

# EDCON United Nations Global Compact (UNGC) Communication of Progress (COP)

The report covers the period 1 April 2017 ending 31 March 2018



**Summary and Synopsis of UNGC Principles and Sustainable Development Goals' (SDG's) Alignment to Global Reporting Initiative (GRI) Reporting Framework.**

<b>Global Compact Principles</b>	<b>GRI corresponding disclosure</b>
1. Business should support and respect the protection of internationally acclaimed human rights.	EC7; LA2, LA13-14, HR1 -4, SO5
2. Businesses should make sure that they are not complicit in human rights abuses.	HR 1-9, SO5
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4-5, HR1-3, HR5, SO5
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1-3, HR7, SO5
5. Businesses should uphold the effective abolition of child labour.	HR1-3, HR6, SO5
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	EC7, LA2, LA13-14, HR1-4, SO5
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN18, EN26, EN30, SO5
8. Businesses should undertake initiatives to promote greater environmental responsibility.	EN1-30, SO5, PR3-4
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	EN2, EN5-7, EN10, EN18, EN26-27, EN30, SO5
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2-6
<b>Sustainable Development Goals(SDG)</b>	<b>GRI corresponding disclosure</b>
5. Achieve gender equality and empower all women and girls	102, 103, 202, 405,401, 404, 201, 203, 406,414

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## **1. ORGANISATIONAL PROFILE**

### **1.1 Organisation Name and Headquarters**

Edcon Holdings Limited

Registered address: Edgardale, 1 Press Avenue Crown Mines, Johannesburg 2092

#### **1.1.1 Ownership and Legal Form**

Edcon is a private company incorporated under the Companies Act. The company delisted from the Johannesburg Stock Exchange in 2007.

### **1.2 Employee Profile**

Edcon Holdings Limited has approximately 40 000, employees across Africa.

### **1.3 Collective Bargaining Agreements**

A two-year collective bargaining agreement was reached in May 2017 with the South African Commercial, Catering and Allied Workers Union (SACCAWU).

### **1.4 Supply Chain**

Edcon has prioritised the focus on increasing local content and developing a world-class sourcing department. The enterprise and supplier development programme is integral to achieving this objective.

### **1.5 Significant Changes to the Organization and its Supply Chain**

The concentration on suppliers will increase as Edcon proceeds with the ongoing strategy to increase localisation by directing more of its spend to growing its local and regional supplier base in Mauritius, Bangladesh, Madagascar and sub-Saharan Africa.

The total Direct Local / Regional vendor base consists of over 120 vendors and over 100 are based in South Africa, with a share remaining consistent at 85%. Project Durban” was initiated in March 2017, with satellite office set-up to assist vendor base in the greater Durban region with capacity management, on time deliveries and improve product capabilities.

### **1.6 External Initiatives**

- Sustainable Cotton Cluster Initiative through Cotton SA
- UN HeforShe Campaign
- Celrose Manufacturing
- Proudly South African
- UN UNiTE Orange Day Campaign

## 1.7 Membership of Associations

Edcon is signatory to a broad range of industry and corporate governance frameworks and associations, including:

- Proudly South African
- United Nations Global Compact (UNGC)
- SA Textiles Cluster
- Sustainable Cotton Cluster (Cotton SA)
- NEDLAC
- BUSA

## 1.8 Activities, Brands and Services

Edcon is South Africa's largest non-food retailer, with a market share of the South African clothing and footwear (C&F) market nearly twice that of its nearest competitor, trading through a range of retail formats. The Group has grown from opening its first store in 1929, to trading in 1318 stores<sup>i</sup> in southern Africa and Ghana through nine different store formats. The figure is inclusive of 221 stores in Botswana, Mozambique, Namibia, Swaziland, Lesotho, Zambia, Ghana and Zimbabwe. Edcon has been recognised in national surveys as one of the top companies to work for in South Africa and continues to make significant progress in its equity and transformation goals.<sup>ii</sup>

### 1.9 Edcon Brands<sup>iii</sup>

During the reporting period, Edcon operated its business under three principal operating divisions comprising nine key store brands, as well as mono-branded stores throughout southern Africa namely; the Edgars division, the Discount division and CNA division. The Edgars division included: Edgars, Boardmans, Edgars Active, Edgars Shoe Gallery, Red Square and the Group's mono-branded stores, serves principally middle and upper income markets. Discount division includes Jet, JetMart and serves principally middle to lower income markets and CNA, the Group's stationery, books, games, movies, music, hi-tech electronics and mobile retailer.

The Edcon Credit and financial services provides credit and insurance products to the Group's customers. Through the launch of the "Thank U" loyalty programme, Edcon now has the largest retail customer database in South Africa, with more than 12 million customers, which enables it to provide customers with relevant offers across its suite of retail and financial services products; this programme includes all mono-branded stores in South Africa.

#### 1.9.1 EDGARS DIVISION



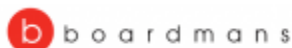
The leading retailer of clothing, footwear, textiles, cosmetics, accessories and cellular products in Southern Africa, with a wide assortment for everyone including local and international brands, as well as Edgars private label brands.

