



2023

**INSPIRED
LIVING**
Report

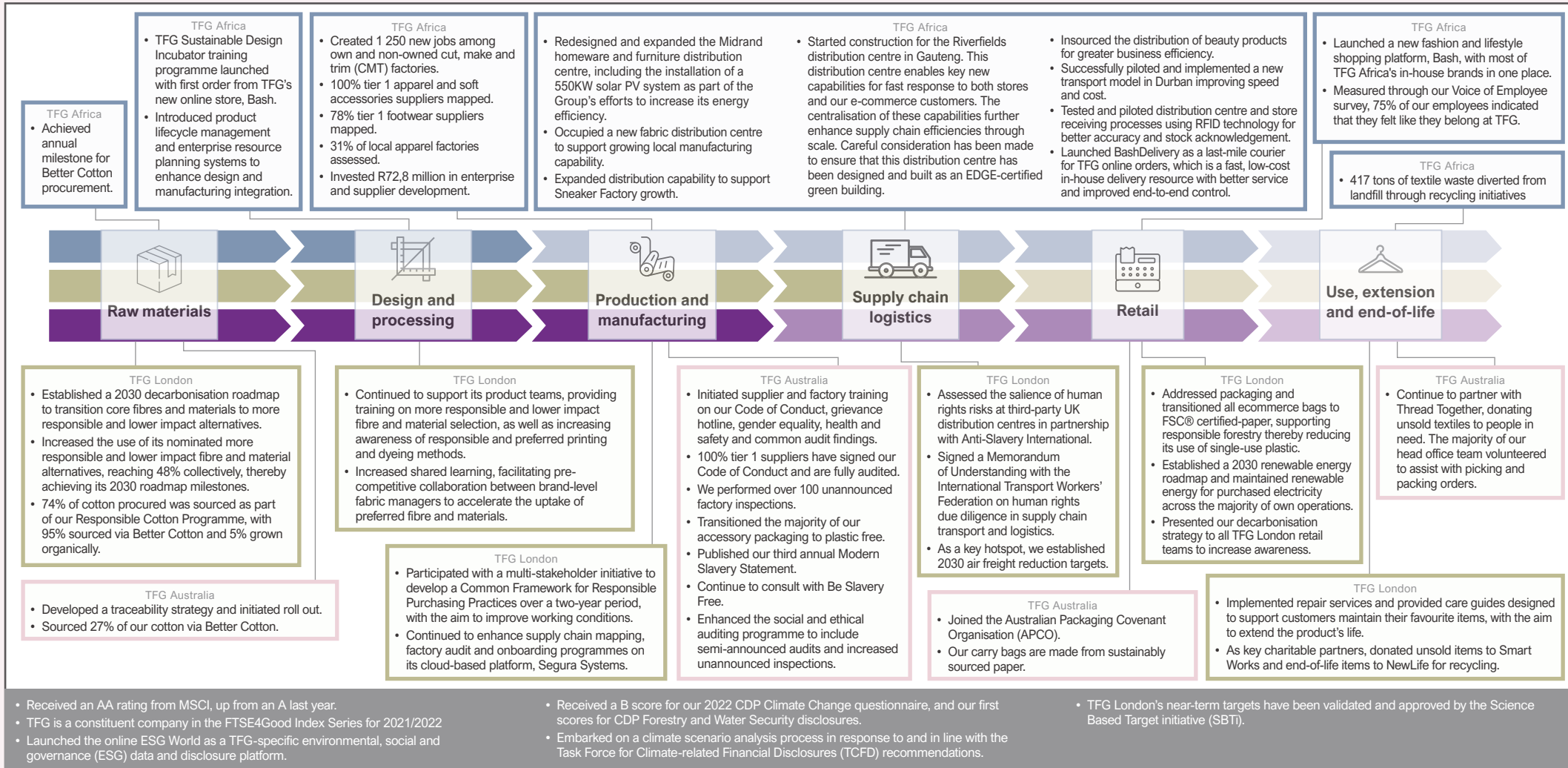
THE FOSCHINI GROUP LIMITED

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2023 at a glance

TFG's long-term sustainability, value creation capability and performance rely on an optimised, ethical value chain where goods are delivered efficiently, and information shared transparently. Our Inspired Living Report will provide you with insight into our achievements, challenges and responses to a very challenging operating environment this year.



Upstream: TFG Africa: own manufactured clothing (blue), TFG Africa: other merchandise (purple), TFG London and Australia: apparel (green)
 Own operations: TFG Africa: own manufactured clothing (blue), TFG Africa: other merchandise (purple), TFG London and Australia: apparel (green)
 Downstream: TFG Africa: own manufactured clothing (blue), TFG Africa: other merchandise (purple), TFG London and Australia: apparel (green)

2023 Strategic overview and KPIs for sustainability



SUSTAINABILITY OBJECTIVE: FASHION THAT CONNECTS PEOPLE AND THEIR PASSION

Our commitment: Transformation, human rights, inclusivity and job creation

Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	KPIs	FY 2022	FY 2023	FY 2023 target
TFG Africa	Localisation and job creation	Create jobs within TFG factories	> Job creation ¹			Manufacturing: Number of jobs created (excl LAIs)	1 037	691	N/R
						Manufacturing: number of workplace opportunities provided	607	846	595
		Create non-manufacturing jobs				Non-manufacturing: Number of jobs created (excl LAIs)	2 157	2 768	N/R
						Non-manufacturing: number of workplace opportunities provided	2 283	1 230	1 044
	People and communities	Create jobs within TFG value chain			Jobs created at strategic non-owned CMTs	483	658	N/R	
		Invest in training and development	> Employee development			SD target set per B-BBEE scorecard (out of 25)	16,7	12,8	14,0
A diverse and inclusive workforce	> Diversity, equity & inclusion			EE target set per B-BBEE scorecard (out of 10)	4,6	6,0	5,0		
				Disability targets set by B-BBEE scorecard (out of 2)	0,7	2,0	2,0		


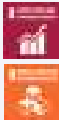

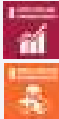

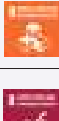

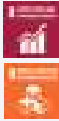



¹ A further 2 487 jobs were added through acquisition activity during the year. As at 31 March 2023 total jobs added by the Group was 8 022.




Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress
TFG London	People	Improve labour standards and protect human rights for people in our supply chains	> Human rights > Transparency > Modern Slavery > Labour standards			TFG Australia	People	To provide a fair, safe and healthy work environment for the team, in our business and the people in our supply chains	> Ethical sourcing/ Modern Slavery > Traceability > Raw material sources		

Ahead – annual target exceeded On track Annual target not achieved

SUSTAINABILITY OBJECTIVE: FASHION THAT SHARES THE BENEFIT OF ENTERPRISE

Our commitment: Small business growth and increased localisation




















Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	KPIs	FY 2022	FY 2023	FY 2023 target
 TFG Africa	Localisation and job creation	Invest in Enterprise and Supplier Development and develop local enterprises and suppliers	> Economic inclusion > Supplier development			1% NPAT in ED	1,0	1,8	1,0
						2% NPAT in SD	2,0	2,5	2,0
						Bonus point: At least 1 job created in an ESD beneficiary	Yes	Yes	Yes
						Bonus point: At least 1 ED beneficiary graduated to SD status	Yes	Yes	Yes
						Merchandise spend (all categories) on own or local suppliers	> Local sourcing	 	% of total apparel manufactured locally in South Africa
		 	Total apparel units manufactured locally (million)	44,7	45,1	50,8			
		Increase quick response (QR) output	> Local sourcing	 	% apparel on a QR timeline	90,0%	100,0%	100,0%	
People and communities		Increase social impact	> Community support	 	SED target set per B-BBEE scorecard (1% of RSA NPAT)	1,0	1,9	1,0	












Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress
 TFG Australia	Community	To give back to our community through partnering with key organisations	> Charity partners		

 Ahead – annual target exceeded
  On track
  Annual target not achieved

SUSTAINABILITY OBJECTIVE: FASHION THAT RESTORES OUR RELATIONSHIP WITH NATURE

Our commitment: Product stewardship in design, manufacturing, sales and disposal

Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	KPIs	FY 2022	FY 2023	FY 2023 target	
TFG Africa 	Environmental efficiency	Reduce business waste	> GHG emissions > Pollution			% waste recycled across all TFG head office sites, DCs and factories	87,0%	83,0%	90,0%	
		Recycle production waste	> GHG emissions > Pollution			% textile waste from TFG's own manufacturing sites recycled or repurposed	100,0%	99,4%	100,0%	
		Re-use supplier cartons	> Waste			Increase use of supplier cartons to avoid buying additional cartons	89,0%	86,0%	90,0%	
		% consumer waste content in plastic bags	> Waste			% post-consumer recyclate	20,0%	100,0%	100,0%	
		Improve energy efficiency	> GHG emissions			% reduction in kw/h per square meter (outlets)	-0,5%	-10,9%	-5,0%	
	Product stewardship and supply chain	By 2026, achieve 30% sustainably sourced cotton		> Agriculture > Traceability			Sustainably sourced cotton as a percentage of total cotton sourced (new metric)		13,8%	10,0%
		Supplier compliance with SEDEX membership		> Human Rights > Transparency			Percentage of compliant top 100 suppliers	87,0%	81,3%	95,0%
		Supplier adoption of Code of Conduct		> Human Rights > Transparency			Percentage of compliant top 100 suppliers	94,0%	100,0%	100,0%
		Bargaining Council Compliance (local suppliers only)		> Human Rights > Transparency			Percentage of compliant suppliers	54,0%	52,0%	60,0%

Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	Business segment	Business segment pillar	Business segment goal	Focus area	UN SDG	Progress	
TFG London 	Planet	Deliver long-term Net-Zero decarbonisation, while protecting, conserving and restoring nature	> GHG emissions > Pollution > Water scarcity > Deforestation			TFG Australia 	Planet	By 2026, achieve 30% sustainably sourced cotton	> Raw materials			
	Materials	Transition 100% top 5 materials to more responsible and lower impact alternatives	> Agriculture > Circularity > Animal welfare > Traceability									
	Manufacturing	Enhance transparency, while recording, monitoring and reducing impacts throughout supply chains	> Chemicals > Waste Transport > GHG emissions	 								

 Ahead – annual target exceeded  On track  Annual target not achieved




About this report

Global events have local impacts. In this report, we reflect on the ways in which our value chain and markets were shaped by the operating context and trends evident during the financial year from 1 April 2022 to 31 March 2023. We also consider how TFG impacted our stakeholders during this time, and report on progress against our commitments to society and our planet.

The TFG sustainability team developed the Inspired Living Report in collaboration with management teams in TFG Africa, TFG London and TFG Australia. We focus on material progress indicators, adapted for relevance per geographic area. For a comprehensive view of our business, strategy, performance and governance systems, refer to our reporting suite and website: www.tfglimited.co.za.

THE SCOPE OF THIS REPORT

This Inspired Living Report provides ESG information relating to The Foschini Group Limited and its subsidiaries, collectively referred to as “TFG” or “the Group”. We have three business segments:

<p>TFG Africa</p> 	<p>This segment includes all our operations on the African continent through 26 established brands. The TFG Africa business is managed from the Group’s head office in Cape Town, South Africa. TFG Africa operates through retail outlets throughout South Africa, parts of Africa, and online.</p> <p>68,5% CONTRIBUTION TO GROUP TURNOVER</p>
<p>TFG London</p> 	<p>This segment includes the consolidated performance of the Phase Eight, Whistles and Hobbs brands. TFG London is managed by the local management team based in London, United Kingdom (UK). TFG London operates through retail outlets throughout the UK, internationally, and online.</p> <p>13,3% CONTRIBUTION TO GROUP TURNOVER</p>
<p>TFG Australia</p> 	<p>This segment includes the consolidated performance of the Connor, Johnny Bigg, Rockwear, Tarocash and yd. brands, collectively Retail Apparel Group (RAG). The TFG Australia business segment is managed by the local management team based in Sydney, Australia. They operate through retail outlets throughout Australia and New Zealand, and online, with a small presence in the United States.</p> <p>18,2% CONTRIBUTION TO GROUP TURNOVER</p>

CONTENT DEVELOPMENT AND APPROVAL

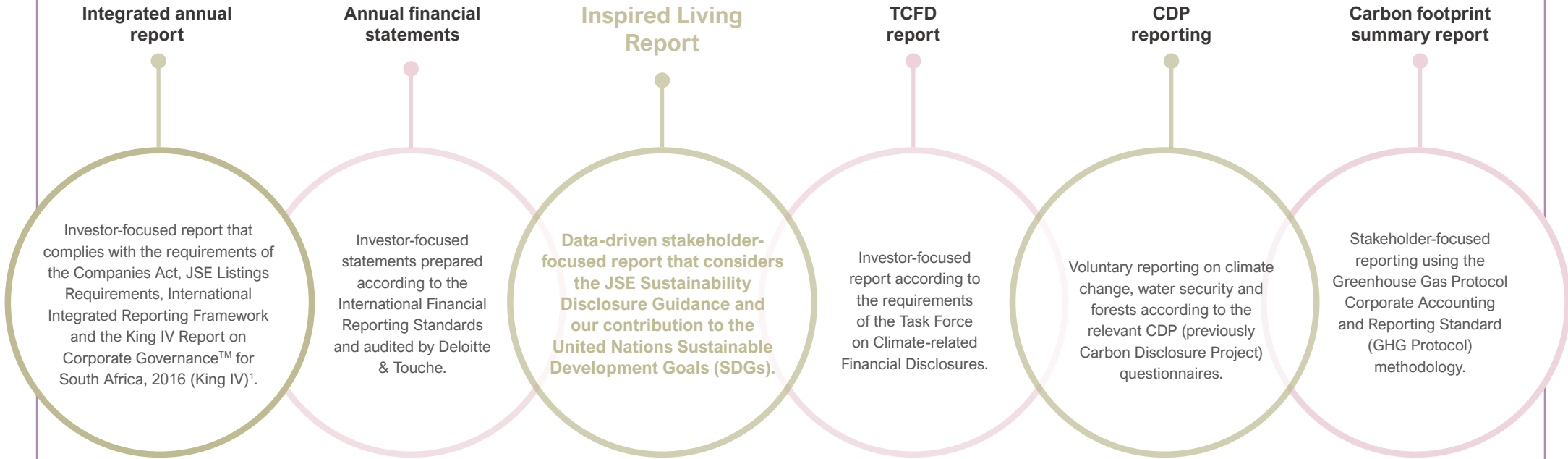
We shaped the content of this report according to our material matters (page 28), our sustainability strategy (page 32) and by considering what creates value for our stakeholders (page 40). We also considered the readers of this report and what they value, particularly feedback from our customers, investors, rating agencies and research analysts.

