

TRUWORTHS INTERNATIONAL GROUP SOCIAL & ENVIRONMENTAL REPORT 2015

INTRODUCTION

The purpose of this Report is to supplement the information on the social and environmental matters of relevance to the Group provided in the Group's 2015 Integrated Report, the Social and Ethics Committee Report and the CSI Report, all of which have been published elsewhere on the Group's website at www.truworthis.co.za.

SOCIAL MATTERS

The Group aspires to be the employer of choice and is committed to investing in its human capital to enable employees to contribute to sustainable value creation across the business.

HIGHLIGHTS

Employee turnover reduced to 13% (2014: 16%)

R103 m invested in skills development, an increase of 18% (2014: R87 m)

10 592 employees trained, an increase of 7% (2014: 9 876)

Black employees comprise 93% of total employees

Female employees account for 71% of total employees

Group total employees 11 361 (2014: 10 565)

Key developments during 2015

During the reporting period several enhancements were made to human resources practices to improve the Group's ability to attract and retain employees, while at the same time reinforcing the positioning of Truworthis as being a great place to work.

Following a review of all our categories of employees the decision was made to improve the benefits of flexi-time employees to ensure equal pay for work of equal value in comparison to their full-time counterparts, aimed at improving employee retention and linking rewards to performance and experience levels. The pool of flexi-time employees allows for flexibility to adapt staffing requirements for the variations in trading patterns.

The contracts of a number of flexi-time employees in the distribution and call centres have been converted to full-time roles to improve retention of skills and enhance productivity. This conversion to full-time roles as well as the Earthchild and Naartjie acquisitions account for most of the growth in full-time employees in comparison to 2014.

Total guaranteed remuneration packages (TGP) have been introduced for all new appointments to improve the Group's ability to attract employees in specialised categories. This allows employees increased flexibility to structure packages to individual needs while at the same time continuing to offer access to excellent healthcare, retirement and insured benefits. TGP will be rolled out to all current employees during the 2016 reporting period.

Retention has been an area of specific focus in the store operations division as retail operations have become increasingly competitive following the entrance of international retailers into the market, as well as a greater emphasis being placed by local retailers on the quality of employees in stores.

Enhancements made to the flexible working hours' policy at the head office are already having a positive impact on attraction and retention of scarce and specialised skilled employees as well as improving general employee satisfaction levels.

Improved retention strategies and greater employee satisfaction have both contributed to the turnover in permanent employees improving to 13% (2014: 16%).

Human capital at a glance		2015	2014
Group total employees		11 361	10 565
• Full-time employees		4 434	3 344
• Flexi-time employees		6 927	7 221
Permanent employee turnover	(%)	13	16
Employee absenteeism (days)	(%)	1.6	1.6
Skills development expenditure	(R million)	103	87
Skills development spend per employee trained	(R '000)	9.7	8.2
Total employees trained		10 592	9 876
Black employees as a % of employees trained	(%)	94	94

Values

The Group's business philosophy and values underpin the human capital management strategy. These values are incorporated into every aspect of the business, from recruitment to training and development, employee relations and recognition programmes. Employees are exposed to our values early on in their induction and on-boarding programmes. Regular employee performance development discussions which measure performance against goals as well as how employees are aligned with the Group's values further reinforce the importance of living the Group's values at all levels of the business.

Employees who are true ambassadors of our values are recognized in various reward programmes such as our annual CEO citations which are awarded not only to individuals and teams who have performed particularly well but also to individuals who epitomize our values.

Policies, such as our social and ethics policy, our policy against accepting gifts, and our policy against bribery and corruption, support our value system are documented and regularly communicated to employees. Employees have a number of avenues to report counter culture behaviour such as our CEO Talk, an opportunity for staff to anonymously send ideas and voice concerns directly to the CEO. Responses to the questions and comments raised are regularly published on the company intranet.. Another avenue is our whistle blower hotline. Our Tip-Off hot-line is outsourced and we communicate the purpose and contact details of this anonymous facility widely within the business. In our Tip-Off awareness campaigns we communicate that the facility can be used to report dishonest as well as unethical conduct. This is supported by a code of ethics and a whistleblowing policy. A Committee meets monthly to ensure all Tip Off reports are investigated and action taken where appropriate.

The board of the Group's main operating subsidiary has adopted and has oversight of the Group's anti-bribery and corruption policy that is applicable to and has been communicated to all employees via the Group's intranet. The policy deals inter alia with bribery, embezzlement, fraud, extortion, abuse of power, conflicts of interest and abuse of confidential information. Furthermore a fraud response action plan has been adopted by the board to provide guidance to management as to the actions to be taken when incidents of fraud have been alleged or detected. During the reporting period no political contributions or donations to political parties were made, as such contributions are not permitted by the Group. No reports of corruption involving the Group were received during the period, neither were any fines or penalties imposed on the Group by government authorities in relation to corruption.