- 203 stores
- Average size 3 496sqm
- LSM 6-10, all ages



Speciality store with the widest range of national and international beauty, fragrance, cosmetics and skincare brands.

- 42 stores
- Average size 155 sqm
- LSM 5-10



Boardmans aims to provide the most complete home - living solution in the shopping mall, focusing on bedroom, bathroom, kitchen and home décor ranges for the discerning buyer.

- 33 stores
- Average size 910 sqm
- LSM 7-10.



Speciality store based on youthful lifestyle and brand conscious customers offering a selection of active and lifestyle clothing, footwear, accessories and cellular products across a wide range of aspirational, but affordable international brands.

- 169 stores
- Average size 402 sqm
- LSM 4-7

Note: Edgars Active is under Jet

## MONO-BRANDED STORES

Edcon brings iconic international brands through exclusive licences to the South African customer. These brands are found in Mono-branded stores and/or select Edgars stores.

- |                  |               |                |            |            |
|------------------|---------------|----------------|------------|------------|
| - Topshop Topman | - Tom Tailor  | - Dune London  | - TM Lewin | - La Senza |
| - Calvin Klein   | - Accessorise | - Vince Cumato | - Lipsy    | - Mac      |

## 1.9.2 DISCOUNT DIVISION



Jet is a discount CFTA format selling fashion as well as cellular products to the entire family.

- 389 stores across Southern Africa
- Average size 911 sqm
- LSM 4-7



JetMart is a discount general merchandise format anchored in the Jet range, but expanded to include home, DIY, appliances and beauty products.

- 128 stores
- Average size 1 826 sqm
- LSM 4-7

### 1.9.3 CNA



Edcon is also the leading retailer of books and magazines in South Africa under the CNA division, which accounted for 6.9% of total retail sales in the period ended 26 March 2016.

- There were 198 stores in the CNA division
- Average retail space of 79 sqm

### 1.9.4 African footprint

The Zimbabwe business is independently managed and reported.

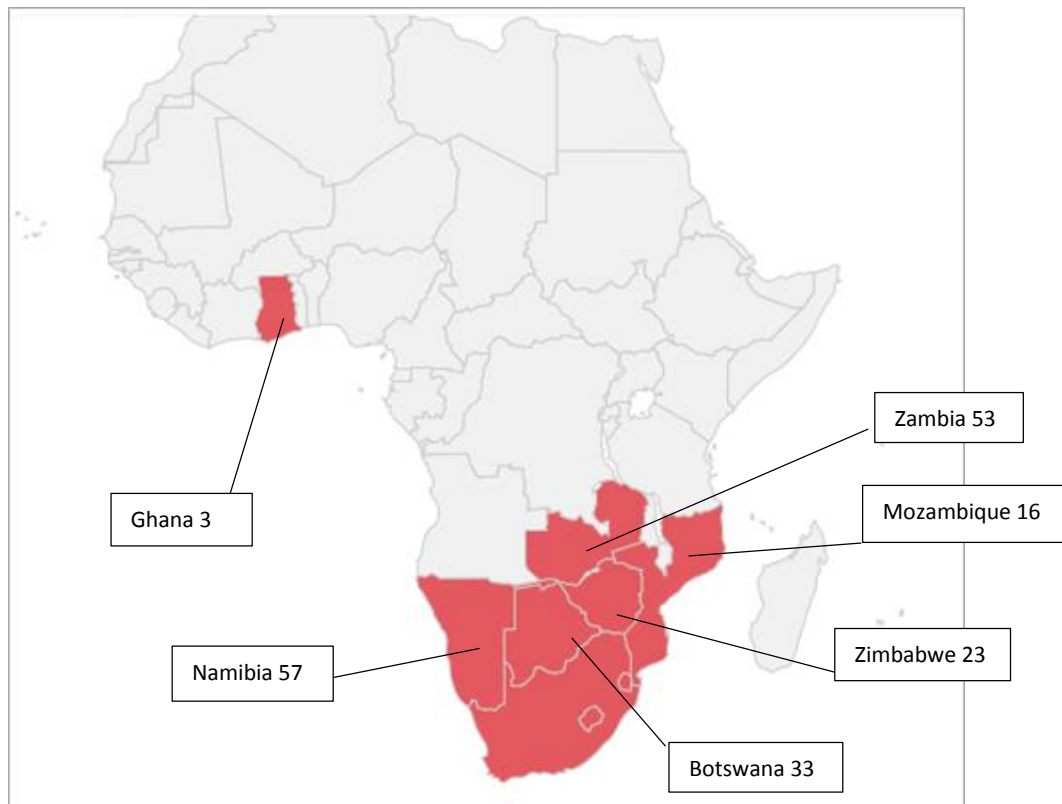


FIGURE 1: AFRICAN FOOTPRINT



### 1.10 Key Risks and Impact

Edcon has a robust Enterprise Risk Framework and policy that identifies, reviews and updates enterprise risk, mapped against impact and likelihood. For the reporting period the table below illustrates the top risks:

1. Cash Flow
2. Credit
3. People
4. Product and assortment
5. Working capital
6. IT
7. Crime
8. Market conditions
9. Interest rates and forex
10. Legal compliance
11. Sustainability
12. Business continuity management
13. Customer centricity
14. Supply chain

Four times per annum, DRMC representatives are requested to review and update their respective areas' top risks as per the Groups Risk Management Cycle.



