OUR GOVERNANCE PROFILE

SUPERVISORY BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

A D MURRAY (60)
BA, CA
Appointed: 2007
Member of: Risk and Social and Ethics Committees
Meetings attended by invitation: Audit, Remuneration and Nomination Committees
Joined the Group: 1985

Doug, our CEO, joined the Group in 1985, was appointed to the Operating Board in 1997 and was appointed as an executive director of The Foschini Group Limited in 2007. Doug's extensive retail experience includes holding the positions of Managing Director: Pages (subsequently rebranded Exact) and Managing Director: American Swiss Jewellers. He was Retail Director of the Group for 10 years prior to his appointment as CEO in January 2008.

A E THUNSTRÖM (46)
BCom (Hons Acc), CA(SA)
Appointed: 2015
Member of: Risk Committee
Meetings attended by invitation: Audit and Social and Ethics Committees
Joined the Group: 2015

Anthony, our CFO, joined the Group and was appointed to the Operating Board in 2015. Prior to this, he had 21 years' professional services experience with KPMG where he held various regional and pan-African leadership positions, including Chief Operating Officer of KPMG Africa and board member of KPMG South Africa.

INDEPENDENT NON-EXECUTIVE DIRECTORS

M LEWIS (58)
Chairman
BA (Econ) (Hons)
Appointed: 1989
Member of: Nomination and Remuneration Committees
Chairman of: Nomination Committee
Meetings attended by invitation: Risk and Audit Committees

Michael has more than 35 years' experience in the investment management and retail industries. He is the Chairman of Oceana Investment Corporation Limited (UK) and a partner of Oceana Investment Partners LLP (UK). He is also the Chairman of Strandbags Holdings Proprietary Limited (Australia), a director of Histogenics Inc. (USA) and United Trust Bank Limited (UK). Michael served on the supervisory board of Axel Springer AG (Germany) and on the board of Cheyne Capital Management LLP (UK). He previously worked at funds managers Ivory & Sime and Lombard Odier.

PROF F ABRAHAMS (54)
BEcon (Hons), MCom, DCom
Appointed: 2003
Member of: Audit, Remuneration and Social and Ethics Committees
Chairperson of: Social and Ethics Committee
Also a director of South African listed companies: Clicks Group Limited, Iliad Africa Limited and Lewis Group Limited

Fatima has extensive experience in industrial psychology and is known for her academic work. She was also a non-executive director of Transnet, B2B Africa (Pty) Ltd and Chairperson of Victoria & Alfred Waterfront Holdings. She has served on the audit and risk, as well as the transformation and remuneration committees of many of the companies she was involved in, and built up sound business experience over the years.

S E ABRAHAMS (78)
FCA, CA(SA)
Appointed: 1998
Member of: Audit and Nomination Committees
Chairman of: Audit Committee
Open invitation: Risk Committee
Also a director of a South African company: Investec Bank Limited

Sam is a very experienced director. He was formerly an international partner and South African managing partner of Arthur Andersen. Sam is currently the Chairman of Investec Securities (Pty) Ltd and Chairman of The Victor Daitz Foundation, one of the largest charitable foundations in South Africa.

G H DAVIN (61)
BCom, BAcc, CA(SA), MBA
Appointed: 2015

Graham is a chartered accountant and a career banker with extensive international financial and broad business experience. Graham was a director of Investec for 16 years and of Bank Insinger de Beaufort N.V., a Dutch private bank. He was responsible for the listing of Investec on the JSE and of Insinger on the Luxembourg Stock Exchange. In 2003, Graham led the management buyout of United Trust Bank, a fast-growing UK specialist bank of which he is CEO.

SUPERVISORY BOARD OF DIRECTORS CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS

D FRIEDLAND (64)
BCom, Certificate in the Theory of Accountancy, CA(SA)
Appointed: 2013
Member of: Audit, Remuneration and Risk Committees
Also a director of South African listed companies: Pick n Pay Stores Limited and Investec Limited
Also a director of a foreign listed company: Investec PLC

David is a chartered accountant with extensive audit experience from a broad range of listed retail companies. He served as international partner at Arthur Andersen from 1990 and was a partner at KPMG from 2002. David was Head of Audit and Risk at KPMG (Cape Town) and was the lead audit partner for several listed companies. In 2013, he retired as a partner at KPMG and was appointed to the boards of Investec Limited and Investec PLC in March 2013, serving as the Group Audit Committee Chairman. He stepped down as the Audit Committee Chairman on 1 April 2017 to assume the role of Chairman of the Board Risk and Capital Committee. David also serves on the audit and risk committee for Pick n Pay Stores Limited.

B L M MAKGABO-FISKERSTRAND (43)
Appointed: 2012
Member of: Audit, Risk and Social and Ethics Committees
Also a director of a South African listed company: Sun International Limited

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

E OBLOWITZ (59)
BCom, CA(SA), CPA(Isr)
Appointed: 2010
Member of: Audit, Remuneration and Risk Committees
Chairman of: Remuneration and Risk Committees
Also a director of a South African listed company: Trencor Limited

Eddy has considerable audit, finance and business advisory experience, having spent 21 years in professional practice, most notably as a senior partner of the Cape Town, Durban and Port Elizabeth offices of Arthur Andersen. In addition, he served as a member of the firm's worldwide Retail and Distribution Industry Team. He is currently the Executive Chairman of Stonehage Fleming South Africa, which provides multi-family office, wealth management and advisory services to an extensive local and international client base.

NON-EXECUTIVE DIRECTOR

N V SIMAMANE (58)
BSc (Biochem) (Hons)
Appointed: 2009
Member of: Audit, Risk and Social and Ethics Committees
Also a director of South African listed companies: Cashbuild Limited, Oceana Group, Hollard Insurance, Hollard Life Insurance and SA Post Office

Nomahlubi has extensive business, marketing and communications experience, having previously held the positions of Marketing Manager at Unilever, Marketing Director of British American Tobacco and Managing Director of BLGK Bates Advertising Agency. She is currently the CEO of Zanusi Brand Solutions, a branding consultancy she founded in 2001. She has worked in the United States and Kenya and has been recognised as a seasoned business woman, having won two Business Women of the Year Awards in 2009. She was also named the 2013 Enterprising Woman in Fort Lauderdale, Florida, USA.

R STEIN (68)
BCom, CA(SA)
Appointed: 2015
Member of: Risk and Nomination Committees
Meetings attended by invitation: Audit Committee

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

COMMITTEES

AUDIT COMMITTEE
S E Abrahams (Chairman)
F Abrahams
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane
M Lewis (by invitation)
A D Murray (by invitation)
R Stein (by invitation)
A E Thunström (by invitation)

REMUNERATION COMMITTEE
E Oblowitz (Chairman)
F Abrahams
D Friedland
M Lewis
A D Murray (by invitation)

RISK COMMITTEE
E Oblowitz (Chairman)
D Friedland
B L M Makgabo-Fiskerstrand
A D Murray
N V Simamane
R Stein
A E Thunström
S E Abrahams (by invitation)
M Lewis (by invitation)

NOMINATION COMMITTEE
M Lewis (Chairman)
S E Abrahams
R Stein
A D Murray (by invitation)

SOCIAL AND ETHICS COMMITTEE
F Abrahams (Chairperson)
B L M Makgabo-Fiskerstrand
A D Murray
N V Simamane
A E Thunström (by invitation)

OPERATING BOARD OF DIRECTORS

Our Operating Board of Directors from left to right:

S A Baird (51)
Group Director – Foschini division
Joined the Group in 1986

A E Thunström (46)
BCom (Hons Acc), CA(SA)
Chief Financial Officer
Additional areas of responsibility: Publishing & Insurance, TFG Finance & Advisory, TFG Internal Audit
Joined the Group in 2015

G S Naidoo (49)
BSocSc (Hons), MA (Ind Psych)
Group Director – Jewellery division, @home division
Joined the Group in 2005

M Mendelsohn (58)
Group Director – Exact, *hi*, The FIX, SODA Bloc, Next, TFG Design, TFG Merchandise Procurement
Joined the Group in 1982

RESPONSIBILITY

The Operating Board is responsible for the Group's strategy formulation and the day-to-day management of all aspects of the operations of the retail trading and service divisions.

In addition, they are responsible for deliberating and making decisions or recommendations on all matters affecting TFG's strategy and operations, including risk management and the succession of executive and senior management. This includes all operational matters such as:

- merchandise sourcing, buying, planning, warehousing and distribution
- store location, leasing, operations, design and architecture
- human resource recruitment, training, development and remuneration
- information systems acquisition, development and maintenance
- credit management and customer relationship marketing and systems
- financial management and administration
- strategic plan formulation, development, execution and refinement
- development, review and achievement of budgets in relation to sales, operating expenses and capital expenditure
- identification, assessment, mitigation and risk management
- development and refinement of business philosophy and the value system
- development, monitoring and audit of internal controls
- development, review and implementation of the employment equity plan
- development and monitoring of operational policies and procedures
- development, implementation and monitoring of transformation strategy
- approval of transactions regarding investment, disinvestment, refinancing and restructuring in accordance with parameters set by the Supervisory Board
- adoption and implementation of corporate governance practices and meeting standards set out in King III

During the year, Senta Morley was appointed to the Operating Board as Group Director for TFG Human Resources. Senta has been with the TFG Group for 20 years of which the last five years has been as Head of Human Resources. She has taken over the Human Resource portfolio of the Operating Board from Shani Naidoo.

D B Gedye (58)
Group Director – Sport division, TFG Property, TFG Store Development, TFG Marketing & E-commerce
Joined the Group in 1979

S E Morley (47)
BSocSc
Group Director – TFG Human Resources
Joined the Group in 2002

B J Curry (55)
Chief Information Officer – TFG Infotec, TFG Logistics, TFG Services
Joined the Group in 1988

J Fisher (44)
BSc (Hons) Mathematics and Computing Science
Group Director – Financial Services
Joined the Group in 2013

A D Murray (60)
BA, CA
Chief Executive Officer
Joined the Group in 1985

M Maritz (49)
Group Director – Markham division
Joined the Group in 2001

CORPORATE GOVERNANCE REPORT

TFG remains committed to the highest standards of corporate governance that add value to the business. Transparency and accountability remain the key principles on which all its business activities are conducted. TFG fully supports the governance principles contained in King III, King IV and the Listings Requirements of the JSE. Governance extends beyond regulatory compliance as executive and senior management aims to create and maintain a culture of good governance throughout the Group.

KING III AND KING IV

TFG has successfully entrenched and continues to apply the King III principles in terms of the composition and functioning of its governance structures and the governance of its day-to-day activities. A register of all 75 King III principles is available on our website.

TFG is also in the process of assessing the principles of King IV and continually invests in the process. The required corporate governance disclosures required in terms of King IV will be included in the integrated annual report for the year ending 31 March 2018.

GOVERNANCE STRUCTURES

The non-executive Supervisory Board of TFG embraces the responsibilities imposed by King III and King IV and acknowledges that it is ultimately accountable for the strategy, direction, leadership, governance and performance of the Group. The Supervisory Board also has oversight of the development and approval of, and updates made on, TFG's vision, mission and value statements, significant policies and goals related to economic, environmental and social impacts. The Operating Board is responsible for day-to-day management and operations.

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

The Supervisory Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the 2017 financial year.

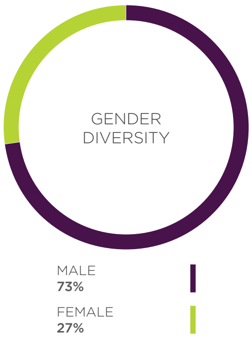
COMPOSITION

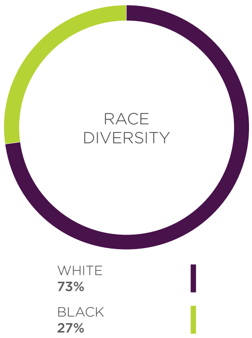
In accordance with King III requirements, the Supervisory Board of Directors of TFG mainly comprises non-executive directors, with the majority being independent.

The Supervisory Board is committed to having a diverse board and, as required by the Listings Requirements, has adopted a policy on the promotion of gender and race diversity at Supervisory Board level in December 2016. In terms of this policy the Supervisory Board acknowledges:

- that diversity is important in order to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management of the company and TFG as a whole; and
- that a truly diverse board will include and make good use of different skills, regional and industry expertise, background, race, gender and other distinctions between directors.

The graphics below provide a visual outline of our Supervisory Board's diversity:





The Nomination Committee gives due consideration to succession planning for all Supervisory Board directors and ensures that all committees are appropriately constituted and chaired. It also addresses gender and race diversity as an explicit element of its oversight work.

The current Supervisory Board structure comprises 11 directors, nine of whom are non-executive directors, of which eight are independent directors and one is not regarded as independent. The remaining two directors are executive directors, namely the Chief Executive Officer and the Chief Financial Officer, and are salaried employees of TFG.

Five committees assist the Supervisory Board in discharging its duties. These committees are the Remuneration, Risk, Audit, Social and Ethics, and Nomination Committees. An overview of the functions of these committees appears later in this report. The composition of the Supervisory Board and its committees appears on page 89.

During the year, an *ad hoc* Finance Committee, comprising both non-executive and executive directors and chaired by Mr G H Davin, was also tasked to assist the Supervisory Board in a number of areas, including specifically considering and investigating all potential acquisition opportunities and their funding.


REMUNERATION COMMITTEE
RISK COMMITTEE
SUPERVISORY BOARD
SOCIAL AND ETHICS COMMITTEE
AUDIT COMMITTEE
NOMINATION COMMITTEE

CORPORATE GOVERNANCE REPORT CONTINUED

DIRECTORS

The non-executive directors come from diverse backgrounds in commerce and industry (detailed information on the directors and their credentials appears on pages 86 to 89). Their collective experience enables them to provide sound, independent and objective judgement in decision-making that is in the best interests of TFG. They are ultimately responsible for the performance of TFG, its long-term sustainable growth and the enhancement of shared value for all stakeholders. They review and ratify TFG's strategy in addition to monitoring and measuring its performance and the Operating Board members against key performance indicators (refer to the Remuneration Committee report on page 119 and the leadership section in the Strategy performance review on page 68. They provide their opinion and advice regarding the Group's financial, audit, governance, legal compliance and risk management controls. In order to ensure sustainable leadership, they review transformation and succession planning at senior levels and give input on the remuneration process.

