



Sustainability Report

Since the release of the King II Report on Corporate Governance in 2002, the reporting of economic, social and environmental issues continues to mature. We recognise that our shareholders and other stakeholders require information, other than the traditional financial report, that is concise, pertinent and meaningful in order to measure the group's sustainability into the future.

Our view of sustainability remains the need to ensure long-term, balanced profitability through innovation and inventiveness, without compromising short-term competitiveness. The needs of all of our stakeholders and our responsibilities to the environment and future generations are considered in our business processes, as we recognise that these will be the source of our ongoing success.

Our primary stakeholders, being our shareholders, employees, suppliers, customers, government, local communities and society at large, are all mutually dependent partners in the sustainability process.

We are committed to ensuring value for all stakeholders and maintaining the highest moral and ethical standards.

Corporate Social Investment (CSI)

As a long-established public company, Foschini recognises its responsibility as a corporate citizen towards making a contribution to the real needs of our stakeholders and the communities within which we operate.

We also recognise the importance of contributing to a sustainable economy through growing our business and championing investment initiatives around nation building.

To this end the group, through its corporate social investment programme, has focused on the upliftment of communities within South Africa through the focus areas of arts, culture, environment, bursaries, the disabled, education, health, HIV/AIDS, job creation, poverty alleviation and welfare and public services.

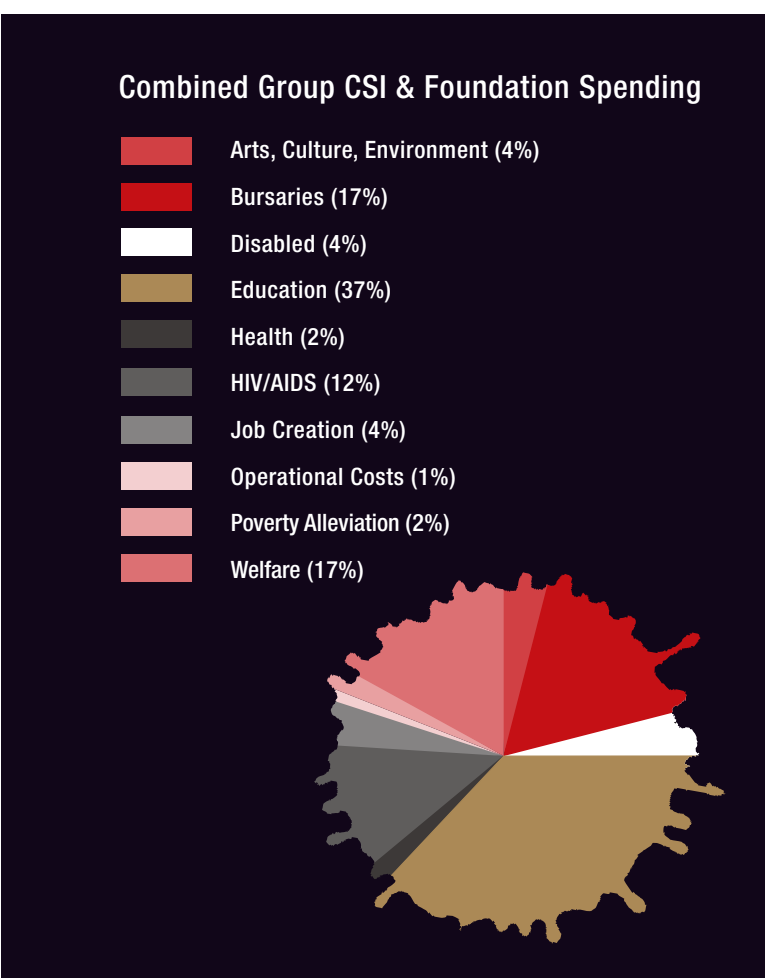
Social investment spending is derived in part from income from the Foschini Foundation, the capital base of which has grown to a market value of R84 million in 2007 from R60 million in 2006. Donations from the foundation are supplemented by direct contributions from the group. The total cash spend from both the foundation and the group amounted to R4,3 million for the financial year under review. Donations of returned merchandise at retail value for the benefit of poverty alleviation and welfare and public service organisations totalled R26,8 million for the same period.

Further donations of cash, sundry equipment, merchandise and services donated by the trading and service divisions totalled R0,5 million. Staff and business partners of the group, of their own volition, contributed R0,3 million from their personal resources to selected charities.

It is well recognised that women and children are the most marginalised and vulnerable members of our society. Women make up the majority of our employees as well as our customers. It is for these reasons that the beneficiaries of our CSI contributions will, where possible, be women and children. These contributions have been directed into the following focus areas:

- Arts, culture and environment
- Bursaries
- The disabled
- Education
- Health
- HIV/AIDS
- Job creation
- Poverty alleviation
- Welfare and public services

The allocation of the combined cash spend from the group's CSI funds and the Foschini Foundation for the year under review is indicated below.



Going forward, our focus areas will be reduced and criteria adapted in order to maximise the impact of these contributions.

Consequently, non-governmental organisations (NGOs) and not-for-profit organisations (NPOs) that currently receive funds from us will have to reapply during the coming financial year in accordance with the new focus areas and criteria.

Having a national presence in South Africa means that we will continue to focus on finding suitably registered NGOs and NPOs that themselves operate on a national basis. Child Welfare South Africa is an example of such a nationally-based organisation that we support.

Arts, culture and environment

Foschini believes in the need to preserve our diverse cultural and natural heritage and supports organisations that are aligned to this aim. Examples of organisations who received funding during the current year under review include Cape Town City Ballet, Friends of the National Gallery, The Market Theatre, Fairest Cape Association, National Sea Rescue Institute and the World Wide Fund.

Bursaries

The South African Institute of Race Relations independently administers bursaries for the benefit of the children of Foschini employees. Further details are provided in the section of this report headed "Employees and Employee Benefits".