FIGURE 1: EDCON KEY RISKS AS DEC 2017

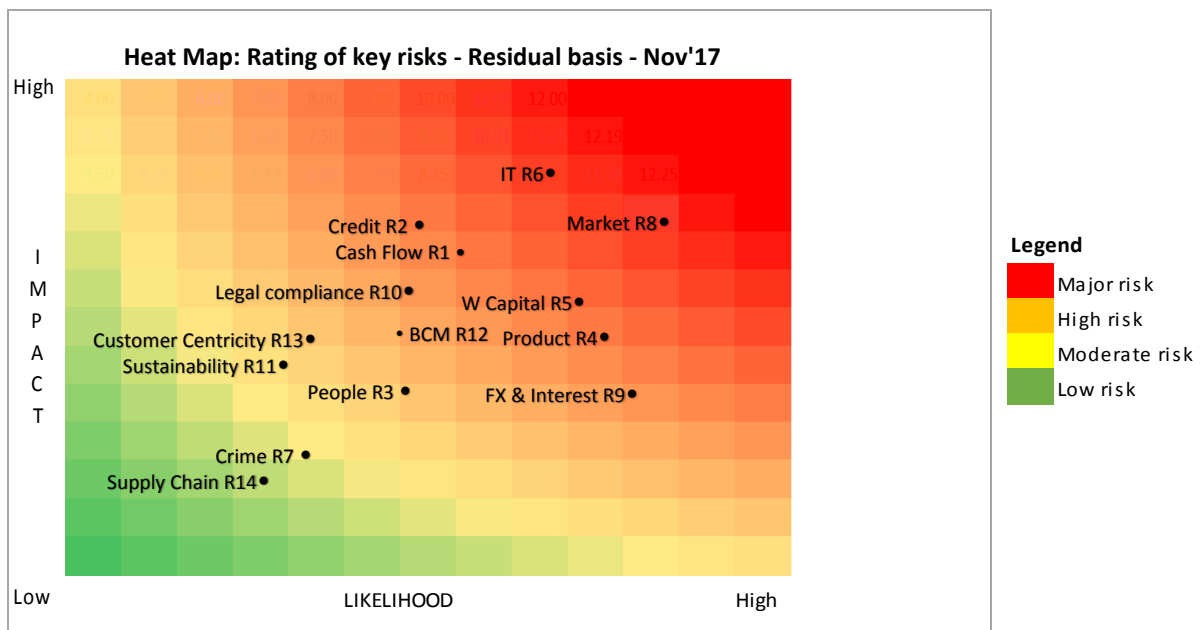


FIGURE 3: EDCON RISK MANAGEMENT REPORT, MAY 2018

The risk issues are managed and mitigated proactively with the business. The current market report to the industry discusses some of the key risks and the progress to date. Management discussion and analysis of unaudited trading update pertaining to the third quarter 2018 compared to the third quarter 2017<sup>iv</sup>:

- Retail sales decreased by 9.4% to R7,646 million from R8,441 million impacted by the sale of the Legit business, the exit of non-profitable international brands and the closure of unprofitable stores whilst like-for-like retail sales decreased by 4.9%

- Excluding Legit, Edgars Shoe Gallery, unprofitable international brands being exited and the alignment<sup>1</sup> of the trading period, retail sales decreased by 3.8% to R7,710 million
- Gross profit margin up 190bps from 36.1% to 38.0%
- Excluding the impact of Legit, Edgars Shoe Gallery, brands being exited and the alignment<sup>1</sup> of the third quarter 2018 trading period to the third quarter 2017, gross profit increased by 2.3% to R2,952 million. The gross profit margin increased 230bps from 36.0% to 38.3%
- Pro-forma Adjusted EBITDA decreased by 31.4% to R619 million
- Operating cash before changes in working capital increased by R397 million in third quarter 2018 compared to an increase of R449 million in the third quarter 2017
- Ladieswear continues to trade up in both Edgars and Jet

SOURCE: EDCON ACQUISITION PROPRIETARY LIMITED, UNAUDITED TRADING UPDATE FOR THE 13 WEEKS ENDED 23 DECEMBER, 2017

### 1.10 Stakeholder Engagement

Edcon maintains a strong emphasis on quality stakeholder engagement at the heart of its communications and alignment with stakeholder expectations.

The organisation has a robust approach to stakeholder engagement with the Chief Executive leading and playing a key role in investor and client management.

