and control their supply chains to better manage and mitigate risk.
- Whistles also undertook a supply chain mapping exercise with a particular focus on tracing raw materials at source.
- Following the successful launch of the brand's first sustainable cashmere range, Whistles has been investigating other sustainable alternatives that include recycled polyester and regenerated cotton. They are also a member of the Better Cotton Initiative.
- Whistles has developed a five-year sustainability strategy, with short, medium and long-term goals.

Phase Eight

- Phase Eight became a member of the Ethical Trade Initiative in January 2019.
- The brand undertook a mapping exercise to plot all first tier suppliers and strengthen the foundation of its audit programme.

Empowering Namibia's local supply chain

We are collaborating with the National Clothing Retail Federation (NCRF), various local suppliers and the Namibia Trade Forum (NTF) as part of Namibia's Supply Chain and Enterprise Development Programme.

The Programme consists of three phases. We undertook phase 1 in 2018 and conducted a benchmarking exercise to understand the capabilities of Namibia's clothing and textile suppliers. The results indicated a short supply of suitable suppliers able to satisfy retailers' demands.

The NCRF met with the NTF towards the end of 2018 to discuss phase 2. This involves developing a clothing-specific retailer charter focused less on product procurement and more on skills development, training, non-merchandise procurement and CSI. We continue to monitor process in this regard and look for opportunities to contribute to empowering Namibia's local supply chain.

WHAT WE CAN LOOK FORWARD TO IN 2020

- We plan to triple the current number of units produced through TFG Design and Manufacturing by 2024 by increasing our production capacity and investing in new product categories.
- In partnership with the Western Cape Government, we are investigating opportunities to invest in South African supply chain partners to grow our local apparel manufacturing and create 1 000 potential new jobs.
- We are engaging with the IDC to assist us with establishing a fabric processing centre that strengthen our supply chain and unlock employment opportunities.
- We are also engaging with the IDC to assist us with upscaling three of the factories that form part of our KwaZulu-Natal manufacturing hub. These upgrades have the potential to create a further 1 000 potential new jobs.





DRIVE TRANSFORMATION AND EMPOWERMENT

60

Drive transformation and empowerment

We are working hard to create an inclusive workplace environment that reflects the diversity of our customer base and the communities we operate in.



DRIVE TRANSFORMATION AND EMPOWERMENT



Through initiatives to drive transformation and empowerment we support SDG 8 and 12

Driving transformation and empowerment supports Customer and Empowerment obsession, Growth and Profit pillars of our business strategy



Our business must reflect the diversity of our customer base and the communities we operate in. This will enable us to remain relevant and ensure the long-term success of our business. We therefore need to create an inclusive workplace environment able to attract and retain diverse talent.

THE CHALLENGE

Under Apartheid, the majority of South Africans were systematically and purposefully restricted from meaningful participation in the country's economy. Despite state policy and multiple interventions aimed at overcoming this economic disparity, inequalities in the distribution of and access to wealth, income, skills development and employment persist. As a result, South Africa's economy continues to perform below potential. The Department of Trade and Industry's (dti) Broad-Based Black Economic Empowerment (B-BBEE) regulations outline what is expected of business to play a meaningful role in South Africa's transformation process.

We are committed to playing our part. However, the 'enterprise and supplier development' element of the B-BBEE regulation is a challenge for us as an international retailer. We have multiple significant international suppliers from whom we procure merchandise. These suppliers are not compliant with South African regulations and this has a negative impact on our overall B-BBEE level.

Beyond B-BBEE, we are challenged to achieve broader transformation within our business. This means diversifying our employee profile to reflect an appropriate mix of gender, experience and cultural backgrounds, as well as increasing the number of individuals with disabilities within our workforce.

OUR RESPONSE

The Social and Ethics Committee, through its governance and oversight role, ensures that an appropriate transformation strategy exists and that it is aligned with B-BBEE and the associated codes of good practice. The transformation strategy is reviewed yearly, and clear guidelines are defined for each of the five pillars of the B-BBEE scorecard.