We ensure the integrity, validity and accuracy of information by relying on internal systems of control and senior and executive management reviews. In future periods, we intend to obtain internal assurance over the Inspired Living Report.

The report was approved by the Supervisory Board’s Social and Ethics Committee on 21 July 2023.

OUR REPORTING SUITE

The Inspired Living Report forms part of TFG’s comprehensive annual reporting suite that aims to meet the information needs of a range of stakeholders. Available online, the main elements of the reporting suite are:



Other disclosures

Regulatory disclosures include our B-BBEE scorecard assured by Honeycomb BEE Ratings Cape Town. We also publish a range of sustainability case studies, company policies and position statements on our website.

NAVIGATION TIPS, FEEDBACK AND DEFINITIONS

This report is interactive and contains hyperlinks that will allow you to find the information you need easily, including additional detail where we reference the website.

We invite you to give us feedback about this report. Please click here to complete a short survey considering your experience with this report. Alternatively, send your comments or further information enquiries to Investor_relations@tfg.co.za.

This report contains certain forward-looking statements regarding the results and business activities of TFG, which, by their nature, involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur. Various factors could lead to actual results or business activities that differ materially from those implied by these forward-looking statements. Accordingly, these forward-looking statements have not been reviewed or reported on by the Group’s external auditors.

We use the following classifications when making timeframe references:

- > Short term: Current to one year
- > Medium term: One to three years
- > Long term: Three to ten years

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Why we exist and who we exist for

OUR PURPOSE, VALUES, STRATEGY AND CONTRIBUTION

Our purpose

We inspire our customers to live their best lives

Our vision

To create the most remarkable omnichannel experiences for our customers

Our values

We put our customers first

We work smart and fast

We do the right thing

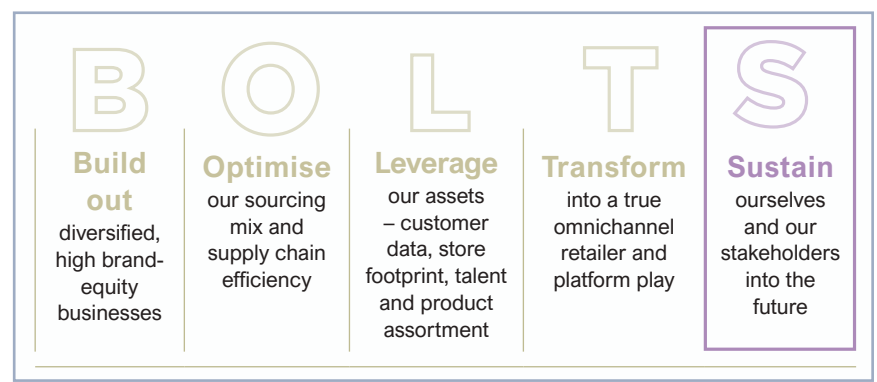
TFG is a South African-based fashion and lifestyle retailer with a diverse portfolio of 34 brands. We offer clothing, jewellery, cellphones, accessories, cosmetics, sporting apparel and equipment, homeware, and furniture. Our brands cater for market segments from value to upper income while providing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

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

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

...with three sustainability objectives...

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




...that contribute to our core SDGs...


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


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


- Goal 8:** Promote inclusive and sustainable economic growth, employment and decent work for all
- Goal 9:** Build resilient infrastructure, promote sustainable industrialisation and foster innovation
- Goal 12:** Ensure sustainable consumption and production patterns


...and create value for our stakeholders...


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


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

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

 **Non-profit organisations and communities:**
 We engage with, support and invest in individuals and collectives in the areas where our operations **impact their livelihoods and prospects.**

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

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

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

...responding to fashion and lifestyle retail trends.



Digitisation Sustainability Social media Personalisation Transparency

Message from our Chief Executive Officer

2023 SALIENT FEATURES

We provided more than **8 000** jobs and workplace opportunities in the past year.

Compared to its 2019/20 baseline year, TFG London has reduced its market-based carbon footprint by **-12%**. TFG London's near-term targets have been validated and approved by the Science Based Target initiative (SBTi).

TFG Africa **achieved** its annual sustainable cotton sourcing target set for the year.

To broaden the **capability of our local supply chain**, we created local manufacturing capacity for a small body-wear section, a men's shirt business, as well as a now very capable and scalable men's and ladies' formal wear business.

We had an overwhelming response from South African employees declaring disabilities on the back of introducing a **new diversity, equity and inclusion policy and awareness campaign**. We will continue to do ongoing declarations through the year in order to provide support to employees with disabilities.

Our Voice of Employee survey indicated that **75%** of our employees felt like they belong at TFG.

All of tier 1 TFG Australia factories were audited and they **increased unannounced inspections** over the year.

We launched a **Young Designer Incubator** that is already supplying our new fashion and lifestyle shopping platform, **Bash**.

Driving positive social impact is top of mind in everything we do, from customers to communities in all territories, while enabling our employees to play a key role in creating better lives for all.



MAKING A POSITIVE IMPACT

TFG had ambitious plans for FY 2023 and despite many challenges, we stayed the course. We kept our outlets open, our delivery vehicles on the road and made shopping an inspiration for our customers.

We sourced more sustainably than last year, and provided more than 8 000 jobs and contract work opportunities.

RESPONDING TO ESG PRIORITIES

We made this happen against a global backdrop where ESG priorities were shaped by the Russia-Ukraine war, increasing geopolitical tension affecting supply chains, climate catastrophes such as the floods in Australia and unprecedented levels of load shedding in South Africa.

The latter had a profound impact on South Africa's economy and people. It increased hardship, the cost of living and the effort of doing business.

As we experienced more prolonged periods of load shedding stages 4, 5, 6 and beyond, conservative estimates indicate that we lost at least 360 000 trading hours in the 2023 financial year. Consumer confidence plunged and footfall in stores decreased significantly in the last quarter. The impact would have been much worse were it not for the R200 million invested in backup power solutions over the past few months which now provide partial mitigation to about 75% (by turnover) of our South African stores.

We did not pass the full extent of load shedding costs – on top of inflation and interest rate increases – to our customers. As we shifted to a more expanded value offering for lower-income segments in South Africa over the past few years, for example through the Jet acquisition, we changed our approach to pricing and our commitment to providing affordable goods in a responsible way. This is why we are driving local manufacturing. We create jobs and workplace opportunities, reduce transport costs, invest in small businesses and can respond quickly to what customers want.



OUR PEOPLE LIVING OUR PURPOSE

The resilience of TFG's people and their ability to respond quickly to change, stood out for me this year. They enabled the rapid deployment of power systems which buffered the business against the debilitating impact of energy supply constraints. They implemented transport network model changes to bring down delivery costs and waiting time while managing outlet deliveries impacted by load shedding through active communication.

We see daily evidence of our employees connecting with TFG's purpose, with their own passion and creating a sense of belonging for everyone around them. This was confirmed by our Voice of Employee survey results. Our TFG Africa employees also welcomed a number of new policies, including a talent recruitment policy, the introduction of the new diversity, equity and inclusion policy, as well as the new policy on the elimination of harassment. The latter addresses sexual harassment as well as racial, ethnic or social origin harassment with guidance on how to recognise, address and report such behaviours.

FOCUS ON OUR VALUE CHAIN

In all three territories, we are making progress in mapping our tier 1, 2 and 3 suppliers. In South Africa, we continued expanding local manufacturing, distribution and retail capacity. Following the acquisition of Tapestry Home Brands

this year, we were able to make further strategic localisation choices. As Tapestry had strong local manufacturing capabilities, we identified several @home best-selling sofas that were previously imported and started to manufacture these locally at the Coricraft factory. Initial samples have been manufactured at a lower cost than imports and we will now be proudly selling locally manufactured sofas in our outlets.

At TFG London and TFG Australia, we further improved our logistics efficiency by investing in greater automation and mechanisation to achieve faster speed-to-market results and a better customer experience. TFG Australia is also taking steps to further diversify its supply chain to reduce reliance on China.

THE ROAD AHEAD

We plan to continue monitoring, reporting and improving our ESG performance. Our three sustainability objectives, built around fashion that connects, shares and restores, guide our focus and resource allocation. We recognise the value of partnerships and collaboration to help us reach these objectives and tackle complex social and environmental issues. We look forward to working together as a Group and with our stakeholders in our efforts to reduce harm and accelerate positive impacts beyond our value chain in the coming year.



Message from our Chief Financial Officer

FINANCIAL RESULTS AT A GLANCE

TFG Africa achieved retail turnover growth of **17,2%** following the acquisition of Tapestry Home Brands, Street Fever and the continued expansion of the Jet Home business.

TFG London achieved retail turnover growth of **9,4%** with customers frequenting outlets that offer personalised experiences, leveraging data insights and supported by optimised logistics.

TFG Australia achieved excellent retail turnover growth of **29,8%** leveraging proactive supply chain optimisation, a new enterprise resource planning (ERP) system, digital hub and web platform.

As is the case in the rest of the world, investors in TFG are giving increasing attention to ESG and demanding more disclosure and transparency. We have a long track record of sustainability initiatives and commitments, and remain proactive in managing our sustainability risks and opportunities.

SUPPORTING FINANCIAL INCLUSION IN SOUTH AFRICA

In South Africa, we regard financial inclusion as one of the most effective ways to address the challenge of poverty and inequality. Events such as the floods in KwaZulu-Natal and the drought in the Eastern Cape had a devastating impact on vulnerable communities characterised by high unemployment. By creating jobs and giving our employees and customers affordable access to money, we can include more people in the formal economy and support them in living their best lives.

Our commitment to creating jobs was under significant pressure this year, as we had to prioritise load shedding mitigation, which came at huge costs to the business. But, we take our responsibility to create jobs and provide employment very seriously, as many of our employees support extended families. Financial strain has two unfortunate outcomes. It increases employee turnover as employees are quick to change jobs for small salary

increases, and we see more employees battling with unsustainable debt. Last year we launched the Paymenow facility where TFG employees could access a portion of their net salary for instances of financial hardship. This was done responsibly, accompanied by financial literacy training.

Under these circumstances, fair pay is a key principle. As a retailer, we employ 38 437 people in South Africa and thus have a substantial impact on their livelihoods and the many people they support. Therefore, we committed to paying outlet and distribution centre employees a TFG minimum wage, which is higher than the legislated minimum wage. This year we also increased the retail discount for permanent employees from 20% to 33%, which enables our people to proudly wear TFG brands.

Our partnership with TymeBank gave us further options to provide affordable banking to employees and customers. This year we started offering co-branded TymeBank-TFG Money financial products and services to more than 30 million current TFG Rewards members. We also launched a collaborative personal loan pilot project, offering select TFG customers short-term personal loans for three, six and 12-month terms.

RISKS AND OPPORTUNITIES IN UK AND AUSTRALIA

As customers in the UK returned to outlets and footfall started matching pre-pandemic levels, our challenge was to optimise our outlet estate while delivering a personalised, five-star customer experience. This included, for example, offering micro customer-facing initiatives such as QR codes on tickets that provide more information about product care options.

In Australia, our most significant challenge was dealing with high pent-up demand and ballooning sales volumes. Our semi-automatic and diversified warehousing infrastructure served us well. Compared to our manual warehouses, we could triple picking capacity to deal with increasing volumes. Speed to market, however, remains a key goal in serving remote customers, including New Zealand. We made huge strides in improving click-and-collect services. Customers

can now collect within two hours across most brands, which has the added benefit of bringing customers into outlets while enjoying the convenience of online shopping.

ESG DATA AND DISCLOSURE

TFG received an AA rating from MSCI this year, up from an A last year.

We enhanced our ESG data disclosure through our ESG World profile, available on our website. ESG World is a platform that provides all stakeholders access to our ESG information in a structured and searchable format. This includes TFG's disclosures according to the voluntary JSE Sustainability Disclosure Guidance framework.

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

We embarked on a climate scenario analysis process in response to and in line with the TCFD recommendations.

MANAGING AND MEASURING PROGRESS

While growing at a rate that outperforms most competitors, we remain cognisant of the execution risk that accompanies high levels of change. To this end, our sustainability team leads the way in remaining attuned to our stakeholder information needs, responding to calls for greater transparency and increased attention to areas of ESG policy development. We continue tracking progress on key sustainability initiatives against targets, while recognising that the year ahead will remain challenging. Our resilience will depend on our leadership, people and the strength of our brands.



Message from our Social and **Ethics Committee Chairperson**

Professor Fatima Abrahams, the independent non-executive chair of TFG’s Social and Ethics committee, shares her insights about sustainability in response to a few key questions.

Question 1: Among the many challenges and uncertainties that the world faced in the past year, where did you see TFG making the most significant contribution to sustainability?

Sustainability has many nuances and shapes, and can be a complex matter when you consider that we have 34 brands, and operate 4 697 outlets in 23 countries. We employ 46 566 people who make daily decisions that affect our sustainability in the long term. Choosing alternative, recyclable packaging for online jewellery orders might seem small, but can make a noticeable difference. Actively dealing with South Africa's energy emergency, on the other hand, will be one of the most significant sustainability challenges we have faced.

In my mind, TFG’s most significant contribution has been in creating a robust mix of 1 537 new jobs and workplace opportunities at our factories. When we consider the objectives of the two industry master plans for South African furniture and the retail, clothing, textiles, footwear and leather (R-CTFL) value chain to 2030, TFG is supporting government’s bold ambitions to grow employment, grow procurement of locally manufactured goods and increase skills for these industries.

Question 2: Considering the range of sustainability risks that the business is facing, where do you see the most important opportunity for TFG in the medium term?

Our opportunities are different for TFG Africa, TFG London and TFG Australia as each of these territories has unique challenges. In South Africa, our most significant opportunity is to create jobs to address unemployment, poverty and inequality. Where we create jobs, we make sure that the people being given the opportunity to be employed or introduced to formal work through learnerships and internships, are from vulnerable groups, such as women and young people.



