



Truworths International Ltd
SOCIAL AND ENVIRONMENTAL
REPORT 2018

2018

TRUWORTHS
INTERNATIONAL

SOCIAL AND ENVIRONMENTAL REPORT 2018

SOCIAL AND ENVIRONMENTAL REPORT AT A GLANCE

- Winner of the 2018 Best Managed Company in Retail at the South Africa Top 500 Awards
- Inclusion in the FTSE4Good Index with an ESG rating of 4.1 against the South African average of 3.3
- Scored 55 points on BBEE scorecard and achieved a level of compliance
- Investments to fund socio-economic development/charitable activities exceed R200 million
- Materially reduced water usage at the head office

Truworths International Ltd is an investment holding and management company listed on the JSE and the Namibian Stock Exchange. Its principal trading entities, Truworths Ltd and Office Holdings Ltd, are engaged directly or through subsidiaries, concessions, agencies or franchises, in the cash and account retailing of fashion clothing, footwear, related merchandise and homeware.

This report covers the social and environmental issues relating mainly to the Truworths operations in South Africa and the rest of Africa, that impact on our shareholders, customers, employees and broader stakeholder base. Reporting on social and environmental issues relating to the Office operations in the United Kingdom is intended to be further expanded in the Group's 2019 reporting cycle.

This report supplements the information in the Truworths International 2018 Integrated Report and the Social and Ethics Committee Report 2018, which are available on the Group's website at www.truworthsinternational.com/investors. The report covers the 2018 financial period and focuses separately on social and environmental matters relating to Truworths.

SOCIAL

Human capital at a glance

- Number of employees down 3.2% to 11 198 (2017: 11 563)
- 93% of employees confirm they are proud to work for Truworths
- In South Africa black employees comprise 93% of total employees (2017: 93%)
- Female employees comprise 72% of total employees (2017: 73%)
- Full-time employee turnover increased to 18.8% (2017: 17.1%)
- Employee turnover at head office increased to 12.6% (2017: 10.2%)
- R110 million invested in skills development (2017: R105 million)
- 10 909 employees trained (2017: 11 386)

Truworths strives to be the South African retail employer of choice for people who identify with the company's purpose, vision and values. The business continually invests in attracting, developing and retaining talented employees while enhancing employee engagement and satisfaction levels. The focus during the reporting period has been on the following:

- 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 on the broader society in which the business operates.

A voluntary and confidential employee satisfaction survey conducted during the reporting period supports the belief that

employees enjoy working at Truworths. Employee participation in the survey was 52%, which is considered to be high relative to local benchmarks.

The survey indicated that 93% of employees are proud to work for Truworths, with other key insights being:

- Employees are trained, work is stimulating and they are happy with the way they are managed.
- Respondents to the survey have faith in the CEO and the directors.
- Employees connect with the Truworths values and believe in the vision and strategy of the business.
- Teamwork is encouraged and progress is based on hard work.
- The business promotes and respects diversity in the workplace.

Despite these positive trends in our employee survey we have embarked on a strategic project, which focuses on retaining our high-performing employees to ensure that we reverse the slight upward trend in employee turnover at the head office.

The Truworths workforce comprises a core component of full-time employees and a larger component of flexi-time employees whose hours are dependent on demand. The number of flexi-time positions has been reduced through natural attrition and this has enabled Truworths to maintain staffing levels and avoid retrenchments. 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

	2018	2017
Total employees (SA and rest of Africa)	11 198	11 563
Full-time employees	5 127	5 267
Contract employees*	182	160
Flexi-time employees	5 889	6 136
Full-time employee turnover (%)	18.8	17.1
Full-time employee turnover at head office (%)	12.6	10.2
Full-time employee absenteeism (%)	1.7	1.9
Skills development expenditure (excluding levies) (Rm)	110	105
Skills development spend per employee trained (R'000)	10.1	9.3
Total employees trained	10 909	11 386
Employees trained in SA	10 562	10 916
Black employees as a % of employees trained in SA (%)	98	96

* Contract employees include interns, fixed-term and post-retirement contractors

Remuneration and retention

The achievement of Truworths, team and individual performance targets remains central to driving remuneration strategies. All management and specialised full-time employees are remunerated on total guaranteed packages (TGP), which enable these employees to tailor their cash and benefits to suit their personal lifestyles.

The extension of benefits to longer-serving flexi-time employees in the previous reporting period has contributed to a reduction in labour turnover among this group from 38.1% to 33.9%. These additional benefits were introduced in 2015 when the turnover for this category of employees was 54.1%.

The percentage of employees in all categories with access to retirement benefits has increased from 59% to 62%. In 2015 the percentage of employees who had access to retirement benefits was 36%.

Financial planning support is provided to employees nearing retirement age, including offering the services of an independent financial adviser.

While retrenchments have been an inevitable outcome of the economic climate for many retailers, Truworths has had no forced retrenchments in South Africa during the reporting period. This has been achieved by balancing the proportion of full-time to flexi-time employees and by reducing the number of flexi-time employee appointments through natural attrition. Although there have been store closures in the period, line management works closely with the employee relations department according to documented processes and policies when store closures are contemplated. All affected employees were reassigned to alternative stores in line with the objective of the store closure policy.

Owing to poor trading four stores in Zambia and all four stores in Ghana were closed during the reporting period, which closures resulted in unavoidable retrenchments in these countries.

