

10 January 2014

To whom it may Concern:

I am pleased to confirm that Edcon reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Melanie Naidu

EDCON CHIEF HUMAN RESOURCE AND TRANSFORMTION OFFICER

UN Global Compact: COP 10 Principles

Human Rights

Principle 1

Edcon abides by a 'Code of Ethics', which is embedded in the culture. Our Code of Ethics Policy clearly indicates that Edcon 'is committed to integrity, performance and professionalism. These characteristics are reflected by our most important component, our people' Our 'Code of Ethics' refers to all Edcon employees and directors, irrespective of seniority. This Policy is communicated to all employees to ensure clear understanding and adherence to the Code

In addition, Edcon has several policies and processes that ensure that the rights of our Employees, customers, suppliers, and other stakeholders are respected and upheld. These include a set of Corporate Governance Principles guided by 'King 111' (Accepted as the benchmark for SA Corporate Governance Compliance). The Corporate Governance clearly states that 'As Directors and Managers, we are aware of our duties, obligations and accountability regarding the proper and responsible governing of the affairs of Edcon. In this regard, we are mindful of relevant issues, in order that we may ensure that Edcon is at the forefront in its field' Edcon will continuously be committed to

complying with the requirements of the King Code on Corporate Governance and other best practice standards where and as they may be relevant.

Our policies also specify a Code of Conduct when dealing with Colleagues, Customers and Suppliers. It specifies that in dealing with our Edcon colleagues, we are open, honest and courteous with one another and we treat each other with respect. When dealing with Customers, acknowledge that without our customers, Edcon would not exist. Client satisfaction is our main priority and we keep our clients satisfied by giving them (1) friendly, helpful, courteous and professional service at all times; and (2) quality products and services that provide good value for money. If a customer shows any signs of dissatisfaction with our services or products, he or she is given the benefit of the doubt. Edcon is committed to developing professional relationships of trust with our various suppliers in order to support Edcon's business reputation of integrity and professionalism. When doing business for Edcon, (1) we are sure that we are duly authorised to deal on behalf of Edcon (2) follow proper contract and tender procedures (3) reject any business practice that appears improper (4) consult the Legal Department before entering any non-standard agreement (5) honour Edcon's obligations in terms of signed contracts (6) do not deal with suppliers who are not prepared to be scrutinised for tax/duty compliance (7) will not knowingly associate with suppliers who exploit labour or use child labour, and may request a certificate of compliance; and (8) avoid developing situations or relationships that lead to a conflict of interests

Principle 2

Edcon fully supports the rights of its employees, customers, and the community as a whole. We have put several processes/policies in place to facilitate these rights, as well complying with Government Legislature.

We have an Employee 'Rights Handbook' that clearly stimulates the rights of the employee. This handbook is given to all new Employees, and is readily available in all our stores, facilities, offices and on our intranet. We have suggestion boxes and a customer call-centre available throughout our business for employees and customers to voice their opinions. We have an Employee Relations Department that addresses all injustices/grievances. Our Employee Relations department is committed to complying with and supporting all constitutional rights, which apply, to its relationships with employees and the interactions between employees. This department helps ensure that a good working environment is created within the workplace amongst employees. Our HR Department holds regular meetings with the Department of Labour. We are compliant with the South African Department of Labour criteria, and are continuously working with them to ensure diversity. We meet with the South African Trade Unions on a regular basis, and consult with them via National Forums, on any

significant change that might affect our Employees. All our HR Policies are designed with the intention to support and ensure the rights and dignity of our Employees.

Our Ombudsman department provides a confidential, impartial process, which facilitates fair resolutions to specific complaints that remain unresolved by the normal process. The Edcon Ombudsman will endeavour to resolve disputes or assist in solution referral. The Ombudsman is an impartial dispute manager providing independent confidential assistance. The Ombudsman protects individuals from improper or unfair treatment. The Ombudsman acts as a source of information, referral, and is impartial to both sides of the dispute. The Ombudsman assists in the resolution of disputes for petitioners. The interests and rights of all parties who might be involved are taken into account. The Ombudsman office is committed to receiving and managing employee complaints, in a sensitive, impartial and prompt manner. The Ombudsman operates on the authority of the CEO. The office of the Ombudsman is independent of all divisions with Edcon. The decision of the Ombudsman cannot be overruled by any division within Edcon.

