

# sustainability report

The release of the King II report on corporate governance in 2002 led South African companies to place emphasis in their reporting on the “triple bottom-line” approach, encompassing economic, social and environmental sustainability. This approach provides shareholders and other stakeholders with a broad perspective of all spheres of sustainability within the reporting company.

This mode of reporting continues to mature, and Foschini Limited (referred to below as Foschini or “the group”) recognises that ongoing attention will need to be given to the formalised monitoring and measuring of non-financial indicators.

Our view of sustainability remains that it is the need to ensure long-term, balanced profitability in the group through innovation and inventiveness, without compromising short-term competitiveness.



Consideration must at the same time be given to the needs of all our stakeholders, and our responsibilities to the environment and future generations must be taken into account as we recognise that these will be the source of our sustained growth.

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

Our approach to sustainability is summarised further in this report.

## Corporate social investment (CSI)

As an established fashion retailer, we have a long track record of living up to the responsibility of ensuring that our customers look and feel at their best. In doing so we are aware that we bear the further responsibility of ensuring that sustainable economic development and social upliftment take place in the communities among which we operate.

One of the ways in which the group approaches this latter goal is through the medium of targeted donations, representing social investment.

Social investment spending with which the group is associated makes use of funds derived from the Foschini Foundation, from group resources and from direct donations provided by staff members.

The Foschini Foundation was registered as an independent charitable organisation in August 2006. Its trustees are two independent non-executive directors of Foschini, E Osrin and D Nurek. Its initial capital base was created by a donation from the group. The Foundation has grown as a result of receiving further donations and investment income, and the value of investments under its control at the year-end totalled R83 million. Its objective is to use its investment income to provide donations to selected charitable causes.

Donations made by the Foundation during the past year totalled R3,6 million. Additional donations made by the group to charitable causes totalled R700 000. Merchandise donations for the benefit of public service organisations totalled R24 million at retail value. Additional donations to the value of R1,0 million were made by various divisions of the group in cash, sundry equipment, merchandise and services. Of their own volition and from their own resources staff members and business partners of the group contributed an extra R47 000.

It is well known that women and children are the most marginalised and vulnerable members of 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 in the main be women and children. Consideration is also given to the disabled.

## Our revised CSI strategy

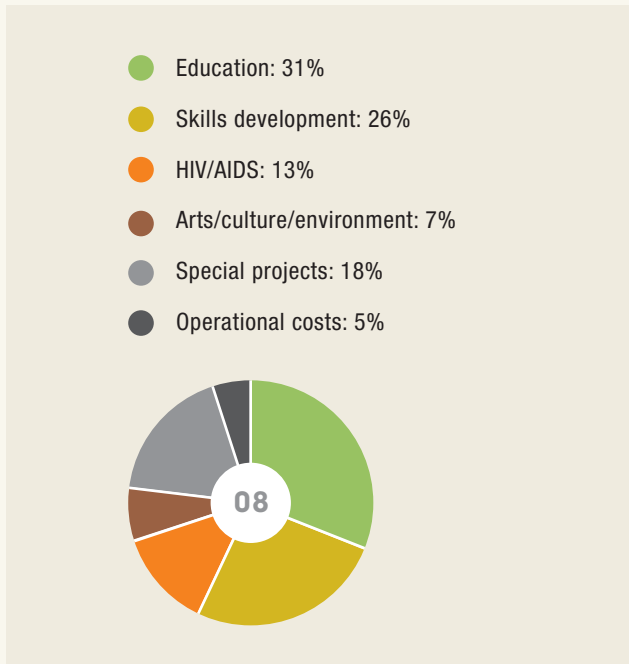
To enable more meaningful contributions to be made, the group reworked its CSI policy, strategy and selection criteria during the past year. Part of this process involved identifying key areas of concern and concentrating donations largely within these areas. In order to retain an element of flexibility, funding was also set aside for special projects.

This new approach has allowed the group to become more effective in achieving meaningful CSI objectives.

On this basis the group has identified the following focus areas, with specific emphasis on women and children:

- Education.
- Skills development.
- HIV/AIDS.
- Arts, culture and the environment.
- Special projects.

The allocations of the combined cash donations from the group's CSI funds and the Foschini Foundation for the year under review are indicated below.



Having a national presence in South Africa, the group will continue to focus on identifying suitably registered non-governmental organisations (NGOs) and non-profit organisations (NPOs) that themselves operate on a national basis and are worthy recipients of these donations. Child Welfare South Africa is an example of such a nationally-based organisation that we support.

## 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. Consequently the largest portion of the CSI budget is devoted to education. We invest in projects that focus on improving the quality of literacy, numeracy, mathematics and science education at the stage of early childhood, as well as at primary and secondary levels.

Amongst the organisations that benefited from this position are the Rural Education Project (through the University of Cape Town's schools development unit), the Western Cape Primary Science Programme, LEAP Science and Maths School, ORT Tech South Africa, and READ Educational Trust.

