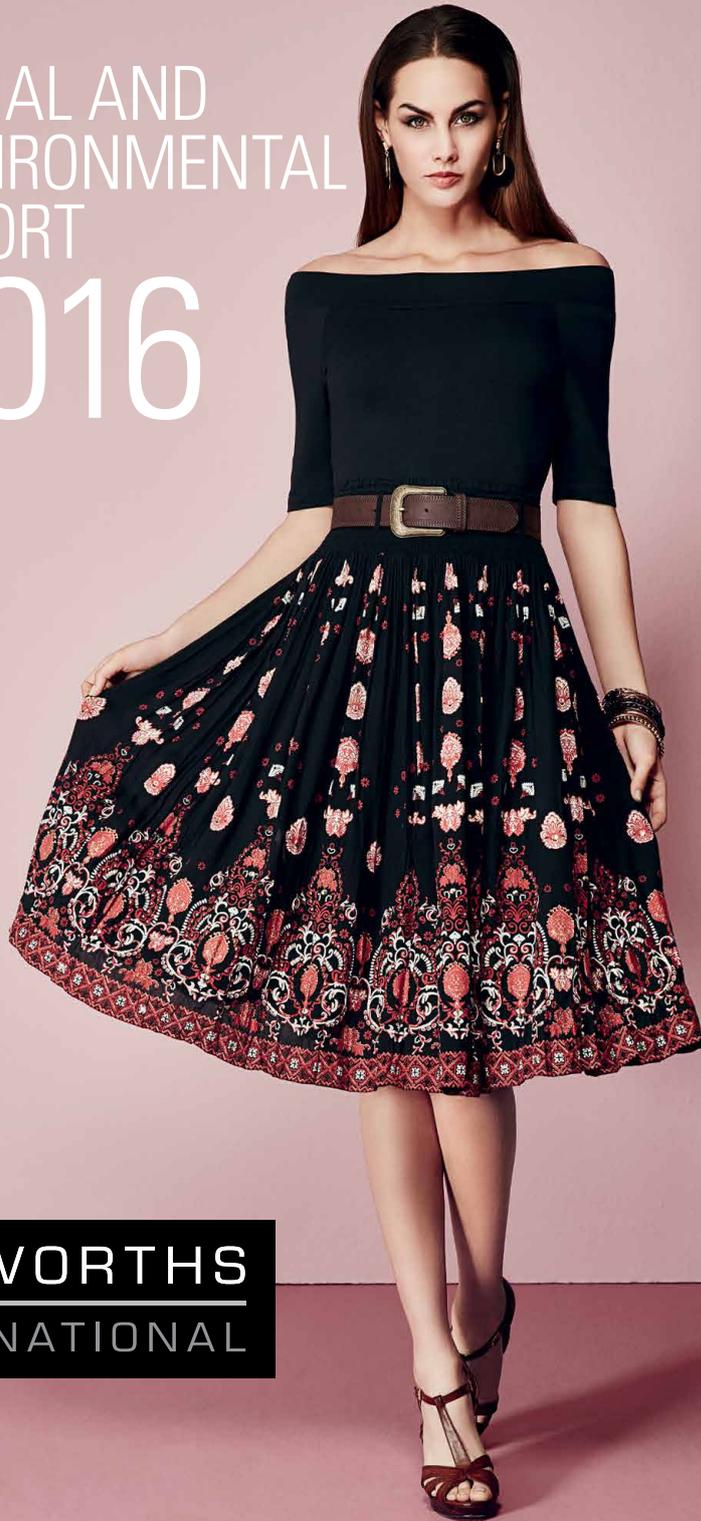
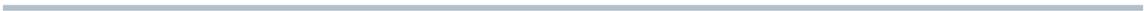

SOCIAL AND
ENVIRONMENTAL
REPORT
2016



TRUWORTHS
INTERNATIONAL



SOCIAL AND ENVIRONMENTAL REPORT

INTRODUCTION

This report aims to supplement the information in the Truworths International 2016 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. The report offers further insight into the social and environmental matters relating to the Truworths operations in South Africa and the rest of Africa, that are relevant to 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.

SOCIAL

Being the retail employer of choice is a key objective for Truworths, and this guides our continued investment in our employees and their well-being. During the reporting period we have continued to open doors for young talented employees in South Africa to hone their skills and embark on fruitful and passionate careers; to nurture an inclusive workplace where employees feel engaged and valued; and to create a positive impact in the broader South African society in which we operate.