We engage with our biggest international suppliers at a Supervisory Board level to find a solution to non-compliance with the B-BBEE regulations. This engagement is ongoing and remains a strategic focus area.

We are working hard to promote a disabled-friendly environment to actively encourage equality and inclusion of all employees. We continue to seek opportunities for disabled employees, secured through various initiatives such as learnerships.

FOCUS AREAS

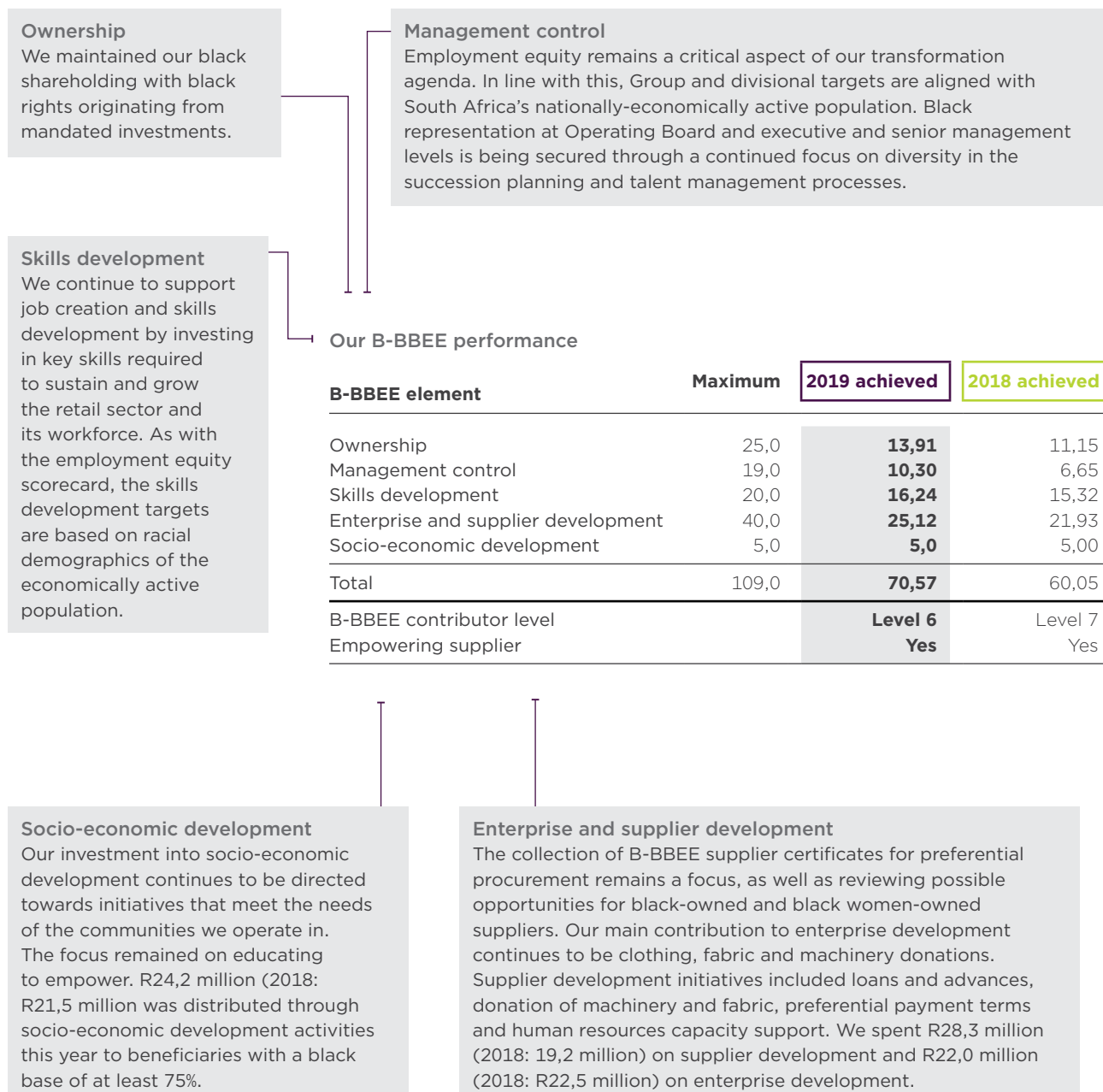
In 2019, our key focus areas included:

1. Ongoing monitoring of our B-BBEE performance
2. Increasing the representation of black employees within our senior and middle management teams
3. Continuing to attract people with disabilities

DRIVING TRANSFORMATION AND EMPOWERMENT IN ACTION

ONGOING MONITORING OF OUR B-BBEE PERFORMANCE*

Our commitment to transformation yielded a Level 6 rating, with a score of 70,57 points out of 109. We also achieved a recognition rating of 60% and earned Empowering Supplier status in terms of the dti's B-BBEE scorecard.



* Relates to South Africa only.

INCREASING THE REPRESENTATION OF BLACK EMPLOYEES WITHIN OUR SENIOR AND MIDDLE MANAGEMENT TEAMS

94,4% of our current workforce is made up of employment equity (EE) candidates – with 63,3% made up of African black employees.

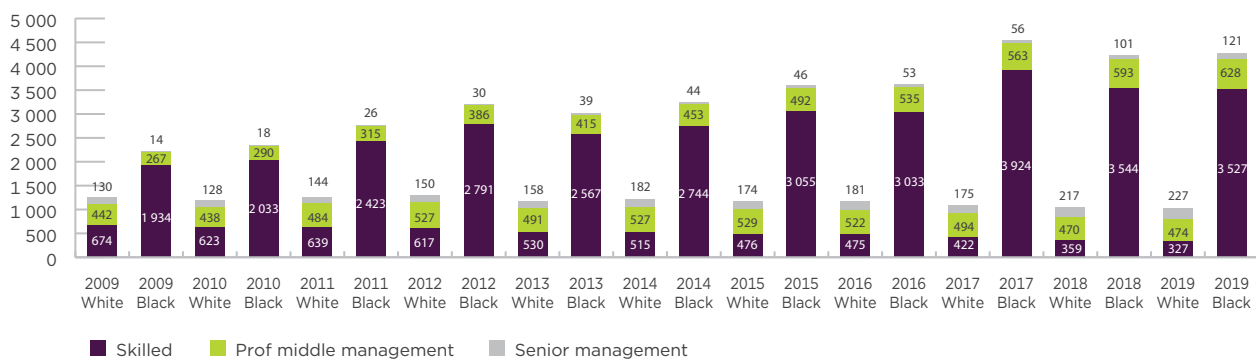
The following table reflects our overall employee composition as at 31 March 2019:

Occupational level	Male				Female				Foreign	
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female
Top management	–	–	–	4	1	–	1	1	1	1
Senior management	14	28	19	114	9	35	16	111	1	1
Professional middle management	76	149	37	154	96	216	54	308	9	3
Skilled junior management	609	333	53	40	1 404	990	138	279	5	3
Semi-skilled workers	3 661	906	101	31	7 061	2 802	252	112	9	6
Unskilled workers	206	124	–	–	255	291	1	–	1	1
Temporary employees	131	52	3	3	179	136	4	5	2	–
Total employees at 31 March 2019	4 697	1 592	213	346	9 005	4 470	466	816	27	15

Reasonable progress continues to be made in transforming our managerial ranks and the percentage of African black and EE employees in these categories are the highest they have ever been. As at 31 March 2019:

- 34,8% of senior managers are EE (with a 2,8% increase from June 2018 and an increase of 10,8% from 2017)
- 57% of professional middle managers are EE (with a 1% increase from June 2018 and an increase of 5% since 2017. In terms of African black, we have seen an increase of 2% year-on-year since 2017)

The following provides an overview of how our employee profile has changed since 2009 as we work toward achieving our EE targets across the business:



We want to continue to build on this success, and EE progress at the senior and middle management levels remains a key strategic focus area.