#### Stakeholder Categories:

Stakeholder	Type	Frequency	Channel of communication
1. <b>International associations</b>	Policy makers/industry partners	Ad -hoc	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Industry forums</li> </ul>
2. <b>SA Government departments</b>	Regulator/legislator/industry partners	Ad-hoc/prescribed	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Reports</li> </ul>
3. <b>Clients</b>	Investors/Suppliers	Quarterly	<ul style="list-style-type: none"> <li>• Town hall</li> <li>• Investor briefs</li> <li>• Press releases</li> </ul>
4. <b>Industry bodies</b>	Regulators/legislators	Ad-hoc Scheduled meetings	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Industry initiatives</li> <li>• Industry forums</li> </ul>
5. <b>Edcon Staff</b>	Employees	Monthly As need arises	<ul style="list-style-type: none"> <li>• Newsletter</li> <li>• Town hall</li> <li>•</li> </ul>
6. <b>Board/shareholders</b>	Governance structures	Quarterly/ As need arises	<ul style="list-style-type: none"> <li>• Meetings</li> <li>•</li> </ul>
7. <b>Labour</b>	Labour representation	SACCAWU	<ul style="list-style-type: none"> <li>• Meetings</li> </ul>
8. <b>Customers</b>	Lower, middle & upper income groups	Ongoing customer engagements	<ul style="list-style-type: none"> <li>• Club magazines, in-store radio, online platforms, TV, radio &amp; print media</li> </ul>

TABLE 1: EDCON STAKEHOLDER CATEGORIES

## 2. CHIEF EXECUTIVE OFFICER STATEMENT

I am pleased to confirm that Edcon reaffirms its support and commitment to the ten principles of the United Nations Global Compact (UNGC) in the areas of Human rights, Labour, Environment and Anti-Corruption. The importance of transparency and accountability is at the cornerstone of the 10 principles. The ten principles are thus closely monitored by the Social and Ethics Committee as stipulated in the New Companies Act.

The role of ethics is central to Edcon's commitment to the 10 principles and the appointment of the Chief Ethics Officer and institutional rollout of ethic officers at all the operating divisions is an important process for accountability.

We furthermore, renew our on-going commitment and intent to advance these principles within our sphere of influence.

Edcon has been a participant in the United Global Compact since 2011. In this Communication of 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 commit to sharing this information with our stakeholders using our primary channels of communication.



Grant Pattison

**Chief Executive Officer & Managing Director**



# WHERE SUSTAINABILITY GOVERNS

Like the seam that binds fabric together, so does corporate governance. Our business embeds our vision and values to promote the long term interests of our people, customers, communities, environment and shareholders. We stitch together a sustainable future.

### **3. GOVERNANCE**

#### **3.1 Board Governance and Committees**

The Edcon board has been elected and appointed by the shareholders. The board structure comprises of 11 directors: three executive directors and eight non-executive directors, four of whom are independent<sup>v</sup>. The board has delegated authority for the day-to-day affairs of the Group to the Executive Management Team, which includes the chief executive officer, the chief financial officer, and the chief executives of the Edgars and Discount divisions. The board of directors focuses on the key elements of the corporate governance processes underpinning our operation. More specifically its role includes:

- Considers and adopts if appropriate, operating budgets and business plans proposed by management for achievement of the Group's strategic direction;
- Delegates authority for capital expenditure and evaluates investment, capital, and funding proposals reserved for board approval;
- Provide oversight of performance against targets and objectives;
- Provides oversight of reporting on direction, corporate governance and performance;
- Ensures ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and internal governing documents and codes of conduct;
- Acts responsibly towards Edcon's relevant stakeholders;
- Committed to the underlying principles of good corporate governance and ensure that compliance with corporate governance principles is reviewed regularly; and
- Ensures adequate systems of internal control.

The Audit and Risk Committee evaluates any risk deemed necessary for discussion and evaluation by all directors, under board approved written terms of reference. The chairman of the audit and risk committee reports on the progress of how key risk issues are being addressed to the board while a risk profile is tabled annually at a board meeting. The board supports the following risk management plan structure that management has developed and maintains on an ongoing basis:

#### **The Social, Ethics and Transformation Committee (SETC)**

The Social, Ethics and Transformation Committee meets twice per annum to monitor the company's activities regarding governance, 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. The committee also reviews and evaluates the group's progress on transformation, with specific reference to the five pillars outlined in the Revised Codes of Good Practise of the Broad Based Black Economic Empowerment, 2013 (the "BBBEE Act"). The SETC also has oversight on the conflict of interest in the organisation.

#### **Ethics Committee**

An Ethics Committee has been established. Its role is 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.




The role of the Ethics Officer has taken a key central role with the appointment of a Chief Ethics officer and the team has taken to capacitate themselves with training.