A voluntary company-wide employee satisfaction survey was conducted and the results were analysed by two independent specialist firms. The level of employee participation was high relative to the South African benchmark and the survey indicated that 94% of staff are proud to work for Truworths.

The summary comments of the analyses are outlined below:

'On the basis of our analysis and our experience in South Africa and the retail sector, your results are generally good. No questions are below the norm, the majority are above, and a few in line with what we would expect to see. There are no red flag warning signs in your data.'

'On the contrary, there are some real strengths; in particular there seems to be a strong culture of teamwork and co-operation where employees can openly share ideas with managers, feel rewarded for what they do and believe they deliver a good customer experience. Additionally, there are high levels of confidence in the executive team and a very strong sense of pride in Truworths.'

Employee data

Truworths' human capital at a glance	Change	2016	2015
Total employees	↑	12 037	11 374
Full-time employees	↑	5 364	4 447
Flexi-time employees	↓	6 673	6 927
Full-time employee turnover for all levels	↑	16%	13%
Management/specialist employee turnover at head office	→	10.3%	10.3%
Employee absenteeism (sick leave days as a % of total days worked by all full-time employees)	↑	1.7%	1.6%
Skills development expenditure	↑	R107m	R103m
Skills development expenditure per employee trained	↑	R10 054	R9 767
Total employees trained	↑	10 682	10 592

Remuneration and retention

Several changes were introduced to our remuneration structure to ensure that Truworths is able to attract, retain and motivate high-performing employees.

These include the following:

- The remuneration packages of full-time employees in specialised roles were converted to total guaranteed remuneration packages (TGP) to ensure remuneration remains highly competitive in the marketplace.
- Enhancements were made to our flexible working hours policy.
- Additional benefits were introduced for longer-serving flexi-time employees such as a benefits allowance, additional staff discount and additional leave, which align these employees' benefits with their full-time counterparts.
- A new job evaluation system was introduced to ensure that employees are compared objectively and consistently using fair and transparent principles such as complexity and impact of the role, skills required for the position and employee contribution to the business.

These initiatives have been well received by employees and have enabled the Truworths business to maintain the turnover of management and specialised employees at 10.3% in a very competitive environment.

Embedding our values



Truworthis' values form the core of our business philosophy. These values are incorporated into everyday life at Truworthis through our employee engagement efforts, our recognition programmes, and our approach to recruitment and training. Truworthis fosters a culture of innovation and high performance by encouraging employees to share their ideas and by recognising and rewarding excellence.

Performance assessments

Employees' annual performance assessments include a review of their delivery against professional goals as well as alignment with our values.

Recognising and rewarding excellence

In addition to rewarding excellence in our remuneration policies, an annual citations award ceremony is held where individuals and teams who have been nominated by managers and directors are

publically acknowledged for their contributions by the CEO. All recipients of annual CEO citations are not only significant professional achievers but also role models who epitomise our values.

Disciplinary code

Expectations around employee behaviour are clearly articulated in the company's disciplinary code, which is communicated to employees during induction and is also available on the company's intranet. Furthermore, a comprehensive disciplinary and poor performance management process provides a framework for line managers to respond to and manage employees who do not operate within the company's disciplinary code. A centralised employee relations department advises and supports management in both internal and external processes to ensure the correct application of our processes.

Reporting unethical conduct and/or sharing ideas

Employees have a number of avenues to report behaviour that is contrary to our policies or culture, as well as to voice new ideas, using channels such as CEO Talk or the Tip-Offs Hotline:

POLICY	SOCIAL AND ETHICS POLICY	
SUB POLICIES	ANTI-BRIBERY AND CORRUPTION POLICY Covering, inter alia: bribery, corruption, embezzlement, fraud, extortion, abuse of power, conflicts of interest, abuse of confidential information, accepting gifts	
SUPPORTED BY	TIP-OFFS HOTLINE This is an anonymous, outsourced facility for tip-offs to report dishonest or unethical conduct. In our Tip-Offs awareness campaigns we communicate regularly on how the facility can be used.	CEO TALK CEO Talk is an electronic medium that links all employees to management. This is an opportunity for staff to anonymously send ideas and voice concerns directly to the CEO.
OUTCOME	A committee meets monthly to ensure all Tip-Off reports are investigated and action taken where appropriate. Although no Tip-Off report highlighted a material irregularity, 36% of the reports received had some merit in reporting incidents of unethical behaviour or dishonesty, ranging from minor to serious individual misconduct. 93 reports were received in the reporting period compared to 60 in the previous reporting period. 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.	94 CEO Talks were received in the reporting period compared to 69 in the previous reporting period. The majority of comments were in relation to ideas to improve customer service. Responses to the questions and comments raised on CEO Talk are regularly published on the company intranet.

