

**TRUWORTHS INTERNATIONAL LIMITED GROUP (“the Group”)
ENVIRONMENTAL POLICY AND MANAGEMENT SYSTEM
NOVEMBER 2013**

Background

The Group is a JSE listed entity that carries on business as a fashion apparel retailer principally in South Africa. It is not directly involved in manufacturing, and trades through more than 600 leased stores throughout the country and in other sub-Saharan countries. It purchases its inventory stocks from South African and foreign manufacturers/ suppliers. The Group operates two owned distribution centres in Cape Town, South Africa and utilises contracted freight operators to transport stocks to its store network. The group’s management is primarily located at its owned head office building in Cape Town.

Introduction

This document sets out the Group’s current Environmental Policy and Management System (“EMS”) for the benefit of interested parties.

The EMS has been adopted by the board of Truworths International Ltd and applies to all the Group’s operations and activities, wherever located or carried on. The EMS is reviewed and updated periodically to take account of changes in stakeholder expectations, regulatory developments and business imperatives.

The EMS is founded on the Group’s business philosophy and strategy (as outlined in its Integrated Annual Reports), is aligned with its board-approved Sustainability Policy (as published on the Group’s website and intranet) and is based on its categorisation by the JSE SRI Index as a Medium Impact organisation in terms of the direct consequences of its operations on the environment.

According to the JSE, its SRI Index uses the environmental impact classification model adopted by its data provider and research partner EIRIS, which is assisted by the Stellenbosch Business School. In terms of this model the Group falls into the “Retailers not elsewhere classified” category, which has a medium environmental impact classification. This classification is based on the direct impacts of retailers on the key issues of air pollution, water pollution, waste, water consumption and climate change.

Environmental Policy

The Group’s board approved Environmental Policy is:

- To adopt and implement over time sustainable business practices that are driven by cost saving and risk management considerations and are appropriately responsive to environmental issues
- Pro-actively to manage, progressively to measure and systematically to reduce the direct material negative impacts of the Group’s operations on the environment, such impacts being electricity usage (resulting in air pollution from coal burning, and water consumption, both occurring at Eskom power stations) in its store network and other premises, carbon emissions resulting in air pollution from the sea and air transportation of inventories and air travel of its employees, and waste materials resulting from inventory packaging, transportation, storage and handling

- To engage increasingly and over time with inventory suppliers regarding the adoption of environmentally sustainable methods of raw material usage and apparel manufacture in their operations, with the aim of gradually reducing the Group's indirect negative impacts on the environment
- To create greater awareness amongst customers regarding environmentally responsible methods for the disposal of Group products and packaging with the aim of reducing the indirect negative impacts of the Group's products and packaging on the environment
- To sensitise and educate employees regarding responsible environmental practices in relation to energy usage, water usage and waste recycling through communication and training, and by providing opportunities in the workplace for these disciplines to be put into practice
- Over time and in a phased manner to subject its environmental management and measurement systems to internal and external audit processes with a view to providing assurance to the Group's stakeholders regarding the veracity of its systems and integrity of its environmental data
- Periodically to report to the Group's stakeholders through various internal and public media on the Group's environmental initiatives, as well as the targets set by management towards the reduction of negative environmental impacts and the performance achieved against such targets

The board has agreed that implementation of the Group's environmental policy is a medium to long term project, and that the pace of implementation will be dependent on business imperatives, availability of resources, the reasonable expectations of key stakeholders such as customers and shareholders and risk management considerations.

The board's expectation is that the Group should make steady measurable annual progress in the implementation of its environmental policy, whilst ensuring the Group remains an economically sustainable organisation in the long term.

Environmental governance

The board of Truworthis International is primarily responsible for the design, implementation, monitoring and reporting in relation to the Group's environmental policy, and has delegated aspects of this responsibility to other structures within the Group, as follows:

- Truworthis Ltd is the Group's principal operating subsidiary within which the Group's executive management, financial resources, human resources, information systems, distribution centres and operating systems are positioned. The board of this company has responsibility for all operational aspects of the Group and has direct responsibility for implementing the Group's environmental policy.
- Truworthis International Ltd Social & Ethics Committee is a statutory committee of the board of Truworthis International Ltd established in terms of a written charter and comprising non-executive directors, with a monitoring and reporting responsibility across a wide range of matters, including adherence with legislation and regulation relating to the environment, and the impacts of the Group's activities and products on the environment, and the responsibility to bring warranted matters in this sphere to the attention of the board.
- Truworthis Ltd Sustainability Committee is a committee of executives, chaired by a divisional director and established by Truworthis Ltd under a written charter with a responsibility amongst others to promote the adoption by Group management of

environmentally sensitive and sustainable business practices, to monitor the development and implementation by management of strategies aimed at mitigating the Group's impact on the environment and on climate change, to encourage the adoption and utilisation by management of suitable environmental impact measurement systems, and to benchmark the Group's environmental performance measures.

