

2017
SOCIAL AND
ENVIRONMENTAL
REPORT

W E A R E

TRUWORTHS

INTERNATIONAL



SOCIAL AND ENVIRONMENTAL REPORT 2017

This report offers insight into social and environmental issues relating to the Truworths operations in South Africa and the rest of Africa, that impact on our shareholders, customers, employees and broader stakeholder base. The report covers Truworths' operations conducted at head office, distribution centres, retail stores and across the supply chain for the 2017 financial period.

The report supplements the information in the Truworths International 2017 Integrated Report, the Social and Ethics Committee Report, and the Human Capital Report, all of which are available on the Group's website at www.truworths.co.za/investors.

SOCIAL

Human capital

Truworths strives to be the retail employer of choice by continually investing in activities to attract, develop and retain key talent. During the reporting period the focus has been on maintaining the investment in training and development; investing in employees' financial and broader well-being; fostering a culture of transparency, accountability, and innovation; and creating a positive impact in the broader society in which we operate. These measures are aimed at attracting and retaining employees, and enhancing employee engagement and satisfaction levels.

Key metrics

Total employees down 4% to **11 563** (2016: 12 037)

Black employees comprise **93%** of total employees in South Africa (2016: 93%)

Female employees account for **73%** of total employees (2016: 72%)

Employee turnover increased slightly to **17%** (2016: 16%)

Employee turnover at head office stable at **10%** (2016: 10%)

R105 million invested in skills development (2016: R107 million)

11 386 employees trained (2016: 11 721)

The Truworths workforce comprises a core component of full-time roles and a larger component of flexi-time employees who work mainly in the retail stores and whose hours are dependent on demand. The number of full-time and flexi-time positions has been reduced through natural attrition and this has enabled Truworths to avoid retrenching staff in the current challenging trading and economic environment. Management will continue to follow responsible and cautious staffing strategies to ensure that Truworths remains a stable employer for the many loyal and high-performing employees in the business.

Truworths' human capital at a glance	2017	2016
Total employees	11 563	12 037
Full-time employees	5 267	5 364
Contract employees*	160	99
Flexi-time employees	6 136	6 574
Permanent employee turnover (%)	17	16
Full-time employee absenteeism (%)	1.9	1.8
Skills development expenditure (Rm)	105	107
Skills development spend per employee trained (R'000)	9.3	9.2
Total employees trained	11 386	11 721
Black employees as a % of employees trained in South Africa (%)	96	94

* Contract employees include interns and post-retirement contractors.

Remuneration and retention

The achievement of company, team and individual performance objectives remains central to driving remuneration strategies in Truworths. Our focus in the 2017 reporting period was on consolidating the significant changes to our remuneration structure introduced in 2015, which was aimed at ensuring Truworths attracts and retains high-performing employees.¹ One of the priorities has been to enhance the understanding of the new remuneration package structures to ensure employees maximise the value from their remuneration packages and make informed decisions with the transition to total guaranteed packages (TGP). This engagement was conducted through individual sessions with staff, the production of a training video and the development of a calculator to understand how different scenarios affect net pay. All management and specialised full-time employees are now on TGP, which enable these employees to tailor the structure of the ratios of benefits to suit their personal lifestyles.

The introduction of TGP is one of the factors that has contributed to maintaining labour turnover at head office at acceptable levels. The extension of benefits to longer-serving flexi-time staff in the previous reporting period has contributed to a reduction in labour turnover

among this group from 37% to 30%. Whilst labour turnover at head office has been stable in the reporting period, retention of key employees remains an area of risk especially in the current difficult trading environment.

The percentage of staff that receives retirement benefits has increased from 41% to 59%. Support is provided to staff who are nearing retirement age in the form of providing access to independent financial advice.

Embedding our values

The Truworths business philosophy and values (refer to page 10 and 11 of the 2017 Integrated Report) underpin the human capital management strategy and have been central to guiding the business through the current challenging trading environment. These values are incorporated into everyday working life at Truworths through employee engagement efforts, recognition programmes, and our approach to recruitment and training. Truworths fosters a culture of innovation and high performance by encouraging employees to share their ideas and by recognising and rewarding excellence.

Truworths also has a number of policies and programmes to ensure that all employees are aware of what conduct is acceptable and aligns with our culture, and that all employees are aware of their rights. Many of these elements combine to create an environment that stimulates and assists employees to contribute to Truworths both in the short and long-term and assist in fostering open communication.

Performance assessments

The performance appraisal system has been amended to simplify the process and improve the balance between hard and soft performance metrics, including the extent to which employees are aligned to Truworths' values.

¹ These included converting the remuneration packages of specialised roles to total guaranteed packages (TGP) to remain competitive, enhancing our flexible hours policy, more closely aligning benefits of flexi-time employees with their full-time counterparts, and updating our performance appraisal system to ensure fair employee evaluation. Please refer to the 2016 Social and Environmental Report for further information on TGP.