In both TFG London and TFG Australia our opportunities are in supply chain diversification and customer experiences. Getting to know both our suppliers and our customers will make TFG resilient and able to respond to global challenges on the ground. These include for example the cost-of-living crisis, especially in the UK, extreme weather events such as the floods in Australia and geopolitical tension that is already affecting our global supply chains.

Question 3: Investors and other stakeholders have an interest in understanding the role played by TFG’s Supervisory Board and Social & Ethics Committee in overseeing sustainability issues. How would you give them comfort?

Transparency, openness and accountability are the key principles according to which the Supervisory Board and committees operate. Due to members’ diverse backgrounds in commerce, industry and qualifications, we bring a range of perspectives into discussions, decision-making and oversight roles. We are able to accommodate different stakeholder perspectives, and actively seek to understand the complex sustainability issues that we are dealing with.

We rely on comprehensive and reliable management reporting to direct discussion and are deliberate about trade-offs. This year, for example, we had to prioritise investments in alternative power solutions due to load shedding over our planned rollout of a longer-term, integrated energy plan.

We are committed to TFG’s purpose of inspiring customers to live their best lives and making sure the Group retains its focus on delivering on our sustainability objectives.

Question 4: What are the Social and Ethics Committee’s sustainability priorities for the next three years?

New global standards for non-financial reporting and increasing scrutiny from regulators are also prompting TFG to ensure the accuracy, reliability and assurance of all our sustainability data and claims. This includes making sure that our goals are measurable, certifications are credible, and stakeholders can comfortably make decisions based on the information that we provide.

As we develop, approve and review policies and codes, we need to test the effectiveness of these in changing behaviour and raising standards over time. These include for example the new diversity, equity and inclusion policy, the revised Code of Ethical Conduct and the reworked Merchandise Code of Conduct.

We also need to ensure that TFG achieves sustainable empowerment, which means that all aspects of the Group’s B-BBEE strategy and implementation remains a priority.



Our value chain

THE TFG VALUE CHAIN

Each of our three business segments has different value-chain priorities shaped by supply chain risks and opportunities, market demands and physical footprints. Our supply chains are complex and require different skill sets and capabilities to convert products from raw materials to finished products. Despite this complexity, we are committed to the ethical sourcing of commodities and input materials while trading responsibly.

Raw materials

We are procuring increasing volumes of sustainably sourced materials as production inputs, including cotton, wool and leather. As a member of Better Cotton, we have time-bound targets for sustainably sourced cotton.

TFG London have a well-established portfolio of more responsible and lower impact fibre and material alternatives, including LENZING™ ECOVERO™, Better Cotton, Responsible Wool Standard, Traceable Cashmere, FSC® viscose, TENCEL™ and Leather Working Group.

Production and manufacturing

Production and manufacturing assets include factories supplying our outlets with products including clothing, footwear, homeware and jewellery. In South Africa, we have a strong commitment to local manufacturing with established manufacturing hubs across the country delivering quick-response products. We have access to a range of contracted CMT facilities. TFG Manufacturing is the largest apparel manufacturer in South Africa.

Retail

We have 4 697 outlets in 23 countries. We continue to invest in digital transformation and omnichannel infrastructure for our brands. Our customer-facing employees are supported through a number of digital channels. In outlets, we measure our environmental impact in terms of energy and water use. We aim for low-impact, energy-efficient and responsible materials for revamps and new outlets. Our unique portfolio of brands is increasingly adopting sustainability features and attributes. In terms of packaging, we aim to have recycled or fully recyclable packaging in all outlets across TFG Africa and TFG London.

Use, extension and end-of-life

We work with partners to reduce the volume of fashion and lifestyle product waste sent to landfills. We currently extend the life of garments by donating good quality unsold clothing and customer returns. We continue exploring the option to use textile waste as inputs into new items. In addition, where appropriate, our brands promote care and repair to customers. Some of our brands have tailoring and repair services which we support and subsidise to promote repairs rather than garments being discarded.

Across our brands, we have piloted re-sale as well as product return incentive programmes. In South Africa, we also partnered with an enterprise that shreds, compacts and transforms our manufacturing fabric waste into useable outputs while TFG Australia partners with Upparel for similar services.

Aimed at extending the product's life, TFG London implemented repair services and provides care guides designed to support customers maintain their favourite items. As key charitable partners, TFG London donated unsold items to Smart Works and end-of-life items to NewLife for recycling.



Design and processing

The conversion of raw material into woven or knitted fabrics, homeware, shoes, jewellery or devices and more, relies on manufacturing facilities, mills, dye houses and tanneries. The conversion process includes design, modelling and patterning, cutting, stitching, sewing, assembling, finishes and packaging. First-tier suppliers manage processing and production where facilities are not owned by the Group and might make use of secondary and tertiary subcontractors.

Supply chain logistics

We use a mixed model of own and outsourced transport between distribution centres, warehouses and outlets. Our distribution capabilities include freight handling, order fulfilment and returns processing. We adopt new technology where the investment will optimise ordering and stock keeping, and minimise distance travelled per item. We can fulfil increasing volumes of online orders from distribution centres as well as directly from outlets.

An increasing number of distribution centres, for example in Midrand, use solar panels to provide alternative energy solutions.

Examples of how we drive an ethical value chain

- > We have a well-developed onboarding process and require new suppliers to meet a range of mandatory compliance criteria, including social and ethics audit reports, health and safety certification, and more. TFG Africa's supplier selection criteria also include SEDEX membership, completion of TFG's self-assessment questionnaire with disclosed manufacturers and factory profiles, an agents agreement, where applicable, and compliance with the UNGC principles. We also require suppliers to sign our code of conduct as part of contracting.
- > We make sure we have a solid understanding of suppliers' capacity and capabilities to avoid situations where suppliers make trade-offs. This includes, for example, exploiting workers to meet unrealistic lead times.
- > We ensure that any cuts in delivery speed and price are aligned with our procurement practices and policies.
- > We discuss payment schedules and margins with suppliers and ensure we make payments on time.
- > We ask suppliers about their use of subcontractors, recruiters and brokers to have visibility of supply chains.

MAPPING OUR SOURCING COUNTRIES

We continue to pursue a range of initiatives to strengthen our supply chains from a social and environmental perspective.

76.4% of our total apparel procured locally in South Africa and neighbouring SADC countries

81% of the top 100 suppliers are SEDEX members

3 524 outlets

39 950 employees

TFG Africa has outlets in South Africa, Namibia, Botswana, Lesotho, Zambia and Eswatini.

Our localisation strategy at TFG Africa has the potential to create jobs while substantially reducing transportation time and supply chain-related risk. It also brings us closer to our customers as we can respond quickly to new or changing preferences. As we acquire new local businesses, we integrate them into our supply chain and invest in creating even more scale and sustainability.



183 external suppliers

257 first-tier production sites

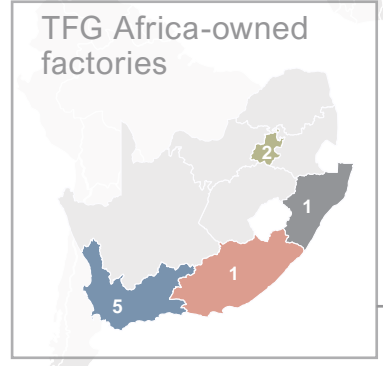
20 sourcing countries

589 outlets

2 316 employees



Each TFG London brand designs and develops their own branded products from offices in London, while finished goods are manufactured by an established network of third-party factories. All brands source their fabrics, components, and raw materials through the same network and in-house. Further to its first-tier suppliers, TFG London continues to map its subsequent supply chain tiers which provide subcontracted and homeworking processes, as well as fabrics, trims, yarns and raw materials. Each brand does not have direct relationships with these suppliers and are managed via their first-tier suppliers.



100% Tier 1 factories are signed up to our Code of Conduct and have social and ethical audit certification.

584 outlets

4 300 employees

total tier 1 factories **269**



Find more detail about our brands and outlets in the Integrated Annual Report.

MAPPING OUR SUPPLIERS

The Group has global sourcing capabilities geared to meet the changing consumer preferences in our different territories. We are committed to trading responsibly in sourcing commodities and input materials and regard this commitment as the foundation for relationships with key suppliers.

We map our suppliers and supply chain to improve our understanding of potential risks and opportunities for TFG. This starts with knowing where our products come from, and who our primary suppliers use. This will help us understand where we need to drive adherence to standards or influence existing practices. Compliance requirements are complex in a fashion retail, homeware or furniture supply chains and the bar gets raised all the time, especially in terms of working conditions, safety and environmental requirements. By understanding these risks and opportunities, we can partner with our suppliers to find sustainable solutions that create value for all.



TFG Africa suppliers

<p>Tier 1 Supplier that receives and manages the order including CMT factories, design and trading houses</p> <p>Mapping status 100% tier 1 apparel and soft accessories suppliers mapped</p>	<p>Tier 2 Primary process subcontractor including mills and dye houses</p> <p>Mapping status 77% of tier 2 suppliers for TFG Design and Manufacturing fabric suppliers mapped</p>	<p>Tier 3 Secondary process subcontractor including yarn spinners and fibre processors</p> <p>Mapping status Not started</p>	<p>Tier 4 Raw material suppliers including farms and plantations</p> <p>Mapping status Not started</p>
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TFG London suppliers

<p>Tier 1 Primary production site for assembly of finished goods before being shipped to brand. Includes processes such as cutting, stitching, quality control and packing.</p> <p>Mapping status Fully mapped</p>	<p>Tier 2 Dye-houses where fabric is dyed and finished (if not at fabric mill). Fabric mills where yarn is woven/ knitted into fabric. Trims include buttons, zips and labels. Subcontractors and homeworking include secondary processes conducted outside of the primary production site such as embroidery, embellishment, printing and in some cases, stitching.</p> <p>Mapping status Partially mapped</p>	<p>Tier 3 Spinning of raw material into yarns.</p> <p>Mapping status Not mapped</p>	<p>Tier 4 Cultivation or extraction of raw material, such as farms, forests, and ranches.</p> <p>Mapping status Not mapped</p>
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TFG London invested in the digital platform, Segura, which allows us to extend our mapping using transactional data that provides additional assurances. Segura is supporting us to reach our ultimate goal of obtaining transparency down to raw materials.



TFG Australia suppliers

<p>Tier 1 Final stage production by a factory that cuts, trims and/or sews.</p> <p>Mapping status Fully mapped</p>	<p>Tier 2 Fabric production by fabric mills, dye houses, wash houses, labelling, hanger suppliers and cartons.</p> <p>Mapping status Partially mapped</p>	<p>Tier 3 Raw material suppliers including cotton, polyester, viscose, leather and linen.</p> <p>Mapping status Mapping project initiated</p>
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TFG VALUE CHAIN RISKS AND OPPORTUNITIES

We consider a range of risks and opportunities in our value chain, which spans international and local suppliers, manufacturing and 4 697 outlets. These include physical and transitional risks related to climate change events.

This year we specifically focused on our South African direct operations and examined future physical and transitional risks and opportunities that could materialise under a “NDC / Current Policies” climate change scenario that aligns with the Intergovernmental Panel on Climate Change’s (IPCC) Shared Socioeconomic Pathway 2-4.5 (SSP2-4.5). Read more about this analysis and segment-specific risks and opportunities in our TCFD report here.



Raw materials

Risks	Opportunities
<p>A risk area in this element of the value chain relates to labour and human rights abuses, including poor working conditions. These issues increase our associated reputational, health and safety and environmental risks (also refer to the risk highlighted across our value chain on the next page).</p> <p>A further risk relates to the materials used in our products. We prefer the use of natural materials for their enhanced circularity qualities while driving the transition of our portfolio of materials to more responsible and lower-impact alternatives. The transition increases the potential cost-push inflation from alternative, more sustainable products and input material substitutions.</p> <p>There is also an increased requirement for traceability, evaluation and certification of raw materials upstream in the value chain. We recognise that agriculture plays a fundamental role in the cultivation of those preferred natural materials, so exploring organic and regenerative agricultural practices is an important step in our journey, which will help to sequester and lock away existing carbon in the atmosphere.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > Sustained increases in product costs and tariffs as well as unexpected short-term price shocks for particular materials. > Lower margins and increased operating costs associated with technology and capabilities to support this. 	<p>By increasing the contribution of sustainable materials in our products, we can contribute to lower carbon emissions.</p> <p>By determining and driving tier 2 raw material supply chain environmental compliance, we drive more responsible and standardised practices.</p> <p>By introducing sustainable labelling and ticketing across all TFG Africa brands, we can inform consumers about their products while knowing that these contain, for example, eco-friendly yarns.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > An increased proportion of sustainably sourced fibres and fabrics may result in lower costs at scale and increased margins. It could also contribute to lower input margin variability. > Technical and product attributes can benefit from shifting into new, innovative substitute fibres and fabrics. This could lead to higher revenues, and potentially higher margins, based on demand shifts and product leadership. > We could also contribute to the development of local agriculture for the production of fibres and fabrics which has the potential to drive higher margins.
<p>Material impact on value chain</p> <p>Upstream and own operations</p>	<p>Timeframe</p> <p>S – M – L</p>

Design and processing

Risks	Opportunities
<p>Climate change impacts, including potential changes to mean seasonal temperatures and duration, can impact materials and design specifications for our brands. This can result in lower revenues and margins for seasonal ranges and items.</p> <p>The availability of traditional chemical inputs, dyes and other compounds can be at risk with the transition to more sustainable design and processing options.</p> <p>Skills shortages in design and processing could limit our ability to reach our empowerment targets in South Africa.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > There are potential increased costs associated with sustainable design attributes which can affect margins. 	<p>By providing a range of training and skills development initiatives, we mitigate the risk of skills scarcity and promote retention while supporting enterprise development.</p> <p>By using three-dimensional sampling, we reduce sample waste.</p> <p>By increasing sustainable design attributes, we can drive longevity and product quality.</p> <p>By eroding seasonality through a more year-round assortment of garments we can lower markdowns and write-offs.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > A higher value proposition based on sustainable design attributes can attract more quality-seeking customers. > The erosion of seasonality can lead to more year-round assortments with lower markdowns and write-offs of seasonal items.
Material impact on value chain	Timeframe
Upstream and own operations	S – M

Production and manufacturing

Risks	Opportunities
<p>The transition to more efficient production machinery comes at a cost both at suppliers and within our own CMT operations. In South Africa, this is exacerbated by load shedding, which requires additional capital investment in alternative power solutions to maintain production.</p> <p>Our owned production facilities and CMTs as well as supplier facilities are subject to physical climate risk due to acute weather events such as floods and fire.</p> <p>The production and manufacturing areas of our value chain are also at risk of modern slavery and human rights abuses, heightened by the reliance on key suppliers or specific regions. Due to the nature of manufacturing in our value chain, there is increased risk around high water use and contaminated waste water, particularly where hazardous chemicals are used.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > Higher investment in load shedding mitigation results in lower margins, higher operating costs and less capex available for expansion and growth. 	<p>In South Africa, we are providing a range of training and skills development initiatives such as the Black Production Manager Programme and team leader and technical skills training, to mitigate skills scarcity and promote retention throughout the local value chain. By funding workplace opportunities for unemployed youth we are investing in employees and consumers of the future while addressing South Africa’s unemployment challenge. This includes lobbying government for grant-funded projects to increase the scale of our social support in skills and enterprise development.</p> <p>Diversification of our pool of suppliers and sourcing regions could reduce risk and improve efficiencies.</p> <p>Near shoring production and manufacture provides greater visibility, influence and control over working conditions and pay.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > Alternative energy sources can reduce operating costs in the long term. > Government incentives, grants and tax benefits for local manufacturing can contribute to reduced operating costs and increased returns on capital projects.
Material impact on value chain	Timeframe
Own operations	S – M

ACROSS OUR VALUE CHAIN

One of the risks that spans several areas in our supply chain relates to the labour involved in sourcing, processing and manufacturing our products. Fragmented certification and assessment approaches limit a transparent, standard and reliable view of working conditions, including human rights, in all fashion supply chains. We are working with partners and suppliers in an attempt to address this challenge.