All directors exercise unfettered discretion in the fulfilment of their duties, resulting in constructive debate at meetings that continues to yield well-considered decisions. There exists a balance of power and authority among the Supervisory Board of Directors.

Director appointment and induction

Potential new non-executive directors go through a thorough interview procedure until a suitable candidate has been chosen and appointed. The process is contained in a policy that details the appointment procedure and ensures that appointments are a matter for the Supervisory Board of Directors as a whole, assisted by the Nomination Committee. Newly appointed directors hold office only until the next annual general meeting, at which time their original appointment is confirmed and they stand for re-election at that meeting. Each year, one-third of the existing non-executive directors are subject to retirement by rotation. This is in line with King III and the memorandum of incorporation. The Nomination Committee recommends re-election by shareholders after due consideration is given to the director's attendance at meetings and his/her performance. Non-executive directors have no fixed terms and the performance of all directors is subject to an annual peer review (read more about these evaluations on page 96).

A formal induction programme for new non-executive directors is in place with the objective of maximising their understanding of the Group and enabling them to provide input and make well-informed decisions as quickly as possible.

Changes to the Supervisory Board and committees during the 2017 financial year

There were no changes to the Supervisory Board during the financial year. The only changes to committee composition were in respect of the Risk Committee where Ms B L M Makgabo-Fiskerstrand and Ms N V Simamane were appointed as additional members, and the Audit Committee where Prof F Abrahams was appointed as an additional member. These changes were effective from 1 October 2016.

Independence assessment

All non-executive directors are required to complete an annual independence questionnaire to assess their independence in terms of the objective independence criteria in King III. Eight of the non-executive directors are independent according to the King III definition of independence.

Of the eight directors that satisfy the objective independence requirements, three have served a term in excess of nine years. The Supervisory Board reviewed the independence of Mr S E Abrahams, Mr M Lewis and Prof F Abrahams and, after due consideration (during the relevant meeting the aforementioned directors recused themselves), concluded that the length of their association with the Group in no way impaired their independence.

Remuneration and shareholding

The remuneration paid to directors during the current year as well as details of direct and indirect shareholdings are disclosed in the Remuneration Committee report on page 119, which appears later in this report. Information regarding their participation in share incentive schemes (which is limited to executive directors) is also disclosed.

Dealing in shares

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

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

Details of directors' share dealings are disclosed on SENS.

Directors' interests in contracts

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

SUPERVISORY BOARD MEETINGS

The Supervisory Board typically meets five times per year in Cape Town and further meetings are held at short notice when necessary. Proceedings at meetings are directed by way of an agenda. The proposed agenda is circulated in advance of the meeting to allow Supervisory Board members the opportunity to request additional agenda items.

In addition, a comprehensive board pack is distributed to all members prior to meetings to ensure that they are properly informed, able to engage in meaningful discussions and effectively discharge their duties.

All directors have unrestricted access to the Company Secretary and all company records, as well as to independent professional advice at the company's expense in appropriate circumstances.

During the current financial year, the Supervisory Board, *inter alia*, approved projections and results, dividends (including scrip distributions) and acquisitions, reviewed strategy at various levels, focused on current performance and considered report backs from board committees.

SUPERVISORY BOARD AND COMMITTEE ATTENDANCE

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

	SUPERVISORY BOARD	REMUNERATION COMMITTEE	RISK COMMITTEE	AUDIT COMMITTEE	NOMINATION COMMITTEE	SOCIAL AND ETHICS COMMITTEE
NUMBER OF MEETINGS	5	4	4	3	2	2
F Abrahams	5	3^	–	1*^	–	2
S E Abrahams	5	–	3#^	3	2	–
G H Davin	4^	–	–	–	–	–
D Friedland	4^	3^	3^	1^	–	–
M Lewis	5	4	4#	3#	2	–
B L M Makgabo-Fiskerstrand	5	–	2*	2^	–	2
A D Murray	5	4#	4	3#	2#	2
E Oblowitz	5	4	4	3	–	–
N V Simamane	5	–	1*^	3	–	2
R Stein	5	–	4	3#	2	–
A E Thunström	5	–	4	3#	–	2#

* *Appointed to committee 1 October 2016.*
\# *Invitee.*
^ *Absent with apology.*

CORPORATE GOVERNANCE REPORT CONTINUED

SUPERVISORY BOARD EVALUATIONS

An annual evaluation of the Supervisory Board, its members and each of the committees is undertaken by way of comprehensive questionnaires sent to all Supervisory Board members. The results are collated and passed on to the Chairman who has a one-on-one interview session with each director to discuss his/her feedback and any areas of concern. The Chairman provides feedback to the Supervisory Board on any actions arising from the evaluation process.

The evaluation is comprehensive, encompassing all aspects of the Supervisory Board's responsibilities. It covers both individual member contributions and the effectiveness of the Supervisory Board and its committees as a whole. The most recent evaluation was conducted entirely by secure electronic means and was completed towards the end of the 2016 calendar year. All action items were attended to, which included ongoing training for non-executive directors, extended time for strategic discussions at Supervisory Board meetings and the enhancement of the format and timing of the annual Supervisory Board evaluation process.

COMPANY SECRETARY

On 22 May 2016, Ms D Sheard resigned as Company Secretary and Mr D Van Rooyen assumed the position.

As the Company Secretary, Mr D van Rooyen is accountable to the Supervisory Board and all directors have access to his advice and services. He maintains an arm's-length relationship with the Supervisory Board and is not a director of the company. The Company Secretary is independent and functionally reports to the Supervisory Board on company secretarial matters.

The Company Secretary's duties include but are not limited to those listed in section 88 of the Companies Act.

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

The Supervisory Board believes that the Company Secretary is suitably qualified, competent and an experienced individual who is able to provide the Supervisory Board with the requisite support for its efficient functioning and discharge of its duties as prescribed by the Companies Act, King III and the Listings Requirements.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Directors delegated specific responsibilities to board committees, each with its own charter that defines its responsibilities. The committees aim to review their charters annually and undertake an annual performance evaluation. All committees are chaired by an independent non-executive director.

The board committees meet independently and provide feedback to the Supervisory Board through their Chairpersons. In addition, minutes of all committee meetings are included in the Supervisory Board packs and all directors are given the opportunity to raise any concerns or questions arising from these minutes.

The directors confirm that the committees functioned in accordance with their written terms of reference as contained in their charters during the financial period. An overview of each committee's functioning and responsibilities follows.

AUDIT COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS S E Abrahams (Chairman) D Friedland B L M Makgabo-Fiskerstrand E Oblowitz N V Simamane F Abrahams* **INVITEES** M Lewis A D Murray R Stein A E Thunström	Three times per annum	The focus areas of the committee are: • to review the effectiveness of the Group's systems of internal control, including internal financial control and risk management, and to ensure that effective internal control systems are maintained; • to ensure that written representations on internal controls are submitted to the Supervisory Board annually by all heads of retail trading and service divisions (these being representations that provide assurance on the adequacy and effectiveness of the Group's systems of internal control); • to monitor and supervise the effective functioning and performance of the internal auditors; • to ensure that the scope of the internal audit function has no limitations imposed by executive management and that there is no impairment on its independence; • to evaluate the independence, effectiveness and performance of the external auditors, and to obtain assurance from the auditors that adequate accounting records are being maintained; • to recommend the appointment of the external auditors on an annual basis; • to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated; and • to review financial statements for proper and complete disclosure of timely, reliable and consistent information, and to confirm that the accounting policies used are appropriate.

* *Appointed to the committee on 1 October 2016.*

SOCIAL AND ETHICS COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS F Abrahams (Chairperson) B L M Makgabo-Fiskerstrand A D Murray N V Simamane **INVITEES** A E Thunström	Twice per annum	The focus areas of the committee are: • social and economic development, including transformation; • good corporate citizenship; • the environment, health and public safety; • labour and employment; • consumer relationships; • ethics; and • sustainable development initiatives.

CORPORATE GOVERNANCE REPORT CONTINUED

RISK COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS E Oblowitz (Chairman) D Friedland B L M Makgabo-Fiskerstrand* A D Murray N V Simamane* R Stein A E Thunström **INVITEES** M Lewis S E Abrahams	Four times per annum	The committee ensures that: • appropriate risk and control policies are in place and are communicated throughout the Group; • the process of risk management and the system of internal control are regularly reviewed for effectiveness; • there is an ongoing process of identifying, evaluating and managing the significant risks faced by the Group, and that this is in place throughout the year; • a formal risk assessment is undertaken annually; • there is an adequate and effective system of internal control in place to manage the more significant risks faced by the Group to an acceptable level; • there is a documented and tested process in place that will allow the Group to continue its critical business processes in the event of a disaster, *inter alia*, the destruction of a distribution centre, head office or computer facility that affects its activities; • a risk register is maintained and kept up to date; and • appropriate insurance cover is placed and regularly reviewed, and that all uninsured risks are reviewed and managed.

* *Appointed to the committee on 1 October 2016.*

REMUNERATION COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS E Oblowitz (Chairman) F Abrahams D Friedland M Lewis **INVITEES** A D Murray	Four times per annum	The Remuneration Committee sets the Group's remuneration strategy, policies and practices. Main focus areas include: • recommending, reviewing and approving all remuneration for non-executive directors, executive directors and senior executives; • ensuring a fair balance between fixed and variable remuneration within the company's financial constraints; • reviewing the short-term and long-term incentive to ensure it is market related and supports shareholder value creation; and • overseeing the setting of remuneration at all levels in the Group.

NOMINATION COMMITTEE	SCHEDULED MEETINGS	RESPONSIBILITY
MEMBERS M Lewis (Chairman) S E Abrahams R Stein **INVITEES** A D Murray	Twice per annum	Main functions include: • reviewing the Supervisory Board structure, size and composition; • reviewing the nature, size and composition of the Supervisory Board committees; • succession planning; • reviewing the balance between non-executive and executive directors; • ensuring the directors have the required blend of experience, skills and knowledge to support the continued success of the Group; and • ensuring the existence of a formal process of performance evaluation.

WHISTLE-BLOWING

The Group has adopted a zero tolerance approach to fraud, corruption and other forms of crime or dishonesty. During the year, the Group has continued to invest in measures to assist in minimising the number of incidents:

- The Supervisory Board promotes a culture of openness and transparency throughout the organisation in accordance with the Group's values of trust and mutual respect.
- The Group encourages whistle-blowing through the outsourced Deloitte tip-off anonymous line. A whistle-blowing facility has been in place since February 1998 for the reporting of suspected fraud and unethical behaviour. Reports are submitted to the Group Forensics department for investigation.
- The line is promoted among employees and suppliers.

During the year, 234 reports were received (2016: 141).

CORPORATE GOVERNANCE REPORT CONTINUED

Responsible for reviewing the effectiveness of legal compliance and reporting to the Supervisory Board

TFG SUPERVISORY BOARD

Ultimately accountable for legal compliance and the legal compliance framework

AUDIT, RISK AND SOCIAL AND ETHICS COMMITTEES

LEGAL COMPLIANCE STRUCTURE

TFG OPERATING BOARD

Responsible for facilitating legal compliance and providing regulatory landscape updates and reports to the Audit, Risk and Social and Ethics Committees (see page 101 for detail)

LEGAL COMPLIANCE FUNCTION

Responsible for overseeing the implementation of the framework, which includes monitoring legal compliance as an integral part of TFG's risk management framework

LEGAL COMPLIANCE

The diagram on the left sets out our legal compliance structure, with ultimate accountability at Supervisory Board level.

The functioning and purpose of the legal compliance function is documented in TFG's Legal Compliance Policy, which is in accordance with chapter 6 of King III and will be revised to be in line with principle 13 in King IV.

The management of legal compliance risk refers to the current and future risk of damage or harm to TFG's business model or objectives, reputation and financial soundness, which arises from not adhering to regulatory requirements.

The responsibilities of the legal compliance function include:

- reporting to the Audit, Risk and Social and Ethics Committees;
- assessing the legal compliance environment of a new country TFG intends to trade in;
- identifying, reviewing and advising TFG on existing, new or draft legislation, including giving recommendations on applicable rules;
- facilitating legal compliance with relevant laws and rules;
- assigning responsibility for areas of legal compliance;
- facilitating legal compliance with internal policies, rules, guidelines and procedures;
- drafting legal compliance risk management plans for key pieces of legislation;
- compiling legal compliance risk registers that form part of the wider risk management process within TFG;
- monitoring legal compliance by the business and reporting on findings to executive and senior management;
- drafting and submitting statutory legal compliance reports to regulators;
- liaising with regulators on regulatory reporting and legislative changes; and
- lobbying policymakers and lawmakers on draft, new or amendments to laws.

During the 2017 financial year, the focus of legal compliance has broadly been on:

- facilitating compliance with amendments to credit legislation;
- attending Parliament, meeting with regulators, policymakers and lawmakers (both in South Africa and elsewhere in Africa) to impact the legislative landscape;
- obtaining regulatory frameworks and rolling out increased regulatory legal compliance measures to stores in African countries and monitoring adherence thereto;
- supplementing store procedures with tools to increase both levels of compliance and access to legal compliance information;
- rolling out legal compliance culture presentations to all trading and service divisions; and
- monitoring legal compliance in call centres, stores and at head office.

The Legal Compliance team has, as part of a more entrenched combined assurance process, either monitored, or assisted and guided senior management to monitor compliance with legislative requirements. Where there are areas of non-compliance, the team meets with senior management to refine or rethink processes to ensure compliance. This includes reviewing or amending training material for employees, assisting quality assurance team members in addressing non-compliance, training employees, which includes rolling out a legal compliance culture presentation, and assisting internal audit with key checklists.

