

# 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 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

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.



AFRICA



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;

# 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	<b>12,31</b>	13,48
Management control	19,0	<b>6,15</b>	6,36
Skills development	20,0	<b>13,95</b>	14,35
Enterprise and supplier development	40,0	<b>18,55</b>	18,65
Socio-economic development	5,0	<b>5,00</b>	5,00
<b>Total</b>	109,0	<b>55,96</b>	57,84
<b>Empowering supplier</b>		<b>Yes</b>	Yes
<b>Procurement recognition level</b>		<b>50,0%</b>	50,0%
<b>Discounting principle applicable</b>		<b>No</b>	Yes
<b>Recorded procurement recognition level</b>		<b>50,0%</b>	10,0%
<b>BBBEE recognition level contributor</b>		<b>Level 7</b>	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.

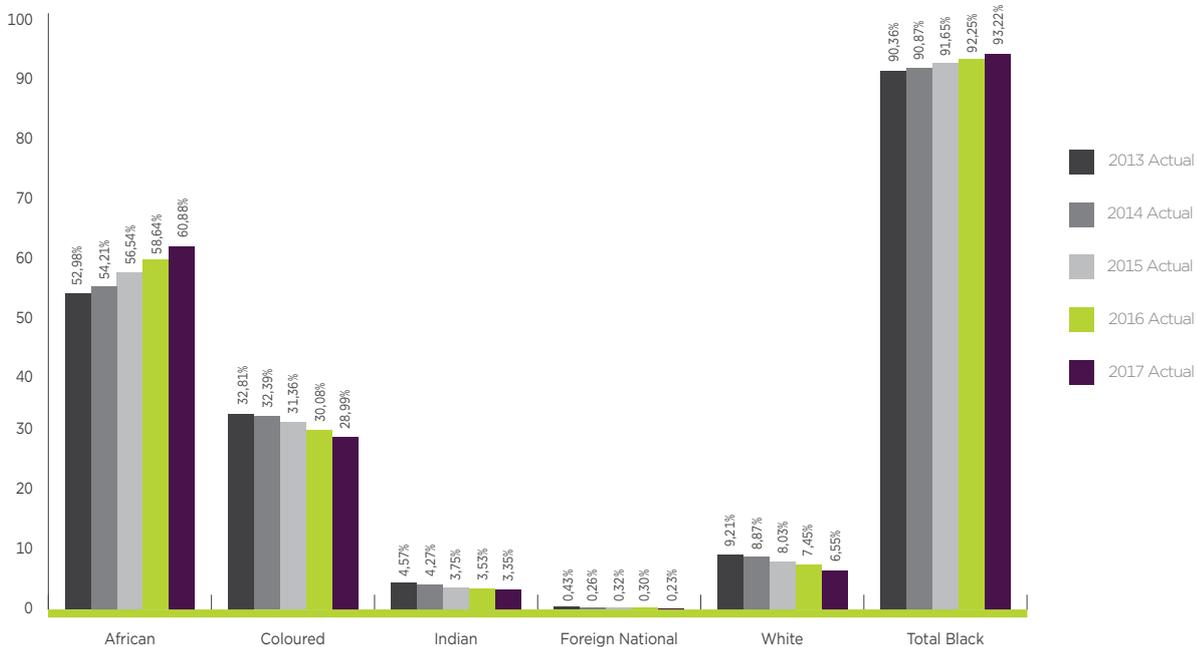
# SOCIAL AND ETHICS COMMITTEE REPORT CONTINUED

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

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

\* 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	<b>125 741</b>	115 907	117 737	117 341	126 021
Total number of training interventions attended by black employees	<b>121 293</b> <b>(96% of total)</b>	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	<b>84 040</b> <b>(67% of total)</b>	83 045 (72% of total)	88 303 (75% of total)	84 847 (72% of total)	79 814 (63% of total)
Overall cost of training	<b>R135 622 900</b>	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