Disabled

Consideration is given to organisations representing people with disabilities. During the year under review, these included the National Institute for the Blind, Institute for the Deaf, SA Guide Dogs for the Blind, Bel Porto and Headway.

Education

We believe that one of the keys to unlocking the potential of our country lies in the provision of and access to quality education for all citizens and consequently the largest portion of the CSI budget is spent on education. Amongst the organisations that benefited from contributions are:

- Rural Education Project through UCT's Schools Development Unit
- Early Learning Resources Unit
- Grassroots
- Woz'obona

We also continue to donate class-leading jungle gyms to educare centres in impoverished urban and rural communities in the Western Cape. To date we have donated 18 jungle gyms and plan to roll out more this year.

We continued our funding of the EQUIP programme which is run by the National Business Initiative. During the financial year under review, we supported a cluster of five primary and two high schools in the Western Cape and one school in Gauteng.

Many of the institutions of higher learning provide educational programmes in nearby disadvantaged communities. Amongst those that we support are:

- Durban Institute of Technology – drop-in educare centre for children of street vendors
- Nelson Mandela Metropolitan University – family maths programme
- Rhodes University – maths education in rural schools in the Eastern Cape
- Tswane University of Technology – Polokwane Distance Campus: maths and science train-the-trainer project
- University of Cape Town – literacy teaching and learning framework to assist and strengthen literacy in the Mbekweni schools
- University of KZN – volunteer mentoring programme (psychology)
- University of Limpopo – mobile science laboratory
- University of Pretoria – Boipelo community-building project
- University of Stellenbosch – farm schools project

Programmes that give support to disadvantaged students also receive funding. Examples are:

- UNISA – study and examination skills workshops and purchasing prescribed books
- Cape Peninsula University of Technology – support for students with visual disability and impairment

Some of the other organisations working within the education sphere supported by us are:

- The READ Education Trust
- SMILE
- SHAWCO

Health

According to the South African Social Investment Exchange (SASIX):

“South Africans’ access to primary health-care services has improved in the new democracy but we still face serious health-care challenges that unacceptably burden the country. The public health-care system cannot currently meet these challenges alone and multi-sectoral partnerships between government, non-profit organisations, businesses and individuals are essential if we are to achieve and then sustain equitable, quality primary health care for all.”

We accordingly direct funding into this area.

Organisations that we currently support include:

- SA Red Cross Children’s Hospital
- SANCA
- CANSA

HIV/AIDS

Foschini recognises the contribution required from business to support the national effort in the fight against HIV/AIDS. To this end, our support is directed to organisations that provide as holistic a service as possible. These include:

- ATTIC
- Cotlands
- Etafeni
- Lifeline
- Ma Africa Tikkun
- Planned Parenthood Association
- SANTA
- Sothemba
- St Luke’s Hospice
- The South African Red Cross Society
- Wolonani

Through their activities and combined skills, these organisations educate the community about HIV/AIDS, train volunteers to counsel people infected and affected by HIV/AIDS, provide home-based care and support orphan-headed households.

Job creation

Apart from a quality school education, providing the previously disadvantaged with skills to enter the world of work or to start their own businesses is critical to the economic development of the country.

Some of the organisations that received financial support in this regard are:

- The Big Issue
- CAFDA
- Learn to Earn
- Siyazisiza Trust
- Zenzele

Poverty alleviation

Poverty still affects a large majority of the citizens of South Africa and thus we provide funding to welfare organisations such as:

- Peninsula School Feeding
- Meals on Wheels
- The Community Chest
- Operation Hunger

Welfare and public services

The provision of welfare and public services is under pressure and we accordingly support organisations that complement this vital area.

These include:

- Childline National
- NICRO
- St Johns Ambulance Service

Returned merchandise comprising clothing, shoes and other group goods is distributed on a monthly basis to national welfare organisations. In total 2 357 boxes of returned merchandise at a selling price of R26,8 million were donated.

In order to cultivate a culture of philanthropy and community involvement amongst the employees and divisions themselves, our Community Builder programme was started in 2004. Individual grants are made available to employees who give of their own time to community service. Trading and service divisions within the group are encouraged to adopt and raise funds for their own community projects and they too may apply for an annual grant from the group CSI funds. To date the following have received assistance in the form of money and goods from Foschini staff:

- **Foschini marketing**
Sakhumzi
- **FG financial services**
Mama Lumka
- **Group finance and administration**
Colleen’s Place of Hope
- **Group services**
The Alta du Toit Centre
- **Exact!**
Attie Van Wyk and Monkeybiz
- **Sports division**
Sozo Project, run by The Laureus Sporting Organisation

In addition to the above, the group once again proudly supported the White Ribbon Campaign’s 16 days of activism where society at large are encouraged to “Act Against Abuse”. The campaign focused on increasing the awareness of the negative impact of violence against women and children. A prime motivator for the support of this cause is the fact that the majority of our employees are female, many of whom are mothers. This initiative also allowed for involvement of employees across the group. Trading and service divisions together with key suppliers raised R500 000 for Child Welfare South Africa.

Employment Equity

The group has achieved full compliance with all aspects of the Employment Equity Act.

Planning and audit

In compiling our original employment equity plan that ended in October 2005, Foschini first commissioned an employment equity audit by a South African labour law consultancy. This involved a comprehensive audit of business practices across all trading and service divisions through a process of employee and management questionnaires and interviews.

Our two largest office centres – in Cape Town and Johannesburg – have had full disability audits conducted by a specialist consultant to ensure that these facilities are suitable for and accessible to physically-disabled employees.

In addition, all staff at our head offices and stores were consulted in drawing up the original employment equity plan which detailed both qualitative and quantitative goals and the measures to ensure their attainment.

During 2006 we revised our employment equity plan that will be effective for the forthcoming three-year period. The substance of this plan was formulated from a survey conducted on the group's behalf by a South African labour law consultancy. This survey gathered confidential feedback from all employees to gauge employee perceptions of fairness across all employment practices, ranging from pay and promotional opportunities to the attitude of line management.