Supply chain logistics

Risks

Global events are increasingly leading to supply chain disruptions, which could impact product availability and the cost of imported products.

We rely on and have limited influence on third-party partners to implement and drive environmental efficiencies for example in freight, fleet and courier services.

Transition costs are passed on by vendors which increases operating costs. The same applies to third-party investments in efficient logistics modes or technologies.

Our owned and third-party distribution centres are subject to physical risk due to acute weather events.

We continue to monitor areas of our business where there is migrant labour, high presence of refugees, marginalised people, home workers, young workers and a risk of the use of child labour, contract and temporary workers, women workers and outsourced recruitment agencies.

The transport and shipping of our products can have a significant impact on our carbon footprint.

Potential financial impact

- > Physical and transition risks in logistics can lead to higher operating costs and reduced margins.
- > Climate change events can lead to capital losses, lost revenue and sales, as well as increased insurance costs.

Opportunities

We strive to address risks associated with political instability and social unrest across the supply chain by working with industry partners and other stakeholders.

Our investment to increase local supply chain capacity in South Africa, thus near-shoring a lot of production, results in improved efficiency and quick response capabilities. By further consolidating manufacturing and raw materials distribution we can transition to a significantly more efficient logistics and fulfilment model that will ultimately benefit our speed to market.

We can potentially improve cost control, flexibility and speed to market by insourcing and consolidating warehousing and logistics. This gives us the means to centralise strategic capacity planning, thus ensuring the availability of infrastructure and transport as the business grows and changes, including identifying acquisitions for speed, scale and cost advantages.

TFG London have identified key routes and types of freight that will support their decarbonisation efforts.

In the UK, we partnered with QuizRR to offer digital training solutions, developed in collaboration with global brands, suppliers, experts and NGOs, to educate workers in our Chinese supply chain on, for example, minimum wages, forced overtime, child labour, sexual harassment and more.

Potential financial impact

- > Creating local supply chain capacity in South Africa and consolidating distribution could potentially result in increased costs for warehousing and materials in the short term, but will deliver long-term efficiency and cost savings.
- > The transition to solar panels to provide alternative energy can also have a long term energy cost benefit.
- > These investments can result in increased asset value for the Group.

Material impact on value chain

Upstream, own operations and downstream

Timeframe

S – M – L

Retail

Risks

Changing consumer preferences can affect our retail operations in terms of store locations, offerings and inventory. The risk of underperforming stores is elevated by increasing consumer preference for apparel with strong and distinct sustainability credentials.

This also leads to reputational risk with increased scrutiny of claims associated with products' sustainability-related attributes and so-called "greenwashing".

To reduce our environmental impact, we are fitting new stores with energy efficient attributes and we are engaging with landlords with regards to alternative sources of power.

The packaging used in our stores and for online orders has had an impact on the world's forests through our approach to procuring pulp, paper, packaging and fabrics. We recognise that the environmental issues due to an increase in demand for forest-based products as a substitute for single-use plastic must be addressed. This requires supporting the shift away from single-use plastics concurrent with the pressing need for the conservation of ancient and endangered forests.

There is a risk of increased regulatory and reporting burden related to the climate impacts of products.

Potential financial impact

- > Shifting consumer preferences can lead to a decrease in revenues from lower demand for non-sustainable products.
- > We can experience a decrease in revenues or margins from the realisation of reputational risks, which can include fines for non-compliance with sustainability legislation (including greenwashing).
- > Increased investment in energy-efficient technologies in stores can result in dilution of capital returns, and foregone opportunities in expansion and growth opportunities.
- > Additional compliance requirements, technology and related capabilities may increase operating costs.

Opportunities

By launching an integrated e-commerce platform, we can leverage TFG assets in a coordinated manner to improve both efficiency and customer experience.

Our in-house delivery resource, BashDelivery, has the potential to achieve lower costs and better control, with higher customer satisfaction and fewer queries.

We partner with credible institutions and associations to support approaches and systems to avoid using ancient and endangered forests in the packaging, paper or man-made cellulosic fabrics. We collaborate with other stakeholders to encourage the development of solutions focusing on agricultural fibres and recycled content. Read more about our early adoption of post-consumer waste recycle in bags on page 38.

We continue enhancing our outlets' environmental standards by investing in more responsible outlet fittings and adhering to internationally recognised responsible building standards. In the UK we also implemented a Closed Door Policy across our entire outlet portfolio, committing to improving energy efficiency and reducing the energy used for heating, ventilation and air conditioning (HVAC) systems.

Potential financial impact

- > More information sharing can lead to increased costs associated with marketing, communication, certification and labelling.
- > New packaging options and efficiency measures can lead to cost savings.

Material impact on value chain

Own operations and downstream

Timeframe

S – M

Use, extension and end-of-life

Risks	Opportunities
<p>Customers and regulators have increased requirements and expectations related to product recycling, re-use and end-of-life recovery activities.</p> <p>A potential risk could be fines for environmental waste and improper disposal. The business could also suffer reputational harm from improper disposal of environmental waste.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > Efforts to mitigate waste might lead to increased operating costs. > Reputational risk can lead to a decrease in revenues or margins. 	<p>To reduce waste, our products are designed with longevity in mind. To enhance durability and extend product lifecycles, we provide product care guides that include information on washing and maintenance.</p> <p>The availability of new raw materials from recycled sources could be an attractive and lower-cost source of inputs.</p> <p>There is an opportunity to develop new markets for pre-loved products that could attract new customer segments.</p> <p>By partnering with small businesses that repurpose textile waste, we reduce waste sent to landfill.</p> <p>TFG South Africa is a member of a registered Producer Responsibility Organisation to comply with Extended Producer Responsibility.</p> <p>Potential financial impact</p> <ul style="list-style-type: none"> > Recycled raw material inputs can be at a lower cost than current raw materials. > We could increase revenue from alternative income streams and new business models.
<p>Material impact on value chain</p>	<p>Timeframe</p>
<p>Upstream, own operations and downstream</p>	<p>S – M – L</p>



Governance and good corporate citizenship

ESG GOVERNANCE

TFG's purpose and values are the foundation of our stakeholder-inclusive approach to governance.

Our Enterprise Risk Management and combined assurance frameworks form the cornerstone of TFG's commitment to responsible oversight. Consideration of ESG risks and opportunities are integrated into governance structures, processes, policies and frameworks. Performance against the goals and key performance indicators (KPIs) for our sustainability objectives are reported to the Supervisory Board's Social and Ethics Committee at biannual meetings.

Read more about governance in the Integrated Annual Report.

Supervisory Board

The Supervisory Board is accountable to ensure risks are effectively managed and mandated five committees to assist with discharging these duties. Each committee is governed by a formal charter, which guides the committee in terms of its objectives, authority and responsibilities. The charters incorporate the requirements of the Companies Act of South Africa and King IV, as required.

Risk and Audit Committees

Internal and external audit functions identify the potential financial impacts of ESG risks and report to the Audit and Risk Committees.

There is a joint Audit and Risk Committee for TFG London and TFG Australia that also considers ESG risks.

The Enterprise Risk Management framework provides a structured, dynamic and consistent approach to risk management:



Nomination Committee

The Committee ensures balance and diversity in the composition of the Supervisory Board in terms of age, gender, race, skills, independence, tenure and relevant experience, including for ESG.

Remuneration Committee

The Committee provides oversight of remuneration with 17.5% of the Group's strategic targets linked to ESG indicators.

Social and Ethics Committee

The Social and Ethics Committee is, *inter alia*, responsible for assisting the Supervisory Board with the monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. It assists the Group in discharging business responsibilities that include TFG's standing in terms of the goals and objectives of:

- > United Nations Global Compact (UNGC) Principles
- > Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption
- > The Employment Equity Act
- > The Broad-Based Black Economic Empowerment Act

The Committee reviews TFG's good corporate citizenship in terms of:

- > Promotion of equality, prevention of unfair discrimination and reduction of corruption
- > Contribution to the development of communities in which its activities are conducted, or within which its products are marketed
- > Record of sponsorship, donations and charitable giving

Further responsibilities relate to labour and employment, including:

- > TFG's standing in terms of International Labour Organizational Protocol on decent work and working conditions
- > TFG's employment relationships and its contribution towards the educational development of its employees

ESG MANAGEMENT

Operating Board

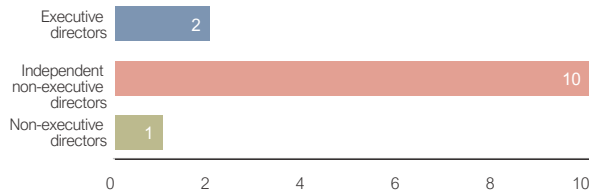
The Operating Board is responsible for day-to-day management and operations. The CEO, who also acts as the Chief Risk Officer, holds overall executive responsibility for ESG risks, including climate-related issues. The CEO reports any significant matters in relation to these risks and opportunities to the Supervisory Board. The CEO is informed about ESG risks through the Governance Risk Committee and the Sustainability Forum.

Sustainability Forum

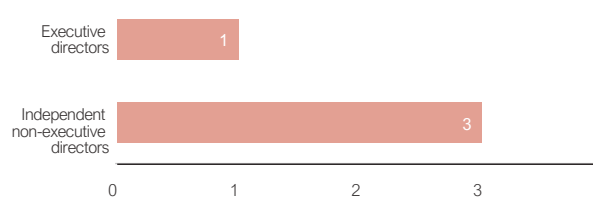
The Sustainability Forum operationalises the strategy, tracks performance against targets, coordinates Group projects and initiatives, and works with external stakeholders. The Forum is led by the Group Head of Sustainability and consists of senior executives responsible for the Group’s sustainability objectives. The Sustainability Forum meets quarterly.

In TFG Africa, the sustainability team forms part of the strategy function that reports to the Chief Strategy Officer, who in turn reports to the CEO. Reporting into the TFG London CFO, the TFG London Head of CSR and Sustainability has direct day-to-day responsibility for understanding the potential impacts of ESG on the organisation, setting the strategic direction to address these risks and opportunities, and monitoring the organisation’s performance in managing them. Dedicated sustainability committees are established to specifically focus on ESG matters. At TFG Australia, the sustainability manager reports to the General Manager, Shared Services who reports to the CEO with responsibilities and engagement across brands and functions, including external stakeholder projects.

Supervisory Board composition



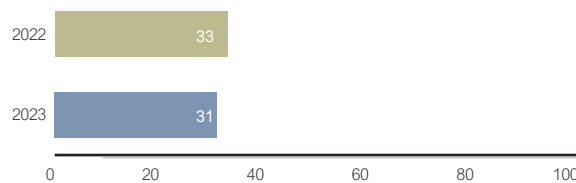
Social and Ethics Committee composition



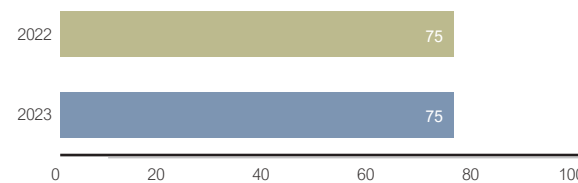
Policies, frameworks and influence

We participate in and comply with a range of projects, regulations and initiatives throughout our value chain in each territory. These affiliations increase our ability to contribute to the development and sustainability of the ecosystem. We make our ESG policies, position statements and regulatory disclosures available on our website.

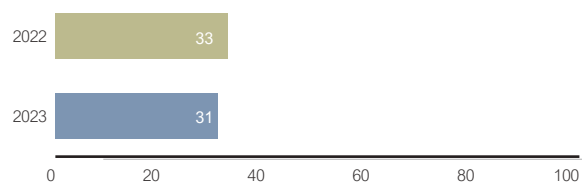
Supervisory Board gender diversity (% women)



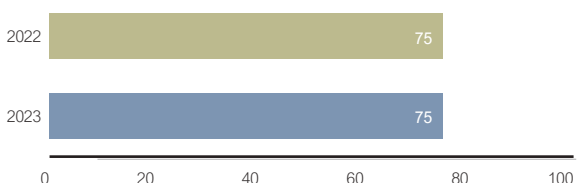
Social and Ethics Committee gender diversity (% women)



Supervisory Board racial diversity (% black)



Social and Ethics Committee racial diversity (% black)



The Group has a zero-tolerance approach to fraud, corruption and other forms of crime or dishonesty. A whistle-blowing facility has been in place since February 1998. Whistle-blowing is encouraged through the outsourced Deloitte & Touche anonymous tip-off line, which is promoted among employees and suppliers. Reports are submitted to the Group Forensics department for investigation. Employees can also report issues, for example harassment, to the Fuse via the TFG on-the-go app, call or WhatsApp services.