During the course of the Loads of Living business' integration into Truworths and the relocation of its head office from Johannesburg to Cape Town, all its employees were accommodated except three who elected voluntary retrenchment.

The remuneration of executive and non-executive directors is covered in the Remuneration Committee Report on page 34 of the 2018 Integrated Report.

Embedding our values

The Truworths business philosophy and values 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, recognition programmes, 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 has policies and programmes to ensure all employees are aware of the conduct which aligns with our culture and are aware of their rights. These elements combine to create an environment that stimulates and assists employees to contribute to the Group both in the short and long-term and assists in fostering open communication.

SOCIAL AND ENVIRONMENTAL REPORT 2018 | CONTINUED

Supporting policies

POLICY	DESCRIPTION	EVIDENCE
The Business Ethics and Integrity Code has replaced the Social and Ethics Policy	Our Business Ethics and Integrity Code outlines how our values are incorporated into expected conduct, and highlights conduct that would undermine our values. This Code is supported by several policies such as the anti-bribery policy, which covers bribery, corruption, embezzlement, fraud and extortion, abuse of power, our policy that prohibits the acceptance of any gifts and our conflict of interest policy.	Our Business Ethics and Integrity Code is published on our website at www.truworthsinternational.com/investors/sustainability . Policies that support the Code are available on the Truworths intranet that is accessible to all employees.
Employment Equity Policy	Our Employment Equity Policy is supported by a non-discrimination policy and harassment policy. Although the Employment Equity Policy is specific to South Africa, the supporting policies cover all employees.	Nine grievances were reported in the reporting period. No cases were referred externally. Refer to the notes 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 major centres where the CEO acknowledges individuals and teams.
ACE Getaway	Winners of our annual ACE employee recognition programme attend a three-day event in Cape Town. The winners are given additional exposure to various aspects of the business as part of their ongoing development.	73 employees attended the ACE Getaway (2017: 69).

Avenues for communication

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. CEO Talk was also introduced into Office in the UK during the reporting period.	62 CEO ideas and issues submitted (2017: 93).
Staff communication	Video broadcasts are made to stores periodically 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 magazine, 'Communique', is circulated within Truworths to share information that is of common interest.	Five video broadcasts were distributed (2017: 17). Published annually.

MEDIA	DESCRIPTION	EVIDENCE
Tip-Offs Hotline	Employees are provided with a confidential, anonymous and independent reporting channel (whistle-blowing mechanism) to escalate any instance of dishonesty, unethical behaviour, harassment or bullying through our anonymous Tip-Offs Hotline. This hotline is available to all employees in the Group, including Office. Management is trained in the handling of reports or instances of bullying or harassment. Rewards are offered for employees who report incidents that are found to have merit and who disclosed their identity.	141 tip-offs were received in the reporting period, with 34% found to have merit, ranging from minor misdemeanours to serious individual misconduct. (2017: 121 tip-offs and 44% with merit and dealt with in accordance with our disciplinary code).
Various staff engagement forums	Employment equity forums. Employee forums in credit operations and our distribution centres. Trade union engagement.	Forums meet quarterly to review the progress in our Employment Equity Plan and raise relevant issues. Minutes of these meetings are published on the intranet. These forums meet monthly to discuss employee-related issues. Minutes of the meetings are circulated to all staff in the business unit. 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 roadshows held in each operational zone to communicate results and share future plans and initiatives.	Two roadshows are undertaken each year. Approximately 1 000 employees attend the roadshows comprising Regional Managers, Area Managers, Store Managers and Top ACE winners.

Instilling accountability

PROCESS	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 available on the intranet. While the majority of employees are great ambassadors of our values, our centralised employee relations department supports line managers in dealing with employees when they do not adhere to our values or the disciplinary code. 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.	100 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) in the period, and 96% of cases were awarded in favour of Truworths. (2017: 81 cases and 98% success rate).
Grievance process	While the aim of our grievance process is to address grievances informally where possible, 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 grievances were laid in the reporting period (2017: nine). No cases were referred externally.

SOCIAL AND ENVIRONMENTAL REPORT 2018 | CONTINUED

Freedom of association and labour standards

The challenging economic environment has translated into a tough negotiation climate. However, Truworths concluded annual wage and substantive negotiations with SACCAWU for 2018 without any internal industrial action. SACCAWU represents 8.7% (2017: 9.7%) of all South African employees. Membership of SACCAWU has decreased marginally in the reporting period after increasing in the call centres in the 2017 period. The right to freedom of association is extended to the Group's operations globally but there is no material union membership in other African operations and therefore Truworths only has a relationship agreement with SACCAWU in South Africa.

All employees are made aware of their rights of freedom of association. Managers are trained on the right to freedom of association as part of our employee relations training programme. We have a clear policy against discrimination or victimisation of employees 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.

The business has been impacted by protest action in the external environment, specifically with taxi and bus strikes, but the overall impact on business productivity has been low.

Truworths is committed to valuing the rights of children as outlined in section 28 of the Constitution, specifically designed for South African citizens under the age of 18. Truworths is furthermore committed to the legislative and moral principles relating to the prohibition of work by children under the age of 15 and forced labour. In this regard, Truworths complies with laws within South Africa and other countries in which it operates.

The principles in respect of the employment of children aged 15 to 18 are equally adhered to by Truworths, and no child of such age may be required to do work that is inappropriate for their age or work that places at risk the child's well-being, education, physical or mental health, or spiritual, moral or social development.