We also continued to donate class-leading jungle gyms and this year the beneficiaries were impoverished rural schools in the Western Cape. All are primary schools participating in the Rural Education Project, chosen on the basis of most improved results in numeracy and literacy. To date we have donated 24 jungle gyms and plan to provide more this year.

Funding to the EQUIP programme, which is run by the National Business Initiative, has been continued, support being given during the year to 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:

- Rhodes University – mathematics education in rural schools in the Eastern Cape;
- University of Cape Town – literacy teaching and learning framework to assist and strengthen literacy in the Mbekweni schools in the Western Cape;
- University of KwaZulu-Natal – a volunteer mentoring programme in psychology;
- University of Pretoria – Boipelo community building project; and
- University of Stellenbosch – a farm schools project.

Programmes that give support to disadvantaged students also receive funding.

Some of the other organisations working within the educational sphere which we supported are SMILE, Carel du Toit Trust and Education Alive.

## sustainability report continued



### Skills development

For the economic development of the country it is essential that members of previously disadvantaged groups receive not only school education of good quality, but also training to equip them with entrepreneurial skills to enter the world of work or to start their own businesses. With this in view, the group supports projects that provide skills for employment, job creation and entrepreneurship at post-school level.

Some of the organisations in this category that received financial support are The Big Issue, Etafeni Day Care Centre Trust, Grassroots Educare Trust, Junior Achievement SA, Learn to Earn, Media and Training Centre for Health, Oasis Association, South African Council for the Blind, Tsiba Education, WHEAT Trust, and Zenzele Training and Development.

### HIV/AIDS

The group recognises that HIV/AIDS affects our staff, their families, our customers and the nation as a whole. There is an undeniable obligation to contribute to under-resourced programmes to contain this pandemic. Support was accordingly directed to some organisations that assist orphan-headed households and to others that provide training and assistance for home-based care initiatives. These organisations included Cotlands, Lifeline/Childline Western Cape, Ma Africa Tikun Johannesburg, St John's Training Foundation, St Luke's Hospice and the University of Pretoria.

Through their activities and combined skills, these organisations educate the community about HIV/AIDS and train volunteers to counsel people infected and affected by HIV/AIDS.

### Arts, culture and the environment

The group firmly believes in the need to support organisations that run projects to educate children about the arts, culture and the environment in order for these to be sustained. Examples of organisations which received funding during the current year under review include the Zama Dance School, Friends of the National Gallery, The National Sea Rescue Institute, Wilderness Foundation South Africa and World Wide Fund.

### Special projects

The group again proudly supported the White Ribbon Campaign's 16 days of activism during which the public is encouraged to "Act Against Abuse". The campaign focused in the past year on increasing the awareness of the negative effects of violence against women and children. A prime motivator for the group's support of this campaign is the fact that 78% of our employees are female, many of whom are mothers. The group also made it possible for employees to take part in the campaign.

Rape Crisis' innovative programme, Safe Space, won our backing in the form of a donation of R350 000 which will go towards ensuring that women and children are able to live in an environment free from fear and violence. A further amount of R150 000 per year for three years was pledged by the Foschini division from the sales of its new clothing range, Global Art, which is to be launched during the first half of next year.

Other special projects for the year included a casual day in aid of the Bel Porto School for the disabled, building a house with Habitat for Humanity for a family in Mfuleni, a Christmas toy drive to benefit organisations affiliated to Child Welfare South Africa, a blanket drive in aid of Disaster Management, hosting a "Cuppa for CANSA" and making special donations to Red Cross Children's Hospital, Tygerberg Children's Hospital and the SPCA.

### Working together on corporate social investment

The group's CSI initiative is very much a team effort. We actively encourage a culture of philanthropy and community involvement amongst our employees and business partners. In pursuit of this, the group's CSI department works with the employees of the various trading and service divisions on their individual projects to maximise effectiveness.

These projects are incentivised. To recognise employees who volunteer for community work in their spare time, the group provides grants to staff members through their "staff community builder" programme, which commenced in 2004.

Individual trading and service division projects are provided with Rand-for-Rand support.

Beneficiaries selected by the staff of our various divisions include St Luke's Hospice, the Carel du Toit Centre, Goody2Shoes, Solomon's Haven, Fountain House, Marsh Memorial Children's Home, Berry's Kitchen, Fikelela Home for HIV-positive Children in Khayelitsha, Green Park, LifeLine, Colleen's Place of Hope, and Greenable.

The RCS Group undertook 11 projects during the year in the areas of education, health and welfare, and community development. This division's flagship project comprised partnering with TSIBA, a free tertiary educational institution, in developing a financial literacy curriculum aimed at empowering students with skills to manage their finances in a responsible way.

In addition, Red Cross Children's Hospital received R20 000 in children's books.

Other organisations that received support included the Sunflower Fund, Tygerberg Hospital, Carehaven and Habitat for Humanity.



## Employment equity

The group remains compliant with all aspects of the Employment Equity Act No. 55 of 1998. This requires timeous submission of an annual employment equity report and plan to the Department of Labour, consultation with employees, communication of the report and plan to employees, and regular policy and facility audits to ensure that no barriers to employment equity exist. Regular inspections by the Department of Labour's inspectorate, both at store level country-wide and at the group's head office, have confirmed compliance.