Our sustainability context

FASHION AND LIFESTYLE RETAIL TRENDS

Digitisation

New and emerging digital technologies such as artificial intelligence (AI), augmented reality (AR) and 3D printing are streamlining retail operations and creating efficiencies. Applications that have been developed within the supply chain also contribute to enhanced customer experiences. Some retailers are using interactive displays and features such as interactive mirror screens to help customers visualise clothing items and combinations.

Sustainability

The emphasis on sustainability attributes is accelerating and includes the design and manufacturing processes. Consumers also expect retailers to be involved and responsible for products' end-of-life phases. This is driving systemic shifts into new and innovative textiles and materials which were once limited to smaller capsule collections, but now becoming more mainstream and at cost parity to traditional choices.

Social media

Social media and influencers have become critical tools for fast fashion retailers to draw and engage wide audiences, promote an ever-changing range and drive sales. Fundamentally, social media enables fashion brands to build a loyal following that increases customer lifetime value over time.

...responding to fashion and lifestyle retail trends



Personalisation

Fashion brands' uptake of advanced data analytics and tools to personalise customers' shopping experiences continues. Virtual styling assistants and enhanced customer self-service are becoming important customer engagement and service mechanisms. Customers are for example increasingly interested in products they can customise and make uniquely theirs. Fast fashion brands such as Asos and Zara are using machine learning algorithms to suggest products based on a customer's browsing and purchasing history, making the shopping experience more personalised and convenient.

Transparency

Consumers are becoming more aware of the environmental and social impact of fashion production, and fast fashion brands are responding by increasing transparency in their supply chains. There are increasing examples of businesses publishing supplier and factory lists, and enhancing work done on labour standards with the results published publicly.

SUSTAINABILITY DEVELOPMENTS

Rental and second-hand clothing

Thrift store popularity assists in driving the increasing adoption and mainstream acceptance of rental and second-hand clothing. A range of retail options and platforms promote circular fashion and the extension of the clothing lifecycle. Global leaders in this area include Rent the Runway and ThredUp, whereas Yaga has emerged as a leader in South Africa.

Regenerative agriculture

Progressive brands are focusing on upstream improvements at an agricultural level. Interventions such as intercropping and low tilling help to draw down carbon, promote biodiversity and restore natural systems. These have been predominantly focused on wool and cotton production but have applications in other textile sources too.

Blockchain and tracing technologies

Blockchain technology is being explored to enhance transparency and traceability in the fashion supply chain, ensuring that sustainable and ethical practices are followed. Additionally, innovative tracing technologies combine physical and digital intertwining within clothing fibres. These are typically biodegradable, luminescent pigments embedded in the raw fibre which can be scanned at various production phases.

Carbon offsetting and insetting

Carbon offsetting is gaining traction among fashion retailers to mitigate the carbon footprint of their operations, supply chains, and products. The complexity of long supply chains makes direct carbon emissions difficult to affect. Offsetting allows retailers to buy reduction credits from third parties. Other major brands are looking to support carbon insetting, or financing carbon-reducing projects in their own supply chains.

BUSINESS MODEL AND TRADE-OFFS

Our business requires a range of resources and relationships to operate, spanning our entire supply chain. We defined these under the six capitals in our integrated report, focusing on inputs, business activities, outputs and outcomes. We also provide examples of significant trade-offs considered during the past year.

Biodegradable and bio-engineered materials

A remarkable example is the Adidas range of biodegradable sneakers made from mycelium, a fungus-based material. While the majority of textiles used in a typical fashion retailer's supply chain are cotton or polyester, a look into the future of bio-engineered materials made from bacteria, algae, yeast and animal cells suggests more manageable waste-streams and reduced pollution.

“A slowing economy is expected and inflation is adding pressure to retailers’ profit margins, but the retail outlook is not all gloom and doom; retailers have learned much about resiliency in the past few years. Massive demand fluctuations during the pandemic forced retailers to rethink and create more flexible operations. They learned that rapidly evolving consumer preferences require more effective analytics and tools to build loyalty.”

- Deloitte 2023 Retail industry outlook



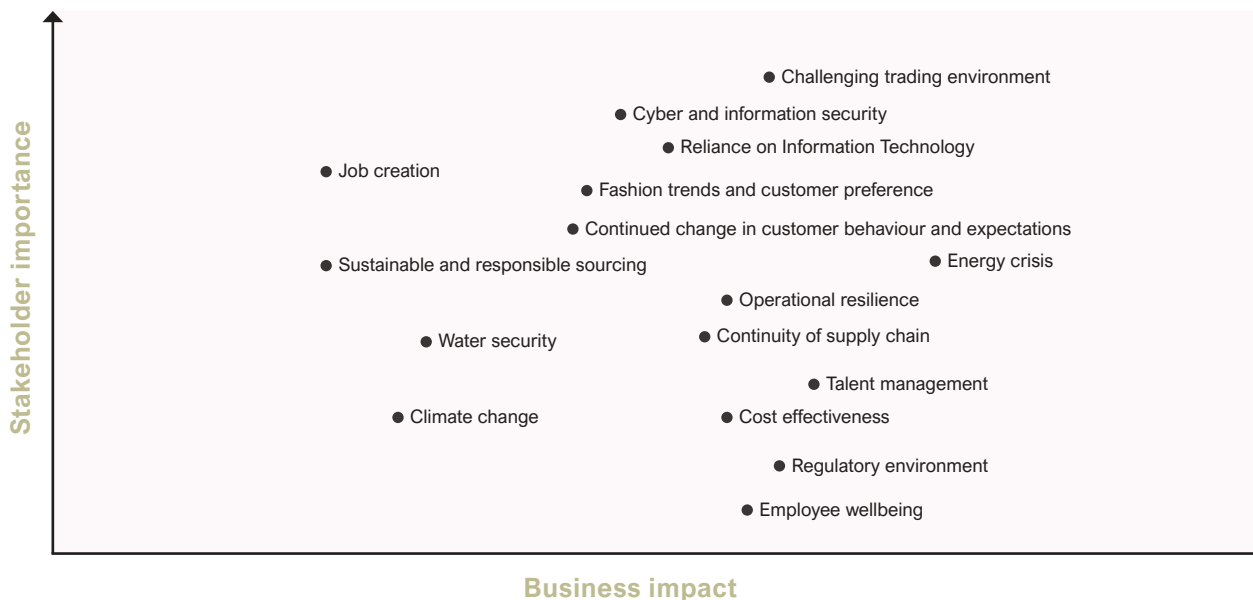
Our material matters, risks and opportunities

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

We review and update these matters as part of our continuous enterprise risk cycle. We consider several internal and external factors when determining these material issues. These factors include the Group's strategy, our stakeholders' expectations and concerns, sustainability in our supply chain, the competitor landscape and our current trading environment across all the territories in which we operate.

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

Our material matters apply to TFG Africa, TFG London and TFG Australia, albeit with different levels of likelihood and impact. They remain aligned with the Group's material matters reported in 2022.



CHALLENGING TRADING ENVIRONMENT

TFG continues to be exposed to uncertain and unstable economic, social and political environments in all territories in which it has a presence. High inflation combined with an energy crisis has resulted in increased cost of living and brings threat of recession. This could lead to further constrained growth as it affects consumer confidence and spending patterns, customers' purchasing power and influences their ability to settle accounts.

Risks impacting TFG

- > In South Africa, increased load shedding, the performance of state-owned enterprises, youth unemployment, social inequality, deterioration of infrastructure and corruption remain a concern.
- > Tensions remain between China and Australia, which could negatively impact TFG Australia's supplier relationships.
- > The Russia-Ukraine war impacts global food and energy prices.

Trend

Increasing

Opportunities and risk management

- > The Group has an increasingly diversified business model and strives to increase accessibility to the market by growing its footprint in varied locations.
- > We continue to refine our credit score models, and regularly review our collection strategies.
- > Our resilience and balance sheet strength enables us to take advantage of opportunities to expand our footprint and increase our manufacturing capacity.

Term

S – M

CONTINUED CHANGE IN CUSTOMER BEHAVIOUR AND EXPECTATIONS

Delivering an integrated, secure omnichannel customer experience across our various brands continues to be a strategic objective for TFG. Our customers expect a seamless experience across all channels and in all interactions with the Group. Our customers, employees and investors have also come to expect TFG to act responsibly, taking due cognisance of the environment in which we operate, our social responsibility and the challenges facing our planet.

Risks impacting TFG

- > Adapting the Group's store network to the changing needs of the Group's customers and securing the most appropriate mix of multichannel distribution remains critical.
- > An inability to provide quality customer experiences and grow brand affinity could impact our growth outlook and future brand equity.
- > We need to ensure ethical and sustainable sourcing of products and services across our supply chain while still delivering value to our stakeholders.

Trend

Stable

Opportunities and risk management

- > Strategic investment in digital transformation remains a strategic priority for the Group and a focus in the short to medium term to support our future resilience and success.
- > In South Africa, our localisation strategy brings efficiency, reduces shipping cost, limits supply chain disruption and creates employment opportunities.
- > Continued focus on our sustainability initiatives.

Term

S – M – L

FASHION TRENDS AND CUSTOMER PREFERENCES

As TFG aspires to create the most remarkable omnichannel experiences for our customers, our ability to offer, predict and deliver according to the latest trends and customer preference is essential for value creation. Our customers are increasingly seeking value and sustainable products.

Risks impacting TFG	Opportunities and risk management
<ul style="list-style-type: none"> > Our ability to generate profits could be undermined by a failure to quickly and accurately interpret and respond to fashion trends. > The inability of our brands to cater for a shift in consumer preferences. > Ensuring sustainable sourcing of products while remaining cost competitive and value conscious. 	<ul style="list-style-type: none"> > Our brands are positioned as fashion-forward and premised on our market-leading, in-house capabilities in clothing and store design. > In South Africa, value continues to be created through our QR supply chain and increasing our local manufacturing capacity remains a strategic objective. > Continued focus on our sustainability initiatives.
Trend	Term
Stable	S – M

TALENT MANAGEMENT: ATTRACTING, RETAINING AND DEVELOPING KEY TALENT

Our ability to create value depends on our people. TFG has to retain and develop its core and critical skills pool while continuing to attract the best talent in the industry and embedding a culture of high performance.

Risks impacting TFG	Opportunities and risk management
<ul style="list-style-type: none"> > In South Africa, it is essential that we attract and retain employment equity candidates. The Employment Equity Amendment Bill has been signed by the President and the implementation date is awaited. > Considering the highly competitive retail market, a lack of focus on talent management could erode TFG's leadership pipeline and impact our ability to execute our strategic objectives. > It is challenging to attract and train employees with the skills necessary to carry out the Group's digital transformation initiative. > Globalisation continues to drive South African professional skills to prefer working in international markets. 	<ul style="list-style-type: none"> > We continue to invest in talent through various talent development programmes to develop our future leaders. > Launch of Bash and Bash Incubator Programme. > Introduction of a scholarship programme for data skills. > Employment equity plans, which provide clear accountabilities and targets, are in place for each division in TFG Africa. > Transformation plans include reskilling and training of our talent. > Expansion of our local supply chain positively influences job creation and upskilling.
Trend	Term
Increasing	S – M – L

RELIANCE ON IT

IT continues to change the environment in which TFG operates and alters how we create, process and disseminate information critical to business performance. The Group has become increasingly dependent on IT to conduct certain operational and processing activities and continuous innovation is required to provide a seamless customer experience and respond to market disruptors.

Risks impacting TFG	Opportunities and risk management
<ul style="list-style-type: none"> > Failure to properly understand the impact of IT innovation in the retail sector could undermine the Group's future growth and success. > Increased risks of cyber security incidents threaten the privacy of our employee and customer-related data. > Increasing reliance on IT has raised the significance of potential IT failures within the Group. 	<ul style="list-style-type: none"> > TFG recognises the importance of IT and continues to invest in this area – as prioritised in our digital transformation strategy. > We continue to invest in cyber security and the Risk Committee is regularly updated on IT-related risks and mitigation plans. > IT disaster recovery plans are in place across the Group and are regularly reviewed. > Simulation exercises are conducted to continuously improve our business continuity plans.
Trend	Term
Increasing	S – M – L

ENERGY CRISIS

The South African energy crisis is ongoing and escalating. Widespread national blackouts of electricity supply first began toward the end of 2007. The past year has been the worst year of load shedding in South African history and the first year that most of the load shedding was in Stage 4 and beyond.

Risks impacting TFG	Opportunities and risk management
<ul style="list-style-type: none"> > Continuity of our operations and our third-party suppliers > Increased cost of operations impacting operating profit > Increased stages of load shedding influencing customer behaviour and spend > Availability of water in areas that experience excessive load shedding impacting hygiene and productivity. 	<ul style="list-style-type: none"> > We continue to invest in alternative power across our store base and supply chain > Business continuity plans consider the impact of continued and escalated levels of load shedding, including a shortage of water. > Simulation exercises are conducted to continuously improve our business continuity plans. > Engaging with our suppliers to understand their levels of resilience.
Trend	Term
Increasing	S – M – L

CYBER AND INFORMATION SECURITY

The number of cyber security incidents continue to escalate and the continued combined impact of the Russia-Ukraine war, socio-political upheavals and ongoing financial stress is likely to create more exploitable opportunities for cyber criminals.

Risks impacting TFG	Opportunities and risk management
<ul style="list-style-type: none"> > Increased risks of cyber security incidents that threaten the privacy of our employee- and customer-related data. > Reputation risk associated with a cyber security incident. > Continuity of operations threatened by a ransomware attack. > Cyber security of our third-party service providers. 	<ul style="list-style-type: none"> > We continue to invest in cyber security and the Risk Committee is regularly updated on IT-related risks and mitigation plans. > Simulation exercises are conducted to continuously improve our cyber incident response plans.
Trend	Term
Increasing	S – M – L



Our sustainability strategy

TFG’s strategy is anchored in our purpose and vision. We use the acronym “BOLTS” for the five strategic pillars, which define what we seek to achieve for our business and stakeholders through a sustainable business model. Our sustainability objectives support the sustainability pillar and are shared across our three territories. As each territory has different social and economic contexts, they each have their own sustainability focus areas and goals aligned to these objectives.



OUR SUSTAINABILITY OBJECTIVES AND COMMITMENTS

Our sustainability objectives and commitments guide us in areas where we want to have a positive impact. We measure our progress according to key performance indicators per business segment as there are differences in the emphasis and dynamics for each. These are set out in the data tables from page 3.