Labour

Principle 3

Edcon is continuously making progress in ensuring Human Rights. Our processes and policies are updated on a regular basis in line with Government and King 111 requirements. Our Employee Relations Department takes a very strong stance on any Human Right Violation. We work closely with the Department of Labour in terms of facilitating Employment Equity, Disability, and Gender Plans/Strategies. Our Social, Ethics and Transformation Committee ensure that Edcon is not only compliant, but proactively progressive in ensuring Good Corporate Governance. In addition to external auditing by the various Government Department and Service Providers, we also have an Internal Audit Department that ensures compliance with our processes and policies.

Principle 4

Labour Laws

Edcon fully supports, and abides by the South African 'Basic Conditions of Employment Act' and the 'Occupational Health & Safety Act, 85 of 1993'. The Labour Relations Act affords every employee the right to strike and every employer the recourse to lock out. Edcon supports an Employees right to strike.

Our Labour Relations Policy recognises that despite a well-established relationship between the employer and its employees, industrial action may in certain circumstances be unavoidable. This policy assists in regulating the conduct of all parties during industrial/ protest action. The motivation for the Edcon Labour Relations Policy is to ensure that the employer/employee relationship that has been established and founded on positive and progressive principles, is not threatened by irresponsible behaviour and actions committed during a strike. The purpose of the policy is to define what acceptable behaviour is during a strike and to adopt mechanisms to regulate such conduct.

The Policy is governed by certain principles which include:

- This document does not in any manner allow for any relaxation or deviances in law. Therefore the Legislative requirements pertaining to a protected strike, in terms of the Labour Relations Act, 66 of 1995 are applicable.
- Similarly, the legal requirements in terms of a lock out are also applicable.
- The company and employees and / or their representatives will endeavour to exhaust all proceedings before any protest or demonstration can take place on any issue relating to terms and conditions of employment, grievance, discipline, or any other matter.

- Our Supply Agreement Contracts with our Suppliers stipulate that 'Suppliers shall endeavour to comply with 'The Social, Ethical and Environmental Compliance Issues'. This is monitored and managed through our Sustainability Strategy

- Edcon works very closely with all Trade Unions and Government department to ensure that the rights of its employees are respected and upheld. Our employees are given the freedom via our Internal Processes to voice their disapprovals/complaints regarding any injustices, or via the external impartial Ombudsman Process.

Principle 5

- Edcon has various mechanisms available for employees to voice their opinions. These include HR, suggestions boxes, Employee Relations, Ombudsman, Intranet, call-centres, and the 'Corruption Hotline'

- Our Employee Relations Department also runs various training throughout the year on Edcon Disciplinary Procedures, Employees Rights, and Sexual Harassment etc. Our Employee

Equity Department also facilitates awareness on Employment Equity, Disability and Gender. In our recent Department of Labour submission.

- Edcon reported 100% employee awareness in terms of Employment Equity, Diversity and Disability i.e. all Edcon employees are aware of the significance of this.
- Our Employee Relations Executive, as well as the Chief HR and Transformation Offices and Group HR Executive consult with the Trade Unions and Departments of Labour to ensure healthy relationships.
- Our CEO, and other CE's sit on various committee to ensure compliance to Governance and Social Compliances. These include the Social, Ethical and Transformation Committee, Employment Equity Committee, and Sustainability Committee. We have portal on our Intranet that makes all Employee Relations, including information on Labour Relations available to all staff.
- We have specific HR Metrics that measures and evaluates all violations, disciplinary actions, sexual harassment across our business.

Principle 6

In our last financial year 2013, Edcon was made up of 35800 Employees.

The demographics of this consisted of:

Males:

African	Coloured	Indian	White	Foreign
8358	985	537	248	46

Females:

African	Coloured	Indian	White	Foreign
20955	3053	984	567	67

Our Employee Relations, as well as HR Department follows strict process and procedures to monitor Labour Principles. We report to the Department of Labour on a regular basis on Work Profiles in terms of our Commitment to Employment Equity; Disability, Gender, Disciplinary Actions etc. Our Metrics is subject to Internal Audits to ensure data integrity, as well as the Department of Labour

Audits. All Violations of Labour Rights and Principles are dealt with by our Employee Relations Department. Our Employee Relations Department is committed to complying with and supporting all constitutional rights, which apply, to its relationships with employees and the interactions between employees. The aim is to ensure a good working environment is created within the workplace amongst employees and that employees generate a mutual respect and trust for each other. Edcon is committed towards ensuring that discrimination against fellow employees, in any form, will not be accepted.

Environmental

Principle 7

Edcon is cognizant that environmental, social and governance trends are increasingly impacting and re-shaping the competitive arena. By embarking on a number of social responsible efforts, Edcon aims to enhance our community, and society as whole towards building a more sustainable future.