Transformation

Truworths is committed to transformation and its strategy is guided by the objectives of South Africa's Broad-Based Black Economic Empowerment (BBBEE) Codes and the 2015 amendments thereto made by the Department of Trade and Industry. The strategy continues to be aimed at demonstrating gradual and sustainable improvement in transformation.

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

The table below outlines the results of our 2018 and 2017 verification process.

Truworths' BBBEE scorecard	2018	2017
Ownership	10.80	12.01
Management control (including employment equity)	5.34	5.82
Skills development	18.91	20.23
Enterprise and supplier development (includes procurement*)	15.15	12.22
Socio-economic development	5.00	1.24
Total points	55.20	51.52
Level	8	-

* Minimum threshold not met

Truworths has achieved BBBEE compliance in the reporting period and the improvement from 2017 can largely be attributed to the following:

- continued focus on maintaining skills development initiatives, specifically through the investment in learnerships;
- focus and regular communication with suppliers about their BBBEE status;
- establishing a Supplier Development Fund; and
- increasing the volume of merchandise donated to The Clothing Bank.

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 in the business.

The targets and goals in the plan set aggressive targets for junior categories with the aim of providing candidates for internal progression to senior levels over time. Truworths met its annual targets for 2018 at junior and middle management levels but has not met its target for African females in the senior management category where attracting talent has continued to be a challenge. The profile of persons with disabilities was also slightly behind target. 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 88% (2017: 87%), and 42% (2017: 40%) at middle management level.

Gender representation shows 72% (2017: 73%) of employees are female and this is evident across all levels up to middle management, while 43% (2017: 40%) of senior managers are female.

There were no referrals of unfair discrimination or compliance orders in the reporting period.

SOUTH AFRICAN WORKPLACE PROFILE

	Male (M)				Female (F)				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	3	48	0	4	2	41	4	2	113
Middle management/Professionally qualified	34	32	12	63	47	73	23	229	9	6	528
Junior management/Skilled technical	202	60	26	30	683	231	45	134	4	9	1 424
Semi-skilled	2 048	330	72	25	4 988	1 023	162	103	4	10	8 765
Non-permanent employees	1	1	0	0	5	7	1	1	0	0	15
Total 2018	2 288	430	113	172	5 723	1 338	233	508	21	27	10 853
Total 2017	2 294	447	116	175	5 905	1 412	243	507	22	29	11 150

A = African, C = Coloured, I = Indian and W = White, these being the demographic categories provided for in South Africa's Employment Equity Act

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 rolled out in South Africa and also protect intellectual capital in the highly competitive retail market.

Graduate trainee programme

The graduate trainee programme offers opportunities for aspirant fashion buyers and planners to start their career in the fashion industry. This year Truworths had 146 candidates on the programme (2017: 124). In addition, Truworths has a bursary programme which offers funding for study at fashion and design tertiary institutions to develop talent for the graduate programme as well as an internship programme.

Leadership training and succession

Truworths continues to offer focused leadership development programmes for managers to ensure succession in merchant, operations and support departments. The external executive coaching programme has been expanded, and the application of the 360° leadership assessment tool extended to enhance employee readiness for moving into leadership roles.

Operations training

Operations training has focused on the following:

- enhancing operational efficiency;
- leadership and succession through leadership programmes and participation on the Wholesale and Retail Sector Education and Training Authority (W&RSETA) management development programmes; and
- the implementation of accredited learning programmes, both in stores and credit operations, to provide a pipeline for entry-level positions.

Through collaboration with the W&RSETA, 1 445 learners were registered on accredited programmes in the reporting period (2017: 1 224). During the period 367 learners completed their National Certificate in Wholesale and Retail Operations and 110 graduate retail operations interns were appointed.

E-learning has been rolled out in stores using a web-based platform, enabling short, high-impact learning interventions to be presented at all stores.

HEALTH, SAFETY AND WELL-BEING

Although the retail environment generally 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. Responsibility for health and safety is assigned to the Divisional Director: Human Resources, reporting directly to the CEO.

The frequency of building evacuations and safety inspections, and the appointment of health and safety representatives, fire wardens and first aiders, are actively 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 at all locations are appointed and trained in health and safety matters.

There were no serious or fatal workplace injuries in the reporting period.

SOCIAL AND ENVIRONMENTAL REPORT 2018 | CONTINUED

Health and safety at a glance

	2018 Actual	2017 Actual
HIV prevalence rates (%)	4.2	4.7
Number of employees with access to HIV treatment programmes	4 462	4 416
Full-time employee absenteeism (%)	1.7	1.9
Workplace accidents*	21	21
Workplace fatalities**	0	1
Work days lost due to accidents	106	168
Deaths in service**	25	15

* Accidents are reports that require medical attention

** Workplace fatalities refer to deaths as a result of a workplace accident whereas deaths in service refer to all deaths of employees outside of working hours or of natural causes during working hours

Safety and security

High levels of criminal activity pose a 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 provider 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.

Employee well-being

The well-being of employees is a priority for Truworths, well-being being closely related to measures of productivity, retention, absenteeism and innovation.

Full-time employees in specialised roles are members of the Wooltru Healthcare Fund as part of their total guaranteed packages. The fund offers employees a choice of three schemes and employees may register their dependants as beneficiaries. All members of the fund have access to a comprehensive HIV treatment programme, an oncology programme, additional chronic benefits 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 are also able to increase their healthcare benefits with gap insurance cover which is offered through Truworths.