In order to increase the representation of previously disadvantaged groups at the middle and senior management levels, the group has embarked on an exhaustive consultative process to review our employment equity strategy. The key was to align the employment equity approach with the group's new human resources strategy in order to benefit directly from enhanced and improved human resources practices, specifically in the areas of recruitment, remuneration, talent management, and training and development.

### Our new strategy focuses on:

#### Recruitment

Improved sourcing and recruitment techniques which include the implementation of e-recruitment and targeted press advertising, will assist in sourcing and drawing more applicants, primarily black Africans. This will enable the group to better mirror the national demographics.

#### Remuneration

A more focused approach to salary and benefit benchmarking, involving the use of national retail and general salary and benefit surveys and the implementation of an electronic job evaluation system, will increase the internal equity score and lead to an improved fit with the market. This will have a positive effect on the retention of key employees.

#### Talent management

A rigorous approach has been adopted to the management of the talent pipeline. This process identifies shortages and over-supply of specific key skills at various levels. The introduction of coaching and mentoring will benefit the accelerated development and retention of existing employees who have been identified as having upward potential.

#### Training and development

Standardised programmes to impart skills to store managers have been introduced to assist in bringing about consistency across the group and facilitating identification of those with potential for promotion.

# sustainability report continued

In addition the merchant academy, which is a fast-track programme for trainee merchandise planners and buyers, was launched during the year. Of its intake, approximately 80% were members of previously disadvantaged groups. Existing employees can also benefit by attending specific modules to up-skill themselves. Further details of the academy are provided in the talent development section below.

## Centralised trainee management

Store manager and merchant trainees are now managed centrally and a standardised curriculum as described above is followed. This further benefits the consistency of skills across the group and permits regular evaluation.

## Cross-divisional collaboration

An important element of the talent management and development process now under way in the group is the emphasis on providing opportunities throughout the group rather than relying on individual divisions to provide employees with their career ladder. This process is managed by the newly-established talent management department. Regular group manpower review meetings are held, where the talent of each trading and service division are scrutinised to identify employees who are ready for promotion or who would benefit from gaining exposure in a different division or role.

In addition, we ensure that the advertising of vacancies is accessible to all staff members.

## Consultation and communication

The employment equity consultative forum structure has been enhanced. Apart from two existing national fora, divisional fora have been

established. This change provides all employees with a greater say in all aspects of employment equity and a full programme of group-wide and division-specific communication is being launched.

## Physically disabled persons

The group's two largest office centres, in Cape Town and Johannesburg, have had full disability audits completed by a specialist consultant to ensure that these facilities are suitable for and accessible to physically disabled employees.

This remains an area of challenge for our employment strategies.

## Workforce profile

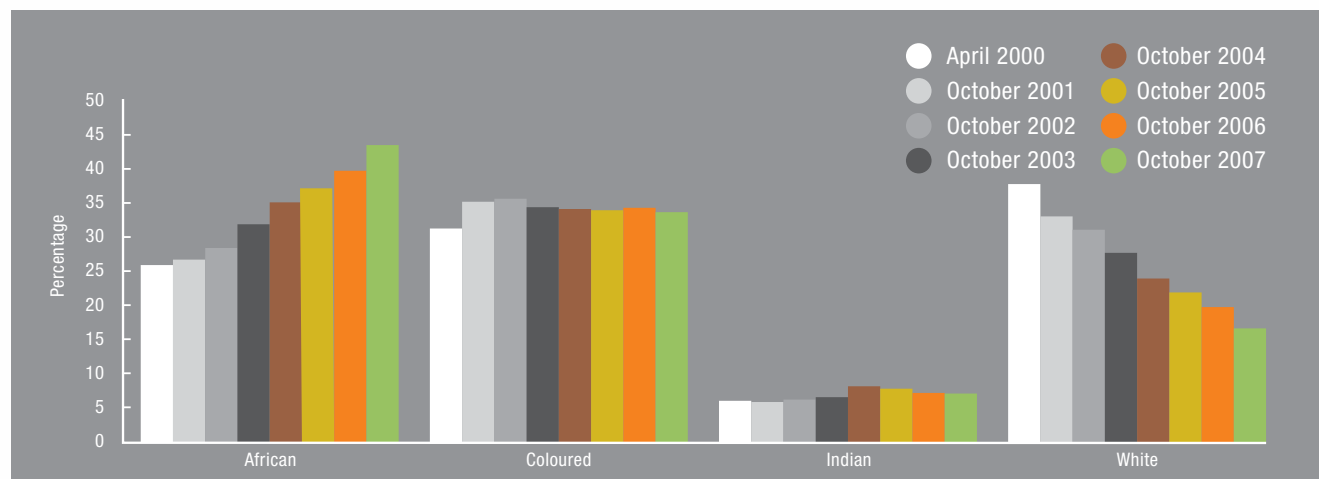
In our employment equity submission of October 2007 previously disadvantaged employees comprised 83,3% of our workforce, compared to 80,7% in October 2006 and 78,4% in October 2005. The target for October 2010 is 90%, which we anticipate will be achieved, based on current progress.