Consultative fora

Whilst the monitoring of numerical goals has been an important part of our assessment of progress, regular feedback from employees is invaluable in gaining a complete understanding of the qualitative successes and challenges that we face. To this end, a group consultative forum has been established which meets regularly to ensure that progress towards all objectives is made.

Namibian legislation requires that all employees and the representative union are consulted and the group has instituted an efficient and effective set of consultative structures to ensure compliance.

In-house talent

A great deal of focus has been placed on the identification and development of in-house talent. Our trading divisions have run various national change initiatives to achieve this, such as the Foschini Retail Academy. Part of the benefit of these programmes has been the identification of skills, talents and potential in previously disadvantaged groups across all divisions. In our service divisions, similar programmes, such as the Foschinidata Accelerated Development Programme, have achieved similar goals.

Coupled to this, we recognise that it is vital for all employees to have equal access to promotional opportunities. The challenges that a large and geographically diverse distribution of stores and offices present have been taken into account by ensuring that the advertising of vacancies is accessible to all staff.

Workforce profile

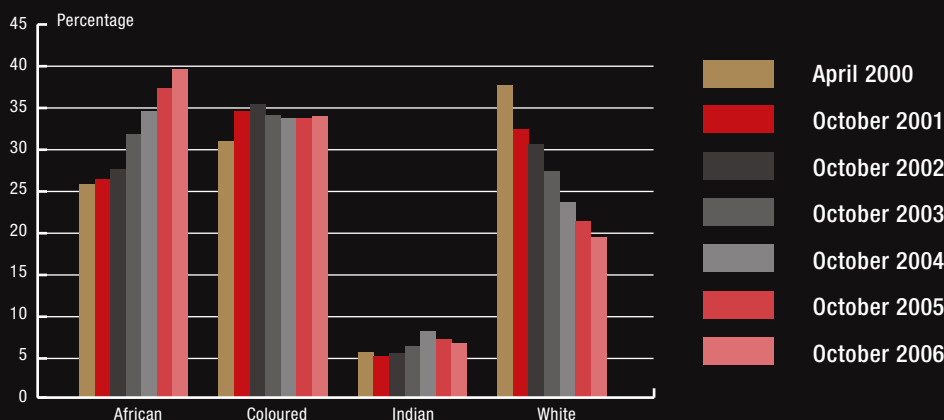
Previously disadvantaged employees as per our October 2006 Employment Equity Submission comprised 80,7% of our workforce, compared to 78,4% in October 2005 and 76,4% in the year prior.

As noted above, the group has finalised its new employment equity plan for the three-year period ending October 2009.

The composition of Namibian employees is 92,8% representative of previously disadvantaged groups in that country.

Evidence of our overall progress towards addressing imbalances in the racial composition of the group over the past seven years is depicted below:

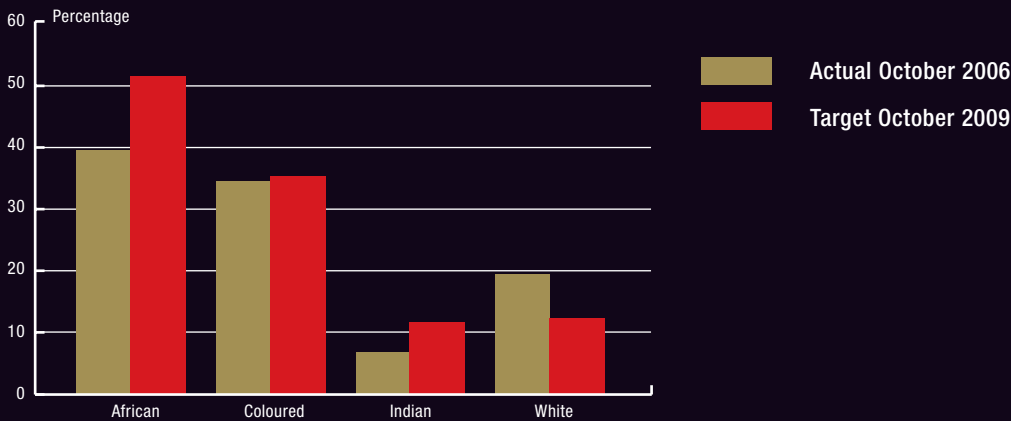
Workforce Profile Changes



Note that these figures exclude employees of RCS Investment Holdings (Pty) Ltd and its subsidiaries, as the target date of their plan differs by three years from the rest of the group's and is thus non-comparable. These employees total 3,5% of headcount and thus do not significantly affect these statistics.

In addition, the overall achievement of targets set for October 2009, compared to the actual employee status in October 2006, is reflected in the graph overleaf. This depicts that our planned increase in previously disadvantaged employees will pose a challenge over the next three years. Further efforts are required at senior and middle management levels to address imbalances that still exist.

Actual Employee Status vs October 2009 Target



A breakdown indicating the change in representation of previously disadvantaged groups amongst permanent employees is depicted below.



	October 2006 %	October 2005 %	October 2004 %	October 2003 %
Senior management	6,3	4,6	5,9	4,6
Specialists and middle management	29,8	30,0	27,7	24,9
Skilled technical and junior management	63,0	59,3	56,5	53,5
Semi- and unskilled employees	88,6	86,6	84,9	82,4

A breakdown indicating the change in representation of women amongst permanent employees is depicted below.