An annual benchmarking exercise is conducted by the Wooltru Healthcare Fund to ensure that the product offered to employees remains competitively priced and that benefits align favourably to those offered by open healthcare schemes.

Wellness days were conducted in several work locations, offering access to free health assessments.

Employees in core full-time roles are registered with Health4Me on reaching two years service. This gives the employee access to day-to-day healthcare benefits, including access to a doctor, specialist, optical and dentistry network and provision of chronic benefits for prescribed minimum benefits. In addition, members have 24-hour access to telephonic medical advice through Hello Doctor. Members also have access to a comprehensive HIV programme. This benefit is funded by Truworths. Truworths changed the service providers during the reporting period from OCSA Care to Health4Me as they offer additional benefits, including cover for dependants and access to insured products like accident cover and a hospital cash plan.

Healthcare benefits are not offered to flexi-time employees due to their fluctuating hours. However, a monthly benefit allowance, based on a percentage of basic salary, is paid to all flexi-time employees with two years service.

All full-time employees who are members of either the Alexander Forbes Retirement Fund or the SACCAWU Provident Fund are covered by a comprehensive disability programme in the event of temporary or permanent disability. There has been a slight increase in disability claims, with 28 (2017: 25) employees on the temporary or permanent disability programme.

HIV treatment programmes

Based on the age and gender profile of employees at Truworths the HIV prevalence rate is relatively low. The estimated HIV prevalence rate, calculated as the percentage of employees who are registered on our HIV programmes to the total number of employees on our healthcare programmes, is 4.2% (2017: 4.7%). 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 planned for the second quarter of the 2019 financial year. Both healthcare programmes offer comprehensive HIV treatment and counselling programmes to employees who disclose their status to the respective healthcare providers.

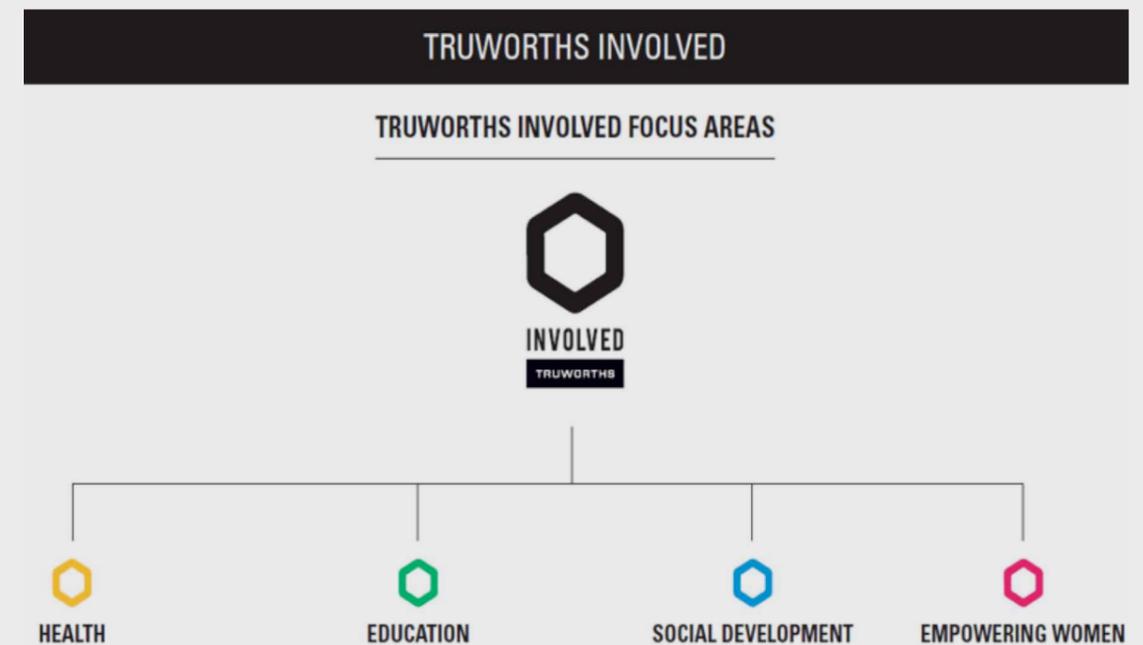
Working hours

- Full-time employees in store operations work an average of 41 hours per week, working every alternate weekend.
- Flexi-time employees 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 when required due to study or family commitments.
- Truworths adheres to legislative requirements pertaining to various leave types and overtime stipulations in both South African and our African operations.
- Head office employees work 37.5 hours per week, excluding an hour-long lunch break. Our flexible hours policy was improved in the reporting period by reducing the core working hours from 09:00 to 15:30 compared to 16:00 previously, primarily due to the traffic and transportation challenges facing employees.

Leave

- In addition to statutory leave, management level employees and employees with more than five years of service are granted an additional week of annual leave per annum.
- In line with statutory family responsibility leave employees are entitled to three days leave per annum, but the range of reasons that apply to statutory family responsibility leave extends beyond statutory requirements to accommodate other special needs.
- Our maternity leave policy enables employees to take six months maternity leave and gives employees the option to return earlier on a half-day basis while earning their full-time salary. Depending on their length of service, employees may qualify for a maternity allowance while on maternity leave.
- Paternity leave is covered under family responsibility leave.