The group has finalised its new employment equity plan for the three-year period ending October 2010.

The composition of Namibian employees is 93,8% representative of previously disadvantaged groups in that country.

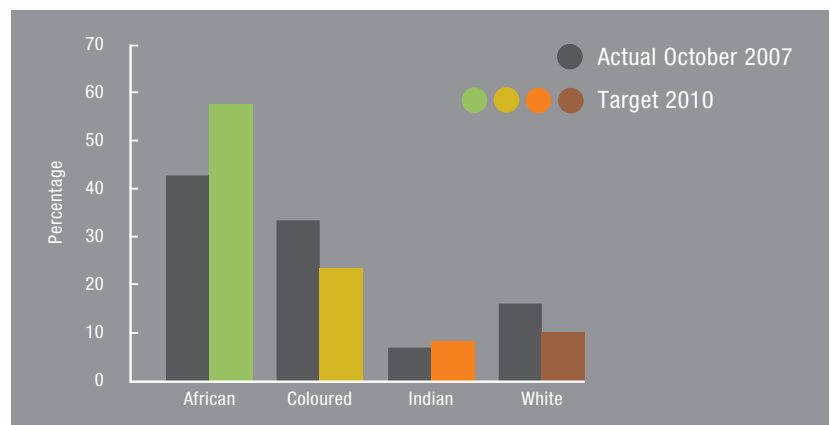
Evidence of our overall progress in remedying imbalances in the ethnic composition of the group's workforce over the past eight years is depicted below.

## Workforce Profile Changes



This chart excludes employees of RCS Investment Holdings (Pty) Limited and its subsidiaries, as the target date of that division's plan differs by three years from that of the rest of the group, and is thus not comparable. Those employees total 4,5% of headcount and thus do not significantly affect the statistics.

### Actual employee status vs October 2010 Target



The chart above depicts our current employee status compared to our 2010 target. The revised employment equity strategy noted above will assist in the attainment of this target.

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

	October 2007 %	October 2006 %	October 2005 %	October 2004 %
Senior management	5,3	6,3	4,6	5,9
Specialists and middle management	29,2	29,8	30,0	27,7
Skilled technical and junior management	66,9	63,0	59,3	56,5
Semi- and unskilled employees	91,1	88,6	86,6	84,9

A table indicating the change in representation of women amongst permanent employees is provided below.

	October 2007 %	October 2006 %	October 2005 %	October 2004 %
Senior management	38,2	38,4	39,9	31,1
Specialists and middle management	63,3	63,7	63,4	63,0
Skilled technical and junior management	79,5	79,3	80,1	80,3
Semi- and unskilled employees	79,0	79,4	79,1	79,1

# sustainability report continued

## Namibian employees

The Affirmative Action (Employment) Act of 1998 required that as from 2001 an annual report and plan be submitted to the Employment Equity Commissioner. We have complied with this requirement each year.

In Namibia, unlike South Africa, no distinction is made between the black, coloured and Indian groups in monitoring the number of members of previously disadvantaged groups. There is, however, a concerted focus on gender.

If non-Namibians are employed, it is required that understudies be appointed and their details together with their acknowledgement of their status be included in the report.

The current composition of Namibian employees comprises 93,9% from previously disadvantaged groups with only one non-Namibian being employed.

## Recruitment

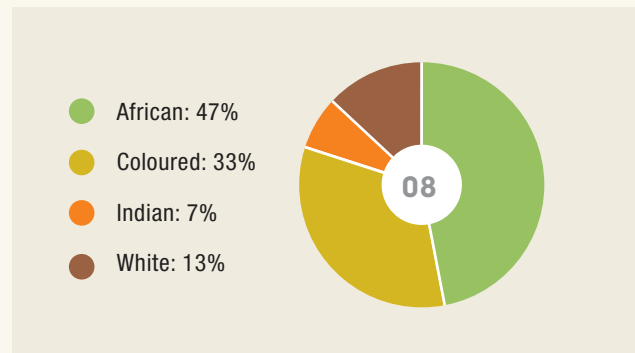
This is a key focus area in ensuring that representivity is achieved. Psychometric tests used in the recruitment process have been selected that are valid and fair in the South African environment. These tests specifically assess potential as opposed to current competency and skills.

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%
- October 2007:87%



A breakdown of recruitment by ethnic group as indicated in our most recent employment equity progress report is depicted below:



## 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 year R42,3 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 and 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.

## 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 provided and assessed internally using methodology that is approved by the Wholesale and Retail SETA Education and Training Quality Assurance bodies and is 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.

## Talent development

Training programmes within the group are designed to up-skill our staff in all areas where a need has been identified. Relevant programmes are held throughout the year, ensuring a constant and consistent level of understanding of group processes amongst our staff at all levels.

Our training programmes address the building of both generic business competence and leadership competence.

An important emphasis for us during the course of the year has been the strong focus on developing the talent of our store managers and merchants (the latter being our buyers and merchandise planners) to ensure that we meet the need for a pipeline of trained and competent employees in these key retail roles.