	October 2006 %	October 2005 %	October 2004 %	October 2003 %
Senior management	38,4	39,9	31,1	28,4
Specialists and middle management	63,7	63,4	63,0	61,4
Skilled technical and junior management	79,3	80,1	80,3	82,2
Semi- and unskilled employees	79,4	79,1	79,1	80,4

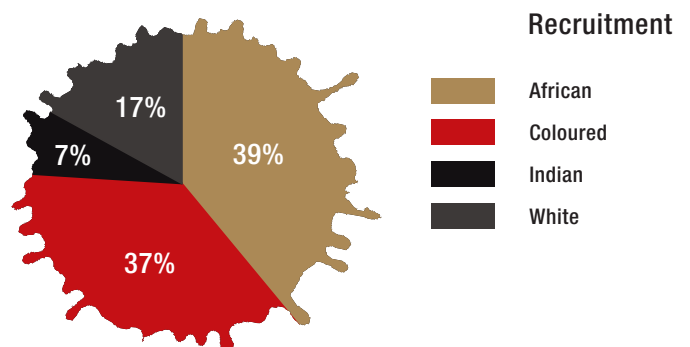
Recruitment

Recruitment is one key focus area in ensuring that representivity is achieved. Psychometric tests used in the recruitment process have been selected to be valid and fair in the South African environment. In addition, the group also makes use of a psychometric test that specifically assesses potential as opposed to current competency and skills.

The change in the percentage of employees recruited from previously disadvantaged groups is as follows:

- October 2003: 75%
- October 2004: 80%
- October 2005: 81%
- October 2006: 83%

A breakdown of recruitment by race as indicated in our most recent employment equity progress report is depicted alongside.



Skills Development

In tandem with the Employment Equity Act, the group has again fully complied with all of the requirements of the Skills Development Act. Skills development fora within our trading and service divisions are held to review and monitor progress against the workplace skills plans.

During the financial year under review R43,3 million was spent on skills development within the group.

Skills development grants

As a result of full compliance, we have qualified for all applicable grants due from the Wholesale and Retail SETA (in the case of our trading divisions) and the Services SETA (in the case of our financial services divisions). In all cases, the SETA grants received are earmarked for further investment into training. All spending of grants is reported at operating board level to ensure that these funds are exclusively applied towards further training.

In addition to these grants, we have continued to participate in the SETA Learnership and ABET projects.

Accreditation

Foschini remains a fully-accredited training provider. This has enabled us to provide our staff with the opportunity to achieve qualifications that are registered on the National Qualifications Framework via internal training, thus saving on the cost incurred through the use of external training providers. This training is delivered and assessed internally using methodology that is approved by the Wholesale and Retail SETA Education and Training Quality Assurance bodies and in line with SAQA principles.

Representation

We are represented on the Wholesale and Retail Standards Generating Body and represent the group at all relevant SETA fora.

Learnerships and skills programmes

Seventy staff members registered to commence new learnerships in the year under review. These learners have been sourced from within the group as well as externally and represent a combination of currently employed staff as well as participants who were unemployed or pre-employed. The learners are drawn from our trading divisions as well as the Foschinidata division and distribution centres. In addition, 111 learners registered to complete Wholesale and Retail SETA-approved skills programmes which could lead towards SAQA-registered qualifications.

Staff training

Foschini is committed to the ongoing training of all staff, both to improve productivity as well as the staff skills base.

During the year under review, 14 835 members of staff participated in at least one training programme, in many instances at least one a month. These consisted of a variety of comprehensive, tailored training programmes within all trading and service divisions. The demographic breakdown is as follows:

Number of staff trained

Total number trained	14 835
Total number of women trained	11 621
Percentage of women trained	78,3%
Total number of black staff trained	12 209
Percentage of black staff trained	82,3%

Adult basic education and training (ABET)

Over 100 store staff across the country were evaluated to identify their current level of literacy and numeric ability. They have been placed on appropriate ABET training programmes that are being presented by registered ABET providers. Each has been registered to write the relevant Independent Examination Board of SA examinations when they are ready to do so.

Broad-based Black Economic Empowerment (BBBEE)

The group fully supports the final BBBEE Codes of Good Practice and has adopted a strategy that is aligned to ensuring compliance with these codes.

The transformation committee is tasked to formulate, monitor and review all aspects of the group's BBBEE policies, as more specifically defined in our transformation committee charter.

Subcommittees for each of the seven elements of the generic scorecard have been established; they meet quarterly and report directly to the transformation committee.

With the promulgation of the final codes, scorecard targets are currently being revised.

In the Financial Mail/EmpowerDEX Top Empowerment listed companies survey, the group ranked 1st, 3rd and 2nd in 2005, 2006 and 2007 respectively within the retail sector.

The EmpowerDEX rating undertaken in 2005 established the group as a level 6 contributor.

The transformation committee has set an overall target of being a level 4 contributor by 2010, together with goals for each of the seven elements of BBBEE.

Employees and Employee Benefits

Staff complement

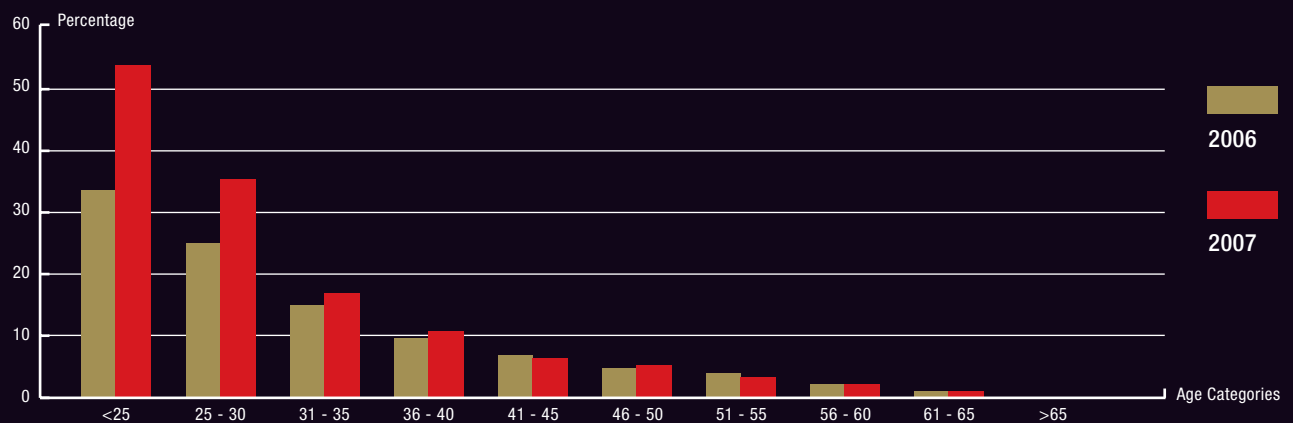
The staff complement at our head offices and stores at year-end comprised the following:

Employee statistics:	2007	2006	2005
Permanent full-time employees	8 781	8 155	7 469
Permanent part-time employees	113	323	257
Flexitime employees	2 776	2 337	2 658
Contract employees	724	327	329
Casual employees	2 801	2 989	2 867

The gender composition of the group, already heavily weighted towards female employees, remained relatively static, with women making up 77,6% of the group's employees, compared to 78,0% last year and 78,7% in the year before.