Name of Ethics Officer	Area Responsible	Training Date	Comments
<b>Phuti Kgare</b>	Chief Ethics Officer for Edcon	27 Nov - 1 Dec 2017	Training Completed and Passed. Await receipt of the formal Ethics Officer Certification: EO 841.
<b>Kiran Kooverjee</b>	Shared Services (HR, Finance, IT, Legal, etc.)	27 Nov - 1 Dec 2017	Training Completed.
<b>Garrett da Silva</b>	Specialty (Cellular and C.N.A.), Credit and Financial Services	27 Nov - 1 Dec 2017	Training Completed.
<b>Yusuf Dinath</b>	Jet (including JetMart and Active)	27 Nov - 1 Dec 2017	Training Completed.
<b>Stanley Govender</b>	Celrose and Eddels Shoes	27 Nov - 1 Dec 2017	Training Completed.
<b>Phil Mokoale</b>	Edgars (including Boardmans, Red Square, Kelso, International Brands and ALIVE).	13-17 August 2018	Still to attend training in August 2018.
<b>Qamrun Nahar Sohely</b>	Bangladesh	7-11 May 2018	Training Completed.
<b>Lucy Lu</b>	China	7-11 May 2018	Training Completed.

TABLE 2: ETHICS OFFICERS TRAINING STATUS

### 3.2 Board Members

The appointed board members are tabled below, with the exception of Mr Bernie Brooks who stepped down in January 2018. The Board of Edcon had in September 2017, announced the departure of then current CEO – Mr Bernie Brookes and named Mr Grant Pattison as CEO designate. Although half of the non-executive directors are not independent, as recommended by King III, as they represent the majority shareholder, the board is satisfied that the balance of power and objectivity of the board is sufficient. In line with best practice, the roles of chairman and chief executive officer are separate<sup>vi</sup>.

	<p><b>GARETH PENNY</b> (NON-EXECUTIVE CHAIRMAN)</p> <p><b>Experience:</b> Gareth was educated at Diocesan College (Bishops) in Cape Town and at Eton College. He was a Rhodes Scholar at Oxford, graduating with a Masters in Philosophy, Politics and Economics. Gareth has worked in various forms of mining over the past three decades, and spent 22 years with De Beers and Anglo American, the last five of which he was Group CEO of De Beers. During his tenure, Gareth was instrumental in reshaping not only the world’s largest diamond company, but also the diamond industry. He was the prime architect in the change to the De Beers business model, which replaced over 100 years of supply-side management in the rough diamond business, with demand-driven initiatives, including a retail model that generated significant value creation for that company and the diamond industry. Gareth serves as a director and in some instances chairman of South African and international mining and resource companies: he is also a non-executive Director of Julius Bär Group Limited, a listed Swiss bank focused on wealth management, and serves on the Senior Advisory Board of TowerBrook Capital Partners, a leading New York and London based investment firm.</p>
	<p><b>RHIDWAAN GASANT</b></p> <p><b>Experience:</b> A qualified Chartered Accountant, Rhidwaan obtained an accountancy undergraduate degree through the University of South Africa (UNISA), and successfully completed a B.Compt in 1980. He spent time at Peat Marwick (now KPMG) as the first black professional to join the firm, and obtained a B. Compt, Honours degree in 1983, before passing the South African Chartered Accounting Board Examination in 1984. Rhidwaan initially joined Mobil Oil Southern Africa in 1986 as a Project Accountant and then as the Refinery Accounting Manager. He was later appointed to various financial roles within the Engen group and was appointed as the Chief Executive Officer of Energy Africa Limited. He is currently the Chief Executive Officer of Rapid African Energy Holdings, which is a start-up oil and gas exploration company focused on Africa. He also serves as a director on boards of various companies.</p>
	<p><b>DAPHNE MOTSEPE</b></p> <p><b>Experience:</b> Daphne obtained her Master of Business Administration in 1996, a Baccalareus Rationis Degree in 1980, which she upgraded to a BCompt in 1982. She is a seasoned consumer finance executive who retired from ABSA in June 2012 as Chief Executive for the Unsecured Lending Cluster. Prior to this, Daphne was seconded to an assignment at Barclays in the United Kingdom, where she worked in the commercial and retail banking sectors. Her portfolio covered Small Business, Mass Market banking, Cards and Personal Finance. Daphne had held a number of senior finance and operational positions in the FMCG, petroleum and SME development sectors. Daphne currently serves on the boards of a number of companies.</p>



**MARTI P MURRAY**

**Experience:**

Marti, an MBA and Certified Valuation Analyst, is the Founder and current President of Murray Analytics, a consulting firm providing financial advisory, valuation, and litigation support services. Over a 35-year career, Marti has served in a variety of leadership roles at both investment management and financial advisory firms. She was the Founder and President of Murray Capital Management, a distressed debt hedge fund firm that she led from 1995-2008. In 2008, the distressed debt business of Murray Capital was acquired by Babson Capital. Immediately prior to founding Murray Analytics in 2015, Marti was Senior Managing Director at Goldin Associates, leading a variety of financial advisory engagements. From 2001-2013, Marti served as Adjunct Professor at the NYU Stern School of Business where she taught Bankruptcy and Distressed Debt Investing, as well as Equity Analysis/Valuation. She has authored several articles on restructuring and risk management, and has been a frequent speaker at investor conferences worldwide on distressed debt and activist investing.