Anti-bribery and corruption

No reports of bribery or corruption involving Truworthis were received during the reporting period, nor were any material fines or penalties imposed on Truworthis by government authorities.

Labour standards and freedom of association

Truworthis complies with all legislated minimum wages and labour standards in the countries in which it operates. Truworthis did not have any compliance orders issued by relevant departments of labour in the reporting period.

All employees are made aware of their rights of freedom of association including the choice to belong to any labour union. Truworthis has a long-standing relationship with the South African Commercial, Catering and Allied Workers Union (SACCAWU). The parties meet annually to negotiate wage and substantive conditions of employment for the approximately 550 South African employees who form part of the bargaining unit. Union membership across Truworthis remains low at 7% of total employees in South Africa and its African operations (2015: 7%).

Transformation

The Group is committed to transformation. Our transformation strategy is guided by the objectives of the Broad-Based Black Economic Empowerment (BBBEE) Codes and their 2015 revisions, and is aligned with the Department of Trade and Industry's generic BBBEE scorecard. The Transformation Committee meets quarterly to review progress on the scorecard and transformation activity in general and makes recommendations to the Truworthis International board on how to improve.

While verification of our 2016 scorecard had not been completed at the publication of this report, our self-assessed score reflects that Truworthis has achieved level 8 prior to the penalty for sub-minimums under the revised Codes. Given that the revised Codes have increased thresholds for compliance, it was anticipated that the business would achieve level 8. As anticipated, sub-minimums were not achieved for the BBBEE elements of *Ownership* and *Enterprise and Supplier Development* and Truworthis has therefore not achieved BBBEE compliance at this stage.

Progress towards achieving BBBEE compliance is, however, under way. In collaboration with external consultants, we are currently considering various initiatives aimed at addressing our BBBEE status, including revised procurement strategies and supplier and enterprise development initiatives. Whilst these initiatives will improve our score on the BBBEE scorecard, Truworthis may not be able to achieve the sub-minimums for *Ownership* and *Enterprise and Supplier Development* and thus may not achieve compliance with the revised Codes by June 2017.

Employment equity

The Employment Equity Plan 2014 – 2019 guides Truworthis' strategy to transform our South African workforce to reflect the demographics of the country and to foster a working environment that celebrates diversity and inclusivity. Progress against this strategy is reviewed quarterly in our employment equity forums as well as by the Transformation Committee.

The 2014 – 2019 Employment Equity Plan sets out targets which are based on improving race, gender and disability representation at all levels of the organisation. The targets and goals in the overall Plan set aggressive targets for junior categories with the aim of providing the pipeline for internal progression to senior levels over time. In the year under review Truworthis met its June 2016 targets, thereby contributing to our strategy to show steady improvement over time.

Despite our steady improvement one of the key challenges remains recruiting black talent at senior management levels. The focus has therefore been on developing internal talent through a number of training and skills development interventions to demonstrate commitment to sustainable transformation. Interventions include:

- a graduate programme to develop merchants;
- management programmes to develop talent for operations; and
- participation in the Wholesale and Retail SETA (W&R Seta) Retail Development Programme.

Workplace profile in South Africa

Occupational level	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	0	0	8
Senior management	2	7	5	53	1	7	1	39	3	2	120
Middle management	31	36	8	63	45	85	25	258	5	8	564
Junior management	224	49	22	30	668	243	37	114	6	9	1 402
Semi-skilled	2 181	381	99	38	5 375	1 167	181	140	5	12	9 579
Total permanent	2 438	474	134	38	5 360	1 502	244	552	19	12	11 673
Temporary employees	3	2	2	0	15	3	0	0	0	0	25
Total – 2016	2 441	476	136	190	6 104	1 505	244	552	19	31	11 698
Total – 2015	2 247	452	143	175	5 385	1 434	253	553	20	25	10 687

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.