A comprehensive disciplinary and poor performance management process provides a framework for Line Managers to respond to and manage employees who do not live the Group's values. They are supported by a centralized Employee Relations department whose function is to advise and support such Managers in both internal and external processes as well as train them in the correct application of our processes.

Employment equity

The Group follows an equal opportunity employment philosophy and focuses on investing in talent and recognizing excellence. Employees are therefore encouraged to realize their potential regardless of race or gender.

Truworths is fully committed to continuing on this journey of steady transformation (as contained in our Employment Equity Plan for South Africa) with a specific emphasis on developing our internal talented employees and promoting them to the various levels as they fulfill their potential.

Progress and compliance with our Employment Equity Plan and the aims and objectives of the Employment Equity Act in South Africa are monitored via our Employment Equity forums which meet quarterly. All numerical targets and affirmative action objectives outlined in our Employment Equity Plan, which covers the period 2014 to 2019, were either met or exceeded in the reporting period with the exception of meeting our target in respect of the employment of persons with disabilities where the business slightly lagged the target set for the reporting period.

The table below represents our workplace profile in South Africa at the end of the reporting period.

Occupational Level	Male				Female				Foreign nationals		Totals
	A	C	I	W	A	C	I	W	M	F	
Top Management	0	1	0	7	0	0	0	0	1	0	9
Senior Management	2	9	5	46	1	7	1	39	2	2	114
Middle Management	25	34	12	61	42	77	23	241	7	10	532
Junior Management	222	46	21	32	599	213	30	117	5	4	1289
Semi-skilled	199 5	38 2	105	29	473 8	1133	198	155	5	9	8749
Total permanent	224 4	47 2	143	175	538 0	1430	252	552	20	25	10693
Temporary employees	3	0	0	0	5	4	1	1	0	0	14
Grand Total	224 7	47 2	143	175	538 5	1434	253	553	20	25	10707

A = African, C= Coloured, I =Indian, W=White, M= Male, F= Female

No cases of unfair discrimination have been referred externally during the reporting period.

Talent and skills development

The Group continues to focus on internally developed talent and skills development programmes which are tailored to the needs of the business. In the reporting period 10 592 people were trained with an investment of R103 million (2014: R87 million) having been incurred.

The major focus has been on training in areas of skills shortages, notably for retail managers and merchant specialists, to ensure business continuity and succession.

Leadership development and talent management continued to be an area of focus, particularly with regard to junior and middle management development.

The Group's merchant training programme ensures a strong pipeline of talent for the merchandise division where the market competition for talent and experience is high.

A successful learnership programme for entry level positions ensures the Group has a pool of talent to fill full-time posts. In the reporting period over 1 000 people were up-skilled on accredited learning programmes.

These programmes have contributed to the Group achieving 14.72 points out of a possible 25 for skills development on the latest dti generic B-BBEE scorecard applicable to its South African business.

Remuneration

Reward strategies are aimed at attracting, motivating and retaining employees, and at promoting a high performance culture across the Group. Remuneration practices are therefore closely linked to the Group's business philosophy, and to the achievement of Group, team and individual performance objectives.

The introduction of total cost of employment (TCOE) remuneration packages will ensure the Group is more competitive in the marketplace. A new grading system and new job evaluation tools are being implemented to ensure alignment of reward for performance and skills relative to the market. These developments will be effective during the 2016 reporting period.

Wages and substantive conditions of employment have been negotiated with the South African Commercial, Catering and Allied Workers Union (SACCAWU) for employees forming part of the bargaining unit. The settlement agreement included an agreement on a minimum wage which is higher than the legislated minimum. Union membership within the Group has declined over the reporting period from approximately 600 to 500 employees, equating to 7% of the Group's South African employees (2014: 9%).

The Group complies with at least all legislated minimum wages and labour standards in the countries it operates in. The Group did not have any compliance orders issued by departments of labour in its countries of operation in the reporting period.

The remuneration of executive and non-executive directors is covered in the Remuneration Committee report.

Succession planning

Succession reviews are conducted regularly and high potential employees are identified and placed on individual training programmes. Most senior executives in the Group have been promoted to their current positions from within the business, underlining the importance of skills retention and effective succession management.

Experienced executives are selectively retained in contract roles after reaching the normal retirement age of 60 to mentor and coach successors. Senior management of Naartjie and Earthchild, the businesses acquired during the period, has subsequently been appointed to senior roles in the Group.

Employee Health, Wellness and Safety

The Group recognizes the importance of employee wellness to the sustainability of the business. Awareness of leading a balanced lifestyle is promoted via our healthcare programmes.