With these objectives in mind we launched:

- a **retail academy** for store managers;
- a **merchant trainee development programme** aimed at newly-employed talent; and
- a **merchant academy** for honing the skills of existing merchants.

All of these are in-house projects designed to cater for our identified skills requirements.

Our **retail academy** for store managers touches every store manager and potential store manager both nationally and in Namibia.

The curriculum is aimed primarily at supporting the following goals:

- development of business skills and improved retail knowledge;
- managing employee relations and performance; and
- equipping store managers as coaches to develop their staff.

We are committed to creating a learning environment with a number of delivery options including distance-learning programmes and formal workshops facilitated nationally and in Namibia. We believe that learning should also be self-directed, and all store managers should take charge of

their own learning and can progress at their own pace.

Allied to this retail academy is the developing manager programme. Its scope is primarily the technical business skills required to manage a store.

These store manager programmes are aligned to the wholesale and retail SETA qualifications.

Our **merchant trainee development programme** is a structured programme available to new and young talent in the group. It is run over a period of 18 to 36 months and combines technical and generic programmes to build the capacity of the trainee buyers and planners. They are given the opportunity to spend time in various areas of the group's businesses, gaining valuable hands-on experience and knowledge. The programme is supported by a coaching initiative by which each trainee receives training from a technical coach as well as a senior mentor. The trainees enjoy a high level of exposure to and interaction with senior management throughout this programme.

Our **merchant academy** for existing merchants has a curriculum that combines technical and generic programmes designed to support the building of their capacity. The curriculum is based on an integrated approach, yet allowing flexibility for customisation across the divisions. The programme harnesses the existing talent within the group by using skilled staff members as in-house facilitators, so encouraging multi-skilling and the use of best practices by all merchants.

Our **leadership development training** is a further initiative, based on a pipeline model, to meet the group's future leadership requirements. This approach highlights key milestones that make up the development process for aspiring leaders. To reach a milestone, the attendees must gain proficiency in a variety of competencies that meet the demands of a particular career phase. Career progression is based on mastery of these concepts, given sufficient time to achieve competence. The process is supplemented by assessments, specialised training, coaching, and various projects and assignments. The capability of each developing leader is carefully monitored and reviewed. Talented individuals are advanced on this journey according to their level of performance and potential.

## sustainability report continued



### Number of staff trained

Total number of staff attending training programmes	11 004*
Total black staff trained	9 520
Percentage of black staff trained	86,5%
Total black women trained	6 657
Percentage of black women trained	59,6%

\* One staff member may have attended more than one training programme.

### Broad-based black economic empowerment (BBBEE)

The group fully supports BBBEE and has adopted a strategy that is designed to bring about compliance with the BBBEE codes of good practice.

The transformation committee formulates, monitors and reviews all aspects of the group's BBBEE policies as defined in the group's transformation charter.

Sub-committees for each of the seven elements of the generic scorecard have been established and scorecard targets set. The sub-committees meet quarterly and report directly to the transformation committee.

In the Financial Mail/EmpowerDEX Top Empowerment listed companies survey, the group ranked fourth, second and third in 2008, 2007 and 2006 respectively within the retail sector, and is currently a BBBEE level-6 contributor.

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

The group will be rated by a BBBEE verification agency during the next year.

### Employees and employee benefits

#### Staff complement

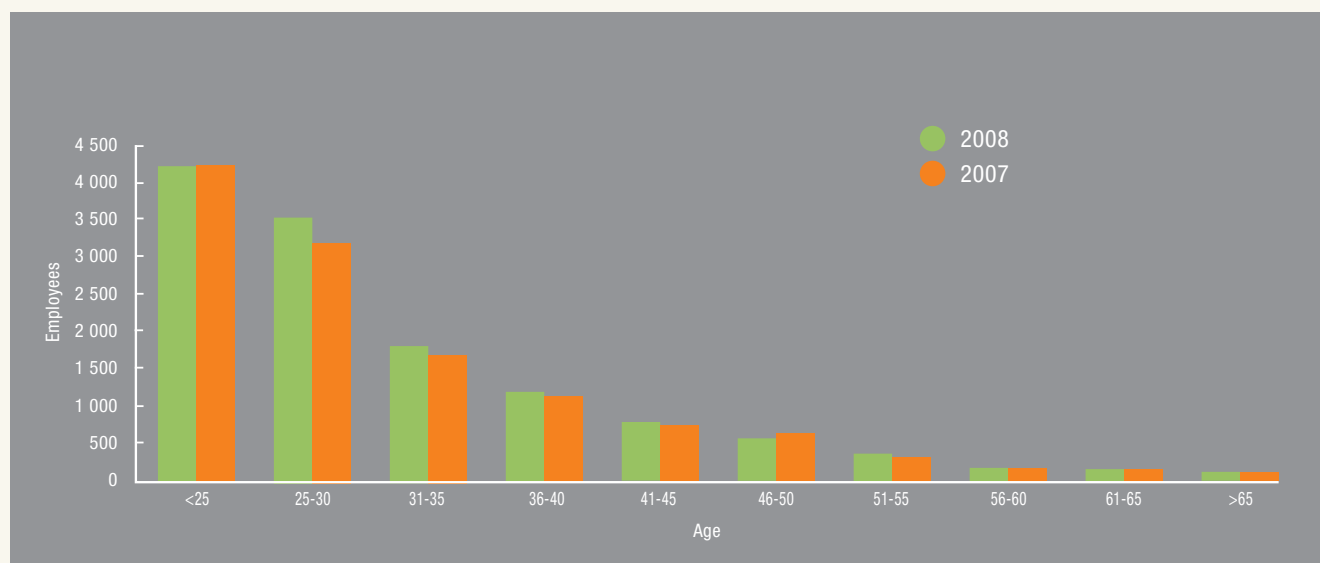
The staff complement at the group's head offices and stores at the year-end comprised the following:

Employee statistics:	2008	2007	2006	2005
Permanent full-time employees	9 311	8 781	8 155	7 469
Permanent part-time employees	289	113	323	257
Flexitime employees	2 600	2 776	2 337	2 658
Contract employees	568	724	327	329
Casual employees	2 221	2 801	2 989	2 867

The gender composition of the workforce, already heavily weighted towards female employees, remained relatively static, with women making up 78,2% of the total compared to 77,6% in the previous year and 78,0% in the year before.

The group has a relatively young age profile, the average age being 30 years and 83,6% of the total being under the age of 40 years. A breakdown of the group's employees by age over a two-year period is set out in the following chart, from which it is evident that minor changes have occurred.

## 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 Pensions Fund 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. The trustees receive no remuneration for their services. Particular attention is paid to trustee training, to ensure that they remain abreast of legislative changes and developments within this specialist area. The assets of the fund are under the control of the trustees, who are advised by external consultants.

Sub-committees for strategy and investments meet quarterly and the benefits sub-committee 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 2008 amounted to R2,6 billion, which is unchanged from the previous year. Fund returns reflected an increase of 16,4% during its financial year, but a particularly high volume of withdrawals and retirements have resulted in the unchanged financial position.

Pensioners were awarded an increase of 10% effective from 1 January 2008, 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, after which they are eligible for re-election. Trustee elections will be held during the 2009 financial year. Induction training is provided to new trustees, who also participate in the regular ongoing training noted above.

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;

## sustainability report continued

- 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 and where the death is accidental, a further benefit of twice annual salary is payable; and
- an insured disability benefit is provided to qualifying staff members, equating to 75% of pensionable salary earned at the time of disablement, payable until attainment of normal retirement age subject to continued disablement, after which the normal retirement benefit becomes effective.

Employees of RCS Investment Holdings (Pty) Limited 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 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 remains the highest potential risk to the fund. Risk is minimised by undertaking regular actuarial valuations, external expert prevalence projections and ongoing programmes on HIV/AIDS education and awareness. The fund is moreover able to amend its benefit levels.

### **The Foschini Group Medical Aid Scheme**

The Foschini Group Medical Aid Scheme is an in-house, subsidised medical scheme that is designed to best suit the needs of most employees. Membership is voluntary except for senior employees. The average number of principal members at 31 December 2007 (the financial year-end of the scheme) was 2 291, covering approximately 4 690 lives in total.

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

The board of trustees of the scheme is responsible for all aspects of its operations, which are 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 provide specialised advice and participate in monthly operational and quarterly board meetings. The trustees and audit committee receive no remuneration for their services.

The accumulated funds ratio of the scheme at 31 December 2007 was 92,4% 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 than the norm as a result of sporadic large claims.

The financial health of the scheme favourably influenced contribution increases which took effect in January 2008, the increases being 4,5% and 7,5% for the two benefit plans available compared to 3,1% and 4,8% for the previous year. In both years the increases were significantly below medical inflation. In addition, general benefit improvements were applied to match or exceed inflation in the various medical categories.

A risk assessment of the scheme is undertaken at least annually, both by the trustees and the administrators. The highest risk identified by the trustees is the volume of legislation affecting medical schemes. Keeping abreast of all current and pending legislation and adapting the scheme's rules accordingly assists in managing this risk.

### **Other health plans**

An external medical 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 healthcare through capitation agreements with large hospital groups. Ingwe forms part of the black-empowered African Life group. Currently a total of 318 group employees are members, together with their dependants.

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

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

### **Bursary scheme**

The group operates 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.

## 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. In the past year R264 000 was lent to qualifying employees who made use of this benefit. Of these employees 86% were from previously disadvantaged backgrounds.

Employees requiring further financial assistance for home purchases or improvements may also borrow against their equishare in the Foschini Group Retirement Fund, subject to its rules. This is an outsourced lending facility, using members' shares in the fund as security, with the result that the interest payable by employees is minimised. The total of these loans at the year-end was R6,9 million.

## Sponsorship

Employees are encouraged to undertake 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. Support for matriculation study fees is 100%.

Coupled to this, the group offers sponsorship for the Unisa Retail Certificate, an intensive one-year retail-specific diploma.