Environmental management

The board of Truworths Ltd has responsibility for implementing the Group's environmental policy. It does so through its strategies, policies and procedures, and through allocating specific roles and tasks to certain managers or committees who are accountable to the board in relation thereto.

Managers

Key executives and managers of Truworths Ltd who are responsible for implementing the Group's environmental policy and executing the board's environmental strategies include:

- The Divisional Director for Store Design, Properties and Visual Display, who chairs the Sustainability Committee, co-ordinates the activities of Committee members, supervises the work of the store and head office re-lamping project teams, and promotes the adoption of environmentally sensitive store architecture and the reduction of electricity intensive merchandise displays in stores
- The Distribution Centre Executive, who has responsibility for electricity reduction programmes in the distribution centres, the plastic hanger recycling initiative and the cardboard box recycling and disposal projects
- The New Projects Development Consultant who has responsibility for the head office and store re-lamping projects aimed at significant reduction in electricity usage at an as low as possible capital expenditure outlay
- The International Sourcing Manager, who has responsibility for developing and implementing the Group's smart shipping strategies, and methodologies to measure carbon emissions in the Group's supply chain and through the air travel of its employees
- The Facilities Manager who is tasked with reducing electricity and water usage, and ensuring waste recycling, at the Group's head office through technological innovation, process change and the creation of employee awareness

Sustainability Committee

The board has tasked the Truworths Ltd Sustainability Committee as a specialist grouping to assist it in fulfilling its environmental policy implementation responsibility. The Sustainability Committee reports formally to the Truworths Ltd board and the Truworths International Ltd Social & Ethics Committee at their quarterly meetings, on its promotional, developmental, monitoring and benchmarking activities in relation to environmental matters, amongst others.

To facilitate the fulfilment of its responsibilities, the Sustainability Committee has

- Developed the Group's Sustainability Scorecard, which inter alia tracks the material environmental initiatives currently being undertaken by management, records agreed targets and performance against such targets, enables periodic progress updates to be noted and facilitates reporting to the board and Social & Ethics Committee
- Developed the Group's Sustainability Dashboard, which inter alia documents all the environmental issues and opportunities identified for the Group by management and from which the Committee can identify material issues for the purposes of inclusion on the Sustainability Scorecard and the allocation of resources
- Engaged a sustainability consultant to assist with the development of environmental measurement systems, review the Group's sustainability initiatives and policy, verify the veracity of the Group's environmental measurement methodologies and assist with the Group's Carbon Disclosure Project (CDP) submission
- Established methods of collaboration with the Group's marketing team so as to publicise key environmental sustainability initiatives through communication channels within the business and develop employee awareness of responsible environmental practices

The Sustainability Committee comprises members from diverse areas of the business, selected to ensure that all aspects of the business are considered from an environmental perspective. In brief, each member is responsible in relation to his/her area of the business, to:

- 1) Identify areas of environmental engagement.
- 2) Motivate for change aimed at reducing the impact and consumption
- 3) Once approved, working with management to implement the change.
- 4) Monitoring adherences and measuring savings
- 5) Establishing targets and ensuring compliance.

Environmental impacts and targets

The following material direct environmental impacts of the Group have been identified by the Sustainability Committee. For each of these impacts an appropriate measurement system has been developed, historic impacts have been determined and verified and targeted reductions have been agreed and in some instances already achieved.

1. Electricity usage

Electricity usage, which results in high levels of air pollution (carbon emissions) arising from the burning of coal, as well as water consumption, during its generation by Eskom, is a key negative environmental impact of the Group. This is so because the Group operates in excess of 600 retail stores having a footprint in excess of 350 000 square meters and consequently its electric lighting requirements are high. More than 75% of the Group's carbon emissions is estimated to come from store electricity usage. The Group also occupies two expansive distribution centres and a 15 story head office building, with high electricity requirements in terms of lighting, air-conditioning and inventory handling equipment.

