

STRATEGY PERFORMANCE REVIEW

Our strategy is informed by our vision, mission and values, as defined in the Investment case and Our corporate profile on the inside front cover and page 14. We remain committed to our strategic pillars of Customer, Leadership, Profit and Growth, which have remained unchanged since our 2015 financial year. Each pillar has specific strategic objectives and, following the formal annual strategy review by our Operating Board and subsequent review and ratification by our Supervisory Board, the strategic objectives were adjusted as indicated below from those reported in our 2016 integrated report.

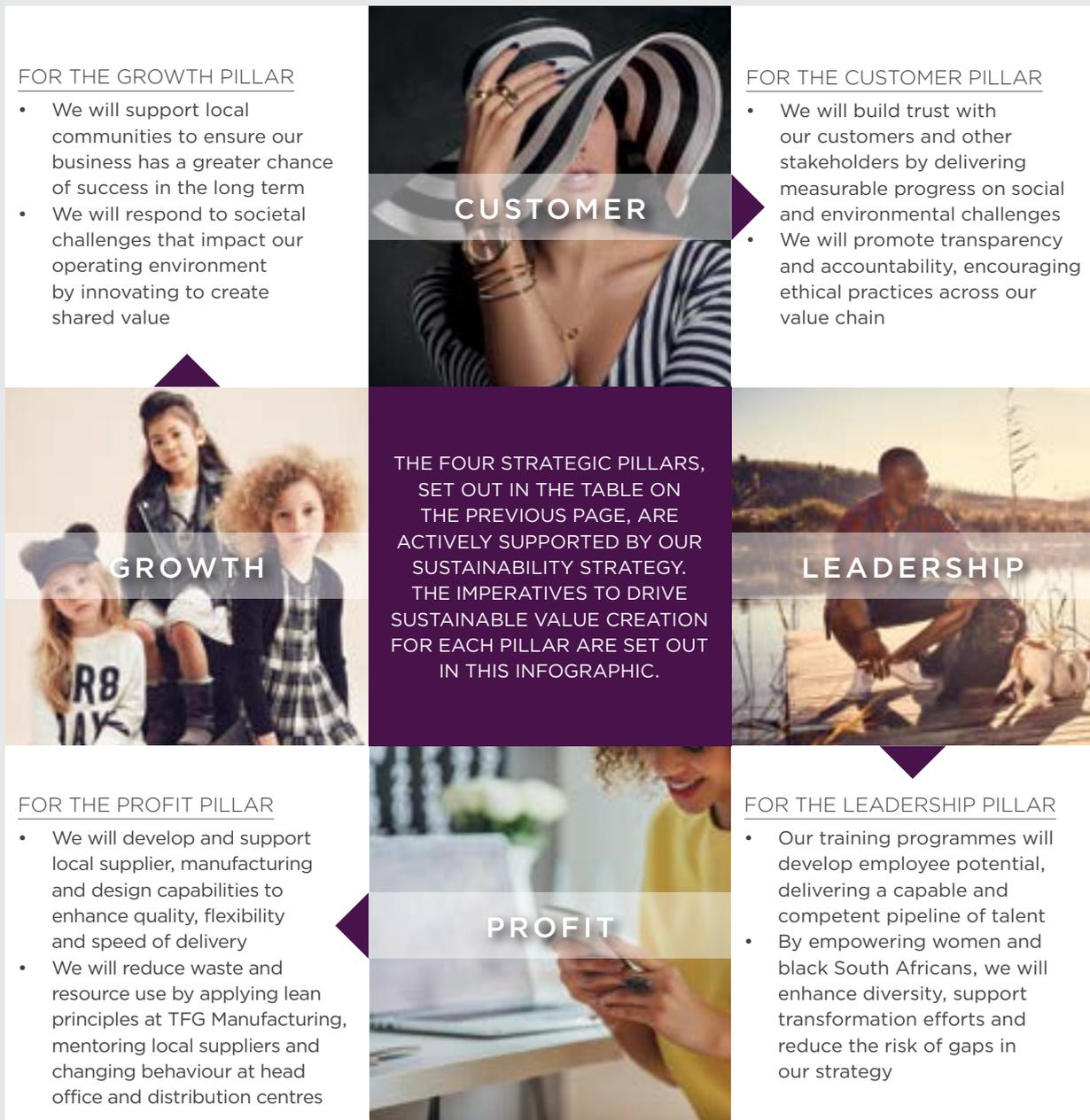
STRATEGIC PILLAR	CUSTOMER	LEADERSHIP	PROFIT	GROWTH
STRATEGIC OBJECTIVE - 2016	<p>We will deliver superior customer experiences across our retail brands</p> <p>We will offer our customers a range of compelling rewards</p> <p>Alternative credit products will be investigated that will appeal to our changing customer base</p>	<p>We are committed to embedding a performance-based culture that will ensure that we attract and retain the best talent in the industry</p>	<p>Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response</p> <p>We will optimise the flow of goods from source to customer to enhance the customer experience</p>	<p>We will be the leading lifestyle retailer in Africa whilst growing our international footprint</p> <p>We will deliver an integrated, secure omnichannel customer experience across our various brands</p>
STRATEGIC OBJECTIVE - 2017	<p>We will deliver superior customer experiences across our retail brands</p> <p>We will enhance customer insights through the intelligent use of data</p>	<p>We are committed to embedding a performance-based culture that will ensure that we attract, retain and develop the best talent in the industry</p>	<p>Our brands will optimise their supply chain capability, including their suppliers, buying processes and quick response</p> <p>We will optimise the flow of goods from source to customer to enhance the customer experience</p> <p>We will enhance return on capital employed (ROCE) by optimising profitability and capital management</p>	<p>We will be the leading lifestyle retailer in Africa whilst growing our international footprint</p> <p>We will deliver an integrated, secure omnichannel customer experience across our various brands</p>