Of employees receiving general sponsorship at the end of the current financial year, 89% were from previously disadvantaged groups, a percentage similar to that of previous years.

## Healthcare

The group has delegated the management of occupational health to an external service provider. Curative and preventative care is provided from a centrally located occupational health clinic permanently staffed by two

nursing sisters with qualifications in occupational health. A medical doctor is on site twice a week to assist with cases requiring specialised attention.

The clinic provides a service to all employees working at the head office campuses as well as those at the distribution centres.

Services offered include family planning, HIV testing, primary healthcare, counselling for psycho-social stress, health education and health screening.

The service provider is also responsible for the management of ill health within our stores through the WAKE programme, as well as any injuries on duty in terms of the Commission for Occupational Injuries and Diseases Act (COIDA). It also facilitates the group's disability benefit processes, which provide an income-replacement benefit to employees who are unable to work as a result of ill health or injury for an indefinite or fixed period of time.

## Staff safety

The group is committed to ensuring a safe and healthy working environment for all of its staff. Like most other retailers, it operates within a low risk environment.

The group complies with all relevant legislation, in particular the Occupational Health and Safety Act of 1993.

The statistics for reported incidents involving staff members of the group are set out below:

	2008	2007
Number of working days lost	1 399	1 465
Number of incidents	340	399
Average cost per incident	R339	R371
Total cost of incidents	R115 389	R148 196

The majority of incidents reported were minor, and there were no fatalities. In 232 instances, not more than three working days per incident were lost, compared to 278 last year.

## sustainability report continued

### 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. It does so by providing education and information about HIV/AIDS and promoting 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.

In an effort to minimise the impact of HIV on our staff as well as attendant costs to the group, we provide free and confidential access for all employees to testing, counselling, treatment and support. Employees are encouraged to ascertain their HIV status in order to enable them to take responsibility for their health. Those employees whose status is negative are encouraged to adopt safe behaviour to retain this status, whilst those that test HIV-positive are 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 healthcare 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. This is now well entrenched and as at the year-end 538 employees had been tested through an external network of pharmacies around South Africa on a voluntary basis. This programme is managed by Occupational Care South Africa. On World AIDS Day, 1 December 2007, we announced that free treatment and support for HIV-positive employees would now be extended to all permanent employees through a comprehensive disease management programme provided by QUALSA. Treatment includes antiretroviral therapy.

According to a risk assessment commissioned by the group and conducted by the Health Monitor Company in 2005, it was estimated that 6,99% of the company's employees would be HIV-positive in 2007 (for 2006, their estimate was 6,86% and in 2005, it was 6,6%). The estimated average cost to the group for 2007 associated with HIV infection was

R11 054 per HIV-positive permanent, permanent part-time and flexitime employee, equating to a total group cost for that year of R9,4 million. This cost was based on 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 generally increased medical costs.

Experience to date has indicated that the actual cost to the group has been substantially less than was predicted in that assessment. At the time of compilation of this report, we have been notified that 30 employees are registered on the QUALSA programme at an average cost for the year of R10 644 per employee. This equates to a gross annualised group cost of R319 320 before taking into account recoveries from medical schemes.

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

In addition to the measures described above, on-site testing for head office employees through OCSA was introduced for the first time in the past year as part of our annual Health Days.

We have also embarked on a pilot voluntary counselling and testing campaign in collaboration with two other large retailers with the aim of making voluntary counselling and testing more accessible to employees working in shopping centres. The counselling and testing was outsourced to Action Against AIDS, an NGO, and took place at the Cavendish shopping centre in Claremont, Cape Town. The campaign proved extremely successful, all available appointments being utilised, and plans to expand it to other shopping centres, as well as to include more retailers, have been finalised.

A similar campaign for Namibia is being investigated.

### 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 remedied if the suppliers are to retain a business relationship with the group.

## Environment

In line with the group's objective of minimising its environmental impact, an environmental committee was established by the operating board during the past year. The committee comprises senior managers from all areas of the business and meets monthly. Its scope is all-encompassing and its mandate is to minimise the environmental impact made by the group and its stakeholders in all identified spheres. It reports quarterly to the chief executive officer and two members of the operating board. In order to ensure that the process is fully inclusive, the committee issues regular e-mails to all staff encompassing all aspects of environmental awareness.

Whilst retail businesses supplying clothing and related products have a low impact on 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.

In addition, 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;
- an ongoing, interactive awareness campaign with all of our staff concerning environmental issues is undertaken; and
- an undertaking by the group exists to reduce and control each identified negative impact and to make optimal use of diminishing natural resources.

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

### Our direct impacts

#### Cardboard, paper and plastics

The amount of cardboard and waste paper generated by our distribution centres and head office remains approximately 130 000 kilograms per month, the majority being sold to recyclers. A portion of the waste cardboard is shredded and utilised as protective packaging. Plastic waste from these sites is minimal as a result of the elimination of shrink-wrapping of cartons. Residual plastic waste is 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 being performed by The Workshop and House Horizon in Stellenbosch and Chris Steytler Industries in Bellville. This provides employment to their differently-abled employees. These facilities recycled 3,5 million hangers during the past year.