The majority of employees are covered either by a healthcare programme or a contribution to a benefits allowance. The healthcare programmes vary in the type of cover offered from a fully comprehensive healthcare scheme (Wooltru Healthcare) whereas OCSA covers employees for day-to-day healthcare needs and contributions are fully covered by the company. Both these programmes offer comprehensive HIV treatment and counselling programmes.

The enhancements made to our flexible working hours policy, which applies to staff in non-customer facing roles, have contributed to improved employee engagement. Head office staff are contracted to work 37.5 hours a week whereas staff in customer facing roles work an average of 40 hours a week. Our human resource systems ensure that overtime and other statutory payments are made in accordance with minimum labour legislation of the various countries in which the Group operates.

Our working environment poses a low risk in terms of health and safety issues. In accordance with occupational health and safety regulations we ensure that employees are appointed and trained in health and safety matters. There were no serious accidents or incidents in the work place in the reporting period.

Supply chain social initiatives

The Group's international supplier terms of trade were revised during the reporting period. These now expressly require the Group's suppliers and business partners to be committed to the International Labour Practices, specifically the ILO Conventions 138 and 182 and to the UN Convention on the rights of the child, and endorse the definition of a child as prescribed in the aforementioned Conventions.

The prohibitions against child labour, forced and/or compulsory labour and discrimination, as well as the requirements to adhere to local worker health and safety standards and respect workers' legislated rights, etc are provided for in such terms of trade.

ENVIRONMENTAL MATTERS

HIGHLIGHTS

Business strategy adapted to incorporate climate change considerations

Climate change reporting enhanced

Energy consumption reduction initiatives continued

Supply chain environmental considerations further developed

Supplier code of conduct as regards environmental issues issued

Climate Change

Climate change initiatives and adaptation to environmental changes resulting from climatic changes are key considerations in the Group's business strategy relating to the sourcing of merchandise. During the reporting period these issues were a major area of focus when developing and modifying the Group's International Procurement Strategy and International Logistics Strategy. Accordingly environmentally less impactful and more efficient methods of packing and shipping goods from source were developed and implemented in collaboration with shipping agents. The merchandise divisions have an acute awareness of the climatic impact on sources of raw materials, especially cotton production. Frequent droughts and floods materially affect the supply chain, the subsequent cost price of raw materials, and in turn manufactured garments. Discussions therefore regularly take place in these divisions and within the sourcing department regarding from where raw materials should be sourced and the substitution of acrylic yarns or other natural fibers for cotton.

The International Sourcing Planning and Administrative Manager is a member of the Sustainability Committee and provides feed-back on climate change matters to this Committee. A divisional director of Truworths Ltd, the Group's main operating subsidiary, chairs the Sustainability Committee, and includes material on climate change matters in presentations to the board of that company as well as to the Social and Ethics Committee, which is a committee of the JSE listed holding company's board. Climate change issues were extensively reported on in the Group's carbon disclosure report that was submitted to the 2015 Carbon Disclosure Project (CDP), and is available for viewing by the public.

Energy consumption

In the reporting period targets were set for the reduction of head office, distribution centre and store electricity consumption. The Group had recently completed its baseline carbon emissions assessment and set these targets against this assessment.

In relation to the Group's energy consumption, initiatives were continued during the reporting period to decrease such consumption in the Group's network of retail stores. An example includes a lighting retrofit pilot undertaken in South African stores. This pilot has proved successful and has been extended to further stores.

Long term quantitative targets to reduce operational green-house gas (GHG) emissions have not been set by the Group. In certain instances, yearly targets have been set and we anticipate that, with time and success in attaining these targets, the Group will look to set long term targets.

Supply chain environmental initiatives

The Group expects its suppliers and business partners to manage climate change risks and opportunities for their businesses. The Group requires these parties to make a commitment to good environmental practices and to comply with environmental laws of the country in which they are registered or operate, and all applicable international laws. The Group's supplier terms of trade were revised during the reporting period to include a code of ethics that requires suppliers to make commitments in this regard.

The Group's supplier terms of trade also require its suppliers and business partners to be committed to the principle that water must be used efficiently and further, that all outgoing wastewater must meet and exceed wastewater quality standards of the domestic legislation and all applicable international laws.

These terms of trade also require suppliers and business partners to be committed to the principle that any waste, and in particular hazardous waste, must be treated in a responsible manner and in accordance with domestic legislation and all applicable international laws.

Factory visits by Group management and appointed agencies at existing, and potential merchandise suppliers are regularly undertaken. There is a heightened awareness amongst the Group's suppliers as to the content of the Group's code of ethics for its suppliers and the need for adherence thereto. Any deviations therefrom are noted and escalated to senior management of such suppliers.

Truworths recognises that managing the impact on the environment by its suppliers constitutes a further phase of development of the Group's environmental policy in relation to its supply chain. At this stage, the Group does not require its suppliers or business partners to either report on, or target reductions in, their environmental impacts. The Group envisages engaging with its suppliers on these topics in the short to medium term.