TFG has recently focused on the following new, amended or draft laws or the legislative environment in general:

- South Africa
  - National Credit Act's Affordability Regulations
  - Proposed amendments to the National Credit Act concerning debt relief
  - Numerous financial sector legislative changes affecting TFG's optional customer insurance products
  - Proposed amendments to the Financial Intelligence Centre Act's subordinate legislation
  - Protection of Personal Information Act (partly effective)
- Africa
  - National Equitable Economic Empowerment Bill (Namibia)
  - Consumer Credit Act (Swaziland)

CORPORATE GOVERNANCE REPORT CONTINUED

- Australia
  - Corporations Act
  - Retail Leases Amendment (Review) Bill (New South Wales)
- UK-based operations
  - Brexit-related matters, specifically the EU (Notification of Withdrawal) Act and the possible contents of the Great Repeal Bill
  - Data Protection Act and EU General Data Protection Regulation (not effective)
  - Modern Slavery Act

Of these, TFG will focus on the following in the next financial year (as well as any other legislative developments that may arise and are relevant):

- Proposed amendments to the National Credit Act concerning debt relief
- Financial sector changes affecting TFG's optional customer insurance products
- Proposed amendments to the Financial Intelligence Centre Act's subordinate legislation
- Protection of Personal Information Act (partly effective) and its regulations that are to be drafted
- Brexit-related matters
- Localisation, money laundering and consumer credit legislation in the African countries TFG trades in

TFG'S COMMITMENTS TO RULES, CODES, STANDARDS, INITIATIVES AND FRAMEWORKS

TFG is affected by, adheres to, or uses as guidance in its operations, non-binding rules, codes, standards, initiatives and frameworks, including:

- Advertising Standards Authority of South Africa – various codes
- Information technology standards and governance frameworks
- Payment Card Industry Data Security Standard
- Europay, Mastercard and Visa Standard for credit and debit payment cards
- Carbon and Water Disclosure Project
- Kimberley Process
- Global Reporting Initiative
- Local procurement policies and initiatives in the African countries TFG trades in

TFG has working groups and project boards in place to ensure that there are impact assessments for significant new laws and amendments. Thereafter, timelines, implementation areas and business owners to implement changes are agreed.

Based on key laws that are effective as at 31 March 2017, there were no material areas of non-compliance.

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2017 to the shareholders of TFG.

This report is in compliance with the requirements of the Companies Act of South Africa, No. 71 of 2008, as amended (the Act), and the King Code of Governance for South Africa 2009 (King III).

AUDIT COMMITTEE MANDATE

The committee is governed by a formal Audit Committee charter that has recently been reviewed and incorporates all the requirements of the Act. This charter guides the committee in terms of its objectives, authority and responsibilities, both statutory and those assigned by the Supervisory Board.

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

DUTIES OF THE COMMITTEE

The duties of the Audit Committee are, *inter alia*:

Statutory duties as prescribed in the Act

General

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

External auditors

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

Financial results

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

Duties assigned and delegated by the Supervisory Board

General

- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and coordinated and that the combined assurance received is appropriate to address all significant risks; and
- to assist the Supervisory Board in carrying out its risk management and IT responsibilities.

External auditors

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

Internal control and internal audit

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

AUDIT COMMITTEE REPORT CONTINUED

Finance function

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

Financial results

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

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

The committee comprised six independent non-executive directors and the Chairman of the committee is not the Chairman of the Supervisory Board. The following directors served on the committee during the year under review:

NAME OF MEMBER	DATE APPOINTED TO COMMITTEE
F Abrahams	1 October 2016
S E Abrahams	29 January 1999
D Friedland	1 April 2016
B L M Makgabo-Fiskerstrand	1 October 2015
E Oblowitz	1 October 2010
N V Simamane	24 February 2010

The committee held three formal meetings during the 2017 financial year (refer to page 95 for details on attendance). In addition, the Chairman held *ad hoc* meetings with executive and senior management, the Head of Internal Audit and the external auditors from time to time. The committee considered the draft interim and annual financial reports prepared by executive and senior management and recommended the adoption of these reports to the Supervisory Board subject to certain amendments. The Chairman provided written reports to the Supervisory Board that summarise the committee's findings and recommendations.

Details of fees paid to committee members appear in note 34 of the annual financial statements.

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

COMMITTEE EVALUATION

The annual Supervisory Board evaluation (which includes an evaluation of all subcommittees) in respect of the previous calendar year was completed last year. This evaluation formally assessed the performance of Audit Committee members during the past year, as well as their independence in terms of the independence requirements of King III and the Act. It is noted that all members of the committee continue to meet the independence requirements.

ELECTION OF COMMITTEE MEMBERS

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

F Abrahams
S E Abrahams
D Friedland
B L M Makgabo-Fiskerstrand
E Oblowitz
N V Simamane

COMMITTEE FUNCTIONING

The committee typically meets three times a year, with the main focus of each respective meeting being as follows:

- Consideration of control risks and risk management (typically in March each year)
- Approval of annual results (typically in May each year)
- Approval of interim results (typically in November each year)

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

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

- a detailed agenda;
- minutes of the previous meeting;
- a report by the external auditors; and
- written reports by executive and senior management including:
  - compliance and legal,
  - IT governance,
  - internal audit,
  - loss statistics, and
  - fraud.

The Chairman of this committee has an open invitation to attend meetings of the Risk Committee.

SPECIFIC RESPONSIBILITIES

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

- confirming the nomination of KPMG Inc. as the Group's registered auditors for the year ending 31 March 2018 and being satisfied that they are independent of the company;
- approving the terms of engagement and fees to be paid to KPMG Inc.;
- ensuring that the appointment of KPMG Inc. complies with the provisions of the Act;
- determining the nature and extent of any non-audit services, which the external auditors provide to the company or a related company;
- pre-approving proposed agreements with KPMG Inc. for the provision of any non-audit services;
- preparing this report for inclusion in the annual financial statements and in the integrated annual report;
- receiving and dealing appropriately with any relevant concerns or complaints;
- making submissions to the Supervisory Board on any matter concerning the company's accounting policies, financial controls, records and reporting; and
- performing other oversight functions as determined by the Supervisory Board.

INTERNAL FINANCIAL CONTROL AND INTERNAL AUDIT

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

In addition, during the 2017 financial year, the committee was not made aware of any:

- material breaches of any laws or regulations; or
- material breaches of internal controls or procedures.

A major development introduced during the current financial year from an internal audit perspective has been the approach to analytically examine and interrogate the store data in an attempt to highlight weaknesses. This work has involved the development of IT software to enable intelligent scrutiny of stores' data. Although this is still work in progress, the Audit Committee, the Risk Committee and senior management believe this initiative is essential to achieve better coverage of critical issues, particularly given the sizeable growth in new stores that has occurred both in Southern Africa and via our recent international acquisitions.

JSE MONITORING REVIEW

During the year, TFG was selected by the JSE as one of 56 listed companies subject to proactive monitoring of our financial statements. Although this was a challenging process for TFG from a cost, resource and timing perspective, we support the JSE's intent to ensure high quality disclosure which provides meaningful information to the users of our reports. No material concerns were raised, confirming the integrity of the Group's financial information.

RISK MANAGEMENT

While the Supervisory Board is ultimately responsible for the maintenance of an effective risk management process, the committee, together with the Risk Committee, assists the Supervisory Board in the assessment of the adequacy of the risk management process. The Chairman of this committee has an open

AUDIT COMMITTEE REPORT CONTINUED

invitation to Risk Committee meetings to ensure that relevant information is regularly shared. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as they relate to financial reporting.

As reported last year, the continued cooperation with the Risk Committee resulted in further clarification and delineation of the roles and responsibilities of both committees. The strategies adopted by each committee ensure timely review of any internal control weakness identified by any of the assurance providers. In addition, there were significant improvements in the development of Enterprise Risk Management (ERM) methodologies, which will further enhance the Group's risk management coverage and focus.

Further details on the risk management approach and process are included in the Risk Committee report, which appears on page 116.

PHASE EIGHT AND WHISTLES

Various workshops were arranged and will continue to be convened with the object of fully integrating the Phase Eight and Whistles operations into the overall risk management framework of the Group. Internal audit drew up an audit plan to cover the major risks identified and audits were conducted to cover those risks. No major concerns surfaced from their initial audit work, although it must be appreciated that it is still work in progress to achieve full integration into the Group's risk management framework.

The focus for the 2017 year end was directed at verifying the carrying values of stock and trade debtors. Both internal and external audit provided the Audit Committee with positive reports on these significant asset classes.

THE FINANCIAL AND BUSINESS ENVIRONMENT

As presented in the previous years' integrated annual reports, the concerns expressed in this report that relate to the financial and business environment remain relevant and are accordingly presented in this report once again.

The South African political turmoil that triggered the uncertainty in December 2015 caused by the "ins and outs" of finance ministers, the lack of GDP growth and hence the inability to increase job creation, the increased regulatory landscape and intermittent interest rate increases all put our credit customers under immense pressure. Regrettably, the political uncertainty that started in the previous financial year has continued. The recent major cabinet reshuffle resulted in two of the rating agencies downgrading South Africa to "junk status", which is a tragedy in itself. Despite this, it is pleasing to report that, contrary to the unstable and unfavourable macroeconomic environment, TFG in South Africa achieved an improvement in bad debt statistics. This is as a result of a concerted effort to be vigilant to trends and not to attempt to increase customer numbers by lowering the credit granting criteria. Going forward, the Audit Committee will continue to focus on the ability of the Group to curtail bad debts. Supported by an in-depth review undertaken by the external auditors, I can confirm that, in the opinion of the Audit Committee, the provision for doubtful debts is adequate to sustain the year-end carrying value of trade receivables.

As reported last year, executive and senior management has continued with the strategy of negotiating more favourable terms for future funding requirements by having an improved balance among short-term, medium-term and longer-term facilities. Although there had always been significant funding headroom, the quality of the headroom is currently much improved.

The Group continues to place importance on IT risk management and consistently reviews the measures to curb the threat of cybercrime and IT fraud in general. The governance over the IT support system is considered to be best of breed and complies with the recommendations contained in King III.

Regrettably, the Group continues to suffer from ever-increasing financial loss arising from increased levels of crime-related incidents. Senior management continues to explore ways to reduce or curtail these operating losses. Continuous enhancements to the specialist ERM division, which has also been bolstered by the hiring of a forensics and security expert, are some of the initiatives being introduced to examine ways to make our stores, distribution centres, etc. more secure. The major contributor to increased losses being incurred has arisen from a spate of armed robberies.

EXTERNAL AUDITORS

The Group's external auditors are KPMG Inc. and the designated partner is Mr P Farrand. KPMG Inc. is afforded unrestricted access to the Group's records and management, and presents any significant issues arising from the annual audit to the committee. In addition, Mr P Farrand, where necessary, raises matters of concern directly with the Chairman of the committee.

The committee gave due consideration to the independence of the external auditors and is satisfied that KPMG Inc. is independent of the Group and executive and senior management and therefore able to express an independent opinion on the Group's annual financial statements.

The committee nominated, for approval at the annual general meeting, KPMG Inc. as the external auditors and Mr P Farrand as designated auditor for the 2018 financial year, having satisfied itself that the audit firm and designated audit partner are accredited by the JSE. It is a JSE requirement that both the designated auditor and audit firm are accredited.

FINANCIAL STATEMENTS

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

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

INTEGRATED ANNUAL REPORT

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

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

Although this integrated annual report has been prepared in compliance with the code and principles of King III, the committee has reviewed the changes required by King IV and will incorporate these in the preparation of next year's integrated annual report. In essence, it should be pointed out that TFG will need to make very few changes as most of the King IV principles are already in place.

The committee has also been receiving regular reports from TFG Finance and Advisory on TFG's readiness to introduce the substantial changes in accounting that will result from the introduction of IFRS 9, 15 and 16 over the next few years. It is confidently anticipated that TFG will be ready to meet the timetables for the introduction of all these revised accounting standards.

EXPERTISE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

In respect of the above requirement, the committee believes that Mr A E Thunström, the Chief Financial Officer, possesses the appropriate expertise and experience to meet his responsibilities in that position.

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

APPROVAL

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

S E Abrahams
Chairman: Audit Committee

29 June 2017

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee is pleased to present its report for the financial year ended 31 March 2017 to the shareholders of TFG.

COMMITTEE MANDATE

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

The committee is governed by a formal charter, which guides the committee in terms of its objectives, authority and responsibilities. The charter incorporates the requirements of the Companies Act, specifically regulation 43(5).

The focus areas of the committee are detailed on page 97. In discharging its duties, the committee takes into consideration any relevant legislation, other legal requirements or prevailing codes of best practice.

TFG's online Sustainability overview report deals with some of the aspects falling within the mandate of the committee, such as the environment.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

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

The committee held two meetings during the 2017 financial year, attended by all members (refer to page 95). At each of these meetings, the committee received reports detailing matters relevant to each of the areas within its mandate. The committee specifically dealt with:

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

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

Details of fees paid to committee members appear in the Remuneration Committee report on page 119.

TRANSFORMATION REPORT

AFRICA

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

At its meetings during the 2017 financial year, the committee received feedback detailing matters relevant to each of the functional areas within its transformation mandate. The committee specifically dealt with the following aspects: TFG's BBBEE scorecard and related matters, the alignment of TFG's transformation strategy with the BBBEE Act and each of the individual BBBEE elements as well as the various transformation surveys TFG participated in.

Transformation strategy

The role of the committee is to achieve sustainable empowerment and it has an ongoing responsibility to govern and oversee all aspects of the Group's BBBEE strategies, namely ownership, management control, skills development, enterprise and supplier development and socio-economic development.

Each year, the transformation strategy is reviewed and clear guidelines are defined for each of the five elements of BBBEE.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Our performance

TFG was rated* a level 7 contributor by Empowerdex, an accredited economic empowerment rating agency (based on information in respect of the year ended 31 March 2017). Our performance over the past two years is recorded below.