**KEITH WARBURTON**

After qualifying as a Chartered Accountant, Keith started his business career at an audit firm, after which he embarked on an abroad career in business and commerce. He has previously served as the Chief Financial Officer, Chief Operating Officer, and as an Executive Director of the Clicks Group. He has been involved in the retail industry since 1990 in the areas of super-marketing, fashion, health and beauty retailing, mail and direct order related retail and in conventional and cash and carry wholesaling, working for companies like Truworths, Score Supermarkets, Homechoice and the Metro Group, among others Keith also serves on the boards of various companies



**GRANT PATTISON**

**Experience:**

Grant graduated from the University of Cape Town with a B.Sc. Hons in Electrical Engineering in 1992. After four years with the Anglo American Group and two years in strategy consulting with The Monitor Group, Grant joined Massmart as Executive Assistant to the Executive Chairman in 1998. He held various positions within the Group, including Managing Director of Mass Discounters, Managing Director of Shield and Jumbo, Chairman Masscash and Group Commercial Executive. In 2005, he was appointed the Deputy Chief Executive Officer, and Chief Executive Officer in July 2007. He left Massmart in May 2014: he was the key member of the team that executed the Massmart transaction that resulted in Wal-Mart Stores Inc. becoming the major shareholder, and integrating the operations and systems of the two retailers in South Africa and the rest of the continent. Grant serves on the boards of various companies.



### 3.3 Executive Management

The Edcon Board has delegated authority for the day-to-day affairs of each of its divisions to the executive managers. The Executive Management Team is mandated to assist in reviewing the operations of and performance of the Group and its subsidiaries, developing strategy and policy proposals for consideration by the Board and implementing the directives of the Board. Edcon under the leadership of Mr Bernie Brookes - until end of December 2017, had consisted of the following executive management team as per figure below.

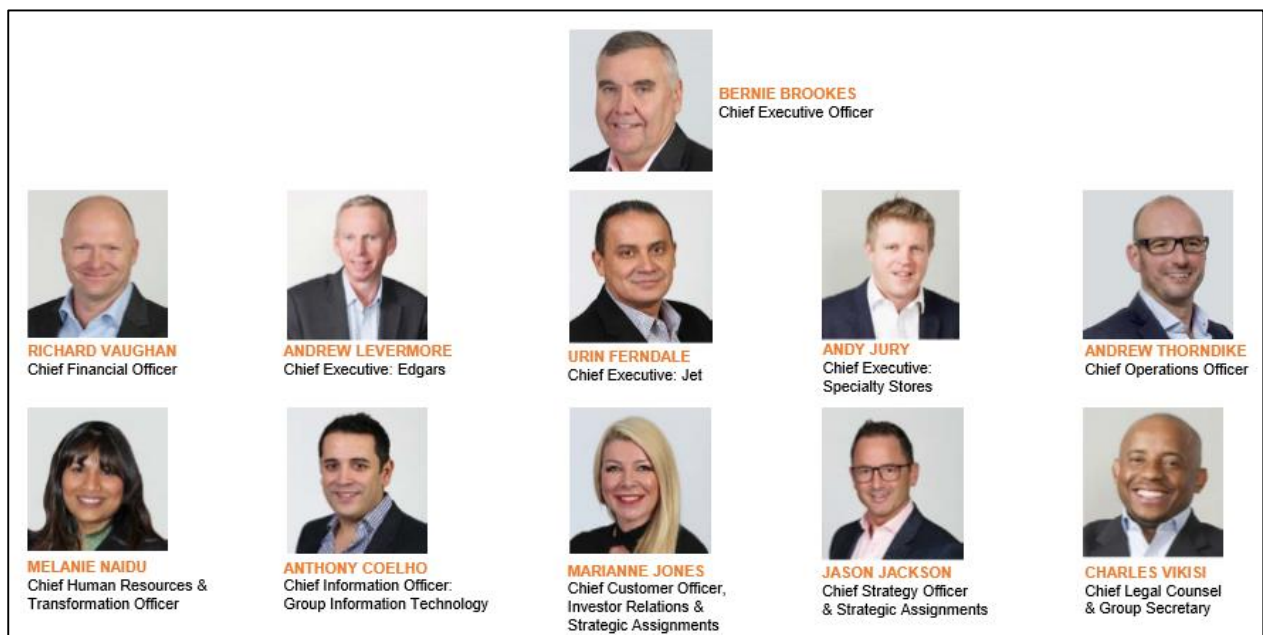


FIGURE 4: EDCON EXECUTIVE MANAGEMENT TEAM AS END DECEMBER 2017

The new Executive Management Team was appointed under the stewardship of the new CEO- Mr Grant Pattison as profiled below:

	<p><b>GRANT PATTISON</b> <b>CHIEF EXECUTIVE OFFICER</b></p> <p>Grant graduated from the University of Cape Town with a B.Sc. Hons in Electrical Engineering in 1992. After four years with the Anglo American Group and two years in strategy consulting with The Monitor Group, Grant joined Massmart as Executive Assistant to the Executive Chairman in 1998. He held various positions within the Group, including Managing Director of Mass Discounters, Managing Director of Shield and Jumbo, Chairman Masscash and Group Commercial Executive. In 2005, he was appointed the Deputy Chief Executive Officer, and Chief Executive Officer in July 2007. He left Massmart in May 2014: he was the key member of the team that executed the Massmart transaction that resulted in Wal-Mart Stores Inc. becoming the major shareholder, and integrating the operations and systems of the two retailers in South Africa and the rest of the continent. Grant serves on the boards of various companies.</p>
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**DR URIN FERNDALE**  
**CHIEF EXECUTIVE: JET**

Education: BA, BA (Hons) MA (University of the Western Cape), DLitt et Phil (University of Johannesburg)

Dr Urin Ferndale was appointed as Chief Executive for Jet in July 2016. Urin served as Joint Interim Chief Executive Officer at Edcon Holdings Limited and Edcon Limited from August 17, 2015 to September 29, 2015. Prior to that, he was the Chief Operating Officer of Edcon Holdings Limited from September 2009. He also served as the Chief Executive of Retail Operations of Edcon Holdings between September 2007 and September 2009, as well as its Group Human Resources Director since joining in 1999 to 2007. Urin has served as an Executive Director of Edcon Holdings Limited since 1999. Prior to Edcon, he was employed as Personnel Manager, Human Resources Manager and Labour Relations Manager at several listed companies and parastatal entities.



**JASON JACKSON**  
**CHIEF SHARED SERVICES OFFICER**

Jason has extensive experience in providing consulting services, in operational and general management across Australia and New Zealand, including 13 years' experience with large retailers. During this time, Jason was responsible for change management for over 15 Mergers and Acquisitions; enabling business success through strong people, processes, customer and financial leadership.



**MIKE ELLIOTT**  
**CHIEF EXECUTIVE: EDGARS**

Education: B. Comm (Hons) CA (SA)

Mike Elliott was appointed as Edgars Chief Executive in December 2017

A Chartered Accountant by profession, he has significant and diverse experience having held senior roles in Ernst and Young, Naartjie and Luxottica. Mike's experience includes 11 years as a shareholder and Managing Director of Naartjie Clothing and nine years as Managing Director of Sunglass Hut in South Africa. In the two years prior to joining Edcon, Mike held the position of GM: Sunglass Hut Africa, Middle East and India. He also served as a Board Member of "One Sight" - a global non-profit organisation dedicated to bringing sustainable and urgent vision care solutions to the U.S. and various disadvantaged communities around the world.



**JANE CANNY**  
**CHIEF INFORMATION OFFICER: GROUP INFORMATION SERVICES**

Education: Chartered Institute of Secretaries FCIS

Jane has extensive business and ICT experience. With a career which commenced in financial management, she has excelled in various Directorships, Executives and consulting roles, particularly in the Retail IT industry. Jane is known for her strategic leadership style, her focus on excellence and dedication to delivering great service to ensure business success.

Jane was appointed to Group Chief Operating Officer of Business Connexion in May 2014, to provide leadership and strategic direction to address the Group's pressing needs through the implementation of specific projects and activities. Subsequent to the Telkom merger she took the role of Group Executive: EMEA, with responsibility for Group Operations and the chairing of multiple subsidiary boards, outside of South Africa.

She was appointed CIO for Edcon in January 2018.



**CHARLES VIKISI**  
**CHIEF LEGAL COUNSEL AND GROUP SECRETARY**

**Education:** BA (Hons), LLB, HDip in Compliance

**Experience:** Charles joined Edcon in October 2008 as General Counsel and Group Secretary. He remains actively involved in all Mergers and Acquisitions transactions of the Group, which include the sale of the credit book to Absa for R10bn, acquisition of ALIVE group of companies, sale of the Legit business, as well as the work relating to the Group capital structure, and recently the restructuring of the Group's debt. Charles serves as Trustee to the management equity scheme and advisor to the BEE Trust. Prior to joining Edcon, Charles worked in the financial services industry in legal, governance and compliance roles and consulted to various companies in the motor industry on legal and governance matters.



**RICHARD VAUGHAN**  
**CHIEF FINANCIAL OFFICER**

**Education:** Chartered Accountant

Richard joined Edcon in 2012 as Deputy Chief Financial Officer. Prior to joining Edcon, Richard had a career in investment banking working for both Goldman Sachs and Deutsche Bank, advising on some of South Africa's largest Mergers and Acquisitions (M&A) transactions. Notably, Richard advised internet billionaire and afonaut, Mark Shuttleworth, on the sale of his business to VeriSign. Since joining Edcon, Richard has been instrumental in the various debt refinancing and restructuring of the group's lending facilities. In June 2016, Richard was appointed as the Group Chief Financial Officer.

### 3.4 Corporate Sustainability & Transformation in the Organisation

The function for corporate sustainability and the transformation agenda sits with the Divisional Executive - Group Transformation and Government Relations currently reporting directly to the Chief Executive Officer.