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Supporting policies

POLICY	Description	Evidence
Social and ethics policy	The social and ethics policy is supported by several sub-policies. These include the anti-bribery policy covering bribery, corruption, embezzlement, fraud, extortion, abuse of power; a policy which prohibits the acceptance of gifts; and a conflict of interest policy. These policies apply to all Truworths employees.	These policies are all available on the Truworths intranet which is accessible to all employees. Only one report of bribery and collusion was reported in the period and after investigation by external forensic auditors was found to have no validity.
Employment equity policy	The employment equity policy is supported by a non-discrimination policy and harassment policy. These policies apply to all Truworths employees.	Nine grievances were reported in the reporting period. No cases were referred externally. See further detail on the grievance process below.

Recognising and rewarding excellence

RECOGNITION	Description	Evidence
CEO Citations	Senior managers nominate employees and teams for CEO Citations based on excellent performance, outstanding achievements or demonstration of high commitment to our values.	An annual event is held at all our major centres where individuals and teams are publicly acknowledged by the CEO.
ACE Getaway	The Achievers of Continuous Excellence (ACE) incentive programme runs over a six-month period, with winners attending a three-day event in Cape Town to give them more exposure to the business. Employees are measured on key performance areas including customer service, new account opening and also their completion of training initiatives. The elements are weighted towards individual performance but also include elements of group performance.	69 staff attended the ACE Getaway (2016: 75).

Communications media

MEDIA	Description	Evidence
CEO Talk	CEO Talk is an electronic communication medium linking employees to management. Through this channel employees are able to send ideas and raise issues anonymously directly with the CEO. These are then considered by the senior management team and the responses made available on the intranet.	93 CEO ideas and issues submitted (2016: 94).
Staff communication	Regular video broadcasts are made to stores to share pertinent information on trading, new initiatives or training material. The CEO regularly uses this medium to convey messages that require a common understanding. Content is also shared with head office staff where relevant. A staff magazine, Communiqué, is produced to share information that is of common interest.	17 video broadcasts were distributed (2016: 16). One edition produced in 2017 (2016: two editions).

Tip-Off hotline	Employees are encouraged to report dishonest or unethical behaviour to the anonymous Tip-Off hotline. The contact details of the Tip-Off hotline are made available via posters and the intranet, and the hotline is available 24/7 to all employees. A Tip-Off Committee meets monthly to ensure that all tip-offs are objectively investigated, reported on and, where justified, rewarded for reporting wrongdoing.	121 tip-offs were reported, 44% of which were found to have merit ranging from minor misdemeanours to serious individual misconduct (2016: 93 tip-offs, 35% with merit).
Staff engagement forums	Employment equity forums Staff forums in credit operations and the distribution centres Trade unions	Forums meet quarterly and minutes of these meetings are published on the intranet. These forums meet monthly. Truworths met with the South African Commercial, Catering and Allied Workers Union (SACCAWU) on five occasions in the reporting period to negotiate wage and substantive conditions.
Operational roadshows	All store managers attend a one-day roadshow held in each region to communicate results and share future plans and initiatives.	Two roadshows are held each year with staff from African operations. Approximately 1 000 staff attend the roadshows comprising our Regional Managers, Area Managers, Store Managers and our ACE winners.

Instilling accountability

	Description	Evidence
Disciplinary codes and process	Expectations around employee behaviour are clearly articulated in Truworths' disciplinary code, which is communicated to employees during induction and is also available on the intranet. The Employee Relations department supports line managers in dealing with employees when they do not adhere to the values or disciplinary codes. Truworths has a zero tolerance approach in cases where employees are found guilty of fraud or dishonesty, and ensures that fair processes are followed in arriving at dismissal and other disciplinary decisions.	81 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in the period, and 98% of cases were awarded in favour of Truworths (2016: 73 cases and 90% success rate).
Grievance process	While the aim of the grievance process is to address grievances informally and expediently, a formal grievance process is available to employees to address issues that are not resolved informally. This process also supports employees in reporting sexual harassment and unfair discrimination.	Nine grievance allegations were submitted in the reporting period. No cases were referred externally.

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Freedom of association and labour standards

Truworths concluded annual wage and substantive negotiations with SACCAWU for the 2017 reporting period as has been the case for every year of the relationship agreement since 1990. SACCAWU represents 10% (2016: 7%) of all South African employees. While membership of SACCAWU has been constant for many years, this year has seen an increase in membership in the bargaining unit from 16% to 22%. The growth in union membership has been in business units where we converted flexi-time roles to full-time roles over the last two years. Union membership amongst our flexi-time employees has traditionally been low as they do not fall within the bargaining unit and the conversion to full-time roles may partially account for the increase in union membership.

There is no material union membership in other African operations and therefore Truworths only has a relationship agreement with SACCAWU.

All employees are made aware of their right to freedom of association and managers are trained on the right to freedom of association during the course of the industrial relations training programme. Truworths has a policy against discrimination or victimisation of employees or candidates in any way for exercising any right to freedom of association. Trade union membership forms are available on the intranet, enabling staff to join or resign from the recognised union.

Despite the difficult labour negotiating climate during the reporting period no time was lost to internal industrial action. However, the business has been impacted by industrial action in the external environment, specifically protest action related to transport.

Transformation

Truworths is committed to transformation, with its strategy guided by the objectives of the Broad-Based Black Economic Empowerment (BBBEE) Codes as revised in 2015 by the Department of Trade and Industry (dti).

The Transformation Committee, chaired by the Divisional Director: Human Resources, meets quarterly to review progress on the scorecard and transformation activity in general. Together with input from external consultants the Transformation Committee makes recommendations to the board regarding opportunities to improve Truworths' BBBEE scorecard and to highlight risks.