BBBEE element	MAXIMUM	2017 ACHIEVED	2016 ACHIEVED
Ownership	25,0	**12,31**	13,48
Management control	19,0	**6,15**	6,36
Skills development	20,0	**13,95**	14,35
Enterprise and supplier development	40,0	**18,55**	18,65
Socio-economic development	5,0	**5,00**	5,00
Total	109,0	**55,96**	57,84
Empowering supplier		**Yes**	Yes
Procurement recognition level		**50,0%**	50,0%
Discounting principle applicable		**No**	Yes
Recorded procurement recognition level		**50,0%**	10,0%
BBBEE recognition level contributor		**Level 7**	Level 8

* *TFG was rated under the amended codes of good practice for the financial years ending 2017 and 2016.*

We are pleased to report that TFG was ranked second in the 2016 Business Report Top 100 Most Empowered Companies survey within the retail sector. (At the time of the above survey, TFG's BBBEE scorecard was based on the old codes of good practice).

Equity ownership

In terms of paragraph 3.4.5 of code 100, statement 100 of the codes of good practice, TFG appointed an external research organisation to undertake a competent person's report to estimate the extent of black rights measurable in TFG, originating from mandated investments. A score of 12,31 points was achieved and has been included in our verification certificate.

Management control

In respect of 2017, TFG achieved a score of 6,15 points out of a maximum of 19 points.

Supervisory Board and Operating Board

The representivity of our Supervisory and Operating Boards remains a focus area and is being achieved through securing black non-executive directors and executives through a continued focus on diversity in the succession planning and talent management processes.

Employment equity

Employment equity continues to be a critical aspect of TFG's transformation strategy. In line with this, the alignment of Group and divisional targets with the national economically active population of South Africa remains a key focus. A graphical illustration representing the diversity of our Supervisory Board is presented in the Corporate governance report on page 92.

TFG's representation of employees in designated groups to the total employee workforce continues to increase steadily year on year (from 90,36% in 2013 to 93,22% in 2017). Employment equity progress at senior and middle management levels remains a key strategic focus area, with hiring and development opportunities aligned to the selection of employees from designated groups.

The reinforcement of TFG's new talent acquisition strategy, supported by a strong employee value proposition, has yielded success in the appointment of top equity talent at senior and middle management levels across the Group. The framework for this new operating model is underpinned by a team of specialists who use a variety of new recruitment methodologies and techniques to ensure that we attract and secure top equity talent within the passive candidate market for all levels of skills.

A number of pilot initiatives were also driven within our customer-facing environments. A new high-volume solution has been introduced to ensure we also attract and secure top equity talent for critical roles in our field and stores. This recruitment solution takes a high volume of candidates through a series of assessments via an assessment centre day.

Summary of demographic representation of South African employee complement*

	AFRICAN	COLOURED	INDIAN	WHITE	FOREIGN NATIONAL	TOTAL BLACK
2013 Actual	52,98%	32,81%	4,57%	9,21%	0,43%	90,36%
2014 Actual	54,21%	32,39%	4,27%	8,87%	0,26%	90,87%
2015 Actual	56,54%	31,36%	3,75%	8,03%	0,32%	91,65%
2016 Actual	58,64%	30,08%	3,53%	7,45%	0,30%	92,25%
2017 Actual	60,88%	28,99%	3,35%	6,55%	0,23%	93,22%

* *TFG's South African workforce profile as at 31 March 2017.*

Youth unemployment continues to be a challenge in our country. A Talent Acquisition team has now been dedicated to look at a progressive and flexible approach to recruit young unemployed graduates from diverse academic backgrounds, with a strong focus on candidates from designated groups. Multiple avenues have been explored, and strategic partnerships with institutions of learning, NGOs, NPOs and government initiatives have been forged to educate, uplift and inform the youth of potential careers within the retail sector while focusing on TFG's transformation and equity objectives.

The TFG Retail Academy creates various pathways to our talent pipelines with specific focus on strong equity talent. In 2017, a substantial 93% of the 31 trainees appointed were from designated groups, while more than half of these appointments were African Black candidates. Progress in this regard continues to be exceptional – we have seen a 16% increase from last year where 80% of trainee appointments were from designated groups.

To support this, talent attraction strategies have been targeted to equity talent, with a particular focus on African Black candidates in the market. Selection methods have also been reviewed and improved to position TFG as an employer of choice.

Trainee programme demographics as at 31 March 2017

	RACE						GENDER	
	AFRICAN	COLOURED	INDIAN	FOREIGN NATIONAL	WHITE	TOTAL BLACK	FEMALE	MALE
2013	17,24%	37,93%	10,34%	6,90%	27,59%	65,51%	68,97%	31,03%
2014	15,62%	43,75%	3,13%	3,13%	34,37%	62,50%	71,87%	28,13%
2015	20,69%	27,59%	10,34%	0,00%	41,38%	58,62%	68,97%	31,03%
2016	37,50%	37,50%	5,00%	0,00%	20,00%	80,00%	70,00%	30,00%
2017	41,85%	44,19%	6,98%	0,00%	6,98%	93,03%	70,00%	30,00%

Executive development and retention initiatives, including the allocation of shares, have been part of the drive to recognise and retain key individuals in professional middle management. It remains a strategic area of our talent management strategy.

In terms of disabilities, TFG is committed to promote a disabled-friendly environment to actively encourage equality and inclusion of all employees. We continue to seek opportunities for disabled employees, secured through various initiatives such as learnerships.

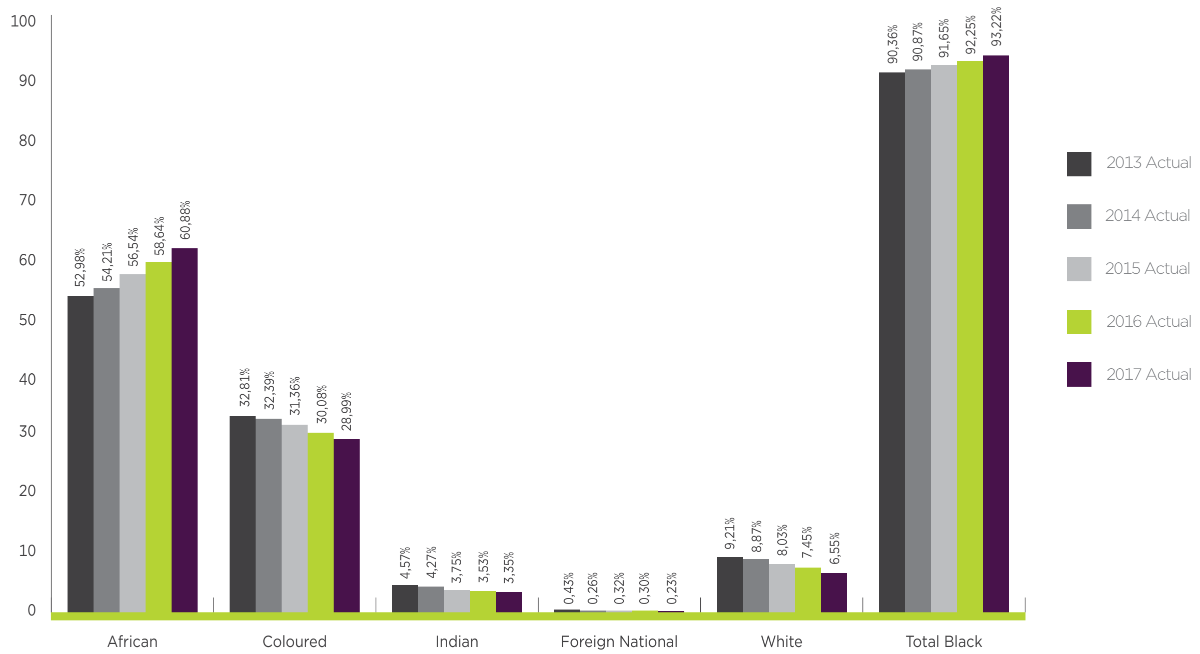
SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Summary of our South African employee complement as at 31 March 2017

	MALE				FEMALE				FOREIGN NATIONAL		GRAND
Occupational level	A	C	I	W	A	C	I	W	MALE	FEMALE	TOTAL
Permanent	**3 681**	**1 422**	**165**	**356**	**7 970**	**4 155**	**480**	**919**	**27**	**17**	**19 192**
1. Top management				7			1	1		1	**10**
2. Senior management	3	11	13	88	5	20	4	87	1		**232**
3. Professional middle management	63	137	34	155	65	206	58	339	13	5	**1 075**
4. Skilled junior management	524	340	46	67	1 455	1 411	148	355	7	6	**4 359**
5. Semi-skilled	2 989	862	72	39	6 389	2 397	268	136	5	5	**13 162**
6. Unskilled	102	72			56	121	1	1	1		**354**
Temporary	**136**	**32**	**7**	**3**	**142**	**71**	**5**	**5**	**0**	**2**	**403**
Grand total	**3 817**	**1 454**	**172**	**359**	**8 112**	**4 226**	**485**	**924**	**27**	**19**	**19 595**

* *The information provided in this table relates to TFG's South African workforce only.*

The bar graph below illustrates the workplace profile in terms of racial representation for the period from 2013 to 2017.



Skills development

TFG continues to support the government's strategy of job creation and skills development by investing in key skills needed to sustain and grow the retail sector and its own workforce. The Group's talent development strategy was reimplemented during the past financial year. The focus has been on driving development for our customer-facing employees via the TFG Retail Academy. Two learning pathways were launched in the first year, namely the store manager pathway and the area manager pathway. Our learning pathways consist of programmes that are grouped into three categories: Learn, Grow and Achieve.

Our SETA initiatives are also incorporated into our Academy, giving our customer-facing employees the opportunity to develop their retail and leadership skills.

The programmes address training needs such as onboarding new store and area managers, supporting store managers on how to best optimise the performance of their stores, and enhancing coaching skills and general leadership via programmes such as the Retail Management Development programme. To date, we have retained approximately 88% of our participants in the TFG Retail Academy. We envisage more work to be done in developing our merchants so that they are able to optimise our supply chain across the Group.

The number of training interventions attended by all South African employees has increased by 8,5%.

	2017	2016	2015	2014	2013
Total number of training interventions attended by all employees	**125 741**	115 907	117 737	117 341	126 021
Total number of training interventions attended by black employees	**121 293 (96% of total)**	107 707 (93% of total)	107 619 (91% of total)	106 907 (91% of total)	114 886 (91% of total)
Total number of training interventions attended by black female employees	**84 040 (67% of total)**	83 045 (72% of total)	88 303 (75% of total)	84 847 (72% of total)	79 814 (63% of total)
Overall cost of training	**R135 622 900**	R124 047 452	R120 569 000	R117 553 778	R110 899 791

Enterprise and supplier development

Preferential procurement

In respect of 2017, TFG achieved a score of 10,44 points out of a maximum of 25. While there continues to be a strong focus on the composition of our supply base as well as the requirement of our suppliers to provide valid BBBEE certificates/affidavits, this BBBEE element is challenging. Some of the new suppliers' BBBEE certificates we are receiving, reflect lower BBBEE procurement recognition levels that will start to negatively impact on our preferential procurement score now and in the future.

Enterprise development

In respect of 2017, TFG achieved a score of 2,59 points out of a maximum of 5 points.

Enterprise development (ED) is supported by a number of initiatives:

- TFG has committed to support the South African Football Association (SAFA) Development Trust, to establish a Safe-Hub in Alexandria, Johannesburg, and to contribute to its operational expenses over the next four years. This investment commenced in 2015 with the building of the facility in Alexandria, which was officially opened in December 2016. We will continue to fund this facility and build relationships with the SAFA Development Trust and LFAs (Local Football Associations) within the greater Gauteng area to develop football talent at grass-roots level.
- During the year under review, we also partnered with The Clothing Bank. The Clothing Bank was founded in 2010 and provides unemployed mothers with business skills to empower them to become self-employed business owners. TFG supports The Clothing Bank by contributing merchandise returns to them.
- In addition, we continued to engage with a number of service providers with regard to other opportunities where we can assist in the development of ED beneficiaries/entrepreneurs.

SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

Supplier development

In respect of 2017, TFG achieved a score of 5,52 points out of a maximum of 10 points.

The development of our local supply base is supported by a number of supply chain enhancement initiatives, which are in place through TFG Manufacturing and our CMTs.

Supplier development initiatives, such as preferential payment terms, loans, the transfer of skills and raw material procurement, continued with New Coe Knits, a knitwear supplier, and Joe's Scatter Cushions, a supplier of household textiles.

Socio-economic development

In respect of 2017, we achieved a score of 5 points out of a maximum of 5 points.

TFG's main focus is to create opportunities for employment by leading sustainable developments. We aim to "Educate to Empower (E2E)" across all educational levels – from early childhood development to post-school education. This strategy allows us to make meaningful contributions and to significantly impact our communities.

A shared value mindset has become increasingly important within our business and therefore we have strategically partnered with a number of organisations to successfully implement our strategy.

Socio-economic development (SED) has also provided many TFG employees the opportunity to transfer their business skills to ensure that all SED flagship projects are optimally run. Therefore, our investment is more than just monetary as our employees form part of our doing good journey.

Further information on our projects can be found in the TFG Sustainability overview report.

F Abrahams
Chairperson: Social and Ethics Committee

29 June 2017

NOMINATION COMMITTEE REPORT

The Nomination Committee is pleased to provide a report of their activities for the 2017 financial year.

NOMINATION COMMITTEE MANDATE

The committee is governed by a charter that sets out its mandate and key responsibilities, and reports are provided to the Supervisory Board on a quarterly basis. The committee fulfilled its responsibilities in accordance with its charter during the 2017 financial year.

DUTIES OF THE COMMITTEE

The key responsibilities of the committee are detailed on page 99 of this report.