The group has a relatively young age profile, with an average age of 30 years and 83% of employees being under the age of 40 years. A breakdown of the group's employees by age is depicted overleaf, where it is evident that minor changes have occurred in the group's age profile, most notable being the continued increase in the ratio of employees younger than 25 years and minor adjustments in the contribution of older age groups.

Age Distribution



Retirement funding

All permanent staff of wholly-owned subsidiaries are required to join the Foschini Group Retirement Fund, which is a defined contribution fund registered in terms of the Pension Funds Act No. 24 of 1956. The fund is administered by Foschini in accordance with an agreement approved by the Financial Services Board.

The fund is managed by a board of trustees that meets quarterly; they receive no remuneration for their services. The assets of the fund are under the control of the trustees, who are advised by external consultants.

Subcommittees for strategy and investments meet quarterly and the benefits subcommittee meets monthly.

A second portfolio option has been introduced for staff attaining the age of 55, which has a lower exposure to the volatility of the equity markets. These staff may elect to remain on the main portfolio.

Total market value of the assets of the fund at 31 March 2007 amounted to R2,6 billion, an increase of 21% over the previous year.

Pensioners were awarded an increase of 10% effective from 1 January 2007, which is in line with the pensioner increase policy of the fund to award at least inflationary increases, subject to affordability.

As required by the Pension Funds Act, 50% of the trustees are member-elected. The term of office for all employer and member-elected trustees is three years, whereafter they are eligible for re-election. Induction training is provided to new trustees and regular ongoing training is offered to all trustees.

Apart from retirement benefits, the following are provided by the fund:

- A funeral benefit of R7 500 for the principal member and spouse and a lesser benefit for their dependent children.
- A death benefit of three times annual salary as well as the member's gross equishare is available to provide benefits to dependants and beneficiaries payable in the event of death in service. Where the death is accidental, a further benefit of twice annual salary is payable.
- An insured disability benefit is provided to qualifying staff members. This benefit equates to 75% of the pensionable salary earned at the time of disablement and is payable until attainment of normal retirement age, subject to continued disablement, whereafter the normal retirement benefit will become effective.

The fund did not have any distributable surplus as envisaged in the Pension Funds Second Amendment Act, 2001. The Nil Surplus Scheme submitted by the fund was approved by the Financial Services Board on 12 March 2007.

Employees of RCS Investment Holdings (Pty) Ltd and its subsidiaries are not members of the Foschini Group Retirement Fund, but receive comparable benefits from the Liberty Life Provident Fund.

Where required, employees of subsidiaries trading outside of the borders of South Africa belong to umbrella funds that comply with the legislation of the relevant country.

A formal risk assessment of the retirement fund is undertaken at least annually. Taking into account mitigating factors, HIV/AIDS is still considered to be the highest potential risk to the fund. Regular actuarial valuations, external expert prevalence projections, the ability to amend the fund's benefits and ongoing HIV/AIDS education and awareness should minimise the risk to the fund.

Medical aid

Foschini Group Medical Aid Scheme

The Foschini Group Medical Aid Scheme is an in-house, subsidised medical aid that is aligned to best suit the needs of most employees. Membership is voluntary, except for senior employees. The average number of principal members as at the 31 December 2006 financial year for the medical aid was 2 246, covering approximately 6 847 lives in total.

The scheme is administered by the Metropolitan Health Group and is fully compliant with the Medical Schemes Act.

The Foschini Group Medical Aid Scheme board of trustees is responsible for all aspects of the scheme, which is reviewed by both the Foschini group medical aid audit committee and the external auditors. The board of trustees makes use of a medical schemes consultant and an actuary, who actively participate in monthly operational and quarterly board meetings and provide advice. The trustees and audit committee receive no remuneration for their services.

The accumulated funds ratio of the scheme at 31 December 2006 was 94,2% which is well in excess of the required minimum of 25%, but not excessive for a small in-house scheme that will be subject to greater volatility as a result of large claims.

The financial health of the scheme favourably influenced contribution increases for January 2007, where increases in contributions were 3,1% and 4,8% for the two benefit plans available, compared to 2,1% and 3,0% for the previous year, both years being significantly below medical inflation. In addition, general benefit improvements were applied to either match or exceed inflation in the various medical categories.

A risk assessment for the medical aid is undertaken at least annually, both by the trustees and the administrators. The highest risk identified by the



trustees is the volatility in legislation affecting medical schemes. Keeping abreast of all current and pending legislation and adapting the fund accordingly assists in managing this risk.

Other health plans

An external medical aid scheme, Ingwe Health Plan, is also available to group employees and is subsidised by the group in the same way as the in-house scheme. The plans offered cater for lower income earners and provide basic health care through capitation agreements with large hospital groups. Ingwe forms part of the black-empowered African Life group and currently there are a total of 320 group employees who are members together with their dependants.

Employees outside the borders of South Africa may elect to join medical aid schemes that are similarly funded by the group.

All permanent staff of RCS Investment Holdings (Pty) Ltd and its subsidiaries are required to become members of their choice of medical plans offered by Discovery Health.