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. A full review of the Truworths skills development and training expenditure can be found in our 2016 Human Capital Report in the Integrated Report, with the following highlights:

- **R107 million** (2015: R103 million) spent on skills development, with a focus on scarce skills such as **merchant specialists** and **retail managers**.
- **18.5 out of 25 points** for the skills development element on the BBBEE scorecard.
- **92% of total employees** and **94% of black employees** trained, in line with the 2015 financial period.

Learnership programmes

- Registered over 1 300 people, including 50 people with disabilities, to develop the skills required for entry-level positions.
- 438 learners completed their qualifications.

Merchant Training Programme

- Regarded as the most comprehensive and aspirational programme in the South African clothing retailing industry and indeed one of the most material strategies for Truworths' sustained performance.
- Trained strong candidates for buyers and planners ensuring succession in these critical roles in the merchandise division.

Operational training

- Roadshows and workshops to educate staff on the business implications of the new affordability assessment regulations in terms of the National Credit Act.
- Retraining of staff to focus on increasing the number of customers with active Truworths accounts.

Employee health, safety and well-being

The retail working environment poses a low risk in terms of health and safety, which is therefore not considered a major risk for Truworths.

There were no serious workplace accidents (reports that required medical attention) or incidents (reports that did not require medical attention) in the reporting period.

	2016	2015
Accidents	25	25
Incidents	42	19
Total lost days	128	249
Average days lost per accident	1.9	5.6

Nonetheless, Truworths upholds strict governance standards when dealing with health and safety issues. External consultants support us in ensuring that all minor incidents and accidents are reported in accordance with health and safety regulations. Furthermore, the Group Risk Manager ensures all employees are appointed and trained in health and safety matters.

The well-being of our 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:

Healthcare and rewards programme

All full-time employees are covered by a healthcare programme. The type of cover varies from a comprehensive healthcare scheme (Wooltru Healthcare), to a fully subsidised programme which covers day-to-day healthcare needs (OCSA). Through these programmes we both promote and reward healthy lifestyle choices of our employees, for example by distributing information on healthy living or providing discounts on healthy products.

Working hours and leave

Full-time employees in store operations work an average of 41 hours per week. We employ a significant number of flexi-time employees who work a maximum of 40 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.

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' needs.

Our maternity leave policy enables employees to take six months maternity leave but gives employees the option to return earlier on a half-day basis while earning their full-time salary. Employees who have more than two years' service qualify for a maternity allowance while on maternity leave.

Additional annual leave, over and above statutory leave, is granted to employees who have long service or have higher levels of responsibility. 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.

HIV treatment programmes

Both healthcare programmes offer comprehensive HIV treatment and counselling programmes to employees who disclose their status to the respective healthcare provider. Our estimated HIV prevalence rate, which is calculated as the percentage of employees who are registered on our HIV programmes to the total number of employees on our healthcare programmes, is 5.3% (2015: 6%). This indicates that the epidemic may have stabilised among Truworths' employees. The epidemic is not seen as a major risk for Truworths and no specific HIV awareness programmes were run in the reporting period. Truworths does, however, have an HIV policy which is communicated via the company's intranet.

Corporate Social Investment (CSI)

CSI at a glance		2016	2015	2014
Donations by Truworths to the CSI trusts	(R'000)	–	5 000	10 000
Donations of merchandise for distribution to charities	(R'000)	2 392	895	1 087
Total donations by Truworths	(R'000)	2 392	5 895	11 087
Total donations as a percentage of after-tax profit	(%)	0.1	0.2	0.5
Investments held by the trusts at the end of the reporting period	(Rm)	195	171	165
Number of projects supported during the period		37	31	28
Total donations from the trusts	(R'000)	2 566	2 288	2 786
Number of beneficiaries assisted in ongoing projects		4 800	4 799	4 099
Number of projects supported for more than ten years		5	5	5

Truworths Involved

Truworths runs its CSI programme under the banner of **Truworths Involved**, which is funded through three CSI trusts. This allows us the flexibility to invest efficiently and not be restricted to projects with NPO/NGO status only. The two main trusts were set up in 1997 with the third established in 2005. All activities are funded by the trusts' investment income and are overseen by a board of trustees comprising both employer and independent trustees. No donations were made by Truworths to the trusts during the reporting period as they were regarded as being adequately capitalised for their requirements.