COMMITTEE COMPOSITION AND ATTENDANCE AT MEETINGS

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

The committee held two meetings during the 2017 financial year, attended by all members (refer to page 95). The key issues that were considered by the committee during the current year included the following:

- Review and amend all the Supervisory Board subcommittees' composition to ensure appropriate mix of skills
- Review and make recommendations to the Supervisory Board in respect of the policy relating to the promotion of gender and race diversity at Supervisory Board level
- Review and make recommendations to the Supervisory Board in respect of the composition of and terms of reference for the Finance Committee, an *ad hoc* committee of the Supervisory Board
- Oversee the Supervisory Board evaluation process
- CEO and general succession

M Lewis
Chairman: Nomination Committee

29 June 2017

RISK COMMITTEE REPORT

The Risk Committee is pleased to present its report for the financial year ended 31 March 2017 to the shareholders of TFG.

The Foschini Group Enterprise Risk Management (ERM) framework provides a structured, dynamic and consistent approach to risk management. It is an integrated approach and recognises that effective risk management is critical to the achievement of strategic objectives and the long-term sustainable growth of the business. The process is continuous and risks are updated throughout the year. The framework is in line with relevant standards, including ISO 31000, the COSO framework and the King Code of Governance for South Africa 2009 (King III).

OUR APPROACH

Overall, the Supervisory Board is accountable to ensure that risks are effectively managed, and it has delegated the oversight of risk management to the Risk and Audit Committees in terms of two separate mandates. The Risk Committee reviews significant risks and their related mitigations and reports back to the Supervisory Board at each meeting. The Audit Committee focuses on the financial risks and reviews the effectiveness of the risk process. Each business area is responsible for identifying, assessing and managing the risks in their respective area.

Annual risk workshops are held across the Group and identified risks are documented in a risk register and assessed on the basis of likelihood of occurrence and potential impact on the Group (risk exposure). Mitigations are identified against each risk and the remaining residual risk assessed based on defined criteria. The risks with the highest exposure attribution are presented to the Operating Board to be reviewed and challenged ahead of being submitted to the Risk Committee and ultimately the Supervisory Board for review and approval. This process is facilitated by the Group Enterprise Risk function.

Quarterly updates on identified risks, related mitigations and emerging risks are provided to the executive Risk Committee for consideration. Significant matters and any revisions to risks are reported to the Risk Committee. The Group continuously seeks to improve and enhance the risk management process, while maintaining a practical and business-minded approach at the same time. The Supervisory Board's approach to risk appetite is conservative without inhibiting or unduly restricting the Group from utilising opportunities.

The Supervisory Board confirms that the Group's risk management, mitigation and monitoring processes have been effective in limiting the potential impact of risks on the business during the year under review.

1. Risks highlighted through workshops, assurance reviews, executive and senior management, third parties and other resources are documented in a centrally managed risk register.
2. Risks are assessed in terms of likelihood of occurrence and potential impact on the Group.
3. Mitigating actions are agreed and responsibilities assigned.
4. The effectiveness of the mitigating actions is evaluated and the residual risk determined.
5. Risks are reviewed by the Risk Committee, discussing emerging risks and changes in the risk assessment.

INFORMATION TECHNOLOGY GOVERNANCE

An IT steering committee has been established, which includes representatives from the various trading and services divisions. The committee meets quarterly and reviews the emerging IT-related risks, disaster recovery plans and any significant IT initiatives. The Risk Committee receives feedback on matters discussed and monitors IT initiatives to ensure these do not pose a risk to the continuity of the Group's operations.

LEGISLATIVE COMPLIANCE

At each Risk Committee meeting, an update on legal compliance is presented. This update includes a legislative radar or forecast of significant legislative developments in all of the countries in which the Group has a footprint. Key areas of non-compliance, if any, are also brought to the attention of this committee. During the financial year, no fines and/or other forms of sanction were issued against the Group and no directors or senior management members were accused of or held liable for non-compliance with any laws, regulations or codes of conduct.

Further information on legislative compliance is provided in the Corporate governance report on page 92.

KEY RISKS AND SIGNIFICANT UNCERTAINTIES

The landscape, five continents and 34 countries, in which the Group operates is impacted by the expansion into new territories. Global and local events have led to instabilities in the economy, influencing available capital and our consumer. Our consumer has less disposable income and this increases the risk to turnover and debtor delinquencies. The Group continues to monitor the progress of Brexit and to consider the implications it may have for our UK businesses.

RISK DESCRIPTION	MITIGATING ACTIVITIES
Regulatory risks	
The South African regulatory environment continues to increase with complexity. This complexity becomes heightened as the Group expands internationally, and as it is faced with understanding and applying differing regulatory requirements in multiple jurisdictions.	• The Group Legal and Compliance department monitors significant risks and provides the business with updates and training as and when required. • Regular reports are provided to senior management and the Audit and Risk Committees respectively, addressing significant aspects across all jurisdictions in which the Group has a footprint.
The introduction of revised credit legislation continues to pose challenges in terms of compliance and our customer base.	• The Group strategy and related initiatives are in place to grow TFG's account base and the average spend per account. • Regular compliance monitoring.
Operational risks	
Continued high levels of crime (i.e. burglaries and armed robberies but excluding credit fraud) reduces operating margin.	• The Group subscribes to a culture of zero tolerance and has embarked on the roll-out of a revised enhanced security strategy. • A Forensic department has been established to coordinate investigations, engage with anti-crime forums, other retailers, mobile providers, industry bodies and the South African Police Service.
A fire, flood or other natural disaster affects the warehouses or head office campus.	• Business continuity plans have been developed across the Group. These plans are reviewed annually and are tested on a regular basis.
Failure of IT infrastructure.	• Disaster recovery plans are in place across the Group.
The weakening economy and/or a financial and/or catastrophic disaster leads to the collapse of key suppliers.	• The Group's supply chain strategy includes sourcing alternate suppliers and maintaining relationships with relevant government, industry and trade union organisations. • This includes building sustainable relationships with local suppliers and the continuous performance measurement and grading of suppliers. • Recommended improvements are discussed and the progress of implementation is regularly assessed.

RISK COMMITTEE REPORT CONTINUED

RISK DESCRIPTION	MITIGATING ACTIVITIES
Economic risks	
Instability in the economy both locally and globally influences available capital and our consumer.	• The funding strategy is presented to and reviewed by the Supervisory Board annually. • Treasury meetings are held monthly to review funding requirements and options. • The Group has an increasingly diversified business model.
The impact of global financial instability and the effect of fluctuating exchange rates on purchasing power and the ability to remain price competitive.	• The strategy for purchasing forward cover is reviewed regularly to ensure that it remains relevant and provides the best possible protection against currency fluctuations for committed and future orders.
A stagnant economic climate negatively affects TFG's customers' purchasing power and influences their ability to settle accounts.	• The Group continually strives to increase accessibility to a broad spectrum of the market by growing its footprint in varied locations. • The Group continues to refine credit score models for collections and follow-ups to assist customers in maintaining an open-to-buy position. • Credit applications are reviewed for fraud indicators and assessed against NCA-compliant internal scorecards, credit bureau scores and verification of employment where necessary. Collection strategies are regularly reviewed with the assistance of internal behavioural and credit bureau scorecards.

The Group's risks continue to evolve as new risks emerge and appropriate mitigating activities are introduced to reduce the overall residual risk. The following risk has subsequently been removed from this year's risk register:

- Power outages: During the last two reporting periods, limited power outages have been experienced.

E Oblowitz
Chairman: Risk Committee

29 June 2017

REMUNERATION COMMITTEE REPORT

The Remuneration Committee report comprises three sections:

Section A	**Report from the Chairman of the Remuneration Committee, summarising key remuneration considerations and decisions as well as highlighting internal and external factors influencing remuneration during the year under review.**
Section B	**The remuneration philosophy, policy and framework.**
Section C	**The application of the remuneration policy during the year under review.**

SECTION A: REPORT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to present the Remuneration Committee report for the 2017 financial year on behalf of the Remuneration Committee (Remco). This report summarises the philosophy and principles of and approaches to remuneration at TFG as it applies to executive directors, non-executive directors and other employees. It details the policy and principles set by the Remco for each of the primary components of the remuneration policy. The structure and content of the Remuneration Committee report also take into account best practice requirements of corporate governance as set out in the King Code of Governance for South Africa 2009 and are aligned with the Johannesburg Stock Exchange (JSE) Listings Requirements.

TFG complies with the requirement of "equal pay for work of equal value" in line with the Employment Equity Act, No. 55 of 1998, as amended (the EEA) by recognising and addressing pay inequities between gender and race groups within the Group with specific focus on customer-facing employees.

Remuneration arising from short-term incentives (STI) and long-term incentives (LTI) is linked to the Group's financial performance.

For the year ended 31 March 2017, the Group did not achieve the required STI target but did achieve the three-year LTI target.

For the three years ended 31 March 2017, the Group achieved the long-term incentive target (LTI) headline earnings per share (HEPS) growth of CPI plus 2%, which resulted in full vesting of the forfeitable performance shares (FSP) and share appreciation rights (SARs). Further details on STI payouts and LTI vesting outcomes are disclosed in section C.

For the year ended 31 March 2017, the Group did not achieve the short-term incentive target (STI) earnings before interest and tax (EBIT). Although EBIT was not at target at Group level, a number of retail brands attained or exceeded their specific targets. Bonuses were paid to eligible employees of these specific retail brands for achieving their STI targets as per the rules of the STI scheme. This arrangement is key to ensuring TFG's variable pay model remains fit for purpose and competitive in the market.

At Group level, after taking into consideration that actual EBIT was only marginally below threshold target, and that the CEO and CFO made significant strategic contributions to the Group's international expansion plans, the Remco exercised its discretion and declared a discretionary bonus pool that was lower than the threshold bonus pool.

Executive performance for purposes of STI payments is reviewed by the Remco and measured against predetermined performance measures that are set in advance on an annual basis.

In section C, the remuneration and shareholdings of the directors and prescribed officers of TFG Limited are disclosed, as are the fees paid to non-executive directors. The remuneration packages for directors and senior executives are determined after due consideration of their specific performance, experience and responsibilities. This determination also includes engaging external remuneration consultants as well as performing extensive independent benchmarking exercises of similar roles in companies directly comparable to TFG's size, industry, complexity and risk profile. During the year, PricewaterhouseCoopers (PwC) gave advice on the latest remuneration trends, specifically on executive and non-executive remuneration, as well as guidance on the application of King IV principles.

REMUNERATION COMMITTEE REPORT CONTINUED

Key decisions and remuneration policy changes approved by the Remco

The Remco has reviewed and addressed a number of policy aspects for organisation-wide employees. These include:

- Successfully concluded a two-year wage agreement with SACCAWU for all unionised employees, effective 1 September 2016
- Dedicated focus on and review of customer-facing employees' remuneration components, specifically base pay alignment with the market
- Introduction of three separate employee categories, namely executive employees, middle management and the bargaining unit for annual increase reviews for further alignment with the market
- Further enhanced the "pay for performance" culture in the Group by linking all performance objectives to the Group's business strategy and by adjusting the bonus payment modifiers and increasing the potential payout gap between acceptable and exceptional performance classifications
- Reviewed and increased the STI on-target multiples for Peromnes Grading System Grades 6 and 7 employees (middle management employees) to ensure competitiveness and alignment with the market, effective 1 April 2017
- Three-year (FY 2017 to FY 2020) return on capital employed (ROCE) targets were proposed by executive management and approved by the Remco during the first half of the year. However, in the latter half of the year, it became apparent that a significant international acquisition such as the recently announced post-year-end acquisition of the Retail Apparel Group (RAG) of Australia would have a material impact on the determination and setting of long-term ROCE targets. Taking into account that TFG is introducing ROCE as a LTI performance secondary metric for the first time and taking note of the complexity of the various considerations impacting the measurement of ROCE in a large multi-national retailer such as TFG, executive management requested that the original basis of setting ROCE targets be revised. The Remco approved this proposal and requested executive management to present revised ROCE targets for the FY 2016 and FY 2017 share awards during the first half of FY 2018. These targets will be predicated on the fundamental objective of attaining long-term incremental improvement in ROCE and will be reported in the Remuneration Committee report for FY 2018.

Shareholder advisory services and investor engagement

We actively engage with investors on at least an annual basis and this process forms an integral part of reviewing our remuneration policy. We took note of the engagement feedback received from shareholder advisors and our investors that arose from the shareholder approval of the Remuneration Committee report for the 2016 financial year at last year's annual general meeting (AGM).

The key engagement points raised by shareholder advisors and our investors, and our response to each, are set out in the table alongside.

SHAREHOLDER ADVISOR/ INVESTOR COMMENT	RESPONSE FROM TFG REMCO/ACTIONS TAKEN
Good level of disclosure in the report.	We will continue to enhance and improve the report to ensure international best practices while taking into account specific disclosure items as required by King IV and the JSE Listings Requirements.
Disclosure of ROCE targets as a secondary measure with a 20% weighting, but no actual targets were provided.	As reported above, ROCE targets will be set on the fundamental objective of attaining long-term incremental improvement in ROCE and will be reported in the Remuneration Committee report for FY 2018.
Adequate disclosure of STI and LTI metrics in report. However, TFG omitted to disclose sustainability measures for STI and LTI. Performance targets must include sustainability targets (non-financial).	While we currently do not have non-financial targets linked to LTI, we do incorporate non-financial targets into STI targets through measurement of individual KPIs. The CEO and CFO's individual performance measures are aligned with TFG's strategic pillars as detailed on page 64 of the integrated annual report.
Once-off special share award to CEO.	The once-off special share award in June 2016 was in accordance with a specific agreement with the CEO to extend his tenure beyond his normal retirement date to ensure a number of critical strategic initiatives/objectives are achieved and to ensure a smooth transition to his successor. The actual performance of the CEO in relation to these objectives will be monitored annually by the Nomination Committee. The special shares will only vest if all of the objectives set have been achieved. This once-off special share award and its rationale was explained in detail in last year's (FY 2016) Remuneration Committee report.
FSP – performance target of HEPS growth of CPI plus 2% is not stretched enough.	Currently, South African retail is trading in a challenging environment and we believe HEPS growth of CPI plus 2% over a three-year period will provide a robust stretch in this challenging phase of the South African retail cycle.