A new three-year EE plan was signed off by each division within TFG and will run until 2021. This plan makes each division accountable for reaching specific targets per occupational level. The primary focus is on increasing the representation of African black employees and employees with disabilities within TFG.

The business is required to sign off placements before any offers are made to non-EE candidates when recruiting for employees from junior to top management. This strategy was demonstrated during the year:

- 68% of middle management hires were EE appointments
- 56% of senior management hires were EE appointments

To further support this strategic focus, all non-EE appointments from Junior Management level must be approved by the Operating Board. We have identified multiple sources to recruit EE talent and achieve our corporate transformation goals. These include our employee referral programme, the TFG careers website, social media platforms, industry forums, mobile recruitment platforms, internal talent progression and key government partnerships with organisations such as W&R SETA, among others.

CONTINUING TO ATTRACT PEOPLE WITH DISABILITIES

To demonstrate our commitment to a culture of diversity and social inclusion, TFG will run a disability campaign in the upcoming financial year. The objective of this campaign is to increase awareness within TFG and encourage a culture of inclusion. This campaign will be supported by 'change champions' and identified role models with disabilities from within the business.

Through these campaigns, we aim encourage employees living with disabilities to voice their challenges, concerns or expectations so we can better support and reasonably accommodate them within the workplace.

We are also committed to training and developing people living with disabilities. In line with this, a portion of TFG's funding from W&R SETA will be used to attract and appoint a higher number of unemployed people living with disabilities into learnerships and internships.

WHAT WE CAN LOOK FORWARD TO IN 2020

We remain committed to understanding the current and future trends influencing our workplace environment.

Current technological advances such as artificial intelligence, robotics, and the Internet of Things have drastically altered the talent landscape, transforming not only how we attract, develop and retain talent, but also what we consider 'talent' to be. It is therefore critical that we not only focus on the skill sets we require today, but also define and prepare for those we will need in the future.

An evolving talent landscape further requires us to continually review and adjust our talent offering – from acquisition to development – to ensure we remain an 'employer of choice'. As such, we are making strides to differentiate our offering and strengthen our Employer Brand.

A highlight for the year was winning the South Africa Best Employer Brand Award for 2019. We will build on this success in the upcoming year.





ABOUT THIS REPORT

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Scope and boundary

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Consolidated performance table

This report provides insight into our non-financial performance and the progress against our strategic focus areas.

SCOPE AND BOUNDARY

Our 2019 sustainability overview report provides insight into our non-financial performance and prospects in relation to environmental, social and governance (ESG) issues that have a material impact on the long-term success of the business. The report aims to reflect the manner in which sustainability is integrated into our business, in accordance with the recommendations of King IV™. It further aims to present our perspective on what sustainability means for operations and includes information on the progress against our strategic focus areas.

Since last year, there have been no significant changes to TFG's organisational structure.

While information is provided on all three business segments, prominence is given to TFG Africa as it accounts for 81% of the Group's EBITDA. The performance review for TFG London and TFG Australia will be included within the next few years. As a phased approach, the purchased electricity and employee commuting data of both Phase Eight and Whistles has been included in the carbon footprint reporting.

OUR REPORTING SUITE

This report is one element in our annual reporting suite and supplements the information included in our 2019 integrated annual report.

Reporting element	Target audience	External assurance status and provider
Integrated annual report	All stakeholders	No external assurance
Annual financial statements	Shareholders, the investment community and analysts	Audited by Deloitte & Touche (see external audit report in the integrated annual report)
King IV™ register	All stakeholders	No external assurance
The Foschini Group Limited Remuneration Committee report and charter	Shareholders, the investment community and analysts	No external assurance
B-BBEE credentials and scorecard	All stakeholders	Assured by 1st Verification Network

The full suite of reports can be found at: www.tfglimited.co.za.

The reporting period is for the financial year-ended 31 March 2019. For material information relating to performance, markets and operations, please refer to our integrated report and annual financial statements available at www.tfglimited.co.za.