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 initiatives, is funded by investment income from three trusts that were established in the late 1990's to facilitate these initiatives. Truworths focuses on projects that support the upliftment of youth, women and children in the areas of education, health and social development, with a specific focus on empowering young women.

CSI at a glance	2018	2017
Donations of merchandise for distribution to charities (Rm)	2.8	1.2
Investments held by the trusts at the end of the reporting period (Rm)	208	194
Number of projects supported in the period	38	64
Total distributions from the trusts (Rm)	7.1	4.8

A number of new projects and partnerships have been initiated to give a broader spread of investments across our identified focus areas. The table below outlines some of these new initiatives.

SOCIAL AND ENVIRONMENTAL REPORT 2018 | CONTINUED

	PARTNER	ACTIVITY	OUTCOME
Health	Orbis Africa	A high-volume cataract surgery clinic was established in Lenasia South Community Hospital to alleviate the backlog of cataract surgeries required in the Gauteng area. The eye clinic was renovated and equipped to improve patient flow and patient experience.	R4 million has been committed to this project. The clinic was opened in October 2017 to coincide with World Eye Healthcare month.
Education: tertiary	Various tertiary design colleges	Assisted students with the costs of studies. Students are mentored by a Truworths employee and attend an internship in their year of sponsorship.	Five students were granted bursaries, in addition to bursaries offered by Truworths.
Health and empowering women	Perinatal Mental Health Project	Sponsored the production of a short film to be used as a training tool to teach healthcare and social workers empathetic engagement skills when dealing with young mothers. The film was launched in April 2018.	Completed production of training tool.

Truworths has continued its involvement in programmes where we have participated for a number of years.

	PARTNER	ACTIVITY	OUTCOME
Education	TSiBA College	Bursary and internship programme.	Two students offered bursaries and internships.
Education: teacher development	Earthchild Project	Sponsored a one-day wellness event to assist teachers to cope with stress. These teachers were taught coping mechanisms, including yoga and dance, while nutrition and massage also formed part of the day. This programme will again be sponsored in 2019.	Over 220 teachers attended the event.
Social development	Sisanda FunDaytion	Children from various shelters and homes are taken on a day of fun and entertainment.	Truworths assists Sisanda with T-shirts for all outings and sponsors facilitator costs. One event each year is a dedicated Truworths outing with Truworths staff volunteering to assist in caring for children.
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 through this sponsorship.
Social development	Peninsula Feeding Scheme	Employees 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	Sponsored Reach for a Dream's Princess for a Day and Captain Courage days.	Five events sponsored with Truworths employees volunteering at each event.
Social development	Amy Foundation	Donation funded the foundation's annual Spelling Bee competition for the second time. Also provided specialised equipment for their Beauty Training Centre.	120 learners attended the annual Spelling Bee. 40 learners have benefited from the beauty programme.
Social development	Meaningful Access Programme (MAP)	Children living with disabilities attend cultural and art workshops. Our partnership with MAP spans 15 years.	180 children attended workshops in the reporting period.
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 onto our learnership programme.

In the reporting period Truworths donated just under 100 000 units of merchandise to various charities.

Employee participation

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

The following organisations benefited from employee staff nominations: Mothers2Mothers, ACCW Day Care Centre, 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;
- through the Beardfeast initiative, employees are sponsored by fellow employees to grow beards, with the proceeds being used to uplift a place of safety for abused women; and
- monthly blood donation drives.

Enterprise and supplier development

The Truworths Enterprise Development Trust was established in 2008 to assist and develop small and medium black-owned businesses in line with the objectives of the Broad-based Black Economic Empowerment (BBBEE) Codes.

Projects undertaken in the financial year focused on giving grants to several of our cut, make and trim suppliers in our merchandise and supply chain, providing them with equipment to enhance their capacity and efficiency. A further supplier in our store design supply chain was identified as a deserving beneficiary and the combination of grant and loan funding to buy an additional vehicle has enabled the supplier to expand the area it is able to service as well as appoint three additional employees.

Truworths has partnered with the Startup Hatchery to run an entrepreneurs programme focused on the fashion industry. Twenty young entrepreneurs have been sponsored to attend a 12-week virtual business incubation programme.

Truworths has also set up a Supplier Development Fund and made an initial investment of R35 million. External consultants have been appointed to assist with setting up a sustainable Supplier Development Programme to ensure maximum business benefit from the funds invested. The focus of the fund will be on offering assistance and loans to black-empowered businesses in our supply chain.

SOCIAL AND ENVIRONMENTAL REPORT 2018 | CONTINUED

ENVIRONMENT

Truworths recognises that it is both impacted by, and impacts on, the natural environment, including climate change and the availability of resources. Truworths strives to continually improve its understanding and management of its environmental risks and impacts. The Truworths board has tasked the Sustainability Committee to improve energy efficiency, waste reduction and resultant carbon emissions.

The committee addresses energy and waste management by:

- setting short to medium-term goals for emission and waste reductions;
- driving energy efficiency improvements in all the operations;
- reuse and recycling of packaging;
- improving the efficiency of transport needs; and
- partnering with key suppliers and customers to help reduce emissions across the value chain.