Truworths Involved focuses on programmes which contribute to the sustainable upliftment of young adults and youth from disadvantaged communities. Focus areas have historically been healthcare, education, social development as well as arts and culture. In order to achieve a sustainable impact, we have focused on a few larger projects rather than smaller investments.

Truworths does not make contributions or donations to political parties.

Projects supported by Truworths

	PARTNERSHIP ASSOCIATION	ACTIVITY
Education	TSiBA	Sponsored the Retail Marketing course.
	Read to Rise	Readers distributed to Grade 2 learners in under-resourced schools in the Western Cape and Gauteng.
	Observatory Junior School	Sponsored the school's art and chess programme. Over 200 children benefit from these extramural activities.
	Operation Education and Operation Education Disabled Cape Holocaust	Provided grants to over 440 employees to assist with the cost of education-related expenses and equipment for special needs learners.
Social Development	Sisanda Fundaytion	Sponsored recreational outings, outreach workshops, creativity circles and a Christmas party for children from disadvantaged backgrounds.
	Store Operations donations	Store staff are given the opportunity to nominate organisations across the country, for charitable projects.
	Earthchild Project	Western Cape-based environmental and life skills project.
	Truworths Trekkers Enviro Clubs	Sponsored excursions for children of store staff to nature conservation areas, facilitated by Truworths staff.
Sport and Culture	Reach for a Dream	Sponsored hospital parties for children with life-threatening diseases/conditions.
	Meaningful Access Projects	Sponsored workshops and excursions to museums and galleries for over 180 differently-abled learners.
	South African Circle of Dance Academy	Sponsored operational costs and tuition fees for dance classes to disabled and able-bodied youth. Sponsorship of the annual Disabled/Wheelchair Ballroom and Latin-American Interprovincial Trials.

Supporting healthcare

The major portion of the CSI funding for the last six years has been channelled into the healthcare sector where Truworths has partnered with NGOs in the upgrading and redevelopment of major health facilities and hospitals. Over R10 million has been channelled into hospital projects over this period. This is aligned with the Department of Health's vision of providing excellent integrated health and social development services – in partnership with stakeholders – to contribute towards the reduction of poverty, vulnerability and the burden of disease in all communities.

We completed our seventh hospital project in the first quarter of the reporting period, with R1.6 million allocated to upgrade the main entrance, outpatients' facility, as well as several doctor and nursing stations of the Livingstone Hospital in Port Elizabeth.

Hospital	Area	Donation	Completed
Livingstone Hospital	Port Elizabeth, Eastern Cape	R1.6 million	2015
Kalafong Hospital	Atteridgeville, Gauteng	R1.75 million	2014
Itireleng Community Health Centre	Soweto, Gauteng	R2.2 million	2013
Leratong Provincial Hospital	Mogale City, Gauteng	R1.6 million	2012
Hanover Park Community Health Centre	Cape Town, Western Cape	R275 000	2011
Mitchells Plain Community Health Centre	Cape Town, Western Cape	R1 million	2011
Somerset Hospital	Cape Town, Western Cape	R2 million	2010

Employee participation

Truworths believes in the importance of involving employees in our CSI activities, whether through project nomination, participating in fund-raising, or getting involved in project execution. Staff members have participated enthusiastically in a range of initiatives, shown below:

INITIATIVE	HOW STAFF MEMBERS ARE INVOLVED
Giving drives during winter	Staff donate items or donate to a cause via payroll deductions or donation of specific items.
Sisanda/Head Office Fundays	Staff volunteer to assist with outings.
Blisters for Bread	We sponsor a contingent of staff to participate in a walk to raise funds for the Peninsula Feeding Scheme.
Beardfest	Staff members grow or sponsor fellow employees to grow beards. Proceeds are donated to an organisation which supports vulnerable women.
Response to current events	Payroll deductions to raise funds for a responsive need: Cape Wildfire Services, Ice Bucket challenge, Mandela Day, etc.

Furthermore, a budget is allocated for employees to nominate organisations that they believe would benefit from our support. Staff members also regularly receive communication about our Truworths Involved activity via the company magazine – ‘Communiqué’ – or electronic communication.