The Edcon Environmental Policy clearly states that “Edcon is a socially responsible organisation, committed to:

- ***the reasonable and cost effective management of its direct and indirect impacts on the environment; and***
- ***providing a healthy and safe environment for employees and customers***

- ***In particular Edcon will:***
 - always meet relevant legislative requirements
 - conserve its usage of water and energy
 - dispose of waste responsibly
 - promote recycling wherever economically feasible
 - not offer merchandise/services that have an illegal environmental impact
 - require business partners to certify that they meet relevant legislative requirements
 - create awareness of sound environmental practices amongst staff
 - keep stakeholders informed about relevant progress via internal and external reporting (the Vibe and Club magazines and the Annual Report);
 - And conduct internal audits of its performance in applying these policies and in complying with all applicable laws and regulations.

As SA's biggest retailer, we have a clear responsibility to protect our environment. We recognise that our business directly and indirectly impacts on the environment. Some of our direct influences include water and energy consumption, waste disposal and the choice of merchandise, packaging and services we trade in. Our indirect environmental influences stem from our dealings with suppliers/manufacturers of merchandise and packaging, transport contractors, developers / landlords of business sites, service providers; and communities/projects that we support socially. As a socially responsible company, we are committed to the reasonable and cost effective management of its direct and indirect impacts on the environment; and providing a healthy and safe environment for employees and customers.

The Edcon Board is responsible for overseeing sustainable environmental management within Edcon. To this end, the Chief Executive Officer keeps the Board informed of Edcon's environmental management efforts. The Social, Ethics and Transformation Committee of Edcon ensure oversight of the implementation of the Sustainability Strategy. At the operational level, the Sustainability Steering Committee is responsible for co-ordinating and integrating sustainability initiatives across the company. Each focus area is represented on the Sustainability Steering Committee, with additional members being co-opted as required.

Principle 8

Edcon has a Sustainability Vision. The proposed sustainability vision is "Efficient, Ethical, and Agility".

1. Efficient refers to the reduction of waste, optimization of material use and human potential. This would help to develop the organisation in line with the business strategy.
2. Ethical refers to encouraging openness and transparency; by using our leverage (with suppliers) to promote a robust understanding of value, we are able to build trust with our stakeholders. This strengthens our core and contributes to building reputation.
3. And, finally Agile refers to by ensuring sustainability initiatives contribute to internal skills, systems and partnerships that drive competitiveness, sustainability can contribute to strengthening and developing the organization

The Edcon Sustainability Vision consists of five focus areas where sustainability initiatives align most strongly with the value drivers of the organization. These include People, Governance, Supply Chain, Optimization and Social Responsibility. The Edcon Sustainability Strategy is a three-to-five year strategic cycle where sustainability both aligns with and interrogates the Edcon business model. This is based on the understanding that sustainability can and must help the company innovate to drive competitiveness in a changing world

1. People

Edcon is committed to developing a HPO Culture in support of National Development Goals. We aim to achieve this by creating a transformative culture through Business and HR Processes and Policies aimed at:

- Skills and Development
- Employment Equity
- Talent Pipeline
- Skills Retention
- Remuneration
- Employee Wellness
- Health and Safety

This will result in Edcon empowering its employees, developing human capital, and supporting national skill and job agenda.

2. Social Responsibility

Edcon is continuously committed to supporting local community endeavours. We have in the past, and will continue to engage with local communities, and contribute to local community development. Our aim is to support community development and build social capital. We also aim to continuously support the development and empowerment of black owned business

3. Governance

Edcon will ensure the effective governance, sound management, and application of ESG principles by complying with Government Legislation (e.g. King iii), ensuring ethical behaviour and accountability. This is done by building trust and demonstrating good governance, encouraging sound policy in retail environment, and supporting transparency.

4. Supply Chain and Sourcing

Edcon will continue to support local merchandise suppliers, while using our leverage to encourage ESG awareness across our supply chain. The Supply Chain and Sourcing Department is committed towards supporting the development of local industries, promoting and tracking ESG performance of local supply base by reducing waste and energy across the supply chain. This will be done through ethical production, development of local industries, and resource conservation.

5. Optimisation

Reducing our Carbon Footprint, Recycling and Waste is a priority for Edcon. Through several initiatives we aim to:

- Reduce our energy consumption at our stores, facilities, and distribution centres
- Reduce total waste sent to landfills/incinerators
- Reduce the consumption of paper and packaging at our stores, facilities, and distribution centres
- Practice responsible water usage

By partnering with Environmental Consultants, Edcon intends to fulfil its commitment to the Waste Management and Resource Reduction. Independent External Assurances will reinforce this commitment.