Recently projects have been undertaken or commenced to replace the energy inefficient lighting and water heating with low energy solutions, and the following are the results/ expected outcomes

Head office

Head Office Lighting Project Results – [complete]

❖ ORIGINAL USAGE	460,0kW p.a.
❖ REDUCED USAGE	185,5kW p.a.
❖ SAVINGS	274,5kW p.a.
❖ ORIGINAL CARBON EMISSIONS	1 407 tons p.a.
❖ REDUCED CARBON EMISSIONS	568 tons p.a.
❖ CARBON EMISSION SAVINGS	839 tons p.a.

Head Office Heat Pumps and Solar Heating – [complete]

❖ ORIGINAL USAGE	36kW p.a.
❖ REDUCED USAGE	7kW p.a.
❖ SAVINGS	29kW p.a.
❖ ORIGINAL CARBON EMISSIONS	110,1 tons p.a.
❖ REDUCED CARBON EMISSIONS	21,4 tons p.a.
❖ CARBON EMISSION SAVINGS	88,7 tons p.a.

Truworths Distribution Centre

Truworths Distribution Centre Lighting Project Results – [complete]

❖ ORIGINAL USAGE	172 kW p.a.
❖ REDUCED USAGE	68 kW p.a.
❖ SAVINGS	104 kW p.a.
❖ ORIGINAL CARBON EMISSIONS	87 tons p.a.
❖ REDUCED CARBON EMISSIONS	45 tons p.a.
❖ CARBON EMISSION SAVINGS	42 tons p.a.

Stores

480 Stores Lighting Project Projections – [proposed]

❖ ORIGINAL USAGE	6 558kW p.a.
❖ TARGET USAGE	2 655kW p.a.
❖ TARGET SAVINGS	3 903kW p.a.
❖ ORIGINAL CARBON EMISSIONS	20 052 tons p.a.

❖ TARGET CARBON EMISSIONS	8 119 tons p.a.
❖ TARGET CARBON EMISSION SAVINGS	11 933 tons p.a.

2. Transportation

The transportation of the Group's merchandise inventory from sources of manufacture in Asia and Africa by sea and air to South Africa, as well as from its distribution centres in South Africa to stores in that country and other countries in Sub-Saharan Africa by road, sea and air results in high levels of air pollution (carbon emissions) from the combustion of liquid fuels in the engines of trucks, ships and aircraft.

The Group is developing initiatives to reduce in-transit times, costs and carbon emissions. The Group has developed an information system which can measure the carbon emissions (CO² per kg of cargo moved) from every port/airport of origin to final destination. In assessing the resultant carbon emissions, the modes of transportation are considered. The Group is in the process of establishing base line carbon emissions in relation to its merchandise transportation, and will commence setting reduction targets in the short term.

Air travel by Group employees, especially on overseas business, is also a contributor to air pollution (carbon emissions). By working together with its travel management service provider the Group has been able to develop a reliable measure of the Group's air travel carbon emissions. The Group is in the process of establishing base line carbon emissions in relation to such travel, and will commence setting reduction targets in the short to medium term.

3. Waste

The Group's principal source of waste is cardboard cartons and plastic packaging involved in the inbound and outbound transportation of its merchandise inventory, and the plastic hangers used to transport merchandise and display it and store it effectively in stores.

The Group's objectives as regards this waste material are to:

- Re-use cardboard cartons where possible without compromising on the secure transportation of inventory, and minimising the risk of in-transit pilferage and damage
- Ensure the effective recycling of damaged cardboard cartons at the distribution centres, and to the extent possible and practical aim to recycle cardboard cartons at stores through collaboration with shopping mall management
- Salvage undamaged plastic clothes hangers for resale or re-use, and in the process generate employment opportunities and sundry income for the Group

- Recycle plastic packaging and damaged plastic clothes hangers as far as possible and practical at the distribution centres and stores.
- Reduce the packaging used in transporting garments from original to final destination

The Group has attained a considerable measure of success in the recycling of cardboard cartons and re-use or re-sale of plastic hangers at the distribution centres during the financial year to 30 June 2013 as follows:

Plastic hangers

Recycled and sold: c600 tons (9 735 175 hangers)

Scrapped: c145 tons

Cardboard cartons

Recycled and sold: c192 tons

Scrapped: c 21 tons

Group management has further expanded the number of waste management activities it monitors and measures to include initiatives at the Group's head office.

Management is currently reviewing further cardboard carton re-use and recycling opportunities and expects to be able to announce initiatives and set targets in this regard in the short to medium term.