The above changes were made to ensure that the strategic objectives are more focused in order to align with our changing operating context:

- Advanced technology now provides the ability to have better insight into our customer to understand them and their needs and desires (“enhance customer insights”).
- As we grow, we need to optimise our resources and be more cost-effective (“ROCE”).

The Operating and Supervisory Boards monitor the Group’s performance on these strategic objectives on an ongoing basis. To assist in the measurement of performance against strategy, all strategic objectives underpinning the strategic pillars are driven by members of our Operating Board.

HOW OUR SUSTAINABILITY STRATEGY SUPPORTS OUR BUSINESS STRATEGY



TARGET SETTING

The medium-term targets set for each strategic objective are determined through our annual five-year Vision planning process. During this planning process, we prepare a view of our expected earnings for the next five financial years based on current market conditions, planned initiatives and expansion plans, which are driven by our strategy. The financial targets following in this strategy performance review are based on our latest Vision plan (Vision 2022).

STRATEGY PERFORMANCE REVIEW CONTINUED

CUSTOMER



01

Factors impacting our Customer experiences and relationships during the year

- Customer experience has been established as a divisional strategic objective to be tracked in all retail trading and service divisions.
- The new emphasis on customer experience was embraced through renaming operational leadership titles to Head of Customer Experience and Operations.
- The Group adopted the “Voice of Customer” (VoC) process to obtain feedback from customers to enhance the customer experience and to monitor progress.
- The TFG Retail Academy, which focuses on customer service training, has been launched (for more detail on the Academy and number of trainees, refer to Our people on page 38).



STRATEGIC INTENT AND POSITIONING STATEMENT

We will offer customers a range of compelling rewards as part of an integrated, secure omnichannel customer experience across our retail brands.

CUSTOMER	MEDIUM-TERM TARGET	MARCH 2017	MARCH 2016	% CHANGE
Number of Rewards & More customers (million)				
- Cash	10,2	7,6	5,4	40,7
- Credit	3,5	2,7	2,9	(6,9)
Rewards voucher take-up (%)	9,6	9,3	9,6	

STRATEGIC OBJECTIVES

- We will deliver superior customer experiences across our retail brands
- We will enhance customer insights through the intelligent use of data

BUSINESS IMPERATIVES

- Ensure a more equitable split between cash vs credit turnover contribution within TFG Africa
- Grow the basket size in excess of local inflation
- Improve the take-up of Rewards & More offers