Fashion that connects people and their passion

We want people to live better lives and live up to their full potential. Our purpose inspires us to help people find their passion and improve their wellbeing. As such, we can all contribute to a better world.

Social and economic inequality limits people's ability to live better lives. Through financial inclusion support, youth empowerment and promoting enterprise through our supply chain, we provide opportunities for participation, financial and non-financial support and a partner to help scale their businesses.

Our commitment

We are committed to transformation, human rights, inclusivity and job creation.

We are transforming our Group to reflect the diversity of our customer base and the communities we operate in. The broader transformation imperative includes investment and partnerships with government, dedicated progress with B-BBEE and continued social investment through the TFG Foundation.

We are committed to increasing transparency in support of human rights in our supply chain, and to creating inclusive workplaces to attract and retain talent. This includes understanding current and future trends that influence our work environment in order to differentiate our employee offering and strengthen our employer brand.

We promote diversity, inclusion and equity through fair access and availability of opportunity, and potential for greater collaboration and partnerships with all stakeholders, regardless of their differences. We strive to identify and remove biases and barriers to inclusion by building a sense of belonging and respect through dedicated efforts and initiatives.

We are committed to addressing unemployment in South Africa by creating jobs. We support government's 2030 R-CTFL masterplan for the clothing manufacturing sector. As such, we remain locally attuned and responsive.

Fashion that shares the benefit of enterprise

The clothing, sports, homeware and other lifestyle manufacturing industries are significant employers, albeit part of complex global value chains. With fashion seasons becoming shorter, long import lead times and shipping costs negatively affect value, brand relevance and customer satisfaction. Ethical concerns in global supply chains also carry a significant reputational risk for fashion brands.

South Africa's local clothing manufacturing capability has deteriorated over the past few decades with the lure of cheap imports from the East, rising local labour costs, import duties on yarns, cotton threads and other raw materials, ageing infrastructure, and a skills shortage. Job losses have also been severe. Furthermore, South African retailers had to start competing with an expanding offering from global brands entering the market.

Our commitment

We believe in partnerships as the most impactful way to optimise supply chains, support small businesses and drive localisation. We are also committed to developing ethical and transparent supply chains that source commodities responsibly.

In South Africa, we are committed to growing a strong local manufacturing sector that can effectively respond to shifts in consumer demands, ensure convenience, and support immediate fulfilment.

Over the last five years, TFG has been working with the South African government and the Department of Trade Industry and Competition (the dtic) to create a diversified local supply chain, thereby reducing reliance on China and other international suppliers and positively influencing local job creation and upskilling. This includes developing enterprises and diversifying our supplier profile in support of B-BBEE.

Our recent acquisition of Tapestry is an example of a scale opportunity where we can integrate and grow our local manufacturing capability. In addition to supplying our @home and Jet Home businesses, we now have three vertically-integrated factories supporting our Tapestry brands (Coricraft, Volpes, Diala-Bed and The Bed Store). Initial production runs are significantly more cost effective than imports, and enable us to also reduce transport-related emissions.

Fashion that restores our relationship with nature

Fashion retail depends on a long and complex supply chain that requires water, materials, chemicals and energy from its point of origin in agriculture to petrochemical production (for fibre production), manufacturing, logistics and retail. It is widely acknowledged that the global fashion industry is one of the most polluting ones. From chemical dyes, water use and pollution, microplastics, greenhouse gas emissions or textile waste, there are multiple challenges to tackle.

Fashion retailers are increasingly focusing on climate risk in the supply chain and mitigating this through renewable energy purchases, actively reducing supply chain carbon footprints and improving material selection.

Our commitment

We want to practise responsible product stewardship in the way we design, manufacture, sell and dispose of products to minimise environmental impact.

We commit to working towards a zero-waste business and value chain, to reduce emissions and increase customer awareness of environmental issues by being transparent and inspiring customers through our brand initiatives.

We recognise that we can make a positive difference by increasing our resource efficiency. Although our direct environmental impacts are low, it is still important that we measure and reduce our requirements 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.

Current focus areas include improving energy efficiency within our own operations and establishing a circular solution for textile waste.



Our sustainability progress and outcomes

FASHION THAT CONNECTS PEOPLE AND THEIR PASSION

Key deliverables for 2023

Since joining the **YES programme** in 2021, TFG Africa has welcomed 1 132 young participants into our outlets, contact centres and offices to gain work experience. We have a dedicated YES team supporting these participants to gain new skills. In 2023, 707 young people joined the programme and we plan to increase this number in FY 2024. Companies typically absorb around 5% of these participants. TFG appointed more than 60% into permanent positions in previous years. This is evidence of the success of the programme in preparing unemployed young people for real jobs. Next year, YES participants will also join the distribution centres and factories under the TFG portfolio.

We launched a **TFG Sustainable Design Incubator** with four emerging designers from across South Africa. We plan to use this six-month intensive immersion programme to create self-sufficient suppliers that can fill the order pipeline for TFG. The young designers will gain access to industry knowledge, training and mentorship in sustainable design, technical drawings, pattern making, cutting, production processes and costings. We designed their programme with the UN SDGs in mind and aim to give them tangible experience and future networks. The designers were given an opportunity to present their ranges to Bash during the year and are now going into the production phase to fulfil their first orders.

We invested in **preparing employees for change**, leading with a readiness initiative before the launch of our Bash platform in South Africa. We wanted employees to be able to effectively communicate the vision of an “endless aisle” experience and thus provided 20 100 employees with the necessary skills to navigate, use and support clients on Bash. Similarly, we prepared employees for the new TymeBank, MoreTyme and TFG Connect Sim offerings through in-store, kiosk and online channels. Our change management capability includes new business integration, building on our experience with Jet, and is becoming a key success factor as we continue to add brands and businesses to the TFG portfolio.

To enhance our talent attraction efforts, we launched **Bashcareers**, a sub-brand showcasing our principles and tech-driven approach to creating customer value. This initiative has been instrumental in attracting diverse talent and reinforcing a high-performance culture focused on autonomy, agility and iteration.

Our **new diversity, equity and inclusion policy** brought new awareness, focus and an understanding that our employees, customers, suppliers, partners and stakeholders have different backgrounds, abilities and perspectives. This can be leveraged to develop new strategies and ways of thinking, encourage and improve collaboration and enhance our working and shopping spaces. The policy promotes human dignity as well as the achievement of equity, and the promotion of human rights and freedoms. TFG Africa has zero tolerance for any unfair discriminatory practices. This year we also encouraged employees to disclose disabilities, especially in our factories where we could offer support through our on-site clinics, including access to medication.

In South Africa, we continued our **partnership with Gift of the Givers** and made donations to various communities that required disaster relief assistance. We also continued our support to Taking Care of Business through merchandise donations. We supported innovative brand projects such as the SportsScene initiative that enabled young upcoming artists to use professional recording studios in the Group’s stores to further their development, hone their talent and produce music that they may be able to distribute for a profit. Total corporate social investment amounted to R30,2 million.

Our **Voice of Employee survey** specifically included a focus on diversity, equity and inclusion, enablement and engagement. We asked employees about belonging which elicited great engagement and positive feedback. The survey will be done every two years to allow business unit improvement plans time to deliver real change.

We introduced a number of new policies to employees during the year. These included among others, a job evaluation policy, a talent recruitment policy, a disability inclusion policy and a graduate policy. We also introduced a policy on the **elimination of harassment** and provided extensive training to increase awareness and encourage employees to report any incidents.

TFG's Markham brand partnered with Primestars, a leading youth development and education organisation focused on supporting public schools across South Africa for the **What About The Boys** 16 Days of Activism initiative. By re-educating boys, the initiative helps overcome gender-based violence in South Africa. It addresses gender stereotypes and emotions and inspires boys to become better men.

The Foschini brand donated R10 from every dress sold in South Africa from 1 December to 16 December 2022, to the **Saartjie Baartman Centre for Women and Children**. The centre opened in 1999 as the first multi-disciplinary service centre for abused women and children in the country offering 24-hour crisis response, a residential shelter and transitional housing, legal assistance and job-skills training.

TFG London commissioned Anti-Slavery International to carry out a high-level **Human Rights Risk Assessment (HRRRA)** at our UK distribution centres, using a worker-centred methodology. We mainly considered risks in relation to permanent and agency worker recruitment practices. The participatory assessment enabled us to bring the voices of workers to the fore and thus ensure the appropriateness of any actions planned or taken. We selected distribution centres as the logistics sector is a high-risk area for modern slavery risk due to the prevalence of migrant workers, third-party labour recruitment agencies and a predominantly female workforce.

TFG London embarked on a two-year programme to **improve purchasing practices**. We joined a group of multi-stakeholder initiatives (MSIs) that developed a Common Framework for Responsible Purchasing Practices (CFRPP) for the garment industry. This group also established a Learning and Implementation Community (LIC) as a peer-learning environment for companies to support practical improvements in purchasing practices. The group includes representatives from the Ethical Trading Initiative (ETI), ET Norway and Denmark, Fair Wear (FW), Partnership for Sustainable Textiles (PST) and representatives of the former Dutch Agreement for Sustainable Garments and consulted with Better Buying Institute, ACT, ILO Better Work and the Sustainable Terms of Trade Initiative. The LIC offers a series of online interactive workshops, which will include discussions and problem solving with suppliers and will also be developing resources including guidelines, case studies and tools. The LIC is funded by the Initiative for Global Solidarity (IGS) implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (supported by the German Federal Ministry for Economic Cooperation and Development) and the Sustainable Textile Initiative: Together for Change (STITCH) (supported by the Dutch Government).

TFG Australia improved **worker grievance mechanisms** including an anonymous grievance hotline for our tier 1 workers. Currently, this is operative in Chinese factories and in the process of being rolled out to other countries. All factories receive hotline instructions which they must display in specified locations around their factory to be easily accessible by workers. Workers can contact our hotline by free phone, WeChat, or email. Our hotline service is operated by an independent third party who then reports findings to RAG to develop corrective action plans where necessary.

At TFG London, we made progress working with our suppliers and **homeworker organisations** to map their supply chains down to the level of homeworkers. This is supported by our homeworking policy, which recognises the equality of homeworkers and provides permission to suppliers to disclose homeworking. In the process of developing the policy we consulted the Home Workers Worldwide toolkit, which provides clear and actionable suggestions on how to promote transparency and enable due diligence.

TFG Australia developed and rolled-out **modern slavery training** to several tier 1 factories, including suppliers, factory managers, line managers and worker representatives, with the help of a third party.

FASHION THAT SHARES THE BENEFIT OF ENTERPRISE

Key deliverables for 2023

In January 2023 we welcomed the first cohort of TFG's **Data Science and Leadership Fellowship** students for TFG Africa. Funded by the TFG Foundation, the six students (of whom four are women) will study at five leading South African universities, gaining much-needed skills for our business and country. They will help us harvest insights from big data and guide our future investment in data assimilation and interpretation. The students were selected for their academic excellence, levels of innovation, creativity and leadership.

At TFG Australia, all brands engaged with their respective **key charity partners**: RUOK?, Make a Wish, The National Breast Cancer Foundation, Beyond Blue and Polished Man.

We retained **level 3 for B-BBEE** at TFG South Africa and made significant progress in the preferential procurement portion of the scorecard, with increased support for designated group suppliers. Our aim is to support small, medium and micro enterprises to grow into fully independent local suppliers. In the long run this will transform our preferential procurement in both the non-merchandise and merchandise categories. Support to exempt micro enterprises and qualifying small enterprises included grant allocations, direct costs incurred on their behalf, advances, preferential payment terms, clothing donations, fabric donations, skills transfer/business development support and machine donations. Our support culminated in a 147% increase in the level of spend allocated to black-owned designated groups compared to the previous year.



FASHION THAT RESTORES OUR RELATIONSHIP WITH NATURE

Key deliverables for 2023

TFG's IT infrastructure is vast, complex and contributes to **e-waste and emissions**. This year we standardised our device supply and started engaging our main supplier for TFG Africa about their value chain, including raw material traceability, ethical sourcing and child labour. TFG Africa devices currently contain 30% recyclable materials with our intent to have 100% recyclability by 2030. Going forward we have five focus areas:

- > To procure more sustainably keeping circular design and maintenance in mind
- > To reduce energy consumption by starting to measure and identify impact opportunities
- > To reduce data consumption through user behaviour and file optimisation
- > To prolong useful life through reconfiguration, maintenance and repurposing of equipment
- > To void landfill by reselling, recycling and exploring best practice disposition

We are piloting and testing **inbound product checks** using RFID technology in South Africa. This improves accuracy for both the distribution centre and suppliers, leading to an optimised inbound supply chain that helps reduce waste.

We have been exploring **alternative packaging** options for outbound cartons that meet our protection and environmental criteria. The South African logistics team is targeting 100% use of recycled or re-used outbound cartons. In outlets, we also aim to have recycled or fully recyclable packaging.

The new Riverfields distribution centre has been designed and specified as an EDGE-certified green building. EDGE is a **green building certification** system focused on making buildings more resource efficient. Solar-generated power was also installed at the Midrand distribution centre.

We conducted a **new transport model** pilot using a small group of outlets in Durban. Early results showed increased transport optimisation for the control outlets, with full scaling of the model planned for FY2024. The Durban transport model change is a key initiative for further changes in other regions where the opportunities for emission reduction and transport savings are significantly higher.

We use leading **network optimisation software** to analyse new opportunities in both the inbound and outbound transport networks at TFG Africa. Full-time internal resources identify opportunities to reduce the use of fuel and associated emissions by moving products over shorter distances. Key external benchmarks are being used as part of our data analytics to ensure that we achieve the most optimal and sustainable transport solutions.

TFG supports efforts to drive a **circular economy**. As such, we launched a project at TFG Africa to meet the requirements of the South African National Environmental Management Act and the National Environmental Management: Waste Act for a minimum of 50% post-consumer waste recycle in bags from 1 January 2023, 75% from 1 January 2025, and 100% from 1 January 2027. The project also supported our commitment to the SA Plastics Pact which requires that by 2025, 100% of plastic packaging will be reusable, recyclable or compostable, that 70% of plastic packaging will be effectively recycled and feature 30% average recycled content across all plastic packaging.