The increased thresholds in the revised Codes have resulted in the Group not achieving BBBEE compliance on the voluntary dti generic BBBEE scorecard at the end of the reporting period.

BBBEE scorecard	2017	2016
Ownership	12.01	11.39
Management control (including employment equity)	5.82	5.93
Skills development	20.23	19.78
Enterprise and supplier development (includes procurement)	12.22	7.39
Socio-economic development	1.24	0.80
Total	51.52	45.29
Level	Non-compliant	Non-compliant

The Group is committed to improving its BBBEE score in the medium-term. Opportunities to achieve compliance lie within our procurement processes as well as supplier development but the complexity of our supply chain necessitates a gradual and sustainable strategy.

Employment equity

The Employment Equity Plan 2014 – 2019 guides the Truworths strategy to transform the South African employee base to reflect the demographics of the country and ensure that the workplace is free of discrimination. The plan sets out targets which are based on improving race, gender and disability representation at all levels of the organisation.

Aggressive transformational targets have been set for junior categories with the aim of providing a pipeline for internal progression to senior levels over time. Truworths met its annual targets during the 2017 reporting period and continued to make steady progress in aligning the staff profile to regional and national demographics, although it remains a challenge to recruit black talent at senior management level. The focus therefore remains on developing internal talent to demonstrate commitment to sustainable transformation. The success of this approach is reflected in black representation at junior management level being 87% and 40% at middle management level.

Females represent 73% of total employees and this reflects across all levels up to middle management, while 40% of senior managers are female. Truworths is committed to improving representation, and facilitating the accommodation and career progression of differently-abled people who currently comprise 1% of its workforce.

There were no referrals of unfair discrimination, nor any employment equity compliance orders, in the reporting period.

Training, talent and skills development

Truworths' training and development investment is geared towards creating a seamless pipeline of skills, from creating opportunities for unemployed learners in entry-level positions, to training key talent for middle, senior and top management over time. As most training programmes are developed and run internally, Truworths is able to achieve economies of scale in its training initiatives and also protect intellectual capital in the highly competitive retail market.

Training and development highlights include the following:

- Truworths achieved 20.23 points of the maximum 25 points in the skills development element of the BBBEE scorecard
- R105 million invested in training (2016: R107 million)
- 98% of total employees were trained during the period (2016: 96%)
- 96% of black employees were trained (2016: 94%).

Operations training

Operations training focuses on three key areas:

1. Enhancing operational efficiency through on-the-job initiatives in response to the needs of the business and changes in the retail environment.
2. Leadership and succession through Dynamic Leadership Programmes, Talent Pools and participation in the Wholesale and Retail Sector Education and Training Authority's (W&RSETA) Management Development Programmes.
3. The implementation of formally accredited learning programmes, both in stores and credit operations. The learnership programme provides a pipeline for entry-level positions. Through collaboration with the W&RSETA, 1 124 learners were registered on accredited programmes in the reporting period (2016: 1 300). A total of 410 learners completed their National Certificate in Wholesale and Retail Operations and 88 graduate retail operations interns were appointed during the period.

In addition, mobile and video technology has been successfully piloted to deliver training initiatives in stores.

South African workplace profile

	Male				Female				Foreign Nationals		Totals
	A	C	I	W	A	C	I	W	M	F	
Top management	0	1	0	6	0	0	0	1	1	0	8
Senior management	3	6	4	55	1	7	2	37	3	2	120
Middle management/Professionally qualified	27	31	10	56	46	62	18	221	5	7	483
Junior management/Skilled technical	214	57	22	32	680	253	40	136	10	10	1 454
Semi-skilled	2 043	351	80	26	5 163	1 085	183	111	4	10	9 056
Non-permanent	7	1	0	0	15	5	0	1	0	0	29
Total 2017	2 294	447	116	175	5 905	1 412	243	507	22	29	11 150
Total 2016	2 441	476	136	190	6 104	1 505	244	552	19	31	11 698

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Merchant training

Training to address scarce and critical retail skills shortages remain a key focus area. In 2017, 124 candidates (2016: 127) participated in this programme, which remains one of the most comprehensive and aspirational programmes in the South African retailing industry. It ensures a targeted approach to managing our talent and provides continued succession for key roles in the merchandise divisions.

Leadership training and succession

Truworths continues to offer focused leadership development programmes for succession management in merchant, operations and support departments. A number of training interventions support employees in operational and technical roles and prepare them for management roles. The external executive coaching programme has been expanded and the application of the 360 Leadership Assessment tool extended to enhance employee readiness for taking up leadership roles. Career paths are well defined and understood in most areas of our business, where the structure allows for the advancement from technical or operational roles, to specialised roles, and into management positions. Succession plans are reviewed at least annually to identify and track top talent and to ensure development plans and retention measures are continually in place.

Health, safety and well-being

Although the retail environment poses low health and safety risks, Truworths aims to ensure the safety of all employees and customers. The health and safety policy covers all employees and is the joint responsibility of head office and retail operations. Regular health and safety committee meetings are held, with responsibility lying with the Divisional Director: Human Resources, reporting directly to the CEO.