Donations of merchandise

More than 86 000 items of clothing and samples were donated by Truworths to community organisations during the reporting period, with a charitable value of close to R2.4 million. The CSI team identifies charities which are able to rework the garments and fabric, providing much-needed clothing for poor communities and preventing large quantities of fabric being consigned to landfill sites.

Independent verification of beneficiary status of trusts

As part of the governance process of managing the socio-economic development programme, Truworths obtained an Independent Competent Person’s Report (ICPR) to evaluate the activity and structure of the CSI trusts and to verify the beneficiary status in terms of BBBEE legislation. The ICPR confirmed that more than 75% of the trusts’ beneficiaries are black.

Looking forward: business alignment and impact

Truworths is currently reviewing its CSI strategies and current initiatives to ensure that CSI activity optimises supporting business objectives and that

we are able to improve measuring the impact of our investment.

ENVIRONMENT

Truworths recognises that it is both impacted by, and impacts on, the environment, including climate change and the availability of resources. The Group 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 supplies regular feedback to the Truworths board as well as to the Truworths International Social and Ethics Committee.

The role of the committee is to:

- Track the progress of key environmental data** – This includes tracking carbon emissions for Truworths’ head office, stores and distribution centres and setting targets for emission reductions.
- Keep abreast of international developments** that may affect the ability of Truworths to create value.
- Identify and implement** sustainability-related **opportunities** that may reduce risk or introduce efficiencies.

Energy and carbon

Climate change issues were reported on in the Group’s 2015 Carbon Disclosure Project (CDP) Report, and is available for viewing on the CDP website (www.cdp.net) Issues relating to climate change adaptation in our supply chain are dealt with under the Supply Chain section of this report.

Carbon emissions

(for the period 1 July 2014 to 30 June 2015).

Scope 1	482.37 metric tonnes CO₂e per square metre of which
	437.67 metric tonnes were from mobile fuel combustion
	44.70 metric tonnes were from stationary fuel combustion
Scope 2	74 777.00 metric tonnes CO₂e per square metre of which
	69 581.99 metric tonnes were from stores emissions
	4 150.38 metric tonnes were from head office emissions
	1 044.94 metric tonnes were from distribution centres emissions
Scope 3	13 741.78 metric tonnes CO₂e per square metre of which
	8 537.27 metric tonnes were from upstream transportation and distribution
	3 070.46 metric tonnes were from purchased goods and services
	2 133.35 metric tonnes were from business travel
	0.70 metric tonnes were from waste generated in operations

The carbon footprint calculations are restricted to the Truworths and Identity brands within South Africa only. Data for a more comprehensive Group-wide footprint was not readily available in this reporting period. Truworths is, however, looking into expanding the boundary of the carbon footprint reporting. This is a necessary step in setting long-term Group-wide targets (see below). Currently, none of the reported emissions have third-party verification or assurance.

Electricity reduction targets

Truworths has set an annual electricity reduction target and a corresponding CO₂ emissions reduction target of 5% per m², set against its 2014 carbon emissions baseline assessment. The target applies to the Truworths head office, distribution centres, and Truworths and Identity stores only. Truworths achieved a 1.1% annual reduction in electricity consumption per square metre for the reporting period, amounting to a 162 metric tonnes decrease in CO₂e.

Long-term quantitative targets to reduce operational greenhouse gas emissions have not been set by the Group. We anticipate that, with time and success in

attaining our annual reduction targets, the Group will look to set long-term targets. Truworths is addressing the need to develop a comprehensive carbon footprint, this being the first step in allowing us to expand the coverage of our targets.

Initiatives

During the reporting period Truworths continued to invest in initiatives to reduce its carbon footprint and associated environmental impact.

Scope 2 initiatives:

- An ongoing lighting retrofit in Truworths stores (South Africa only) whereby 70-watt metal halide lamps were replaced with 20 Watt halide lamps. This initiative yielded a decrease of **303** metric tonnes of CO₂e.
- 50 Identity stores were fitted with lower energy consuming metal halide lighting. This initiative will be extended to further Identity stores.

Scope 3 initiatives:

- An e-billing initiative was rolled out to Truworths and Identity account holders, which yielded a decrease of **56** metric tonnes of CO₂e.