REMUNERATION COMMITTEE REPORT CONTINUED

Forward-looking approach

One of the Operating Board's strategic objectives, which ensures organisation-wide fair and equitable remuneration, is to increase the focus on total reward for customer-facing employees. TFG's commitment is to offer market-related pay and create opportunities that allow employees to grow and succeed in an environment of support, collaboration and respect.

ROCE, introduced as a secondary measure of LTI in the 2017 financial year, has become a key operational and financial focus within the Group. ROCE targets will be predicated on the fundamental objective of attaining long-term incremental improvement in ROCE. For reasons stated earlier in this report, ROCE targets will be reported in the Remuneration Committee report for FY 2018.

We will continue to conduct annual reviews and benchmarking exercises, in particular regarding LTI and STI performance targets, to ensure we remain competitive to the market and align with best practice.

The King IV implementation date is for financial years starting on or after 1 April 2017. Despite only being obliged to implement King IV guidelines for the 2018 financial year, TFG considered King IV guidelines where appropriate for the various sections of the 2017 financial year Remuneration Committee report. However, TFG is committed to fully adopt and comply with the King IV guidelines in the 2018 financial year and will continue to take into account best practice requirements of good corporate governance. Such compliance will further be aided by the King IV practice notes (still due for release).

Shareholder advisory services and investor engagement form an integral part of the Remco's ongoing review of remuneration policy, and TFG will continue to actively engage with investors on an annual basis. The Remco maintains a proactive approach to consider all emerging and relevant remuneration trends to ensure that remuneration is used as a business tool to create sustainable value within the economic, social and environmental context in which the Group operates.

Annual general meeting (AGM)

For the 2016 financial year, TFG received a 53% non-binding advisory vote in favour of the remuneration policy. We consider the outcome as disappointing, especially after our deliberate and in-depth engagement with the investor community. We have taken cognisance of all the feedback received from shareholders and we have once again engaged with the investor community, explained our remuneration policy and highlighted our forward-looking approach towards remuneration. In the light of our progressive approach, we look forward to your positive vote in favour of our 2017 financial year remuneration policy.

E Oblowitz
Chairman: Remuneration Committee

29 June 2017

SECTION B: REMUNERATION POLICY

Principles

TFG's remuneration policy, as determined by the TFG Remco, aims to attract, engage and retain the best talent that is essential for the implementation of its business strategy and the achievement of its performance objectives while it operates within the Group's approved risk and governance frameworks. The remuneration policy is an enabler for creating sustainable and long-term positive returns for shareholders.

The policy seeks to achieve the following principal objectives:

- External equity – ensuring employees are rewarded in line with the practice in national and retail markets, taking all relevant and appropriate factors into account
- Internal equity – ensuring employees are remunerated correctly in relation to each other, in recognition of their individual contributions and accountabilities
- Performance alignment – ensuring employees are aware of the requirements of strong short-term and long-term performance as well as its rewards
- Appropriate remuneration mix – establishing a balance between base pay, STI and LTI

Remuneration must be balanced with attractive benefits, an enjoyable, ethical and values-based working environment and the opportunity for employees to develop and grow in a respectful, collaborative, competitive, career-oriented environment.

The Remco is also committed to fair and responsible remuneration across all levels of employees within the Group, including its international divisions, that supports the implementation of our four strategic pillars:

TFG IS COMMITTED TO FAIR AND RESPONSIBLE REMUNERATION THAT SUPPORTS THE IMPLEMENTATION OF OUR FOUR STRATEGIC PILLARS

	SHORT-TERM INCENTIVES (STI)			LONG-TERM INCENTIVES (LTI)
STRATEGIC PILLARS	INDIVIDUAL METRICS (EXAMPLES)	BUSINESS AREA METRICS	GROUP METRICS	SHAREHOLDER METRICS
CUSTOMER	Cash customer base	OPERATING PROFIT	GROUP EBIT	HEPS
	Net promoter score			
LEADERSHIP	Quick response			
	ROCE			
PROFIT	Employee engagement			
	African expansion			
GROWTH	Basket size			ROCE
	Voice of customer			

The following selected measures are addressed to ensure fair and responsible remuneration is applied across all levels of employees:

- Annual exercise to identify and address unexplained income differentials as part of the Employment Equity Report (EEA4) submission to the Department of Labour
- Annual monitoring of TFG's internal Gini coefficient (i.e. the ratio of income dispersion between the different levels) to ensure it is within reasonable benchmarks nationally and within the South African retail industry

REMUNERATION COMMITTEE REPORT CONTINUED

Remuneration mix

Designed to achieve an appropriate mix between base pay, STIs and LTIs

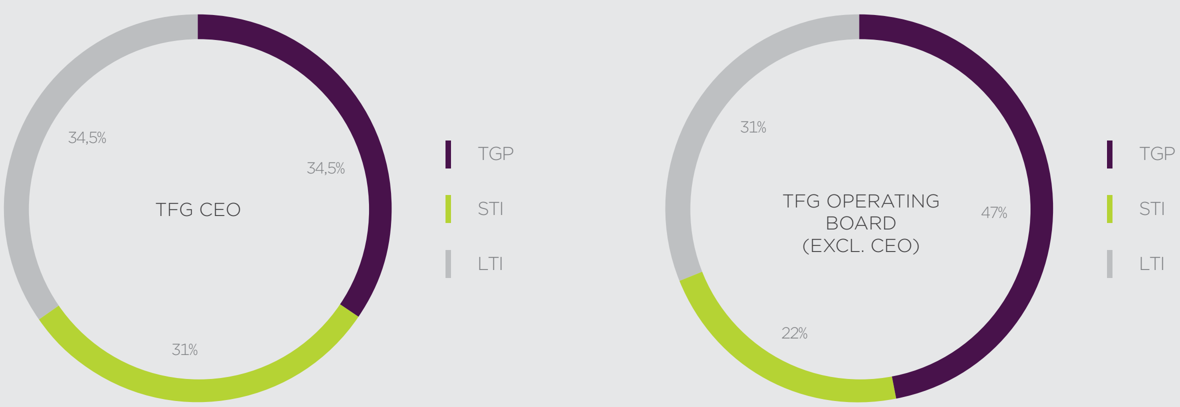
Summary of remuneration mix

REMUNERATION COMPONENT	MECHANISM	ELIGIBLE EMPLOYEES	CHANGES TO POLICY IN THE YEAR UNDER REVIEW	SUBJECT TO PERFORMANCE CRITERIA
Base pay	Guaranteed pay	All employees	None	Yes
STI	Group annual bonus scheme	CEO to Grade 7 (middle management)	Increased STI multiples for Peromnes Grades 6 and 7 employees (middle management), effective FY 2018	Yes
LTI	SAR	Operating Board	None	Yes
	FSP – performance	Operating Board and executives	None	Yes
	FSR – restricted	Executives and key talent employees	None	No

Remuneration mix policy

The remuneration mix comprises base pay, STI, and LTI for the CEO and the Operating Board. The STI and LTI components of remuneration are designed relative to base pay to achieve an appropriate mix between base pay, STIs and LTIs.

ILLUSTRATION OF THE CEO AND OPERATING BOARD REMUNERATION MIX



APPLICABLE PERFORMANCE CRITERIA	PERFORMANCE CONDITION	MINIMUM PERFORMANCE PERIOD	STRATEGIC PURPOSE OF COMPONENT
Performance review	Annual increase approved by the Remco	n/a	Attracts and retains employees with dual focus on external market equity and internal equity
EBIT individual performance and divisional profit growth	Set by the Remco each year	One year	Rewards employees for achieving or exceeding targeted short-term performance levels
HEPS growth (excluding acquisition costs)	CPI	Three years from date of grant	Aligns executive and key management's interests with long-term shareholders' interests
HEPS growth (excluding acquisition costs) – ROCE	• CPI plus 2% • As explained in section A, June 2016 share award and June 2017 share award – ROCE target now to be set during FY 2018	Three years from date of grant	
n/a	n/a	Three years from date of grant	

The remuneration mix varies by organisational level, with incentive pay (short and long term) forming a more significant portion of remuneration at higher organisational levels.

The targeted remuneration mix at varying levels of organisational performance is approved by the Remco. The infographics alongside depict the mix of remuneration components for the CEO and Operating Board, taking into account:

- current annualised base pay levels;
- the STI payment, which is at performance tier **On Target** levels; and
- the annual LTI allocations, which are shown at expected value, for benchmarking purposes, on the date of award. The expected value of the LTI annual allocations is determined by using industry standard option pricing formulae and probability factors, together with established performance conditions.

Base pay

Attracts and retains key talent with focus on external market equity, internal equity as well as equal pay for work of equal value

Base pay consists of the following, and applies to all permanent employees:

- A pensionable salary
- Travel and housing allowance (depending on organisational level)
- Employer contributions to:
  - TFG Retirement Fund
  - Provident fund (dependent on organisational level)
  - Group life and disability benefits
  - TFG Medical Aid Scheme (where applicable)
- Base pay is reviewed annually with reference to the market, and is targeted around the median of comparable market survey statistics.

REMUNERATION COMMITTEE REPORT CONTINUED

- Base pay increases are awarded based on guidelines determined with reference to direct comparable industry peers, independent market surveys, such as the REMchannel® salary survey, Hay's salary survey and national economic indicators. The Remco also takes past and current Group trading performance and current economic indicators into account when determining the annual increase guidelines.
- Each role is benchmarked against the market using proven job evaluation and benchmarking methods.
- TFG is sensitive to paying fair, market-related remuneration to all employees and fully supports the concept of "equal pay for work of equal value" in line with the EEA. TFG monitors salary differentials for all employees performing work of equal value, and pay inequality is addressed by providing training to employees and ensuring that extensive career mapping and talent management strategies are in place.

Benefits

Influences attraction and retention of key talent

Vehicle benefits are provided based on the employee's organisational level and role, as defined by our travel allowance and fleet policies.

Retirement, group life and disability benefits are provided in proportion to pensionable salary. To this end, TFG contributes 12% of pensionable salary to the TFG Retirement Fund for all employees eligible for membership of the fund. Members are required to contribute 7,5% to the fund. In addition to being members of the TFG Retirement Fund, executives are also members of a provident fund. TFG contributes 1,5% of pensionable salary to the provident fund and there is no compulsory contribution required by the employee. Contributions to both the TFG Retirement Fund and provident fund are based on pensionable salary and no element of variable pay is regarded as pensionable.

Medical aid is income related, providing identical cover to employees on the same plans, but requiring lower contributions from lower-earning employees. Employees on one of the in-house schemes receive a 50% subsidy for all approved dependants. In this way, TFG seeks to ease the burden of the increased cost of living on its employees.

Short-term incentives (STI)

Rewards employees for achieving or exceeding targeted performance levels

STI overview

The Group annual bonus scheme defines three targeted tiers of performance at both divisional and Group level, with commensurate bonus payments at each of these levels. These levels are defined as threshold, target and stretch.

This structure exists for the following reasons:

- To drive collaboration between divisions to the overall benefit of the Group
- To reward strong divisional performance while moderating payments where Group performance targets have not been met and thus cannot be fully funded

The scheme rules are communicated to each participating employee. Any approved bonus payments, and confirmation to employees of the underlying performance measures, are made shortly after publication of the annual financial results.

STI performance metrics

Multiple performance metrics are used to set targets for the payment of STIs. These measures include (but are not limited to) the following:

The bonus pool for executive management and centralised functions is weighted 100% to EBIT, while the bonus pool for retail brands is weighted 60% to divisional profit before tax and 40% to EBIT.

After calculating the bonus pool using the primary measure, a secondary measure of individual performance is applied to an individual's base bonus. The purpose of having individual performance as a secondary measure is to support a "pay for performance" culture. This secondary measure is determined by using the employee's performance rating. The range is on a five-point scale between "1" = 0% (very poor performance) to "5" = 150% (exceptional performance) with 100% bonus paid at a "3" rating. In line with good practice, these ratings are calibrated to ensure the Group achieves a reasonable distribution curve within the total bonus pool.

During the year under review, the Remco approved changes to the payment modifiers linked to the individual performance ratings to determine final bonus payments. Previously, the range was "1" = 0% to "5" = 120%. The purpose of the changes is to further embed the "pay for performance" culture within the Group.

Performance measures for all Operating Board members (including the CEO) as well as all heads of retail brands and heads of functions are aligned with the TFG strategic pillars as detailed on page 64 of the integrated annual report. CEO objectives are set and assessed by the Chairman of the Supervisory Board. CFO and Operating Board members' objectives are set and assessed by the CEO. The CEO and Operating Board's performances are reviewed by the Remco as part of the STI bonus payment approval process.

STI target setting

The Remco approves Group bonus targets by using annual profit forecasts as a benchmark (primary measure).

As a major retailer and in accordance with attaining effective operational monitoring, TFG's profits and other key retail metrics are internally reported in detail on a weekly and monthly basis. This real-time reporting of profit (the cornerstone of the EBIT measure) and review by executive management supports the robust STI design principles and underpinning performance metrics of divisional profit before tax and EBIT.

STI payment multiples

STI benchmarks are reviewed regularly to ensure that bonus payment levels at each organisational level and performance tier are appropriate and form a fitting part of the overall pay mix. Any changes to the payment multiples or structure require prior approval from the Remco.

Bonus multiples, before the influence of any individual factors are taken into account, are calculated as a factor of:

- each individual's annual base pay; and
- each organisational level.

For ease of comparison and reporting, bonus multiples are shown as a percentage of annual base pay in this report.

The Remco reviews and assesses the achievement of approved Group and divisional targets and then recommends the appropriate bonus payments to the Supervisory Board.

The Remco has an overriding discretion to recommend any adjustments to bonus targets and payments to the Supervisory Board as a result of changed business conditions, including where a payment is inappropriate given the Group's financial and/or other justifiable circumstances.