Governance of climate-related issues

Truworths understands that aligning sustainability to the business philosophy is a long-term goal. External pressures, in the form of increasing climate change policy, investor awareness and consumer engagement, necessitate Truworths investigating its supply chain to reduce negative environmental impacts from its business activity and implementing more sustainable practices. By raising awareness of the positive aspects of supply chain action, it is possible to deliver tangible, meaningful results that benefit the bottom line.

The effects of climate change will be even more apparent over time, as will its impact on the eco-systems that sustain us all. Truworths recognises that to effectively address climate change, action is needed across its entire supply chain.

Referring specifically to the three focus areas, being energy efficiency, waste reduction and resultant carbon emissions, good traction has been made. Truworths recognises the need to be more pro-active regarding the people and product focus areas. A key intent here is to commence auditing existing suppliers to ensure compliance with Truworths' Code of Conduct.

During the period under review the following environmental initiatives were undertaken:

- partaking in the Carbon Disclosure Project to measure and disclose our carbon emissions;
- lighting energy efficiency initiatives; and
- reviewing waste management, seeking methods to reuse, reduce and recycle.

Energy and carbon disclosure

Climate change issues were reported on in the Group's 2018 Carbon Disclosure Project (CDP) Report, which is available for viewing on the CDP website (www.cdp.net). Note that carbon data is disclosed for the period 1 July 2016 to 30 June 2017. Issues relating to climate change impacting our supply chain are covered in the section titled 'Supply Chain' in this report.

	Truworths head office	Truworths stores	Office operation**	Distribution centres*	Truworths head office extension – Plein Park	Group
2018						
Total energy consumption (kWh)	3 939 189	73 183 746	4 341 539	1 372 023	983 514	83 820 011
Generator fuel consumption (litres)	700	–	–	–	300	1 000
2017						
Total energy consumption (kWh)	4 109 108	73 100 868	3 606 269	948 613	1 360 151	83 125 009
Generator fuel consumption (litres)	1 000	–	–	–	50	1 050

* Includes all Truworths distribution facilities

** Includes Office head office, stores and warehouses

Carbon emissions

Carbon data covers the period July 2016 to June 2017. For further details please refer to Truworths' Carbon Disclosure Project Report at www.cdp.net¹.

Scope 1	653	Total Scope 1 metric tonnes CO₂e, of which
	422	metric tonnes were from mobile fuel combustion
	229	metric tonnes were from refrigeration gasses
	2	metric tonnes were from stationary fuel combustion
Scope 2	77 952	Total Scope 2 metric tonnes CO₂e, of which
	72 633	metric tonnes were from stores emissions
	5 319	metric tonnes were from Truworths head office and distribution centres, and Office** emissions
Scope 3	15 424	Total Scope 3 metric tonnes CO₂e, of which
	7 109	metric tonnes were from upstream transportation and distribution
	2 872	metric tonnes were from downstream transportation and distribution
	2 675	metric tonnes were from purchased goods and services
	1 429	metric tonnes were from business travel
	1 333	metric tonnes were from downstream leased assets*
	6	metric tonnes were from waste generated in operations

¹ The Truworths 2018 Carbon Disclosure Project Report is expected to be published on the CDP website by January 2019

* Includes electricity emissions at Truworths head office extension – Plein Park

** Includes Office UK head office, UK stores and two UK warehouses

The results for 2017 include emissions from the Office business operations for the first time. Management plans to expand data availability to determine a comprehensive Group-wide footprint to be able to set long-term Group targets (see below). The emissions data has not been externally verified or assured.

Electricity reduction targets (Truworths)

	Financial year	Actual intensity (kWh/m ² /year)	Target based on previous year	Actual change since the previous year
Head office	2019		0%	
	2018	111.4	-2%	-4%
	2017	116.2	0%	-4%
	2016	120.5	-5%	+1%
Stores	2019		-2%	
	2018	165.8 ³	-2%	-8%
	2017	180.3 ²	-2%	-4%
	2016	188.2 ¹	-5%	-3%
Distribution centres⁴	2019		0%	
	2018	30.5	-2%	+3%
	2017	29.5	0%	+1%
	2016	29.3	-5%	0%

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

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

³ Electricity intensity figures for 2018 comprises Truworths, Identity, Uzzi, YDE, Naartjie and Earthchild data and is therefore comparable to 2017.

⁴ Comprises Truworths Distribution Centre, Bofors Distribution Centre and VAS

The Group has not set long-term quantitative targets to reduce operational greenhouse gas emissions but plans to do so in future.

Energy management

Truworths actively monitors energy usage across its stores to achieve its reduction goals. By the end of June 2018, 420 out of 773 stores in South Africa had been fitted with live electricity consumption meters and this data is extrapolated to determine total consumption across all stores. The meters allow for daily monitoring of data as well as same-day response to any abnormal changes in consumption levels.

Truworths recognises the importance of renewable sources like wind, solar and geothermal. As most stores are located in malls there are limited opportunities for securing alternative sources of power. Similar constraints are encountered with leased premises. However, with owned locations such as the head office and distribution centres, innovative solutions are being pursued with regard to solar and natural light.

Truworths recognises that over time, energy costs will continue to increase. Since the technology associated with energy generation, distribution and consumption is continually advancing, the opportunities available for meaningful cost reduction and avoidance through vigilant energy management will endure.

Energy and carbon reduction: initiatives

A number of initiatives have been undertaken to support the reduction of energy use, carbon footprint, and associated environmental impact.