For TFG Africa, this entailed a journey of consolidation, standardisation, brand and supplier engagement. We made several improvements to our plastic shopping bags:

- > In 2020 we shifted from virgin plastic to a mix of 30%, 50%, and 100% industrial waste bags.
- > In 2021 we engaged with brands and helped them transition to post-consumer waste bags.
- > In August 2022 we introduced 100% post-consumer waste plastic bags across all our plastic bag-using brands.

Through these actions, we were able to shift to 100% post-consumer waste recycle in bags by September 2022.

At TFG Africa, all new stores, including those that are relocated, expanded or revamped, are fitted or re-fitted with the latest **LED lighting technology** across all brands.

TFG Africa' The Fix brand launched a **local clothing range called Changes***. Locally designed and manufactured by TFG Design and Manufacturing, the fabric is produced from plastic and cotton waste. The plastic is turned into polyester and the cotton waste sourced from fabric offcuts in garment production. The yarn is imported and the fabric knitted locally, depending on colour availability. Designed and produced locally, the Changes* range promotes the work of young graphic artists. Our aim is to drive awareness for the designer but also provide our customers with limited edition ranges.

At TFG Australia, 27% of our cotton has been sourced via **Better Cotton** against a target of 30% by 2026. Better Cotton is sourced via a system of mass balance and while we invest in Better Cotton, some of our products might therefore not contain Better Cotton.

SBTi validated the following targets for TFG London:

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

The targets translate to:

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

At TFG London, we invested in **offsetting to further accelerate our net zero ambition**. TFG London purchased carbon offsetting credits as an interim solution to abate residual emissions that cannot yet be reduced through decarbonisation actions. Approximately 11% of TFG London's footprint of emissions through direct operations have been offset.



STAKEHOLDER OUTCOMES FOR 2023

TFG’s business activities impact stakeholders in different ways, and stakeholders impact us in turn. Our stakeholders directly influence if and how we create or preserve value. By understanding our stakeholders, and being responsive to their needs and interests, we can share value and avoid value erosion.

This means creating inspiring customer and employee experiences, enhancing our supply chain and contribution to social and environmental challenges. Stakeholder engagement also provides input into what is material for TFG and what the Group must focus on to remain competitive and sustainable.

Customers

Customers have specific expectations relating to in-store and online experiences and credit queries. They also engage with us regarding merchandise and fashion trends through our social media channels.

Customers enjoyed unrivalled fashion and lifestyle choices through 34 individual brands this year. We opened 381 new stores across our territories and added 169 new outlets with the acquisition of Tapestry, enabling us to provide customers with more opportunities to shop conveniently in more locations. We launched Bash, offering TFG Africa customers an omnichannel shopping experience across all our merchandise categories. We saw a 10,2% increase in our already significant TFG Rewards base and more than 2,8 million new customers joined the Rewards programme.

As an additional value-added service to customers, TFG South Africa’s partnership with TymeBank ushered in a new end-to-end, digital financial services offering in the retail environment. Through 600 kiosks across nine TFG brands, customers are provided with near-instant debit cards, personal loans and an evolving suite of services.

TFG Africa also launched TFG Connect, a TFG-branded mobile virtual network operator with prepaid and pay-monthly products that can be purchased using cash, debit or credit cards or a TFG account.

Read more about our digital customer reach and omnichannel experience in the Integrated Annual Report.

Shareholders and lenders

Shareholders and lenders require sustainable growth, accompanied by transparent and ongoing communication regarding ESG-related matters, our strategy, business model, approach to capital allocation and future prospects.

We continued to expand investor reporting, including the publication of our first investor-focused TCFD report, engagement and disclosures to improve transparency and provide insights on potential risks and opportunities. TFG also reinvested to grow the business while prioritising cost-saving initiatives across all our operations.

Dividends paid to shareholders increased by 194,2% this year. A total dividend of 320,0 cents per share was declared.

Lenders received more in finance charges this year as net debt increased with the increased expansion of the Group. TFG remains a quality client with a strong repayment track record and sustainable operations.

Environment

As a fashion retailer, we are increasingly expected to focus on climate risk in the supply chain and mitigate this through renewable energy purchases, actively reducing our supply chain carbon footprint and improving material selection.

Flooding and climate change-related events continued to impact outlets, warehouses and production facilities across all our territories, particularly TFG Africa and TFG Australia.

We aim to mitigate climate-related impacts, optimise resource use and reduce emissions. We are improving energy efficiency in our outlets and operations. We are also investing in solar as an alternative energy source for our distribution centres.

TFG relies on water across a long and complex supply chain. Water is largely sourced from third-party sources and in direct operations, recycled water is important for business continuity. Purification plants treat water before use in operations.

The rollout of our integrated energy plan was delayed as the Group prioritised the installation of alternative power solutions to partly mitigate the impact of load shedding in our South African operations. TFG Africa invested c.R200 million in capital expenditure for alternative power solutions. Additional unbudgeted diesel and security costs were also incurred to power and protect certain operations and stores impacted by load shedding.

We commenced a climate scenario analysis in TFG Africa, focussing on our South African direct operations, and examined future physical and transitional risks and opportunities that could materialise under a “NDC / Current Policies” climate change scenario. Our analysis incorporates scientific research, regulatory developments, and market trends to provide a clear picture of how climate change can impact our organisation’s financial position, market competitiveness, and overall sustainability.

Employees

Employee expectations include training, development, career advancement, remuneration and performance management, change management in response to our digital transformation journey, safety, health and wellbeing.

The TFG team comprises 46 566 employees in Africa, the UK and Australia. Employee costs increased by 22,4% this year, and employees received training, brand discounts, access to wellness initiatives, and were encouraged to achieve their personal best in a high-performance culture. The uptake of our TFG-on-the-Go app increased to about 70% of the TFG Africa employee base, giving employees a range of self-service options including access to our learning platform, payslips, policies and more. This supports our human resource vision, priorities and employee value proposition that includes implementing and rolling out digital channels for employee communication and technology-facilitated blended learning. We continued maturing shared services and improved engagement levels based on human capital metrics and analytics.

Total investment in employee training and development increased by 27,6% to R172,4 million. A total of 37 001 employees received training during the past financial year.

To ensure employee safety, we rolled out a digital occupational health and safety (OHS) checklist in South Africa that is managed by facilities management risk officials. Factory safety committees conduct monthly OHS inspections that are shared monthly with the operating board and bi-annually with the Social and Ethics committee.

Read more about employee initiatives, including our Voice of Employee feedback from page 36 and about remuneration outcomes in the Integrated Annual Report.

Suppliers

Our mutual intent is to establish trust and loyalty and align business interests for the long term. Our suppliers expect oversight and transparent communication on various supply chain-related issues.

Suppliers received 20,1% more financial value while TFG also invested in local supplier development and manufacturing.

We helped suppliers grow their businesses and managed merchandise orders better in response to customer demand.

We met our target of investing R72,8 million in enterprise and supplier development. Through this investment we aim to support small, medium and micro enterprises to grow into fully independent local suppliers.

We require new suppliers to meet a range of mandatory compliance criteria, including acceptance of the Supplier Code of Conduct, social and ethics audit reports, health and safety certification and B-BBEE certificates.

Government, legislators and regulators

Government, legislators and regulators expect us to participate in growing the economy through job creation and by complying with all applicable regulatory requirements. Additionally, revenue authorities expect us to pay a fair, transparent and proportionate amount of taxation.

TFG maintains constructive relationships with key government departments, closely monitors policy developments and where applicable, submits comments on new legislation through industry representative bodies. We engage with government through business and industry associations such as Business Unity South Africa (BUSA) 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.

TFG is a signatory with formal commitments to the R-CTFL masterplan to increase local production and increase local job creation in South Africa.

TFG is a reliable corporate taxpayer that supports the economy by providing jobs, infrastructure and goods.



Non-profit organisations and communities

Many of our other stakeholder groups are present, reside in and rely on the health and stability of these communities too.

During the year, TFG Africa provided 2 076 contract work opportunities in retail, creating more employable people within our communities.

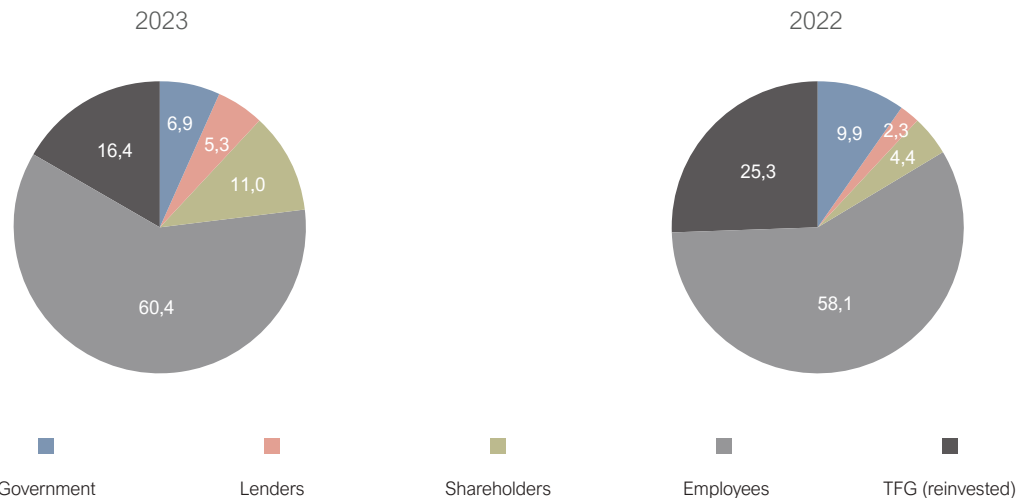
TFG Africa continued to partner with Gift of the Givers to make donations to various communities that require disaster relief efforts, while also supporting innovative projects such as the one delivered by our Sportscene brand. This projects allows for young upcoming artists to have an opportunity to use professional recording studios within Sportscene stores to further their development, hone their talent and produce music that they may be able to distribute for a profit. Our significant projects include contributions to the Youth Start Foundation, Little Kids KZN and NOAH. In the financial year ending 31 March 2023, TFG Africa donated R30,2 million to CSI/SED initiatives.

Through its brands, TFG Australia continued to engage with key charity partners, RUOK?, Make a Wish, The National Breast Cancer Foundation, Beyond Blue and Polished Man to support communities.

TFG London donated a selection of samples and clothes to Smart Works UK, a charity that provides high-quality interview clothes and interview training.

VALUE ADDED SUMMARY FOR 2023

	2023 Rm	%	2022 Rm	%
Retail turnover	51 778,1		43 370,3	
Paid to suppliers for goods and services	(36 842,9)		(30 684,6)	
Value added	14 935,2	100,0	12 685,7	100,0
Applied as follows:				
Employees				
Remuneration to employees	9 019,6	60,4	7 366,8	58,1
Providers of capital				
To lenders as finance charges	793,9	5,3	292,9	2,3
To shareholders as dividends	1 635,6	11,0	556,0	4,4
Taxation	1 037,5	6,9	1 255,9	9,9
Reinvested				
Reinvested in the Group to finance future expansion and growth	2 448,6	16,4	3 214,1	25,3
Employment of value added	14 935,2	100,0	12 685,7	100,0



ESG consolidated data

In this chapter we provide a range of ESG data including:

1. A summary of our contribution to the United Nations' Sustainable Development Goals
2. An ESG data table informed by the JSE Sustainability Disclosure Guidance

Various TFG sustainability-related policies and position statements are available on the website.

OUR CONTRIBUTION TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

We want to have a positive impact and contribute to global priorities. TFG supports the intent of the sustainable development goals as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

We recognise that the 17 goals are interdependent and require partnerships and collaboration to make real impact. TFG's priority goals are 8, 9 and 12. In South Africa, we also support the 2030 National Development Plan, which aims to eliminate poverty and reduce inequality by 2030.



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



Target 8.2: Diversify, innovate and upgrade

Our contribution

- > TFG employed 46 566 people and delivered turnover of R1,1 million per employee (FY 2022: R1,1 million per employee).
- > TFG made a R3,1 billion capital investment this year, with 72,1% of this investment being expansionary and supporting our digital transformation journey.



Target 8.3: Promote policies to support job creation and growing enterprises

Our contribution

- > TFG invested R72,8 million in supplier and enterprise development in South Africa.
- > TFG created 1 537 new jobs among owned factories in South Africa.



Target 8.5: Full employment and decent work with equal pay

Our contribution

- > 2 076 work opportunities were offered at TFG Africa this year, focusing on young, unemployed people.
- > TFG pays a minimum wage that is higher than the legislated minimum wage in South Africa. Read more about remuneration in the Integrated Annual Report.



Target 8.6: Promote youth employment, education and training

Our contribution

- > 707 young people participated in the TFG YES programme that provides youth with workplace experience.
- > 13 study bursaries were awarded this year and 6 students were supported through TFG's Data Science and Leadership Fellowship.



Build resilient infrastructure, promote sustainable industrialisation and foster innovation



Target 9.2: Promote inclusive and sustainable industrialisation (UN definition: Promote inclusive and sustainable industrialisation and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries).



Target 9.3: Increase access to financial services and markets (UN definition: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets).

Our contribution

- > TFG is a signatory with formal commitments to the R-CTFL masterplan to increase local production and job creation in South Africa.
- > TFG opened 381 new outlets this year and expanded its distribution infrastructure in all three territories.
- > TFG Africa invested R360 million in manufacturing capacity and R405 million in distribution centre expansion this year, contributing to South Africa's industrial infrastructure and assets.

Our contribution

- > Small and medium-sized enterprise suppliers in South Africa have access to shorter payment terms and equipment assistance.
- > TFG Money provides retail credit services to TFG Africa customers through a range of affordable financial products including buy on lay-by, shop on account or buy once-off and pay off with TFG Money Big Buy.
- > Through our TymeBank partnership we offer financial products and services to more than 30 million current TFG Rewards members.



Ensure sustainable consumption and production patterns



Target 12.2: Sustainable management and use of natural resources (UN definition: By 2030, achieve the sustainable management and efficient use of natural resources).

Our contribution

- > All territories are on track to achieve their FY2026 sustainable cotton sourcing goals. During the past year, TFG Africa sourced 13.8% of their apparel via Better Cotton. TFG Australia sourced 27% of their cotton procured via Better Cotton, and TFG London sourced 74% of all cotton procured as part of their Responsible Cotton programme, with 95% sourced via Better Cotton and 5% grown organically.