STI tiers of performance and related bonus multiple

The following rationale is applied at each tier of performance when determining and approving targets:

Threshold

- Performance marginally below **On Target** that is nevertheless satisfactory and substantially aligned with forecasted trading performance.
- Performance at this level, or anywhere between **Threshold** and **On Target**, warrants and justifies up to a maximum of 50% of the **On Target** bonus value.
- Payment of a bonus for performance below threshold will only be made at the discretion of the Remco. In the event that a discretionary payment is made for performance below threshold, this payment will be less than a payment for achieving threshold.

On Target

- Strong performance that is above forecasted trading performance.

Stretch

- A superior level of performance that is sufficient to warrant and justify the maximum potential bonus payment (double the On Target value).
- Performance above stretch target does not result in an additional bonus payment. The payment cap by design is achieved once stretch targets are achieved.

REMUNERATION COMMITTEE REPORT CONTINUED

The Remco guidelines dictate that the performance range between Threshold and On Target is substantially smaller than the range between On Target and Stretch to prevent payment for underperformance.

Payment between Threshold and On Target is paid on an all-or-nothing basis to limit bonus payments at performance below strong levels, and to create a significant incentive to achieve On Target performance levels.

Performance between On Target and Stretch is rewarded proportionately, and payments are capped at the Stretch level.

CEO and Operating Board bonus payments for financial year 2017

DIVISIONAL PROFIT/EBIT PERFORMANCE LEVEL	SLIDING SCALE	% ANNUAL BASE PAY ASSUMING INDIVIDUAL PERFORMANCE MODIFIER OF 3 (MET ALL EXPECTATIONS)		% ANNUAL BASE PAY ASSUMING MAXIMUM INDIVIDUAL PERFORMANCE MODIFIER OF 5 (EXCEEDED ALL EXPECTATIONS)	
		CEO	OPERATING BOARD (AVERAGE)	CEO	OPERATING BOARD (AVERAGE)
Stretch	Sliding scale between Target and Stretch	180%	96%	270%*	143%*
On Target		**90%**	**48%**	**135%**	**72%**
Threshold	No sliding scale between Threshold and Target	45%	24%	68%	36%
Under Threshold	No payment unless bonus payments are approved at the discretion of the Remco	0%	0%	0%	0%

* *270% and 143% = the maximum resultant bonus payment expressed as a percentage of annual base pay for the CEO and average Operating Board respectively.*

Long-term incentives (LTI) – Share appreciation rights and forfeitable shares

Aligns executive and key management's interests with those of shareholders

Share appreciation rights (SARs)

(Foschini 2007 Share Incentive Scheme)

Participants are entitled to receive resultant shares equal in value to the growth in the share price on a defined number of rights between the date of grant and the date of conversion to resultant shares.

All shares issued under this scheme are subject to Group performance criteria, which are tested against inflation-linked Group HEPS targets over a period of three years with no retesting. The minimum period between grant and conversion is three years, and all rights expire after six years.

Forfeitable shares

(Foschini 2010 Share Incentive Scheme)

Two instruments form part of this scheme, namely performance shares and restricted shares.

Performance shares (forfeitable shares)

Performance shares issued under this scheme are subject to Group performance criteria, which are tested against inflation-linked HEPS targets and ROCE targets (applicable only to Operating Board) over a period of three years with no retesting.

The weighting between HEPS:ROCE as performance measures is 80%:20% respectively with linear vesting for both measures.

Share awards prior to June 2016
100% vesting will take place after three years if a performance criterion of HEPS growth of CPI plus 2% is met. Linear vesting will take place if HEPS growth is between CPI and CPI plus 2%, with no vesting taking place if HEPS growth is less than CPI.

Share awards after June 2016
100% vesting will take place after three years if performance criteria of HEPS growth of CPI plus 2% and the upper ROCE target are met. On a weighted basis, linear vesting will take place if HEPS growth attained is between CPI and CPI plus 2%, and if ROCE is attained between the lower limit and the upper limit of the target range. No vesting of the HEPS-weighted shares takes place if HEPS growth is at or below CPI. No vesting of the ROCE-weighted shares takes place if ROCE is at or below the ROCE lower limit. For reasons explained in section A of this report, ROCE targets for the June 2016 share award and the June 2017 share award will be set during FY 2018.

Restricted shares (forfeitable shares)
Restricted shares are issued with the specific objective of improving the retention of key senior talent, while still utilising an instrument that aligns the interests of participants with those of shareholders. Restricted shares vest after three years, and are subject to continued employment.

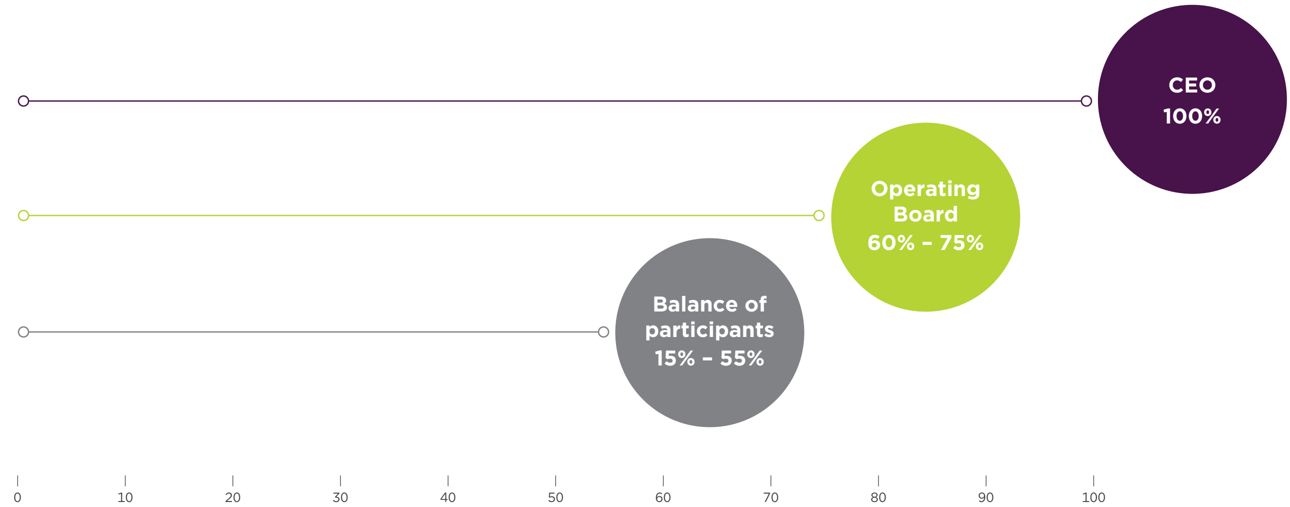
LTI allocation policy
Allocations are made using predefined multiples for each share incentive type based on:

- organisational level;
- annual base pay; and
- targeted pay mixes, given that market guidelines are appropriate for each organisational level.

Allocations are made annually and on a consistent basis to establish the awards as an accumulating asset in the hands of eligible employees, with the objective of incentivising them to create growth and retain such employees in service for at least three years. With annual allocations, each allocation has a three-year vesting period, resulting in each new LTI allocation providing a further three-year incentive/retention period. *Ad hoc*, once-off allocations are exceptional and will normally represent upfront approved remuneration usually when a senior employee is first employed. Any such exceptional awards to executive directors are disclosed to shareholders.

The allocation levels per role for LTIs (as a percentage of annual base pay) are outlined below:

EXPECTED VALUE OF ANNUAL SHARE ALLOCATION LEVEL AS A % OF ANNUAL BASE PAY



REMUNERATION COMMITTEE REPORT CONTINUED

Benchmarks for the expected value of share awards are reviewed on an annual basis. No changes are made without approval by the Remco, and in turn by the Supervisory Board.

100% of LTI allocations made to the CEO, Operating Board and senior executive management are subject to Group performance criteria. LTI shares vest based on the performance criteria applicable to the relevant LTI scheme.

New allocations are not adjusted to compensate for any existing allocations that may be financially underwater.

As part of TFG's retention strategy of other key senior employees, annual allocations are a defined mix of both performance and restricted shares. However, restricted shares are not allocated where there is another retention mechanism in place, namely a restraint of trade and a minimum service agreement.

Newly appointed executives and managers may have their allocations initially increased to ensure that an appropriate holding commensurate with their role is reached over time to create parity in the incentivising of long-term performance across similar categories of employees.

All allocations are approved by the Remco. The Remco confirms that the principles and scheme rules have been fairly applied in determining each individual's allocation, and also ensures that the overall share capital dilution and costs are within the defined guidelines.

Dilution limits

Despite the dilution limits detailed as part of each share scheme's rules, the Remco guidelines do not permit the total number of shares issued, allocated across all schemes, to exceed the following limits:

- 1% individual limit
- 5% company limit

LTI shares are settled through on-market purchases and are therefore not resulting in a dilution to shareholders. The usage of the dilution limit in the 2017 financial year is set out in section C of the report.

Performance conditions (current and forward looking)

For reasons explained in section A of this report, ROCE targets for share awards made in FY 2016 and FY 2017 will be set during FY 2018. These targets are designed to achieve long incremental improvement in ROCE and have been introduced to drive pragmatic and commercially minded capital management within the Group.

Performance criteria and weightings are reviewed on an annual basis and are subject to change as approved by the Remco.

Eligibility, allocation frequency and performance conditions for vesting (weighting and vesting levels) for LTIs are detailed alongside:

	PARTICIPANTS	ALLOCATION FREQUENCY	PERFORMANCE TARGET HEPS	 ROCE	MEASUREMENT PERIOD	VESTING SUMMARY
Share appreciation rights	CEO and Operating Board	One allocation per annum	HEPS growth of at least CPI, compounded annually over the measurement period Weighting 100%		Three years Expiry period six years from date of grant	100% vest if performance target is met and participant is employed by TFG All lapse if performance target is not met
Performance shares (forfeitable shares)	CEO, Operating Board and executives (Paterson scale E1 and above)	One allocation per annum	HEPS growth of CPI plus 2%, compounded annually over the measurement period Weighting 80% (Operating Board) Target reviewed and set annually by the Remco Weighting 100% (below Operating Board)	ROCE to be set during FY 2018 and reported in the Remuneration Committee report for FY 2018 Weighting 20% (ROCE only applicable to Operating Board) Target reviewed and set annually by the Remco	Three years Expiry period three years from date of grant	100% vest if performance targets are met and participant is employed by TFG Linear vesting takes place between HEPS growth of CPI and CPI plus 2% and ROCE of between lower and upper target levels On a weighted basis, 100% of the shares that do not meet minimum HEPS criteria will lapse and 100% of the shares that do not meet minimum ROCE criteria will lapse
Restricted shares (forfeitable shares)	Senior management above the entry level of middle management (i.e. Paterson scale D3) (excluding CEO, Operating Board and any employee with a restraint of trade and minimum service agreement)	One allocation per annum	No performance target – retention only		Three years	100% vest once measurement period has expired and participant is employed by TFG

REMUNERATION COMMITTEE REPORT CONTINUED

Vesting on termination

In line with the scheme rules, the Remco must consider and resolve whether, based on the circumstances, a portion of the unvested LTI may vest as a result of early termination. In the case of normal retirement, death, ill health or retrenchment, all shares vest. In the case of early retirement, the Remco applies defined decision-making guidelines when determining if a portion of the shares will vest.

All shares and rights are forfeited upon an employee's resignation or dismissal in terms of the scheme rules.

Retention strategy

Specific programmes are in place to ensure that business continuity and the delivery of strategy are supported through risk management of the loss of key employees

Restraints and minimum service agreements

It is TFG's practice to have restraint of trade and minimum service agreements in place for the CEO and Operating Board members. These agreements are in place for the duration of employment and contain notice periods of between six and twelve months. In the event of summary dismissal on grounds of misconduct (for example dishonest or fraudulent conduct), notice periods do not apply.

Ex gratia or other lump sum payments on severance or retirement

Apart from the CEO's transitional agreement as disclosed in the 2016 Remuneration Committee report, there are no other agreements currently in place that provide for *ex gratia* or other lump sum payments to executives on severance or retirement. Executives who depart after having performed poorly are not awarded "golden handshakes". There are no *ex gratia* payments made in the event of a merger or takeover.

Non-executive directors

Non-executive directors are appointed for a term of three years. The Nomination Committee recommends candidates for election to the Supervisory Board. A candidate's eligibility for re-election is dependent on an annual performance evaluation.

In addition to a base fee, all non-executive directors are paid a committee fee based on the number of committees on which they serve, and are reimbursed by TFG for all travel expenses incurred during the course and scope of their duties.

Non-executive directors do not receive any payments linked to organisational performance, nor are they entitled to take part in any LTI/share schemes. None of the non-executive directors have service contracts with the Group.

SECTION C: IMPLEMENTATION OF REMUNERATION POLICY FOR THE 2017 FINANCIAL YEAR

The section of the Remuneration Committee report that follows provides further details regarding the application of the remuneration policy in relation to organisation-wide employees.

Key items by pay component during the year under review

Base pay	The guideline given by the Remco for increases to all employees (other than unionised employees subject to negotiation with the union) in April 2016 was set at 6,5% or a minimum Rand amount of R400. The minimum increase resulted in an effective increase of more than 10% for lower-paid employees. Car allowances for eligible employees were adjusted by 6,5% in April 2016. CEO base pay As disclosed in the 2016 integrated annual report, future increases to the annual base pay of the CEO will be linked to inflationary market guideline increases. Therefore, the Remco approved an increase of 6% on base pay for the 2018 financial year.
STI	The Remco set the EBIT target for 2017.
LTI	All shares allocated to the CEO, Operating Board and senior executive management this year were performance-based shares contingent on the achievement of company performance criteria. Outstanding share instruments awarded to employees and executives at 31 March 2017 are as follows: Share appreciation rights: 1 568 600 Forfeitable shares: 2 870 000 **Total: 4 438 600** The above total is 2% of total issued shares. This is lower than the total limit of 5% set by the Remco and approved by shareholders.

STI outcomes

During the year under review, actual TFG EBIT was measured against the target set by the Remco. Group EBIT was marginally below threshold for the 2017 financial year. As disclosed earlier in the report, because EBIT was only marginally below threshold target and in recognition of the strategic contribution made by Messrs Murray and Thunström to the Group's international expansion plans, the Remco exercised its discretion by approving bonus payments for Group performance.