- The turnaround time for new account processing improved following the roll-out of our digital application solution across all retail trading divisions. Customers can now, for example, submit their proof of income documents, required by South African law in the credit application process, via digital channels to simplify the process.
- The Affordability Regulations continue to impact growth of new accounts, particularly for self-employed individuals.
- Our investment in workforce management across our customer contact centres enables us to maintain high customer service levels.
- Enhancing our Rewards & More programme through the adjustment of rewards offers to address each brand's specific needs, has been challenging. We have, however, embarked on a three-year project to further enhance this programme.
- Continued focus on and investment in our Group Analytics team provide input into customer profiling to optimise store stock allocations and size and range purchase strategies, thereby enhancing the customer's experience by ensuring the availability of their desired product and size (read more in the Performance review: Credit on page 80).
- Revised credit legislation results in more onerous requirements for customers, impacting our existing and potential customer base. We have structures in place to assist customers and to ensure compliance through scorecards and verification initiatives.
- Customer experience skills development through the TFG Retail Academy will ensure that employees are competent to implement our strategic objectives.
- Through our Growth strategic pillar, we continue optimising our supply chain management process as this is critical to provide our customers with their desired merchandise at the right price and time.

03

Future focus areas

- Continued enhancement of our customer experiences and relationships through service and offering improvements based on feedback from the VoC process
- Equal focus on the acquisition, conversion, growth and retention of our customers through targeted customer experience initiatives
- Training and upskilling interventions for all our customer-facing employees through the TFG Retail Academy
- Rolling out Rewards & More enhancements that will further improve personalisation and the digital experience, optimise processes, enhance in-store visibility, upgrade our reporting capability and drive increased cross-shopping opportunities (cross-shopping is defined as the average number of brands that a customer shops into over a 12-month period)

02

Risks and opportunities

- Customer feedback and the use of group analytics provide customer insights that enable the retail trading divisions to continually improve their merchandise strategies and rewards offerings.
- Consumers remain under pressure due to local and global economic challenges, which impact their purchasing power and ability to settle or open accounts. We are expanding our footprint to reach more potential customers and continue refining our credit score models to assist customers in retaining their buying power.

STRATEGY PERFORMANCE REVIEW CONTINUED

LEADERSHIP



01

Factors impacting our Leadership capability during the year



- Our leaders are required to understand and implement lean thinking and efficiency mindsets by encouraging smarter working through efficient structures and by tracking people's productivity measures.
- The evolving complexity of the Group requires leaders to lead increasingly bigger teams, and to lead across functional and geographic boundaries.
- Our new businesses and international acquisitions continue to place additional demands on leadership teams to ensure that all opportunities are properly researched, all risks are assessed and all acquisitions are well integrated.

STRATEGIC INTENT AND POSITIONING STATEMENT

We are committed to embedding a performance-based culture that will ensure that we attract, retain and develop the best talent in the industry.

LEADERSHIP	MEDIUM-TERM TARGET	MARCH 2017	MARCH 2016	% CHANGE
Number of training interventions during the year	130 000 – 150 000	126 806	116 043	9,3
Staff turnover – total (%)	30,0	37,8	37,1	1,9
Staff turnover – permanent TFG Africa head office employees (%)	10,0 – 15,0	8,6	9,0	(4,4)
Employment equity (% representation of previously disadvantaged groups among permanent employees) – South Africa only	> 90,0	93,2	92,3	1,0

STRATEGIC OBJECTIVES

- We are committed to embedding a performance-based culture that will ensure that we attract, retain and develop the best talent in the industry through:
 - the identification and development of critical and key skills required for the future of our Group
 - further development and enhancement of the “pay for performance” link

- A number of executives attended international development programmes and/or local business schools with international footprints as part of our ongoing leadership talent development.
- As part of our positioning for future growth, a new Group Director Human Resources was appointed during the year (refer to the Operating Board section of this report on page 90 for further information). Two new external, seasoned brand heads were also appointed.



02

Risks and opportunities

- The theme OPPORTUNITY was identified as our unique TFG Employee Value Proposition (EVP) (refer to Our people on page 38) and relates to the opportunities created for employees across the Group, allowing them to



grow and succeed in any of our 22 retail brands or in our service divisions in an environment of support, collaboration and respect. Our unique Group structure and international footprint facilitate career options and enable succession planning, which therefore mitigate recruitment and retention risk.

- As retail careers continue to be less highly sought after by graduates, our ability to attract, retain and develop key talent is a risk. We promote retail careers in the Group through brand profiling and our new talent search strategy, which targets both customer-facing and head office employees.
- New labour laws in the African and international markets in which we operate continue to put pressure on employee costs.
- We value diversity and develop talent in a proactive way, which includes a continued focus on promoting attendance of our retail academies.