Target 12.5: Substantially reduce waste generation (UN definition: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse).

Our contribution

- > Waste programmes are in place for manufacturing and business waste, and we aim to send zero waste to landfill.



Target 12.6: Encourage companies to adopt sustainable practices and sustainability reporting (UN definition: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle).

Our contribution

- > TFG publishes an annual sustainability report, TCFD report, carbon footprint summary report and does voluntary reporting on climate change, water security and forests according to the relevant CDP questionnaires.

ESG CONSOLIDATED DATA TABLE

Performance indicators	% change	2023	2022	2021	2020	2019
Economic						
Retail turnover (Rm)	19,4	51 778,1	43 370,3	32 950,3	35 323,3	34 101,4
Operating profit (loss) before finance costs (Rm)	12,4	5 411,1	4 812,7	(719,2)	4 684,7	4 882,6
EBITDA (Rm)	14,4	10 437,7	9 126,7	6 514,8	8 513,3	8 531,8
Headline earnings excluding acquisition costs (Rm)	(4,0)	3 123,8	3 254,7	600,1	2 717,4	2 745,1
Earnings per ordinary share excluding acquisition costs (cents)	4,1	938,5	901,9	(614,0)	925,7	1 142,5
Headline earnings per ordinary share excluding acquisition costs (cents)	(4,0)	968,9	1 009,0	197,9	1 029,3	1 187,9
Distribution declared per ordinary share (cents)	(36,0)	320,0	500,0	–	335,0	780,0
Value added (Rm)	17,7	14 935,2	12 685,7	5 770,1	11 256,4	11 558,5
Total number of outlets	8,0	4 697	4 351	4 284	4 083	4 085
Environment						
Total emissions	7,3	437 757	408 137	242 191	249 806	226 961
Scope 1	8,5	4 421	4 073	3 750	5 215	4 672
Scope 2	13,5	260 262	229 402	175 863	166 655	153 097
Scope 3	(0,1)	172 860	173 061	61 216	75 193	66 650
Non-Kyoto	(86,6)	214	1 601	1 362	2 743	2 542
Intensity: Scope 1&2 tCO ₂ /total employees	(0,7)	5,7	6,1	5,1	5,8	5,4
Refer to our Carbon Footprint Report for further detail around TFG's environmental information.						
Governance						
Number of environmental, health and safety and/or governance legal incidents		zero	zero	zero	zero	zero
Whistle-blowing reports received		340	276	198	251	232
Number of directors on the Supervisory Board		13	12	13	13	11
Number of independent directors on the Supervisory Board		10	9	10	10	8
Number of female directors on the Supervisory Board		4	4	4	4	4

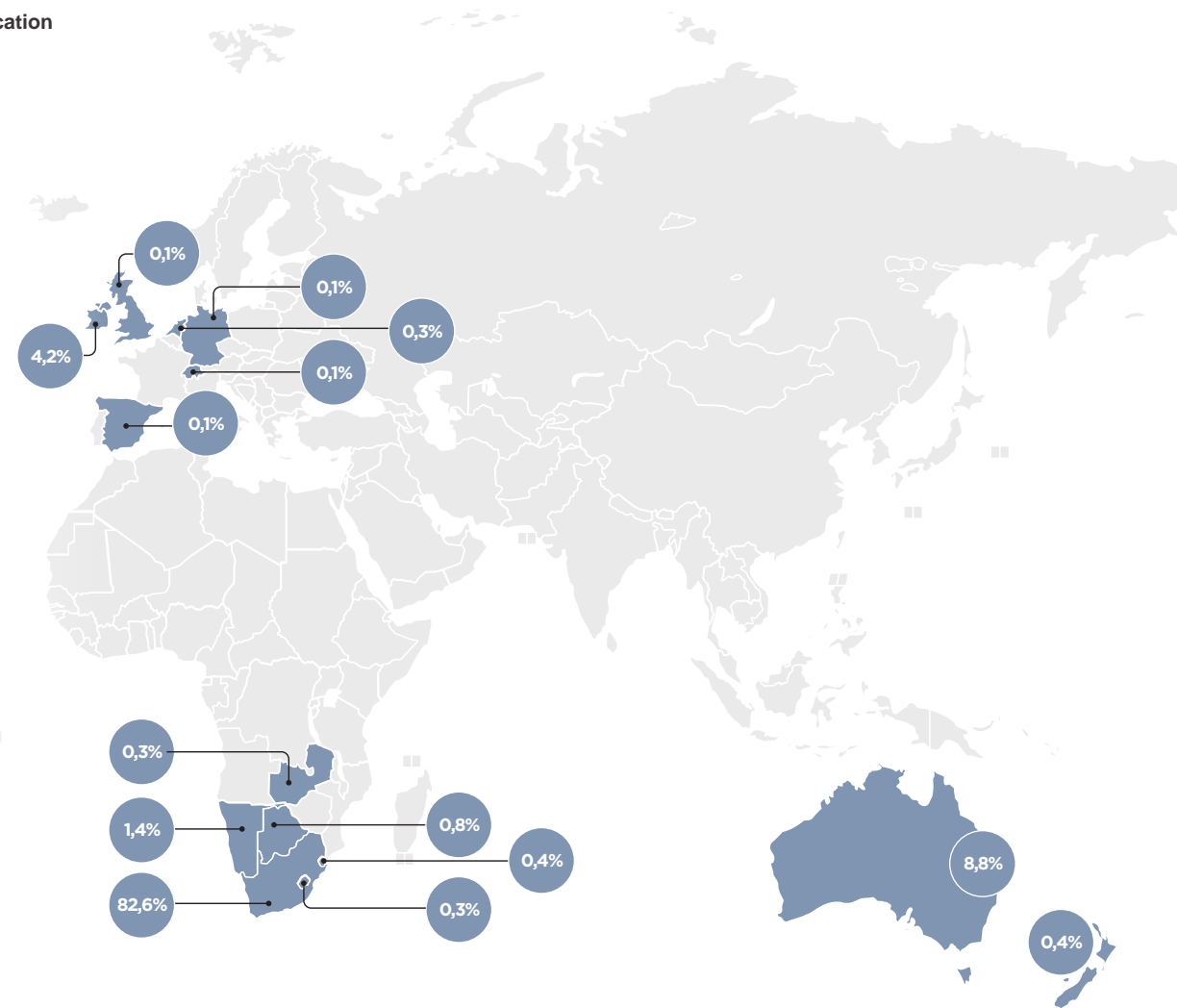
Performance indicators	% change	2023	2022	2021	2020	2019
Social						
Total number of employees		46 566	38 329	34 891	29 776	29 121
Permanent full-time employees		24 951	20 898	18 708	17 443	16 555
Permanent part-time employees		1 718	1 518	1 821	2 455	2 837
Flexitime employees		13 303	11 116	10 010	6 884	6 370
Contract employees		3 553	2 403	1 932	1 254	1 622
Casual employees		3 041	2 394	2 420	1 740	1 737
Employee turnover (excluding contractors) %		29,9	31,5	22,6	24,3	30,1
Employment equity (% representation of previously disadvantaged groups among permanent employees) South Africa only						
Top management		29	29	29	25	25
Senior management		33	34	32	34	35
Specialists and middle management		68	68	64	60	57
Skilled technical and junior management		86	95	94	92	91
Semi- and unskilled employees		99	99	99	99	99
Investment in employee training and development						
Total expenditure (Rm)	27,6	172,4	135,1	141,7	162,2	150,2
% of payroll		2,1	3,0	2,3	2,5	2,4
Total number of training interventions completed		890 268	256 627	226 166	146 276	140 886
Work-related fatalities						
		zero	zero	zero	zero	zero
Number of classified injuries						
Number of days lost		4 039	2 062	2 982	3 567	3 653
Number of incidents		720	490	372	502	916
Number of incidents where days off were three or less		373	383	292	379	654
Number of workdays lost due to industrial action						
		zero	zero	zero	zero	zero
CSI total spend (Rm)	11,9	30,2	27,0	13,9	22,1	25,1

Group employee profile		2023
Type of employment		
Permanent full-time employees		54%
Permanent part-time employees		4%
Flexitime employees		29%
Contract employees		8%
Casual employees		7%
Gender		
Female		66%
Male		34%
Age		
<30		49%
30 – 50		42%
>50		9%
New hires during the year by age group		
<30		77%
30 – 50		21%
>50		3%

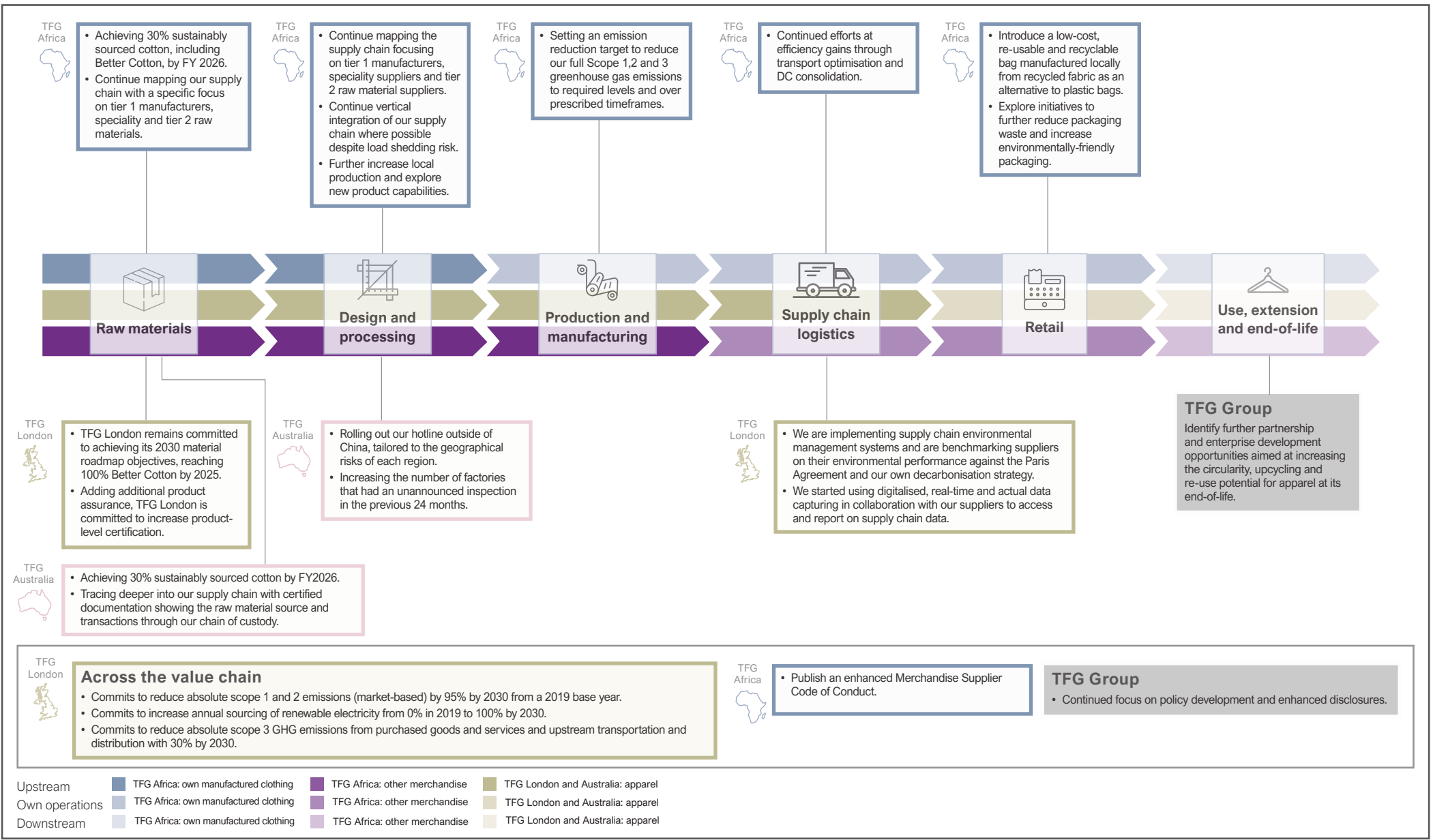
Racial profile of employees (South Africa only)	Male		Female		Total
African employees	27%	44%	71%		
Coloured employees	6%	17%	23%		
Indian employees	1%	2%	2%		
White employees	1%	2%	3%		
Foreign employees	0%	0%	0%		
	35%	65%	100%		

Skills development (South Africa only)		2023
Investment in employee training and development (Rm)		168,0
Number of employees trained		34 911
Number of female employees trained		22 172
Employees trained by occupational level (South Africa only)		
Senior and top management		0,3%
Specialists and middle management		3,7%
Skilled, technical and junior management		16,0%
Semi and unskilled employees		80,0%

Location



Future focus areas



Glossary and key definitions

B-BBEE	Broad-Based Black Economic Empowerment	m ²	Metres squared
BOLTS	Build out, Optimise, Leverage, Transform, Sustain. BOLTS refers to The Foschini Group's business strategy	NPAT	Net profit after tax
CEO	Chief executive officer	Outlets	TFG London and TFG Australia trade through a combination of stand-alone stores and concession arrangements resulting in their presence being referred to as outlets rather than the traditional stores
CFO	Chief financial officer	RAG	Retail Apparel Group
CMT	Cut, make and trim	R-CTFL	Retail, clothing, textile, footwear and leather
Concessions	In addition to their own stand-alone stores, TFG London and TFG Australia have concession arrangements with key department store partners from whom they occupy an agreed floor space area (referred to as "mat") dedicated to their product	R-CTFL masterplan	An initiative by the Department of Trade Industry and Competition that aims to grow the South African retail industry with focus on clothing, textile, footwear and leather in collaboration with retailers, manufacturers, workers and government
CO ₂	Carbon dioxide	Rm	Millions of South African rands
CO ₂ e	Carbon dioxide equivalent	RSA	Republic of South Africa
dtic	The Department of Trade, Industry and Competition	SDGs	Sustainable Development Goals
ESG	Environmental, Social and Governance	TCFD	Task Force on Climate-Related Financial Disclosures
FSC	Forest Stewardship Council	TFG	The Foschini Group
JSE	Johannesburg Stock Exchange	UK	United Kingdom
kW	Kilowatts	UNGC	United Nations Global Compact
kW/h	Kilowatt hours		