4. Climate change

The board of Truworths Ltd, aided by the Sustainability Committee, periodically considers the risks associated with climate change on the Group's business. This is hardest felt in the supply chain as the Group is fully reliant on the efficient and effective delivery of merchandise into stores located across South Africa and into Africa. The Group's outsourced and dominantly foreign based merchandise supply base presents exposure to climate change risks.

The impacts of climate change include weather-related disruptions to shipping schedules, regulatory changes aimed at mitigating climate change, and changing customer expectations in terms of the Group's response to climate change.

Climate change risks and opportunities are assessed by the Sustainability Committee through a discussion process including employees, suppliers and external sustainability consultants. The findings are fed back to the board of Truworths Ltd and the Risk Committee.

The Group is committed to increasing engagement on the subject of climate change and will work towards mitigating activity that can resourcefully be undertaken towards reducing the Group's climate change impacts.

The Group has participated in the Carbon Disclosure Project (CDP) in each of the past three years and this has facilitated the process of determining and more reliably measuring the Group's carbon emissions. This participation serves to illustrate the sense of responsibility with which the Group approaches the subject of climate change.

In the CDP (South Africa) for 2012, managed by the NBI in partnership with Incite Sustainability, the Group was placed in position 65 (2011: 57), out of the 76 (2011: 78) respondents from the JSE Top 100 companies invited to participate, with a disclosure score (reflecting completeness and quality of the submission) of 73 (2011: 69) out of 100.

On the performance score the Group was categorised in performance band D (out of bands A to E) reflecting a score of between 21 and 40 points. The score reflects the level of positive actions towards climate change mitigation, adaptation and transparency. In the CDP (South Africa) 2011 the Group was placed in Band E, reflecting a performance score of between 0 and 16 points.

These scores reflect steady progress by the Group against a peer group that is progressing more rapidly in the sphere of climate change disclosure and performance.

Environmental audit and assurance

The Group's objective is to subject its environmental management and measurement systems, as well as its environmental data and reporting, to internal and external audit processes over time and in a phased manner, with a view to providing assurance to the Group's stakeholders regarding the veracity of its systems and integrity of its environmental data.

Currently assurance of a limited nature is provided through the measurement and/or endorsement by independent external consultants of the Group's environmental processes and data. In particular the Group's sustainability consultant has endorsed the Group's CDP submissions over the past two years. In addition the Group's electrical engineering consultant has verified the measurements of the electricity usage reductions achieved at the group's head office and distribution centre.

Further limited assurance has been provided by the internal audit department of the Group's freight forwarding service provider regarding the measurement systems and methodology used to calculate the carbon emissions resulting from the transportation of the Group's imported merchandise inventories.

The Group intends making use of its internal audit department to provide assurance regarding various aspects of the group's environmental initiatives in the short to medium term, and envisages utilising external auditors to provide assurance in the medium term in relation to the Group's publicly disseminated reporting on sustainability and environmental matters.

Environmental communication and training

The Group has embarked on a number of initiatives as regards internal communication of environmental policy and initiatives, and the training of employees in regards to environmental matters.

In this regard the Group's Sustainability Policy is available on the Group's intranet and has recently been published on the Group's website.

The Sustainability Committee has also contributed articles on environmental initiatives and the group's policy on electricity reduction to the Group's quarterly staff magazine "Communique", which is circulated to all employees in the Group.

Training of employees and creation of awareness on environmental matters generally has taken place through the aforesaid articles, as well as through signage displayed in the head office encouraging employees to "Save Energy " and "Save Water". Training of store staff in procedures aimed at minimising electricity usage in stores through the switching off of lights, air-conditioners and geysers when not in use, has been conducted through retail operations management and via electronic communication to stores.

Employees specifically involved in environmental measurement systems, such as the monitoring of electricity usage, as well as employees involved in cardboard carton and plastic hanger recycling processes, have received specific on-the-job training aimed at ensuring they are suitably familiar with the Group's policies, standards and operating procedures.

The Group appreciates that communication with and training of employees is an on-going prerequisite to ensure the Group's environmental policies are understood, endorsed and effectively implemented.

Environmental policy and management system review

The board of Truworths Ltd acknowledges that environmental governance, management and reporting are subject to continuing development, and are influenced by stakeholder expectations, regulatory changes and technological advancements.

Accordingly the board is committed to engagement with stakeholders on this topic and will carry out periodic reviews of its environmental policy and management system to ensure that they remain appropriate for the Group and its stakeholders and are aligned with the group's strategy and business model.

Cape Town
7 November 2013