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

#### Electricity and water

With the current energy crisis, there is a concentration of effort surrounding power-saving initiatives.

Head office buildings utilise energy management systems and energy-efficient lighting to minimise the use of electricity. Signage has been placed in head office buildings to ensure that staff do not make use of unnecessary lighting where it is not required. This includes unused conference rooms and display areas.

The air conditioning plant in the main head office complex houses ice tanks that generate ice during off-peak hours, which is used for day-time cooling. We have reduced the operating time of the air conditioning plant by two hours per day.

Where possible, computers at head office locations are switched off at night, and computer procurement now includes a requirement for energy efficiency.

The Eskom demand side management initiative continues to be met with contractual obstacles and the project to install electronic control-gear and energy-saving lighting in all of our stores remains in abeyance. However, we remain hopeful of a positive outcome. All new and refurbished stores are as a matter of course fitted with energy-saving lighting and control-gear.

Where it is practical and safe to do so, stores are now switching off all or most lights outside trading hours.

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

Electricity and water expenditure is monitored by the trading and service divisions each month against budgets and records of the previous year, and variances are followed up.

## sustainability report continued



We are investigating the electricity cost per square meter by trading division for all of the stores. Where there is a discrepancy it is followed up.

### Printers, faxes and laser cartridges

All printers and fax machines make use of recycled laser cartridges. In addition, we are investigating the use of double-sided printing as a standard throughout the group.

### 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. As this is one of the group's larger areas of environmental impact, we intend to engage with the service providers in order to ascertain how best carbon emissions can be minimised.

### 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 used.

### Electronic waste

Fluorescent tube and general lamp disposal at head offices and distribution centres is controlled by an environmental waste management company. In the main, stores currently rely on the disposal processes of their 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. They are stripped of recyclable materials and the 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 members 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

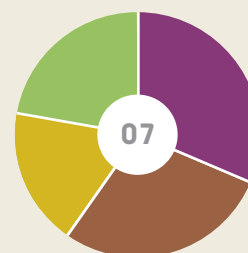
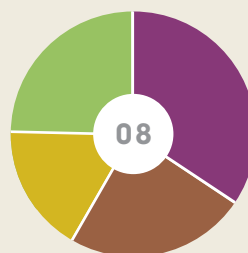
Suppliers have been issued with supplier agreements for signature which require their compliance with, *inter alia*, labour, and customs and excise legislation. Regular audits are undertaken at the premises of our merchandise suppliers and deviations from agreed standards must be remedied if the suppliers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

# value added statement

for the years ended 31 March

	Note	2008 Rm	%	2007 Rm	%
Retail turnover		7 668,7		7 230,0	
Dividends received		17,2		22,8	
Paid to suppliers for goods and services		(4 381,1)		(4 179,4)	
<b>Value added</b>		<b>3 304,8</b>	<b>100,0</b>	<b>3 073,4</b>	<b>100,0</b>
<b>Applied as follows:</b>					
<b>Employees</b>					
Remuneration to employees		1 132,7	34,3	964,5	31,4
<b>Providers of capital</b>					
To lenders as finance charges		120,1	3,6	104,7	3,4
To shareholders as dividends		692,6	21,0	577,2	18,8
<b>Taxation</b>					
Taxation		565,3	17,1	555,6	18,1
<b>Reinvested</b>					
Reinvested in the group to finance future expansion and growth	1	794,1	24,0	871,4	28,3
<b>Employment of value added</b>		<b>3 304,8</b>	<b>100,0</b>	<b>3 073,4</b>	<b>100,0</b>
Notes to the Value Added Statement					
1. <b>Reinvested in the group to finance future expansion and growth</b>					
Depreciation and amortisation		204,7	6,2	174,1	5,6
Deferred taxation		(50,9)	(1,5)	(34,7)	(1,1)
Retained income		640,3	19,3	732,0	23,8
		<b>794,1</b>	<b>24,0</b>	<b>871,4</b>	<b>28,3</b>
2. <b>State taxes</b>					
Direct taxation as above		565,3		555,6	
Net value added taxation		310,4		268,9	
Employees' taxation		122,6		120,4	
Regional Services Council levies		–		3,6	
<b>Channelled through the group</b>		<b>998,3</b>		<b>948,5</b>	

	2008	2007
● Employees:	34,3%	31,4%
● Reinvested:	24,0%	28,3%
● Taxation:	17,1%	18,1%
● Providers of capital:	24,6%	22,2%



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
<b>1 Vision and Strategy</b>	
1.1 Vision and strategy	Corporate Profile
1.2 CEO's statement	Chief Executive Officer's Report
<b>2 Profile</b>	
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 and Services
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	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
<b>3 Governance Structure and Management Systems</b>	
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 Approaches to stakeholder consultation	Not reported on
3.11 Feedback from stakeholder consultation	Not reported on
3.12 Information used from 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
S01	Community	Sustainability Report
S02	Bribery and corruption	Sustainability Report
S03	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