Principle 9

Measurement of Sustainability Strategy

Currently various functional areas within Edcon measure and evaluate the 5 core areas in Sustainability. This measurement is done by our Internal Audit Teams, as well as External Assurance Service Providers.

The 5 core areas and targets/measurements required are as below:

Core ESG Areas	Target 1	Progress	Target 2	Progress
People	Develop and maintain a culture of diversity and inclusion	On Track	Enable all Edcon employees to represent the brand on sustainability issues relevant to their work area	On Track
Social Responsibility	Align CSI spend with Edcon business operations	Done	Strengthen Enterprise Development initiatives in alignment with Edcon business operations	In Progress

Governance	Track implementation of the sustainability performance management framework via the internal audit system	In Progress	Align with global best practice in governance and reporting	Done
Supply Chain Management	Integrate ESG considerations into supplier contracts and relationships	In Progress	Increase the volume of merchandise sourced from local and regional (SADC) suppliers	In Progress
Optimisation	Decrease energy use at head offices, distribution centres and stores	In Progress	Improve the treatment of waste at head offices, distribution centres and stores	In Progress

The quantitative data will be presented in our Annual Integrated Report in 2014.

Anti-Corruption

Principle 10

Edcon is committed to working all forms of Corruption out of its business. Our 'Code of Ethics' highlights Crime Prevention, Conflicts of Interest, Gifts and Favours. These include guidelines in terms of:

1. Crime Prevention

We do not tolerate crime. We prevent it whenever possible but we never risk being injured in dangerous situations.

- If we are aware of a crime or other acts of dishonesty, we report them to either our line manager or a more senior individual. We can also choose to remain anonymous and report our information to the Edcon Fraud and Dishonesty Hotline.
- If we are requested to do something that we know is against the law or against operational guidelines, we report the incidents to our line or more senior manager.
- We will not report false information, as this could lead to unnecessary investigative work and to avoidable emotional distress on the part of those who may have been falsely accused.
- We do not breach Edcon's information security policy, particularly the requirement to maintain strict and proper security over all computerised data / information.

- New appointments are only effected after the integrity and honesty of the relevant applicants have been confirmed.
- We never take any action to illegally reduce any levies, taxes or duties that are payable.
- We do not accept or offer any payment, bribe, favour or incentive that might influence or appear to influence any action or transaction relative to Edcon's business.
- We do not pass on to anyone outside of Edcon information that is sensitive or confidential to the Company, nor do we take with us any material whatsoever when we leave the Group's employ. This includes both the internal and store telephone directories.

2. Conflict of Interests

We are an integral part of Edcon and this is why we avoid conflicts of interests by upholding the following principles:

- We never do anything that conflicts with our Edcon duties.
 - While we are employed by Edcon, we are prohibited from carrying on any undertaking or from being directly or indirectly interested or engaged in or concerned with any business that:
 - competes, either directly or indirectly, with any business activity carried on from time to time by Edcon;
 - is a provider of any goods or services to Edcon; or
 - Could result in solicitation of private business from Edcon.
 - Other than receiving our Edcon salaries and other benefits, we do not use our official position at Edcon for our own personal benefit.
 - We do not undertake an assignment or involvement of any nature for remuneration unless this has the prior written approval of the head of our Chain / Department.
 - We do not seek to influence any business dealings between Edcon and any outside person or organisation, to the possible benefit of a relative, friend, or other interested party known directly or indirectly to us.
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- We do not conduct negotiations of any nature whatsoever with ex-employees, if they are employed by a supplier to Edcon or if they act in the capacity of an agent or agent's assistant for an Edcon supplier, for a period of two years after they resigned from Edcon. Only the Group CEO can authorize an exception to this rule.
 - We do not invest nor acquire a financial interest in any Edcon business associate directly or indirectly, where this interest could appear to influence our decisions in the normal course of our Edcon duties.
 - When we have any of the following direct or indirect financial or other interests, we declare this in writing to the Ethics Committee for consideration:

- Instances where our *direct family members enter into a supplier or other business relationship with Edcon;
 *Definition of direct family members includes our spouse/ partner, children and dependants
- Any business in which we are an owner or shareholder, excluding investment vehicles such as unit trusts;
- Instances where we have a close relationship with friends/individuals(including extended family members) involved in business dealings with Edcon, especially where our interaction with such individuals could be construed as cronyism or nepotism;
- Instances where we have secondary work or are working elsewhere after hours; and
- Instances where a 3rd party represents us in any business venture on a nominated or trusteeship basis.