BUSINESS IMPERATIVES

- Develop and grow diverse talent to ensure the continuous supply of a capable, competent workforce
- Retain key talent through appropriate recognition and reward
- Prioritise the development of customer-facing employees through enhanced training programmes and performance-based incentives
- Focus on the reduction in “time to hire” and better training of customer-facing employees
- Focus on ongoing talent development across the business
- Continued focus on embedding a performance culture to ensure that individual performance criteria are measured and applied as moderator in the Group annual bonus scheme incentive

03

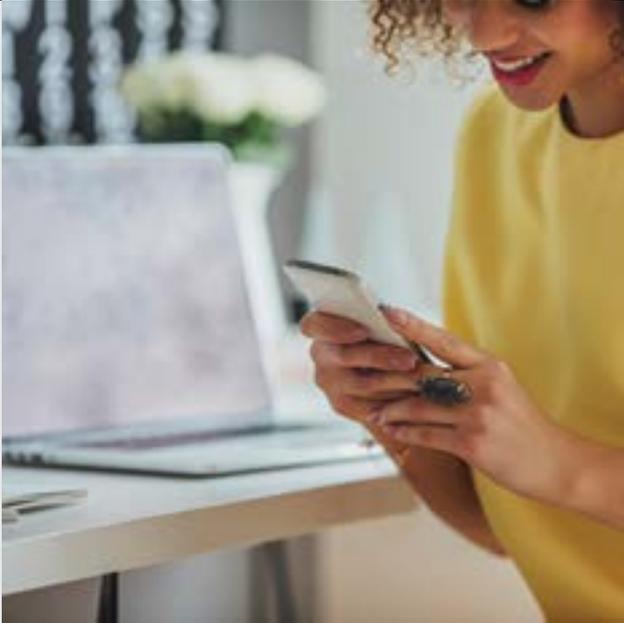
Future focus areas

- Our leadership capacity to ensure that any new acquisition is well integrated
- Continued development of our customer-facing employees through the TFG Retail Academy and our merchants through the TFG Merchant Academy
- Continued leadership capacity building
- Continued focus on transformation and diversity
- Implementing “Voice of Employee” (refer to Our people on page 38)



STRATEGY PERFORMANCE REVIEW CONTINUED

PROFIT



01

Factors impacting Profit during the year



- Our quick response initiative aims to continuously reduce the lead time from selection of the in-season and/or replenishment style by the TFG retail trading divisions, to the delivery of the unit to the TFG distribution centre. The success of the initiative thus far is driving expanded implementation across the Group, but has been challenged by a lack of access to local fabrics and finishing processes. We are further limited by the lack of scale and depth of the local supply base.
- A new manufacturing facility was opened in Caledon, featuring green technology and leading-edge global technology in sewing machines and cutting equipment.

STRATEGIC INTENT AND POSITIONING STATEMENT

Our brands will optimise their supply chain capability, including their suppliers, buying process and quick response, to enhance the customer experience.

PROFIT	MEDIUM-TERM TARGET	MARCH 2017	MARCH 2016	% CHANGE
Number of quick response units (million)	4,0 - 5,0	2,4	1,9	26,3
Gross margin (%)	50 - 51	49,7	49,7	
Operating margin (%)	17 - 19	16,2	17,0	

STRATEGIC OBJECTIVES

- Our brands will optimise their supply chain capability, including their suppliers, buying process and quick response
- We will optimise the flow of goods from source to customer to enhance the customer experience
- We will enhance ROCE by optimising profitability and capital management

BUSINESS IMPERATIVES

- Improve trading densities
- Manage gross margins
- Enhance quick response capability through supply chain innovations
- Ensure ongoing focus on cost control
- Improve focus on working capital management and capital allocation

- The demand for local production from our Prestige factory and the opening of the Caledon facility created 150 new jobs for the Group. More than two-thirds of these new positions have been filled from rural Caledon in the Western Cape – an area of high unemployment.
- The textile cluster was approved by the South African Department of Trade and Industry (dti) and Industrial Development Corporation (IDC) and is expected to further enhance our fabric conversion capabilities.
- ROCE was added as a new key performance indicator to optimise profitability and capital management.
- The introduction of ROCE targets and ROCE levers as measurements, with monthly reporting to the Operating Board, is driving the optimisation of margins and capital allocation.