Bursary scheme

The group runs a bursary scheme for children of employees, funded by the Foschini Foundation. This scheme is independently administered by the South African Institute of Race Relations on our behalf and aims to reward academic excellence in children of employees who may otherwise not have access to tertiary education. 72,5% of these employees are from previously disadvantaged groups. Twenty bursaries were granted during the year under review, twenty are continuing from last year and five students graduated at the end of December 2006.

Educational assistance

Low-interest loans are available to employees to assist with the costs of tertiary education for their children. These loans are available on an annual basis for each child and are repayable over two years to improve affordability.

Home assistance

Similarly, low-interest loans are available to employees to assist with the purchase or improvement of property. These loans are weighted towards providing greater assistance in the purchase or improvement of property within the lower price brackets. The balance on these loans at the end of this financial year was approximately R0,7 million, with 3% of qualifying employees making use of this benefit.

Employees requiring further financial assistance for home assistance may also borrow against their equishare within the Foschini Group Retirement Fund, subject to its rules. During this financial year, this lending facility was outsourced using members' shares in the fund as security, with the result that the interest payable on these loans by employees could be reduced. The current balance on retirement fund loans is R8,2 million.

Sponsorship

Employees are encouraged to further studies that will assist them in their current or future career with the group. Sponsorship varies according to the level of study and requires greater financial commitment from employees at higher educational levels. Assistance with matriculation study fees is 100%.

Coupled to this, we offer the Unisa Retail Certificate, an intensive one-year retail-specific diploma. 55% of the students to whom we offered a place on our Unisa Retail Certificate course were from previously disadvantaged groups. The cost to the group of this particular sponsorship amounted to R93 450.

Of employees receiving general sponsorship at the end of the current financial year, 90,0% were from previously disadvantaged groups, compared to 90,6% in the previous year.

Health care

Occupational health clinics are provided for staff at head office and satellite locations. These clinics are staffed by nursing sisters and are assisted by a medical doctor who deals with appropriate cases. Curative and preventative care is provided, including family planning, social stress counselling, health education and screening and full management of occupational health. The occupational health service also provides a full range of support services across the country, including the management of our disability benefit. The latter is an income-replacement benefit that compensates employees who are unable to work for an extended period of time owing to ill health or disability.

Staff Safety

The group is committed to ensuring a safe and healthy working environment for all of its staff. In line with most other retailers, it operates within a low risk environment. We comply with all relevant legislation, in particular the Occupational Health and Safety Act of 1993.

The incident report statistics for group staff are reflected below:

	2007	2006
Number of working days lost	1 465	1 706
Number of incidents	399	325
Average cost per incident	R371	R553
Total cost of incidents	R148 196	R179 725

The majority of incidents reported were minor and there were no fatalities. In 278 instances, not more than three working days per incident were lost.

HIV/AIDS

The group has a formal HIV/AIDS policy in place, aimed at combating the spread and minimising the impact of HIV/AIDS on our employees, their families, our customers and the community at large, through the provision of education and information about HIV/AIDS and the promotion of non-discriminatory practices. This policy has been communicated to all existing employees, is available on our intranet and is included in the sign-on pack for all new employees.

According to the risk assessment commissioned by the group and conducted by the Health Monitor Company in 2005, it was estimated that 6,86% of the company's employees would be HIV positive in 2006 (for 2005, their estimate was 6,6%). Their estimated cost to the group associated with HIV infection amounted to an annual average cost of R11 000 per HIV-positive permanent, permanent part-time and flexitime employee per annum, equating to a total annual group cost of R8,8 million. This cost was based upon all potential incremental costs, including antiretroviral treatment, paid sick leave, funeral costs, lost productivity, increased group life and disability expenses, cost of training and lost expertise, additional cost of incapacity as well as general increased medical costs.

Experience to date has indicated that the actual cost to the group has been substantially less than predicted.

In an effort to minimise the impact of HIV upon our staff as well as the attendant costs to the group, the decision was taken to provide free access to testing, counselling, treatment and support to all employees. Encouraging employees to ascertain their HIV status will enable them to take responsibility for their health. Those employees whose status is negative will be encouraged to adopt safe behaviour to retain this status, whilst those that test HIV positive will be given access to the support and treatment they need to remain healthy and able to work productively for as long as possible.

Since 2005, HIV-positive employees who are members of the Foschini Group Medical Aid Scheme have had access to a full disease management service provided by a managed health-care provider. Employees who register on the programme receive free HIV testing, counselling, information and prophylactic medication, as well as antiretroviral therapy when required.

In September 2006, the group launched the first phase of a comprehensive HIV/AIDS workplace programme. The details of the programme were communicated to employees at all levels. In terms of the programme, all employees in South Africa are entitled to two free confidential HIV tests per annum through an external network of pharmacies managed by Occupational Care South Africa. HIV-positive employees who are employed on a full-time, permanent basis will be able to enrol in a comprehensive disease management service provided by QUALSA. This service provides for free treatment including antiretroviral therapy where indicated.

In order to monitor the success of the campaign, data from the various service providers is evaluated on a monthly basis.

Ongoing free on-site HIV counselling and testing continues to be available through the clinic at our Cape-based head office.

Phase two of the workplace programme will be rolled out during the next financial year. This phase will serve as a reminder to employees of the benefits available to them and to encourage them to access these benefits through various communication and education campaigns.

In addition, the first phase of a similar workplace programme for Namibia is planned for the second half of the 2008 financial year.

Suppliers

It is important that our manufacturing and merchandise suppliers share the same ethics and values as ourselves. Our suppliers have been issued with supplier agreements for signature, which require their compliance with, *inter alia*, labour and customs and excise legislation.

Regular audits are undertaken at their premises; we require any recorded deviations from agreed standards to be addressed in order for us to maintain a business relationship.

Environment

Sustainable development demands a constant awareness and respect for the conservation of our environment. Whilst clothing and related retail has a low impact upon the environment, we are well aware that responsible use of limited resources is imperative. There have been no environmental incidents of any significance within the group and no penalties or fines have been imposed by any environmental regulatory authority.