The frequency of evacuations and safety inspections, and the appointment of health and safety representatives, fire wardens and first aiders, are monitored through the health and safety compliance dashboard. External consultants support management in ensuring that all minor incidents and accidents are reported in accordance with health and safety regulations. Furthermore, the Truworths Risk Manager ensures that health and safety representatives are appointed and trained.

Health and safety at a glance

	2017	2016	Target 2018
HIV prevalence rates			
Wooltru Healthcare (%)	5.6	5.3	4% – 5%
Total employees on programmes (%)	4.7	4.5	
Number of employees with access to HIV treatment programmes	2 883	2 958	
Days lost to absenteeism	2 599	2 460	
Full-time employee absenteeism (%)	1.9	1.8	1.5% – 2.0%
Workplace incidents*	20	42	20 – 40
Workplace accidents**	21	25	20 – 40
Workplace fatalities	1	0	0
Days lost due to accidents	34	41	30 – 40

* Incidents – reports that do not require medical attention.

** Accidents – reports that required medical attention.

Safety and security

High levels of criminal activity are a threat to the health and safety risk to employees in stores. Measures to deter criminal attacks include:

- 24/7 armed response security available to all stores;
- panic buttons linked to the armed response supplier and mall security where possible;
- frequent cash-in-transit collections, with the frequency dependent on the volume of cash transactions and the risk profile of the stores;
- controlling access to high specification safes and dual key control; and
- frequent electronic reminders to operators to drop cash in safes and regular communication to staff regarding limited access to cash.

Where a store is targeted by a criminal element, counselling is arranged for the affected staff. During the period one fatality occurred when a store sales consultant was unfortunately fatally stabbed by a shoplifter.

Healthcare and rewards programme

The well-being of employees is a top priority for Truworths, being closely related to measures of productivity, retention, absenteeism and innovation. We invest in the well-being of our employees through a number of channels.

Full-time employees in specialised roles belong to the Wooltru Healthcare Fund as part of their total guaranteed packages (TGP). The Fund offers employees a choice of three options of healthcare and employees may register their dependents as beneficiaries. All members of the fund have access to a comprehensive HIV treatment programme, an oncology programme and are also eligible to join the Momentum Multiply programme, which offers reduced rates on gym memberships as well as other healthy lifestyle benefits.

Employees in core full-time roles are registered with OCSACare on reaching two years' service. This gives the employee access to day-to-day healthcare benefits, including access to a doctor and dentistry network, and provision of prescribed medicines. Members also have access to a comprehensive HIV programme as well as an online app and 24/7 access to telephonic medical advice.

Due to their fluctuating number of hours worked, we do not provide healthcare benefits for flexi-staff, but instead pay a monthly benefits allowance based on a percentage of basic salary to all flexi-time employees who have reached two years' service.

Counselling is offered to staff when work-related trauma occurs. All employees who are members of the Alexander Forbes Retirement Fund are covered by a comprehensive disability programme in the event of temporary or permanent disability.

HIV treatment programmes

The estimated HIV prevalence rate, calculated as the percentage of employees who are registered on our HIV programmes, is 4.7% (2016: 4.4%). Although the prevalence rate is relatively low, a training programme is available for line managers to train staff on a needs basis and condoms are made available in all ablution facilities. Furthermore, an HIV awareness campaign is run every year in December to coincide with World Aids Day and employees are asked to nominate a beneficiary for our annual HIV donation. Both the Wooltru Healthcare Fund and OCSACare offer comprehensive HIV treatment and counselling programmes to employees who disclose their HIV status to the respective healthcare providers.

Working hours and leave

- Full-time employees in store operations work an average of 41 hours per week with every alternate weekend off.
- We employ a significant number of flexi-time employees who work a maximum of 40 normal hours per week and their hours can be varied to accommodate other flexi-time employees who are not able to work full time due to study or family commitments.
- Through building in controls in our human resource systems we ensure that we adhere to legislative requirements pertaining to various leave types and overtime stipulations.
- Our head office employees work a 37.5-hour week and our flexible hours policy enables employees to work a minimum of six hours a day during the core working hours of 09:00 to 16:00 (including an hour-long lunch break) with the remaining hours being flexible to suit their and the business's needs.
- Additional annual leave, over and above statutory leave, is granted to employees who have long service or have higher levels of responsibility.

Maternity leave

Employees are granted six months maternity leave and have the option to return earlier on a half-day basis while earning their full-time salary. Depending on their length of service, employees qualify for a maternity allowance while on maternity leave. New fathers are allowed to use their annual special leave, and annual leave should they wish to extend their time off at the birth of children.

Employee retention

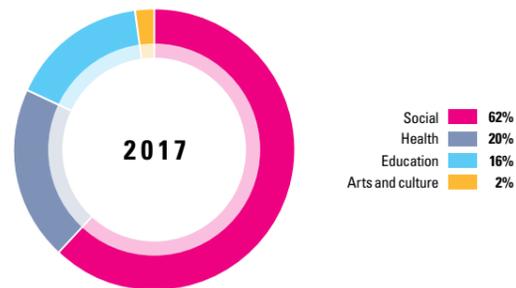
While retrenchments have been an inevitable outcome of the economic climate for many retailers, Truworths has avoided retrenchments in the reporting period through carefully balancing the ratio of full-time to flexi-time staff and reducing the number of full-time and flexi-staff through natural attrition. Although there have been store closures in the period, line management works closely with the Employee Relations department in accordance with documented processes and policies when store closures are contemplated. During the period, all staff affected by store closures were reassigned to alternate stores in line with the objectives of the store closure policy.