The following graphic indicates actual performance versus target, and the resultant bonuses paid to Messrs Murray and Thunström.

STI OUTCOME	THRESHOLD	TARGET	STRETCH
2017 earnings before interest and tax performance tiers set			
% annualised base pay per performance tier			
A D Murray	45%	90%	180%
A E Thunström	27,5%	55%	110%
2017 earnings before interest and tax actual			
Bonus pool as % annualised base pay*			
A D Murray	36%		
A E Thunström	22%		

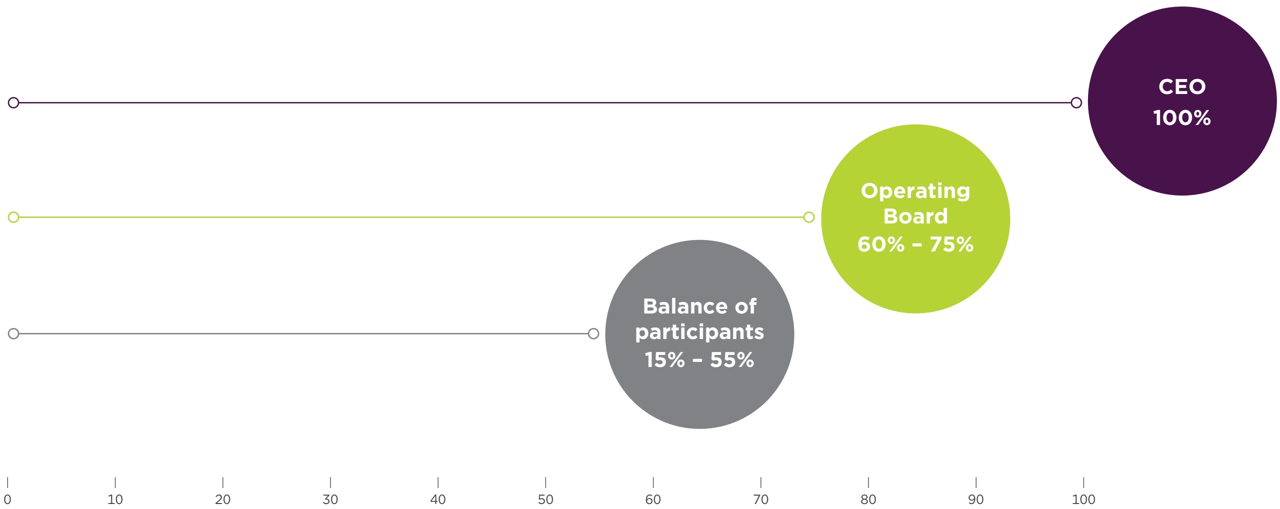
* *Actual bonus paid (after applying individual performance modifier) as a percentage of annualised base pay:*
- *A D Murray 45%*
- *A E Thunström 27,5%*

REMUNERATION COMMITTEE REPORT CONTINUED

LTI scheme outcomes

The expected value of share allocations to the CEO and Operating Board members for the 2017 financial year is detailed below. The share scheme awards are shown at their expected value on the date of awards to ensure meaningful comparisons for benchmarking. Internally, the share scheme awards are communicated to participants at their face value. The expected value of the award is expressed as a percentage of their annual base pay (guaranteed pay).

EXPECTED VALUE OF ANNUAL SHARE ALLOCATION LEVEL AS A % OF ANNUAL BASE PAY



LTI performance outcomes

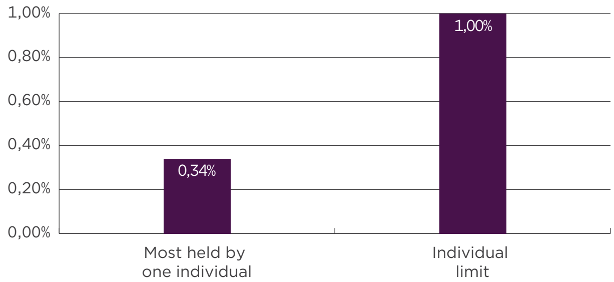
The 2014 FSP share award performance target was measured over the three-year performance period. The actual three-year cumulative HEPS growth of 34,3% exceeded the target cumulative HEPS growth of 24,0% and consequently 100% of share awards vested.

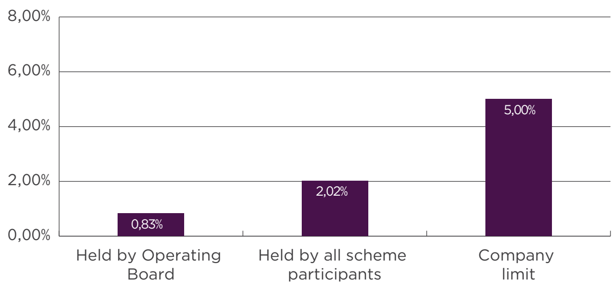
The 2014 SAR share award performance target was measured over the three-year performance period. The actual three-year cumulative HEPS growth of 34,3% exceeded the target cumulative HEPS growth of 17,2% and consequently 100% of SARs are available for conversion.

Current allocation vs policy limits

In terms of the policy set by the Remco, it is evident that share awards held by scheme participants are within the defined limits both at an individual and overall level. The CEO is the highest individual holder of share awards, and is thus compared against the individual limit.

% ISSUED SHARES





Executive directors' remuneration

For the year under review, the Supervisory Board has determined that the prescribed officers are the CEO and CFO. Messrs Murray and Thunström serve as executive directors on the Supervisory Board, and they exercise general executive control and management of the business.

2017

EXECUTIVE DIRECTORS	REMUNERATION R'000	PENSION FUND R'000	TRAVEL ALLOWANCE R'000	OTHER BENEFITS** R'000	GUARANTEED PAY R'000	PERFORMANCE BONUS# R'000	TOTAL GUARANTEED PAY PLUS PERFORMANCE BONUS# R'000	IFRS SHARE ALLOCATION FAIR VALUE R'000
A D Murray	8 362,9	1 129,0	455,9	52,7	**10 000,5**	4 500,0	14 500,5	13 734,2
A E Thunström	3 368,4	454,7	349,5	57,9	**4 230,5**	1 163,8	5 394,3	2 586,0
Total	**11 731,3**	**1 583,7**	**805,4**	**110,6**	**14 231,0**	**5 663,8**	**19 894,8**	**16 320,2**

Performance bonus included in 2017 remuneration to be paid in 2018 but accrued in 2017.
** *Other benefits include housing allowance and medical aid subsidy.*

2016

EXECUTIVE DIRECTORS	REMUNERATION R'000	PENSION FUND R'000	TRAVEL ALLOWANCE R'000	OTHER BENEFITS R'000	GUARANTEED PAY R'000	PERFORMANCE BONUS R'000	TOTAL GUARANTEED PAY PLUS PERFORMANCE BONUS R'000	IFRS SHARE ALLOCATION FAIR VALUE R'000
A D Murray	6 431,9	868,3	428,0	52,8	**7 781,0**	6 959,7	14 740,7	6 088,6
A E Thunström	2 194,3	296,2	246,1	41,8	**2 778,4**	2 308,4	5 086,8	829,8
R Stein	856,3	115,6	82,0	12,5	**1 066,4**	–	1 066,4	–
P S Meiring	776,8	104,9	82,0	12,5	**976,2**	–	976,2	–
Total	**10 259,3**	**1 385,0**	**838,1**	**119,6**	**12 602,0**	**9 268,1**	**21 870,1**	**6 918,4**

Directors' interests

As at 31 March 2017, directors had the following interests in the company's issued shares:

	M LEWIS '000	E OBLOWITZ '000	D FRIEDLAND '000	N V SIMAMANE '000	R STEIN '000	TOTAL NON-EXECUTIVE '000	A D MURRAY '000	A E THUNSTRÖM '000	TOTAL EXECUTIVE '000	TOTAL SHARES '000
Direct beneficial		2,2		1,6	501,5	505,3	1 207,1		1 207,1	**1 712,4**
Indirect beneficial			29,4		31,7	61,1	722,5		722,5	**783,6**
Indirect non-beneficial	8 251,7					8 251,7				**8 251,7**
Total	**8 251,7**	**2,2**	**29,4**	**1,6**	**533,2**	**8 818,1**	**1 929,6**		**1 929,6**	**10 747,7**

REMUNERATION COMMITTEE REPORT CONTINUED

As at March 2017, directors had accepted the following share appreciation rights and forfeitable shares:

	FINANCIAL YEAR OF AWARD	FINANCIAL YEAR OF EARLIEST DELIVERY	FINANCIAL YEAR OF LATEST DELIVERY	STRIKE PRICE PER INSTRU-MENT	NUMBER OF INSTRU-MENTS AWARDED '000	NUMBER EXERCISED IN YEAR	CLOSING NUMBER OF UNVESTED AND/OR UNEXERCISED INSTRUMENTS
A D Murray							
SARs	2012	2016	2018	R86,32	85,2	85,2	–
	2013	2016	2019	R136,22	62,8		62,8
	2014	2017	2020	R96,86	133,4		133,4
	2015	2018	2021	R111,10	89,4		89,4
	2016	2019	2022	R148,15	76,4		76,4
	2017	2020	2023	R142,72	119,0		119,0
FSPs	2014	2017	–		21,7	21,7	–
	2015	2018	–		38,3		38,3
	2016	2019	–		32,8		32,8
	2017	2020	–		54,9		54,9
	2017	2020	–		142,9		142,9
A E Thunström							
SARs	2016	2019	2022	R148,15	31,2		31,2
	2017	2020	2023	R142,72	37,8		37,8
FSPs	2015	2019	–		11,8		11,8
	2016	2019	–		13,4		13,4
	2017	2020	–		17,4		17,4

Changes to directors' interests after year end

1. On 2 June 2017, the executive directors accepted the following share appreciation rights (SARs).

	SARS ACCEPTED '000*	PRICE PER SAR R
A D Murray	132,8	138,30
A E Thunström	47,0	138,30

* *Subject to performance criteria.*

2. On 2 June 2017, the executive directors accepted the following ordinary shares in terms of the Group's 2010 Share Incentive Scheme for nil consideration. The shares vest on the third anniversary of the grant date provided the recipient remains in the Group's employ and the requisite performance conditions are satisfied.

	SHARES ACCEPTED '000*	ESTIMATED VALUE Rm#
A D Murray	61,3	8,6
A E Thunström	21,7	3,0

* *Subject to performance criteria.*
# *Estimated value based on closing share price of R139,53 on 2 June 2017.*

3. On 2 June 2017, the executive director sold ordinary shares previously granted on 10 June 2014 with performance-based restrictions in terms of the Group's 2010 Share Incentive Scheme:

	SHARES SOLD	VALUE Rm#
A D Murray	17,2	2,4

Estimated value based on closing share price of R139,53 on 2 June 2017.

Non-executive directors

Fees are based on an assessment of the responsibility placed on non-executive directors arising from increased requirements for regulatory oversight and TFG's international expansion. A benchmarking exercise was conducted during the year under review using market data benchmarks. The proposed base fee increase from October 2017 is proposed at R295 000 per annum (6,1% increase) and market-related increases in committee fees.

The following table sets out the proposed fees (VAT exclusive) for approval at the AGM in September 2017 for the period 1 October 2017 to September 2018:

ROLE	CURRENT APPROVED FEES	PROPOSED FEES	% INCREASE
Chairman (all inclusive)	R900 000	R954 000	6,0%
Director (South African)	R278 000	R295 000	6,1%
Director (foreign)	R540 000	R572 500	6,0%
Audit Committee Chairperson	R240 000	R254 500	6,0%
Risk Committee Chairperson	R160 000	R170 000	6,3%
Remuneration Committee Chairperson	R120 000	R127 500	6,3%
Social and Ethics Committee Chairperson	R110 000	R117 000	6,4%
Member/Invitee of Audit Committee	R120 000	R127 500	6,3%
Member/Invitee of Risk Committee	R80 000	R85 000	6,3%
Member of Remuneration Committee	R75 000	R79 500	6,0%
Member of Social and Ethics Committee	R60 000	R64 000	6,7%
Member of Nomination Committee	R40 000	R42 500	6,3%
Member of *ad hoc* Finance Committee*		R42 500	

* *An ad hoc Finance Committee has been mandated to specifically consider and investigate all potential acquisition opportunities on behalf of TFG and is remunerated as such.*

The fees (VAT exclusive) for the 2017 financial year and 2018 financial year (based on current committee membership) are presented below:

NON-EXECUTIVE DIRECTORS	NOTE	FEES PAID IN RESPECT OF 2017 R'000	BASE FEES PROPOSED R'000	COMMITTEE FEES PROPOSED R'000	TOTAL FEES PROPOSED IN RESPECT OF 2018# R'000
M Lewis		R875 000	R927 000	–	R927 000
F Abrahams	1	R492 000	R286 500	R314 500	R601 000
S E Abrahams	3	R560 000	R286 500	R392 250	R678 750
D Friedland		R502 500	R286 500	R283 500	R570 000
B L M Makgabo-Fiskerstrand	2	R456 000	R286 500	R268 250	R554 750
E Oblowitz		R597 500	R286 500	R433 750	R720 250
N V Simamane	2	R456 000	R286 500	R268 250	R554 750
R Stein	3	R470 000	R286 500	R247 500	R534 000
G H Davin		R520 000	R556 250	–	R556 250
Total		**R4 929 000**	**R3 488 750**	**R2 208 000**	**R5 696 750**

Proposed total fee increases for non-executive directors (after taking into account committee structures, new appointments and market adjustments) will increase by 15,6%.

Notes:
1. F Abrahams appointed as a member of the Audit Committee on 1 October 2016.
2. B L M Makgabo-Fiskerstrand and N V Simamane appointed as members of the Risk Committee on 1 October 2016.
3. R Stein and S E Abrahams have open invitations to attend meetings of the Audit and Risk Committees respectively and are remunerated accordingly.