Scope 2 initiatives:

Metering

As part of our ongoing metering programme, all renovated stores are fitted with meters. Therefore, not only is total Truworths' portfolio becoming more efficient with each renovation, but energy data is also becoming more accurate.

Lighting retrofit

All store renovations include the replacement of 70 Watt metal halide lights with 30 and 20 Watt metal halide lights. We have been able to achieve significant electricity consumption savings of up to 30% in stores where this initiative was implemented.

In addition to lighting replacements in renovated stores, 59 Identity branded stores have undergone a lighting retrofit, with LEDs replacing metal halide lighting. This has been a success in that it has reduced carbon emissions and reduced store operating costs.

After successful testing of LED lighting in existing Identity stores it will be rolled out to the rest of the brands in the next few years, applicable to all new stores and renovations. LEDs have proven to be approximately 40% more efficient in terms of kW 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 a store with large air conditioning requirements. During

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the reporting period Truworths invested R69 000 on power factor correction equipment to close this gap, achieving a monthly saving of approximately R20 000.

Scope 3 initiatives:

A number of initiatives have been implemented to decrease the energy consumption associated with the transportation of our products. Please refer to Truworths' CDP report for a full description.

Freighting initiatives include:

- rationalising the number of departure and arrival ports;
- migrating from less than full container loads to full container loads;
- increasing volumes shipped per container; and
- continual communication with staff on financial saving and sustainability initiatives.

Medium-term opportunities include:

- working with freight forwarders to develop innovative freight options;
- exploring alternative renewable energy sources; and
- expand initiatives of reusing cartons.

Long-term opportunities include:

- integrating sustainability into product design (for example, organic cotton);
- integrating sustainability into facility designs;
- engaging with domestic suppliers on sustainability initiatives; and
- engaging with international suppliers on sustainability initiatives.

Further Scope 3 initiatives include:

- Truworths has continued to recycle hangers within stores and supply recycled hangers to our suppliers. During the reporting period in excess of 10 million hangers were recycled
- Clothing 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 stakeholders online

Water

South Africa is a water-scarce country. As the effects of climate change become evident, water scarcity will have a greater impact and water costs will escalate. Truworths recognises its responsibility to encourage responsible water consumption. Initiatives undertaken to create awareness and compliance include reduction in water usage, communication of water-saving initiatives to staff and measuring of water consumption.

Water consumption at a glance:
Water consumption at Truworths

	Head office		Distribution centres	Head office extension – Plein Park
	Total consumption (kilolitres)	Total consumption from underground sources* (kilolitres)	Total consumption (kilolitres)	Total consumption (kilolitres)
2018	10 054	1 729	2 842	3 391
2017	13 179	2 355	3 675	3 314
2016	14 985	2 398	4 240	–

* Noted that the supply is erratic

Water-saving initiatives:

Truworths has undertaken a number of initiatives to ensure the optimal and responsible use of water in the head office building, including:

- disconnecting the hot water supply to restrooms;
- limiting the supply to one cold water tap per restroom;
- supplying hand sanitiser as a substitute for water;
- converting the urinals to waterless options; and
- communicating with staff on water-saving initiatives.

In the medium-term Truworths will be considering the feasibility of installing rain water harvesting infrastructure and boreholes that will supplement the water supply to urinals and toilets. This would significantly reduce the demand on municipal water supply. It is noted that the head office underground water supply is utilised to flush toilets and urinals.

Waste

Rationalising the use of packaging has a significant impact on both the environment and Truworths' operating costs. Ways to reduce, reuse and recycle packaging material are constantly being considered. The recycling of packaging waste is managed in an environmentally friendly manner and sustainability is keenly considered when designing packaging.

Waste at a glance:

Truworths continued its recycling awareness programme at head office with the use of waste recycling bins.

	Head office		Distribution centres		Stores	
	2018	2017	2018	2017	2018	2017
Total non-hazardous waste recycling						
Cardboard (tons)	–	–	374.8	225.1	37.2	*
Plastic hangers (number of units)	–	–	8 million	10 million	*	*
Plastic (tons)	*	*	*	*	*	*
Total non-hazardous waste scrapped						
Cardboard (tons)	5.1	3.9	397.8	477.0	*	*
Paper (tons)	17.5	17.2	–	–	*	*
Plastic hangers (tons)	*	*	96.5	108.0	*	*
Plastic (tons)	*	*	*	*	*	*
Total (tons)	22.6	21.1	494.3	585.0		
Total volume of hazardous waste disposal (tons)	*	*	*	*	*	*

* Not tracked as yet

Reducing packaging

Truworths seeks to minimise the packaging used to transport and display garments, but not at the expense of keeping products clean and protected throughout the supply chain. Various initiatives have been implemented, including:

- reducing the specifications of cartons without compromising functionality or durability;
- reducing or eliminating packaging;
- transporting shoes without boxes; and
- cardboard cartons used to transport merchandise from origin to distribution centres are increasingly being reused to transport other merchandise from distribution centres to stores (and in many instances, used again for this transportation leg).