The following measures remain in force:

- a member of the operating board has the responsibility for setting environmental policy, objectives, targets and reporting processes;
- an environmental policy has been compiled;
- an environmental risk assessment is undertaken annually;
- all of the group's known direct and indirect environmental impacts have been identified and tabled; and
- we undertake to reduce and control each identified negative impact and make optimal use of natural resources.

Our environmental policy is available to all staff via our intranet.

Our direct impacts

Cardboard, paper and plastics

Our distribution centre and head office cardboard and head office waste paper approximates 130 000 kilograms per month. This, in large part, is sold to recyclers and the proceeds utilised for charitable purposes. A portion of the waste cardboard is shredded and utilised as protective packaging. The plastic waste from these sites (previously approximating 100 kilograms per month) has been reduced to minimal quantities, due to the elimination of shrink-wrapping of cartons. Residual plastic waste is still sold to the recycling industry.

Cardboard and other waste at stores continues to be managed by shopping centre disposal processes and the informal sector.

Plastic hangers are recycled; the cleaning and sorting processes are performed by The Workshop and House Horizon in Stellenbosch and Chris Steytler Industries in Bellville, providing employment to their differently-abled employees.

All plastic bags used by the stores are durable and reusable, being at least 40 microns in thickness. In certain divisions, use is also made of recyclable paper packets.

Electricity and water

Head office buildings utilise energy management systems and energy-efficient lighting to minimise use of electricity. The air-conditioning plant houses ice tanks that generate ice during off-peak hours, which is used for day-time cooling.

The Eskom Demand Side Management initiative met with unexpected contractual obstacles and the anticipated 18-month project to install electronic control gear and energy-saving lighting in all of our stores remain in abeyance. We will be reviewing our energy-saving strategy in conjunction with our energy services company.

All new and revamped stores are, as a matter of course, fitted with energy-saving lighting equipment.

Water is primarily consumed for personal and hygiene purposes. Regular maintenance ensures that there is minimal wastage.

Electricity and water expenditure is monitored in financial terms each month against budgets and previous year actuals by the trading and service divisions and variances investigated.

Vehicles

Company vehicles are checked and serviced in accordance with the manufacturers' prescribed intervals. Merchandise transport is managed by outsourced professionals who, by the nature of their operations, ensure that their vehicles perform at optimal efficiency.

Air conditioning systems

All air conditioning systems are maintained by outsourced technicians in terms of a regular maintenance programme. Refrigerants are not discharged into the atmosphere, but recovered and recycled. Only refrigerants that comply with the requirements of the Montreal Protocol are permitted.

Electronic waste

Fluorescent tube and general lamp disposal at head offices and distribution centres is controlled by an environmental waste management company. Stores are currently reliant upon the disposal processes of the local municipalities or of the shopping centres in which they are located.

Redundant computers that are not donated, are sent to an established electronic recycling company. The computers are stripped of recyclable materials and the residual, unusable components are disposed of in a manner that is not harmful to the environment.

Used watch batteries from both our jewellery stores and head office watch repair workshop are similarly disposed of in an environmentally-friendly manner.

Via our intranet, staff are encouraged to make use of the environmental disposal service for old cellphone components offered by all MTN franchise dealerships.

Our indirect impacts

Property development

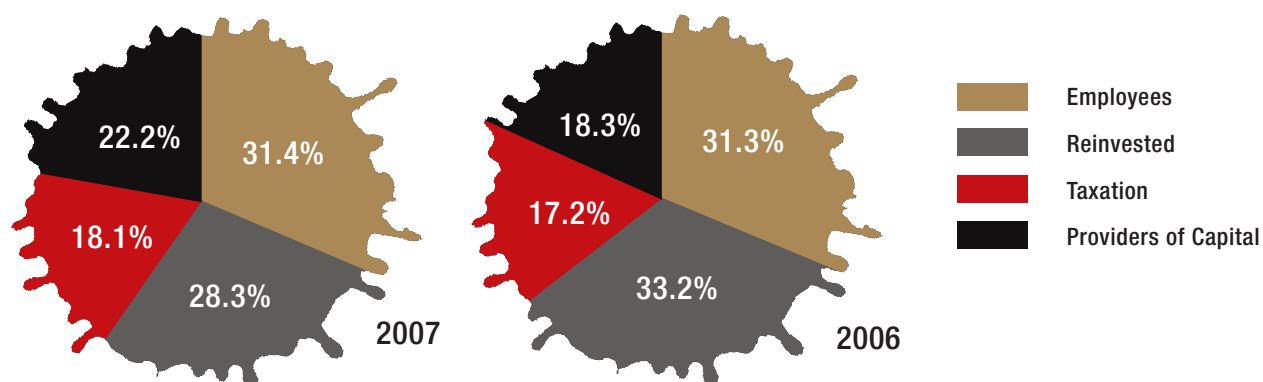
The group will not enter into rental agreements where developers have not conducted the required environmental impact assessments.

Suppliers

Suppliers have been issued with supplier agreements for signature, which require their compliance with, *inter alia*, labour and customs and excise legislation. Regular audits are undertaken at the premises of our merchandise suppliers; recorded deviations from agreed standards must be addressed in order for us to maintain a business relationship.