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Corporate social investment (CSI)

Truworths is committed to contributing to the society in which it operates. The activity of Truworths Involved, the banner under which we operate our CSI activities, is funded by investment income from three trusts established in the late 1990s to facilitate CSI initiatives. Truworths focuses on programmes that support the upliftment of youth, women and children in the areas of education, health and social development.

CSI at a glance	2017	2016
Donations of merchandise for distribution to charities (Rm)	1.2	2.4
Investments held by the trusts at the end of the reporting period (Rm)	194	190
Number of projects supported during the period	64	42
Total donations from the trusts (Rm)	4.8	2.6



Employee participation

Employees are encouraged to participate in CSI activities and are able to nominate beneficiary organisations. Operational divisions are allocated budgets to identify a beneficiary to sponsor for the year.

The following organisations benefited from staff nominations: Hatch, Brownies for Downies, Imbumba Foundation, #Girlchild in School, Tears, Volunteer Wild Fire Services, CHOC, Door of Hope, New Love Life, Desmond Tutu HIV Foundation, Ubuntu House and Little Lambs.

Furthermore, there are regular employee-giving initiatives in which employees generously participate. These include:

- an annual year-end toy drive;
- an annual winter clothing drive;
- nominations of beneficiaries for events such as Valentine's Day and World Aids Day;
- the Beardfest initiative, through which employees are sponsored by fellow employees to grow beards, the proceeds of which are used to uplift a place of safety for abused women; and
- monthly blood donation drives, which are always well attended.

New programmes

	Partner	Project/activity	Outcome
Health	Orbis Africa	A volume cataract surgery clinic will be established in Lenasia South Community Hospital to alleviate the backlog of cataract surgeries required in the Gauteng area.	R3.6 million committed to the project. The clinic will be opened in October 2017 to coincide with World Eye Healthcare month.
Social development specifically focused on youth unemployment	Harambee	Sponsored ten one-week workshops to prepare candidates for entry-level positions in retail operations and one eight-week workshop to prepare candidates for positions in the call centre environment.	214 youth offered and accepted positions with Truworths. Many of these employees have been enrolled in our learnership programme.
Education: tertiary	Various tertiary design colleges	Assisted students with study costs. Students will be mentored by a Truworths employee and attend an internship in their year of sponsorship.	Bursaries provided to five students.
Education: matric	Leap College	Sponsored camps for Leap 2017 matric students to prepare for their matric examinations in an environment that is conducive to optimising study time. Learners are addressed by a Truworths representative who engages with them on the importance of education, goal setting and possible careers in retail.	133 students will attend camps in their matric year.
Education: tertiary	Design Academy of Fashion (DAF) and Zip Zap Circus	DAF's second year students designed costumes for Zip Zap Circus in furtherance of their curriculum requirements. Truworths sponsored the production of the costumes.	Students showcase designs at an event with Zip Zap artists performing. Zip Zap Circus will be the beneficiary organisation from the fund-raiser.
Education: teacher development	Earthchild Project	Sponsored a one-day wellness convention where teachers were taught stress coping mechanisms, including yoga and dance.	Over 220 teachers attended the event.

In addition to our new programmes we have continued our involvement in the following programmes in which we have participated for a number of years.

	Partner	Activity	Outcome
Education	TSiBA College	Sponsored the entrepreneurship module for the marketing stream.	36 students attended this module as part of their third year curriculum, with all students passing.
Social development	Sisanda FunDaytion	Children from various shelters and homes are taken on a day of fun, entertainment and food.	Truworths assists Sisanda with t-shirts for all outings and sponsors facilitator costs. One event per year is a dedicated Truworths outing with Truworths staff volunteering to assist in caring for children on their outings.
Social development	Cape Town Holocaust Centre	Learners from disadvantaged communities are sponsored to attend the centre where they are taught about diversity.	388 students attended the centre.
Social development	Peninsula Feeding Scheme	Staff are sponsored to participate in the annual Blisters for Bread walk to raise funds for the Peninsula Feeding Scheme.	150 Truworths employees participated in the event.
Social development	Reach for a Dream	Donations sponsored Reach for a Dream's Princess for a Day and Captain Courage days, which fulfil the dreams of children with life-threatening illnesses.	Three events sponsored.
Social development	Amy Foundation	Donation funded the foundation's annual Spelling Bee competition.	125 learners attended the annual Spelling Bee.
		Also provided specialised equipment for their newly formed Beauty Training Centre.	40 learners have benefited from the beauty programme.
Social development	Meaningful Access programme	Sight-impaired children attend cultural and art workshops.	222 children attended workshops.

In the reporting period Truworths donated over 75 000 units of merchandise samples to various charities.

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ENVIRONMENT

Truworths recognises that it is both impacted by, and impacts on, the natural environment, including climate change and the availability of resources. Truworths therefore strives continually to improve its understanding and management of its environmental risks and impacts. As part of this commitment, Truworths has appointed senior managers from diverse areas of the business to its Sustainability Committee. The committee meets quarterly and is chaired by a divisional director of Truworths, who provides regular feedback to the Truworths board as well as to the Truworths International Social and Ethics Committee.