02

Risks and opportunities

- Enhanced lead times through the quick response initiative ensure that we are able to mitigate fashion risk. This supports our customer experience imperative, which requires that we provide our customers with their desired merchandise at the right price and time.
- Our new manufacturing facility will lead to gains in efficiency and increase our quick response capacity, thereby supporting localisation, reducing our reliance on key suppliers and mitigating exchange rate risks.
- Stock turn initiatives and the proactive management of seasonal clearance are key competencies in improving ROCE and mitigating profit risk in a slowing economy. It further supports our aim to optimise the flow of goods from source to customer to enhance the customer experience.

03

Future focus areas

- Enhanced gross margins through sourcing initiatives, supplier relationships and optimisation of markdown
- Increased focus on clearances and the prevention of stock ageing
- TFG Design, TFG Manufacturing and TFG Merchandise Procurement initiatives to continue
- Continued focus on expense optimisation and the elimination of waste
- Improved focus on working capital management and the enhancement of the current capital allocation model

STRATEGY PERFORMANCE REVIEW CONTINUED

CALEDON FACTORY



- Construction was completed in December 2016
- Manufacturing commenced early January 2017
- Official launch of the newly expanded and revamped factory was 31 May 2017

- The plant is one of the most modern of its kind in South Africa
- Equipped with the latest sewing machine technology globally available
- Purpose-built for quick response





- Solar panels supply one-third of the plant's energy requirements
- All machinery are both energy and air-efficient
- The above, together with rain water harvesting, reduced Prestige's energy requirement and carbon footprint

- A training school was established that ensured almost all of its current 314 employees, all previously unemployed women, acquired a national qualification in apparel manufacturing from the Department of Higher Education and Training
- The expanded factory will increase employment to 500 employees and annual output to 2,5 million units over the next three years



STRATEGY PERFORMANCE REVIEW CONTINUED

GROWTH



01

Factors impacting Growth during the year



- Amid the uncertainty of the Brexit impact on the UK and EU markets where we currently trade, TFG London successfully acquired the Damsel in a Dress brand in February 2017.
- TFG Africa (excluding South Africa) grew to 183 outlets across seven countries with 13 brands.
- The Group opened its first store (Sterns) in Kenya, Nairobi on 1 September 2016.
- Three brands, namely Markham, Fabiani and Foschini cosmetics, were added to our TFG eMall.
- Alternative delivery solutions were launched in South Africa for TFG eMall sales, allowing our customers to receive their products where they want it and when they want it.

STRATEGIC INTENT AND POSITIONING STATEMENT

We will be the leading fashion lifestyle retailer in Africa whilst growing our international footprint.

GROWTH	MEDIUM-TERM TARGET	MARCH 2017	MARCH 2016	% CHANGE
Retail turnover (Rbn)	42,0	23,5	21,1	11,6
E-commerce turnover (Rbn)	2,0	1,3	0,7	85,7
Cash sales contribution (%)	65,0	60,7	57,2	
Number of outlets	4 725	3 328	3 125	6,5
Space growth – TFG Africa (%)	5	4,4	6,6	

STRATEGIC OBJECTIVES

- We will be the leading fashion lifestyle retailer in Africa whilst growing our international footprint
- We will deliver an integrated, secure omnichannel customer experience across our various brands

BUSINESS IMPERATIVES

- Diversify our product offering across a broad range of merchandise categories
- Diversify our product appeal to a broader range of customers
- Grow through further innovation in publishing and insurance products
- Grow through space expansion
- Grow through the introduction of new retail brands
- Grow through further acquisitions

02

Risks and opportunities

- Global and local economic instability impacts growth potential and leads to exchange rate fluctuation, higher cost of capital and product inflation. This is mitigated through an increasingly diversified business model.
- Growth potential is muted by regulations such as the National Living Wage and the introduction of the Apprenticeship Levy and Revised Business Rates in the United Kingdom and well as changes in local ownership regulations in certain African countries.
- The risk that acquisitions may not realise expected benefits is managed through the strict application of the Group's acquisition criteria, through professional due diligence and the development of leadership competencies aimed at managing complexity and geographic range.

03

Future focus areas

- Creating growth momentum through the international roll-out of Phase Eight, concession store roll-out for Whistles and Damsel in a Dress and e-commerce options across all UK brands
- Continue driving strategic cost savings identified for Whistles and the implementation of its clearly defined turnaround strategy
- Further roll-out of our brands in the TFG eMall
- Continued focus on enhancing our customers' experience in our TFG eMall, ensuring that it is as convenient and easy as possible, while providing the luxury of choice
- Integration of the Retail Apparel Group (RAG)