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 value your views, please send your questions or comments regarding this report to NyaraiP@tfg.co.za

CONSOLIDATED PERFORMANCE TABLE

Performance indicator	% change	2019	2018
Economic and related core baseline indicators			
Retail turnover (Rm)	19,6	34 101,4	28 519,5
Operating profit before finance costs and acquisition costs (Rm)	4,9	4 327,8	4 126,5
EBITDA (Rm)	6,2	5 171,9	4 872
Headline earnings excluding acquisition costs (Rm)	8,5	2 743,4	2 528,2
Earnings per ordinary share excluding acquisition costs (cents)	3,3	1 141,7	1 105,5
Headline earnings per ordinary share excluding acquisition costs (cents)	5,6	1 187,1	1 124,1
Distribution declared per ordinary share (cents)	4,7	780,0	745,0
Value added (Rm)	18,8	11 558,5	9 732,1
Total number of outlets	1,3	4 085	4 034
Total number of TFG Africa owned distribution centres	0,0	8	8
Number of environmental, health and safety and/or governance legal incidents		zero	zero
Employee indicators			
Total number of employees			
Permanent full-time employees	2,0	16 555	16 223
Permanent part-time employees	2,4	2 915	2 848
Flexitime employees	13,1	6 370	5 634
Contract employees	10,2	1 622	1 472
Casual employees	5,4	1 737	1 648
Employee turnover (excluding contractors) %	(14,2)	30,1	35,1
Employment equity (% representation of previously disadvantaged groups among permanent employees) South Africa only			
Top management	150,0	25%	10%
Senior management	6,1	35%	33%
Specialists and middle management	5,6	57%	54%
Skilled technical and junior management	1,1	91%	90%
Semi and unskilled employees	0,0	99%	99%
Investment in employee training and development			
Total expenditure (Rm)	4,7	150,2	143,5
% of payroll	(17,2)	2,4	2,9
Total number of employees trained	5,0	140 886	134 166
Work-related fatalities		zero	zero
Number of classified injuries			
Number of days lost*	85,6	3 653	1 968
Number of incidents	(16,8)	916	1 101
Number of incidents where days off were three or less	(36,9)	654	1 036
Number of work days lost due to industrial action			
		zero	zero

* The number of incidents reduced from 1 101 in 2018 to 916 in 2019. In the year under review, 3 injuries were more serious, resulting in longer time periods off.

Performance indicator	% change	2019	2018
Corporate social investment – TFG Africa			
CSI total spend (Rm)	13,6	25,1	22,1
Merchandise donations for the benefit of the Feel Good Project (Rm)	9,5	8,1	7,4
Environmental matters – TFG Africa			
Purchased electricity usage (kilowatt hours) (stores, distribution centres and offices) (millions)	(3,3)	166 542 769,72	172 142 641,15
Environmental matters – TFG London			
Purchased electricity usage (kilowatt hours) (stores, distribution centres and offices) (millions)	64,4	7 513 145,49	4 570 809
Carbon footprint (tonnes CO₂e) – TFG Africa			
Total emissions	(7,2)	220 829,15	237 919,32
Scope 1	(1,7)	4 483,93	4 563,62
Scope 2	(6,6)	150 959,22	161 640,57
Scope 3	(9,9)	62 843,95	69 780,24
Non-kyoto	31,4	2 542,05	1 934,89
Intensity: emissions per m ² (including stores)	(10,5)	0,154	0,172
Water consumption (kilolitres) (head offices and distribution centres)	20,9	54 373,00	44 988
Carbon footprint (tonnes CO₂e) – TFG London			
Total emissions	35,7	6 130,77	4 518,31
Scope 1	0,0	187,7	zero
Scope 2	33,0	2 137,3	1 606,91
Scope 3	30,7	3 805,77	2 911,4
Non-kyoto	0,0	zero	zero
Intensity: emissions per m ² (including stores)	0,0	0,042	zero