Distribution centre and store recycling programme

Truworths has developed partnerships with organisations that recycle or reuse damaged goods or convert fabrics into garments for resale. Materials associated with merchandise, notably hangers and cardboard boxes, are recycled or reused where possible. In the main centres of Johannesburg, Pretoria and Cape Town, cardboard boxes are collected by courier companies before being cleaned and resold to other retailers. Recycling targets were set in the 2017 financial period for the first time, with the aim of maintaining recycling tonnages on the prior year. The following table summarises the recycling data for the periods listed:

	2018	2017	% change
Cardboard: recycled cartons (tons)	374.8	225.1	+67%
Cardboard: scrapped cartons (tons)	397.8	477.0	-17%
Undamaged hangers (number of units resold)	8 million	10 million	-20%
Scrapped hangers (tons)	96.5	108.0	-11%

E-waste

Computers and other IT equipment which has been fully depreciated is either donated to charity or sold for scrap to an e-waste service provider who provides a certificate of destruction.

Employees

We recognise that employees play a major role in meeting the sustainability goals and integrating sustainability into the business. We feel it is vital to continue to deepen our engagement with employees on environmental and social issues. Higher visibility must be given to sustainability initiatives and goals, and emphasis placed on employees' involvement in meeting such goals. To this end, regular communication was sent to employees regarding the water crisis in the Western Cape explaining the initiatives that the business was putting in place to save water and ways that staff could save water both in the work and home environment. Communication about energy saving and reducing the use of plastic was also included.

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Supply chain

The sustainability of our environment is of increasing concern globally and Truworths expects its suppliers and business partners to act responsibly to achieve sustainability. Suppliers and business partners are required to make a commitment to good environmental practices and to comply with all environmental laws of the countries in which they are registered or operate, and all applicable international laws. This commitment includes the following principles:

- all necessary and relevant environmental permits and licenses must be obtained;
- chemicals must be handled and used responsibly and lawfully;
- water must be used efficiently;
- all outgoing waste water must meet and exceed waste water quality standards of the domestic legislation and all applicable international laws; and
- all waste, and in particular hazardous waste, must be treated in a responsible manner and in accordance with domestic legislation and all applicable international laws.

The Code of Ethics and Good Business Practice

This 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. 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. Truworths also believes that the code is sufficiently aligned with requirements of the UK Modern Slavery Act.

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 concluded with all local suppliers. Merchandise is also procured via local agents representing international suppliers, although these indirect suppliers are not required to sign the code.

Supplier policy on forced labour

Truworths subscribes to and endorses the ILO conventions on the prohibition of forced or compulsory labour. Truworths defines forced or compulsory labour as all work or service that a person has not offered to do voluntarily and is made to do under the threat of punishment or retaliation, or is demanded as a means of repayment of debt.

Truworths does not support practices where:

- personnel are required to pay 'deposits' to or lodge original identification papers with the employer upon commencing employment; or
- any part of any personnel's salary, benefits, property, or documents are withheld in order to force such personnel to continue working for the employer.

Truworths supports the practice where:

- personnel have the right to leave the workplace premises after completing the standard workday, and be free to terminate their employment provided that they give reasonable notice to their employer.

Supplier policy on non-discrimination and equal opportunities

Truworths requires suppliers to agree to not undertake the following:

- engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinions, age, or any other condition that could give rise to discrimination; or
- allow any behaviour that is threatening, abusive, exploitative, or sexually coercive, including gestures, language, and physical contact, in the workplace and, where applicable, in residences and other facilities provided by the employer for use by personnel.

Supplier policy or statement supports the right to freedom of association

All personnel are to have the right to form, join and organise trade unions of their choice and to bargain collectively on their behalf with the employer.

The employer is required to respect this right, and effectively inform personnel that they are free to join an organisation of their choosing and that their doing so will not result in any negative consequences to them, or retaliation, from the employer.

Supplier policy or statement supports the right to collective bargaining

The employer should not in any way interfere with the establishment, functioning or administration of such workers' organisations or collective bargaining.

Supplier policy regarding excessive working hours

Suppliers should:

- comply with applicable laws and industry standards on working hours and public holidays. The normal work week, not including overtime, shall be defined by law but shall not exceed 48 hours;
- ensure that personnel shall be provided with at least one day off following every six consecutive days of working;
- exceptions to this rule apply only where both of the following conditions exist:
 - national law allows work time exceeding this limit; and
 - a freely negotiated collective bargaining agreement is in force that allows work time averaging, including adequate rest periods; and
- in cases where overtime work is needed in order to meet short-term business demand and the employer is party to a collective bargaining agreement freely negotiated with worker organisations (as defined above) representing a significant portion of its workforce, the employer may require such overtime work in accordance with such agreements. Any such agreement must comply with the requirements above.

Supplier policy supports the right to a minimum or living wage

Truworths requires suppliers to:

- ensure that wages paid for a normal work week always meet at least legal or industry minimum standards;
- ensure that deductions from wages are not made for disciplinary purposes; and
- exceptions to this rule apply only when both of the following conditions exist:

- deductions from wages for disciplinary purposes are permitted by national law; and
- a freely negotiated collective bargaining agreement is in force.

Supplier policy addresses health and safety standards

This commitment to health and safety must extend to and include the following principles:

- employees shall not be obliged to work in unsafe buildings;
- employees shall not be obliged to utilise hazardous equipment without the appropriate safety measures and provision of necessary protective equipment;
- first aid/primary medical assistance will be available for workplace accidents; and
- all premises used must constitute and provide a healthy working environment.

Supply chain monitoring

Truworths has commenced piloting 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.

Environmental supply chain impact

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. The non-compliance recorded on the Group's generic BBEE scorecard in the prior year, against the voluntary codes of good practice issued in terms of the BBEE Act, has also improved in the current year to a compliant status. No 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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