	Note	2007 Rm	%	2006 Rm	%
Retail turnover		7 230,0		6 432,1	
Dividends received		22,8		13,4	
Paid to suppliers for goods and services		(4 179,4)		(3 615,1)	
Value added		3 073,4	100,0	2 830,4	100,0
Applied as follows:					
Employees					
Remuneration to employees		964,5	31,4	884,8	31,3
Providers of capital					
To lenders as finance charges		104,7	3,4	79,1	2,8
To shareholders as dividends		577,2	18,8	437,7	15,5
Taxation					
Taxation		555,6	18,1	487,6	17,2
Reinvested					
Reinvested in the group to finance future expansion and growth	1	871,4	28,3	941,2	33,2
Employment of value added		3 073,4	100,0	2,830,4	100,0
Notes to the Value Added Statement					
1. Reinvested in the group to finance future expansion and growth					
Depreciation and amortisation		174,1	5,6	148,9	5,2
Deferred taxation		(34,7)	(1,1)	8,4	0,3
Retained income		732,0	23,8	783,9	27,7
		871,4	28,3	941,2	33,2
2. State taxes					
Direct taxation as above		555,6		487,6	
Net value added taxation		268,9		211,6	
Employees taxation		120,4		98,8	
Regional Services Council levies		3,6		13,7	
Channelled through the group		948,5		811,7	



Value Added Statement

for the years ended 31 March

This table is a summary of the group's reporting against the Global Reporting Initiative's Sustainability Reporting Guidelines.

GRI reference		Section in this report
1 Vision and Strategy		
1.1	Vision and strategy	Corporate Profile
1.2	CEO's Statement	Chief Executive Officer's Report
2 Profile		
2.1	Name of organisation	Administration
2.2	Major products and services	Corporate Profile
2.3	Operational structure	Corporate Structure
2.4	Organisational structure	Review of Operations; Subsidiary Companies
2.5	Geographic locations	Corporate Profile
2.6	Nature of ownership/legal form	Shareholdings; Corporate Profile
2.7	Nature of markets served	Corporate Profile
2.8	Scale of reporting organisations	Sustainability Report; Annual Financial Statements
2.9	List of stakeholders	Sustainability Report; Shareholdings
2.10	Contact person	Administration
2.11	Reporting period	Annual Financial Statements
2.12	Date of previous report	Annual Financial Statements
2.13	Boundaries of report	Not reported on
2.14	Significant changes	Chief Executive Officer's Report
2.15	Basis for reporting	Not applicable
2.16	Restatements of information	Not applicable
2.17	Decisions not to apply GRI principles	Not reported on
2.18	Criteria/definitions	Group Statistics; Sustainability Report; Annual Financial Statements
2.19	Significant changes in measurement	Not applicable
2.20	Assurance	Corporate Governance Report
2.21	Independent assurance	Not reported on
2.22	Additional information	Not reported on
3 Governance Structure and Management Systems		
3.1	Governance structure	Corporate Governance Report
3.2	Independence, non-executive directors	Directorate; Corporate Governance Report
3.3	Board member expertise	Not reported on
3.4	Board level processes	Corporate Governance Report; Sustainability Report
3.5	Executive compensation	Corporate Governance Report
3.6	Organisational structure	Not reported on
3.7	Mission and value statements	Corporate Profile; Sustainability Report
3.8	Shareowner communication	Corporate Governance Report
3.9	Identification of major stakeholders	Shareholdings
3.10	Stakeholder engagement	Not reported on
3.11	Stakeholder engagement	Not reported on
3.12	Stakeholder engagement	Not reported on
3.13	Precautionary approach	Corporate Governance Report
3.14	Externally developed charters, principles, initiatives	Not reported on
3.15	Principal memberships	Not reported on
3.16	Managing upstream and downstream impacts	Sustainability Report
3.17	Managing indirect impacts	Sustainability Report
3.18	Decisions regarding location and changes in operation	Chief Executive Officer's Report
3.19	Sustainability programmes and procedures	Corporate Governance Report; Sustainability Report
3.20	Certification status	Corporate Governance Report; Sustainability Report
4 Economic		
EC1	Net sales	Annual Financial Statements
EC2	Geographic breakdown of markets	Not reported on
EC3	Cost of goods, materials and services	Value Added Statement
EC4	Contracts paid in accordance with agreed terms	Not reported on
EC5	Payroll and benefits	Value Added Statement
EC6	Distributions to providers of capital	Value Added Statement
EC7	Retained earnings	Value Added Statement
EC8	Taxes paid	Value Added Statement
EC9	Subsidies received	Not applicable
EC10	Donations	Sustainability Report

5 Environment

EN1	Materials used	Not reported on
EN2	Waste from external sources	Not reported on
EN3	Direct energy use	Not reported on
EN4	Indirect energy use	Not reported on
EN5	Total water use	Not reported on
EN6	Land in biodiversity-rich habitats	Not reported on
EN7	Major impacts on biodiversity	Not applicable
EN8	Greenhouse gas emissions	Not reported on
EN9	Ozone-depleting substances	Not reported on
EN10	Significant air emissions	Not applicable
EN11	Total amount of waste	Not reported on
EN12	Significant discharges to water	Not applicable
EN13	Significant spills	Not applicable
EN14	Significant impact of products and services	Not applicable
EN15	Reclaimable product	Not reported on
EN16	Fines	Not applicable

6 Social

LA1	Breakdown of workforce	Sustainability Report
LA2	Employment creation	Sustainability Report
LA3	Trade union representation	Not reported on
LA4	Labour relations	Not reported on
LA5	Recording of occupational accidents and diseases	Sustainability Report
LA6	Health and safety committees	Not reported on
LA7	Injury and absentee rates	Sustainability Report
LA8	HIV/AIDS	Sustainability Report
LA9	Training	Sustainability Report
LA10	Equal opportunity	Sustainability Report
LA11	Diversity	Sustainability Report
HR1	Human rights policies	Not reported on
HR2	Human rights and investment/procurement	Sustainability Report
HR3	Human rights and supply chain	Not reported on
HR4	Non-discrimination	Sustainability Report; Corporate Governance Report
HR5	Freedom of association	Not reported on
HR6	Child labour	Not reported on
HR7	Forced labour	Not reported on
SO1	Community	Sustainability Report
SO2	Bribery and corruption	Sustainability Report
SO3	Political contributions	Corporate Governance Report
PR1	Customer health and safety	Not reported on
PR2	Products and services	Not reported on
PR3	Respect for privacy	Not reported on