The committee monitors progress of key environmental data, including tracking carbon emissions for Truworths' head office, stores and distribution centres and sets targets for emission reductions. In addition, the committee considers international developments that may affect Truworths' ability to create and sustain value in the long-term and identifies sustainability-related opportunities that may reduce risk or introduce efficiencies.

Energy and carbon

Truworths' 2017 Carbon Disclosure Project (CDP) Report addressed climate change and is available on the CDP website (www.cdp.net).

Energy at a glance

Energy consumption for July 2016 – June 2017	Head office	Stores	DC* – TDC	DC* -Bofors	DC* – VAS	Plein Park	Total
Total energy consumption (mWh)	4 109.1	73 100.9	580.0	309.7	58.9	No data	78 158.6
Total energy consumption (gigajoules)	14 792.8	26 316 312.5	208 809.7	111 490.9	21 200.0	No data	28 137 092.0
Generator fuel (litres)	1 050.0	–	–	–	–	–	1 050.0

* Distribution centre.

Carbon emissions

Carbon data covers the period 1 July 2015 to 30 June 2016. For further details please see Truworths' 2017 Carbon Disclosure Project Report at www.cdp.net.

Scope 1	428.35	Total Scope 1 metric tonnes CO₂e, of which
	416.01	metric tonnes were from mobile fuel combustion
	12.34	metric tonnes were from stationary fuel combustion
Scope 2	77 718.16	Total Scope 2 metric tonnes CO₂e, of which
	72 063.16	metric tonnes were from stores emissions
	5 655.01	metric tonnes were from head office and distribution centre emissions
Scope 3	13 993.17	Total Scope 3 metric tonnes CO₂e, of which
	8 878.38	metric tonnes were from upstream transportation and distribution
	3 286.30	metric tonnes were from purchased goods and services
	1 828.00	metric tonnes were from business travel
	0.49	metric tonnes were from waste generated in operations

While the carbon footprint calculations have previously covered only the Truworths and Identity brands within South Africa, the most recent assessment includes YDE and Uzzi. Reporting is being incrementally expanded to address the comprehensive Group-wide footprint, ultimately including the operations of Office, with the aim of setting long-term Group targets (refer below). The reported emissions have not been externally verified or assured.

Electricity reduction targets

Truworths sets annual intensity targets for electricity consumption for the head office, stores and distribution centres.

	Financial year	Actual intensity (kWh/m ² /year)	Target based on previous year	Actual change since the previous year
Head office	2016	0.121	-5%	+1%
	2017	0.116	0%	-4%
	2018		-2%	
Stores	2016	0.184 ¹	-5%	-3%
	2017	0.182²	-2%	-1%
	2018		0%	
Distribution centres ³	2016	0.029	-5%	0%
	2017	0.027	0%	-8%
	2018		-2%	

¹ Electricity intensity for 2016 comprises data from Truworths and Identity stores only.

² Electricity intensity figures for 2017 comprise Truworths, Identity, Uzzi, YDE, Naartjie and Earthchild data. Comparisons to 2016 are therefore not meaningful.

³ Comprises TDC, Bofors and VAS.

Notes:

Head office: While the target for 2017 was to remain level, the head office did record a 4% reduction in intensity consumption.

Stores: Stores have not met the intensity targets over the past two years.

Distribution centres: Intensity consumption reduced by 8% in 2017 despite targeting to remain unchanged.

The 2017 – 2018 annual electricity intensity target and corresponding CO₂ emissions target was set at a reduction of 2% for head office and distribution centres, with a flat line target across all stores.

Long-term quantitative targets to reduce operational greenhouse gas emissions have not been set by Truworths. We anticipate that, with time and success in attaining our annual reduction targets, Truworths will look to set long-term targets. Truworths is addressing the need to develop a comprehensive understanding of its carbon footprint by expanding the coverage of our carbon footprint measurement and monitoring, this being the first step in allowing us to expand the coverage of our targets.

Energy management

Truworths actively monitors energy usage across its stores to achieve its reduction goals. A total of 363 stores out of the 781 stores in Africa have been fitted with meters and this data is extrapolated to derive total consumption across all stores. This allows for daily monitoring of electricity consumption data as well as same-day response to any abnormal changes in consumption.

Truworths plans to instal meters in all stores within five years.

Energy and carbon reduction initiatives

During the reporting period a number of initiatives supported the reduction of our energy use, carbon footprint and associated environmental impact.

Scope 2 initiatives:

- Metering**

As part of our ongoing metering programme, all new and renovated stores are fitted with electricity usage meters. The total Truworths portfolio is therefore becoming more efficient, and energy data is becoming more accurate.

- Lighting retrofit**

All store renovations include the replacement of 70 Watt metal halide lights with 30 Watt and 20 Watt metal halide lights. Savings of electricity up to 30% have been achieved in stores through these retrofits.

Above and beyond the lighting replacements in renovated stores, 27 Identity stores were selected for the replacement of 150 Watt and 70 Watt metal halide lights with 35 Watt fittings, and fluorescent light fittings were replaced with LED lighting. Electricity savings in three test stores have been tracked and recorded reductions of up to 25% in kWhs.