- (b) The recycling of hangers within stores, and supply of recycled hangers to Truworths' suppliers, yielded a decrease of 560 metric tonnes of CO₂e.
- (c) Since 2014 the Integrated Annual Report has not been printed but made available to shareholders and other interested parties online.

Water

While Truworths acknowledges that water consumption can pose a significant risk to business, management has not evaluated this to be a current material issue for Truworths.

Water-saving interventions to date have focused on reducing demand for water supplied by the City of Cape Town to the head office. Underground water is used to flush ablution facilities (up to 30% of the total usage). The water is collected, filtered and mixed with fresh (municipal) water on site. Heightened head office employee awareness has resulted in a 14% reduction in water consumption and yielded an annual saving of 6.92 metric tonnes CO₂e.

As awareness around water consumption increases over time, Truworths will begin to integrate an evaluation of water risks and efficiency across its supply chain.

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. In the reporting period our teams have considered a number of alternative approaches to managing the recycling of packaging waste in an environmentally friendly manner.

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 recycling programme

During the reporting period 10 000 tons of hangers and 172 tons of cardboard boxes were recycled – either reused or sold as scrap – with a combined financial recovery of R18.15 million. Truworths is currently looking for solutions for the recycling of plastic packaging waste.

Recycling: Head office

An awareness of recycling at head office has been created by placing bins for different types of waste across the business, supported by a poster awareness campaign. During the reporting period the recycling initiative generated the following results:

- 24 861 kg of paper was recycled, translating into 466 trees saved
- 726 kl of water saved
- 112 340 kW of energy saved
- 746 kg of pollutants kept out of the atmosphere
- 105 m³ of landfill saved.

E-waste

Once IT equipment is fully depreciated, it is either donated to charity or sold for scrap to an e-waste service provider. In the latter case, a certificate of destruction is secured.

SUPPLY CHAIN

In striving to align our supply chain with best-practice sustainability management, as well as to reduce our supply chain risk, Truworths' international as well as local supplier terms of trade were recently revised to include a *Code of Ethics and Good Business Practice for Suppliers and Business Partners (the 'Code')*. The Code requires suppliers to make commitments to social, ethical and environmental standards.

The Code of Ethics and Good Business Practice

The Code specifies the minimum ethical, social and business practices and standards that Truworths requires of its suppliers and business partners. The prescribed practices are based on extracts from internationally agreed standards such as 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, in Truworths' view, sufficiently aligned with the issues raised in the UK Modern Slavery Act. The Group subscribes to the aforementioned standards and strives to ensure compliance with such standards.

The purpose of this Code is to enable Truworths to:

- develop, maintain and enforce policies and procedures in order to manage those issues which it can control or influence and ensure that ethical

business practices are maintained throughout Truworths' supply chain; and

- credibly demonstrate to interested parties that existing company policies, procedures and practices conform to universally recognised ethical business practices. The Code addresses legal matters, child labour, forced and compulsory labour, health and safety, workers' rights, discrimination, bribery and corruption, etc.

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 that is concluded with all local suppliers. A sizable portion of merchandise is procured via local agents representing international suppliers and these suppliers do not sign the Code.

While no formal monitoring and verification takes place our quality assurance teams do pay ad-hoc visits, albeit infrequently, to new suppliers or where factories' production concerns have been detected. These teams are well versed with the stipulations in the Code and are therefore well placed to detect any serious breaches.

No breach of the Code has been encountered by Truworths. Should any major concerns be detected, however, Truworths would consider ceasing dealings with the factory, unless immediate and tangible remedial action was to be taken and maintained on a sustained basis. Notwithstanding the above, Truworths is currently reviewing its agreements with all suppliers and seeks to elaborate on the current Code with the view to strengthening the monitoring of voluntary compliance.

Truworths also acknowledges the need to integrate the Code into the supplier selection 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. From a strategic point of view, 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 on raw material procurement and substitution of acrylic yarns, or other natural fibres for cotton, regularly take place and work to inform the introduction of controls to adapt to climate change impacts. For example:

- 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

Through the new Code Truworths requires its suppliers and business partners 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.

This includes that suppliers should commit to:

- the principle that **water** must be used efficiently and, further, that all outgoing waste water must meet and exceed waste water quality standards of the domestic legislation and all applicable international laws; and
- 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.

At this stage Truworths does not require its 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.

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