The Ethics Committee has been established to consider any declarations of conflicts of interests brought to its attention or of which it may become aware, and to decide on an appropriate manner of dealing with such conflicts. The decisions of the Committee will be final and binding on all employees. The Committee is obliged to consider all written evidence submitted to it, and retain records of its decisions.

3. Gifts and Favours

- Edcon's Business Gift Policy provides clear guidelines for the giving and receiving of business gifts. We adhere to the Business Gift Policy at all times.
- A "business gift" is anything of value that is given or received as a result of a business relationship and for which the recipient does not pay or for which the recipient pays less than the normal selling price.
- Business gifts would include (but are not restricted to) items such as meals, theatre or sporting events/tickets, supplier discounts, "all expense paid" trips, alcohol, etc. However, personal gifts that result in self enrichment will be treated differently as opposed to how attendance at functions/events will be addressed.
- If we buy anything from an Edcon supplier/service provider at the same price at which Edcon purchases the relevant item, we are receiving a business gift and we are required to apply the stipulations of the Business Gift Policy.

- We do not accept from any existing or potential business associate of Edcon any gift with a value in excess of R500.00. (In this context, gifts include any work or favour that is done for us in our private capacities by any of Edcon's business associates.)
- Where such a gift is offered, we first obtain our line manager's approval to accept it. If we obtain such approval, we determine the gift's market value and we then have the option of paying into a Company charity the difference between the market value and the R500.00 limit. If we are not prepared to pay the difference, we do not accept the gift.
- We declare all gifts with a value in excess of R500.00 that we accepted and we provide proof that we paid the difference between the market value and the R500.00 limit. Line managers keep a register of gifts for these purposes.
- We do not accept any gifts of cash or shares.

In the event we feel obliged, on behalf of our business requirements, to:

- receive marketing items of a minimal value;
- attend business entertainment such as lunches, cocktail parties or dinners; or
- accept hospitality such as tickets to local sporting events or theatres, provided that we personally bear the cost of any accommodation and transport;

We also have several HR Policies, such as the Edcon Honest Policy, Gift Policy, and Employee Relations Policy that help govern Anti-Corruption. There are various mechanisms available to Employees to report on any form of Corruption. These include our call centres, corruption hotlines, internet/intranet/

4. Implementations

- Edcon has an Internal Audit Department that actions and responds to any/all types of perceived and actual Corruption.
- Edcon's internal audit function provides the Board and management with an independent and objective assurance service that reviews matters relating to control, risk management and operational efficiency. The internal auditors report directly to the Audit and Risk Committee but are responsible to the chief financial officer on day-to-day matters, which arrangement does not impair the function's independence or objectivity.
- There is regular two-way communication between the group chief executive officer and the head of Internal Audit. The Audit and Risk Committee approves the function's yearly plan of audits, which encompasses all Edcon business operations and support functions. The Internal Audit plan is based on an annually conducted group-wide risk assessment.

- Edcon also uses External and Independent Audit Assurances The external auditor expresses an independent opinion on the audited group financial statements. The external auditor's plan is reviewed by the Audit and Risk Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to audit. Ernst & Young Inc., South Africa is the auditors of Edcon and the audit partner rotates in line with current legislation.

5. Measurement and Evaluation

Edcon views any form of Corruption very seriously. This seriousness is highlighted in our processes and policies. In addition, our Employee Relations Department has very stringent policies and processes to ensure that any form of Corruption is dealt with swiftly, but fairly.

Edcon consist of various Boards that ensure good Corporate Governance, which include monitoring, evaluating and auctioning any forms of Corruption. These include:

- Audit and Risk Committee

The Audit and Risk Committee meets at least twice a year to perform its chartered responsibilities. The Audit and Risk Committee oversees the internal and external audit and the internal and external auditors have access to the chairman of the Audit and Risk Committee, the chairman of the Board and the group chief executive officer. The Audit and Risk Committee also oversees the group's risk management process.

- Social, Ethics and Transformation Committee

The Social, Ethics and Transformation Committee meets at least twice per annum to monitor the company's activities regarding social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, labour and employment and to formally report to the shareholders on the performance of those functions annually; and review and evaluate the group's progress on transformation, with specific reference to the seven pillars outlined in the Codes of Good Conduct of the Broad Based Black Economic Empowerment Act, 2003 (the "BBBEE Act").