Following successful testing in existing Identity stores, LED lighting will be rolled out to the rest of the brands over the next few years, applicable to all new stores and renovations. LEDs have proven to be approximately 40% more efficient in terms of electricity usage.

- Power factor correction**

Where there is a difference between real power and apparent power, it is possible to be billed inefficiently for energy use. This was the case at one of our stores with large air conditioning requirements.

Scope 3 initiatives:

A number of initiatives have been implemented to decrease the energy consumption associated with the transportation of merchandise. Kindly refer to the CDP submission for further detail.

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International freight:

- Truworths has set a target to maintain carbon emissions emanating from international freight movement at current levels.
- 95% of international freight is via sea, with lower carbon emissions than air freight.
- In excess of 80% of cargo is moved as full container loads.
- Truworths strives to reduce carbon emissions by using containers already destined to return to South Africa, attaining higher container utilisation.

Domestic freight:

The following initiatives refer to Truworths' largest transporter of domestic cargo:

- Truworths and the transporter have commenced a trial with 24 trucks, installing Green Band driving devices that limit the maximum engine revolutions and idling time of the vehicle. By doing this the transporter reduces diesel usage and associated emissions. The transporter's findings have shown an average saving of 13% on fuel, and they intend rolling out these devices to their entire fleet, based on the results.
- The transporter is exploring nose cones that create aerodynamics to reduce drag and thereby lower fuel consumption. A test is currently being done on one of their vehicles to assess results.
- The transporter has invested in a system which allows closer monitoring of their fleet's fuel usage. This will enable them to identify vehicles where fuel consumption deviates from the norm.
- The transporter is currently testing hybrid trucks, which run on a battery and diesel combination.
- Gas is being investigated as an alternative, cleaner fuel source for vehicles in order to reduce fuel emissions.
- The transporter plans to balance operational carbon emissions by 2022. A process was started in 2013 by conducting a carbon analysis identifying fuel as the largest emission, equating to more than 76% of total emissions. Electricity emissions were calculated as the second-largest emission source at around 24%. The remaining emissions comprised water consumption, fugitive emissions (R-22 gas) and waste.
- During the reporting period a process was started to conduct a follow-up carbon footprint analysis. The scope of this analysis will include Scopes 1 – 3 emissions.

Further Scope 3 initiatives:

- Truworths has continued to recycle plastic clothing hangers from stores and supply recycled hangers to our suppliers. During the reporting period, in excess of 10 million hangers were recycled.
- Merchandise sold can be washed at lower temperatures and does not require dry cleaning.
- Since 2014 the Integrated Report has not been printed but made available to shareholders and other interested parties online.

Water

Truworths acknowledges that water consumption can pose a risk to business, as confirmed by the current water shortages in Cape Town. Truworths has implemented a number of initiatives at head office to reduce the municipal water demand. However, while Truworths will continue to reduce its demand on municipal supply from an environmental responsibility, risk, and cost point of view, no reduction targets have been set as water is not a material risk to our operations.

Water consumption at a glance

Water consumption at Truworths	Head office		Non-head office	
	2017	2016	2017	2016
Total consumption (kilolitres)	13 179	14 985	6 989	4 832
Total consumption from underground sources (kilolitres)	2 355	2 398	–	–

Water-saving initiatives

Truworths has undertaken a number of initiatives to ensure the optimal and responsible use of water:

- The head office car wash facility was suspended during the period. Truworths is exploring alternative car wash options, which include a waterless cleaning solution as well as the use of underground water.
- Washing basins have been placed in all pause areas to reduce the use of running taps.
- All dishwashers except for those in the canteens have been disconnected as these have typically been running with very few dishes in them.
- Water pressure has been reduced for all basins, urinals and toilets.
- As previously reported, Truworths continues to use underground water to flush head office ablution facilities (up to 30% of total water usage). Underground seepage is now being stored and used to supplement this water.
- Posters have been placed in pause areas and bathrooms to ensure staff remain mindful of the water crisis.
- Canteen management have been asked to be water-wise in their operations and to create awareness amongst staff about water-saving opportunities in the canteen and kitchens.

In the medium-term Truworths will be considering the feasibility of installing rain water harvesting infrastructure that will supplement the water supply to urinals and toilets. This could significantly reduce the demand on municipal water supply.

Waste

Optimising the use of packaging can have a significant impact on both the environment and Truworths' operating costs. We are therefore constantly looking for ways to reduce, reuse and recycle packaging material. During the reporting period our teams have continued to strengthen our ongoing recycling initiatives to ensure the recycling of packaging waste is managed in an environmentally friendly manner.

Waste at a glance

Truworths continued with its recycling awareness programme at head office, consisting of recycling bins for the various waste types. During the reporting period, recycling efforts at head office and the distribution centres achieved the following results:

	Head office	Distribution centres
Total non-hazardous waste recycling – cardboard (tons)	–	225.1
Total non-hazardous waste recycling – paper (tons)	–	–
Total non-hazardous waste recycling – plastic hangers (number of units)	–	10 million
Total non-hazardous waste recycling – plastic (tons)	not tracked as yet	not tracked as yet
Total non-hazardous waste recycling (tons)	–	–
Total non-hazardous waste scrapped – cardboard (tons)	3.9	477.0
Total non-hazardous waste scrapped – paper (tons)	17.2	–
Total non-hazardous waste scrapped – plastic hangers (tons)	–	108.0
Total non-hazardous waste scrapped – plastic (tons)	not tracked as yet	not tracked as yet
Total non-hazardous waste scrapped (tons)	21.1	not tracked as yet
Total hazardous waste disposal (tons)	not tracked as yet	not tracked as yet

Reducing packaging

Truworths critically assesses trim packs and packing used on goods available for sale in stores and actively discourages suppliers from using superfluous packaging.

Warehouse and store recycling programme

Truworths aims to reuse or recycle materials associated with our merchandise, notably hangers and cardboard boxes. In the main metropolitan areas (Johannesburg, Pretoria and Cape Town) boxes are collected, cleaned and resold to other retailers. In the 2017 reporting period targets were set for the first time to maintain recycling tonnages at 2016 levels.

Recycled materials	2017	2016	% change
Cardboard: recycled cartons (tons)	225.1	121.3	+86%
Cardboard: scrapped cartons (tons)	477.0	454.7	-5%
Undamaged hangers (number of units resold)	10 million	9.4 million	+7%
Scrapped hangers (tons)	108.0	119.8	-10%

E-waste

Fully depreciated and unused IT equipment is either donated to charities or sold for scrap to an e-waste service provider who provides certificates of destruction.

SOCIAL AND ENVIRONMENTAL REPORT 2017 continued

Supply chain

in striving to align the supply chain with best-practice sustainability management, as well as to reduce risk, Truworths is enhancing governance relating to its supply chain. During 2016 Truworths revised the international and local supplier terms of trade to include a Code of Ethics and Good Business Practice for Suppliers and Business Partners (the code). Truworths has also initiated plans to enhance supply chain monitoring.

The Code of Ethics and Good Business Practice

The code requires suppliers to commit to social, ethical and environmental standards, including labour conditions, health and safety, and environmental management. The code specifies the minimum ethical, social and business practices and standards that Truworths requires of its suppliers and business partners. Issues addressed in the code include legal matters, child labour, forced and compulsory labour, health and safety, workers' rights, discrimination, bribery and corruption.

The prescribed practices are based on extracts from internationally agreed standards including the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, and International Labour Organisation (ILO) Conventions. The code is also aligned with the issues raised in the UK Modern Slavery Act. Truworths subscribes to these standards and strives to ensure compliance.

The code enables Truworths to demonstrate that company policies, procedures and practices conform to universally recognised ethical business practices.

The code is communicated in the international supplier terms of trade agreement that is concluded with all international suppliers with whom Truworths engages directly. A similar code is communicated in the domestic supplier terms of trade agreement. Merchandise is also procured via local agents representing international suppliers, although these indirect suppliers are not required to sign the code.

Supply chain monitoring

Truworths is investigating developing a checklist outlining the stipulations of the code, to be completed on the basis of observations and conversations with suppliers by Quality Control and Buying teams on supplier visits.

Truworths acknowledges that this initiative would only cover a portion of its supplier base where Truworths has direct access to suppliers, and therefore views this as a first possible

step in strengthening compliance. No third party verification has yet been established. Truworths also acknowledges the need to consider compliance with the code into the supplier usage and engagement process over time.

Environmental supply chain: Adaptation

Climate change initiatives and adaptation to environmental changes are key considerations in Truworths' business strategy relating to the sourcing of merchandise. The merchandise division is acutely aware of the climatic impact on sources of raw materials, especially cotton production. Frequent droughts and floods materially affect the supply chain, the subsequent price of raw materials and, consequently, manufactured garments.

Discussions on raw material procurement and substitution of acrylic yarns, or other natural fibers for cotton, regularly take place and work to inform the introduction of controls to adapt to climate change impacts.

Given the sudden increase in cotton prices, the Truworths sourcing department has established sources of supply in several continents, affording it the opportunity to speedily move business in response to environmental threats.

Truworths has increased the local (South African) manufacturing of garments, including a new denim manufacturing process.

Environmental supply chain: Impact

Truworths requires suppliers and business partners to commit to good environmental practices and to comply with environmental laws of the country in which they are registered or operate, as well as relevant international legislation.

Suppliers are required to commit to the following:

- the principle that water must be used efficiently and that all outgoing waste water must meet and exceed waste water quality standards; and
- any waste, and in particular hazardous waste, must be treated in a responsible manner.

Truworths does not currently require suppliers or business partners to either report on or target reductions in their environmental impacts. Truworths does, however, recognise that managing the impact on the environment by its suppliers constitutes a further phase of development of the Truworths Environmental Policy in relation to its supply chain.

CONCLUSION

Management believes the Group has continued to maintain an acceptable balance between its financial performance on the one hand and its social, economic, governance, employment and environmental responsibilities on the other.

Other than the non-compliance recorded on the Group's generic BBEE scorecard, against the voluntary codes of good practice issued in terms of the BBEE Act, no other material non-compliance with legislation and regulation has occurred.

The activities outlined in this report reflect the Group's initiatives in relation to its responsibility to its employees, society and the environment in which it operates, while remaining accountable to shareholders in terms of financial performance.

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