#### Management Approach

As far back in 2015, the Transformation Department underwent strategy realignment and moved from solely focusing on the Broad Based Black Economic Empowerment (BB-BEE) scorecard compliance, to embedding measurable and sustainable transformation within the business. The accountability and co-creation with business units was central to the realignment. This was achieved through a two-pronged approach:

- Firstly - Changing the operational model from centralised to decentralised through the creation of the Centre of Excellence (CoE) model. The CoE goal is to design, develop, drive, manage, maintain and monitor Edcon's overall transformation implementation. The overall objective is to ensure that the department supports the socio-economic transformation of the business and ultimately the sector by offering services to the business on best practice implementation.

The decentralised Transformation Strategy is being entrenched into the business divisional strategies in support of the implementation of the Edcon co-parenting model implemented in September 2017.

Secondly – Introduction of Edcon Stich, the corporate sustainability strategic roadmap that seeks to embed the SDG’s in the organisational operations and ensures integration and alignment with key imperatives within the business. Corporate Sustainability is a vital transformation issue that is being driven through development of improved frameworks for information, data monitoring and communications.

The transformation progress, plans and strategies for Transformation, Enterprise and Supplier Development, Sustainability and Corporate Social Investment for 2018 to 2020 were presented and approved by the Social, Ethics, Transformation Committee (SETC) of Edcon.

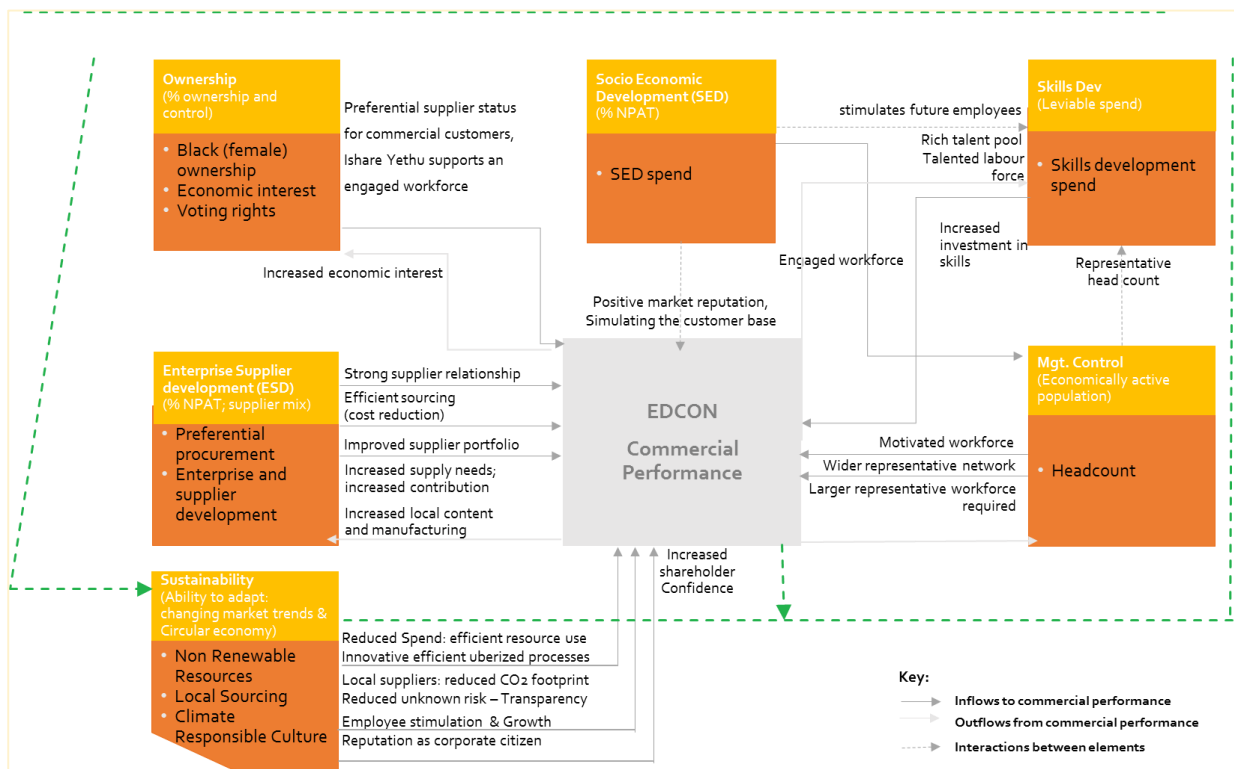


TABLE 3: TRANSFORMATION COE STRATEGIC MODEL

### Strategic Projects and Commitments and Progress to Date

Commitment	2016	2017(2)	2018
1. CoE model implementation	100% training throughout business units	100% BU transformation forum meetings held	Realign CoE offering with new business model
2. Co-parenting model			
3. (1) BBBEE scorecard improvement	Level 5 (RCoGP <sup>1</sup> )	Level 4 (RCoGP)	Level 4 (RCoGP)

<sup>1</sup> RCoGP- (Revised) Codes of Good Practice

(1) The Transformation department has prioritised the following areas as critical in improving the overall Edcon strategic imperatives:

- a) **Management Control** - through equity reconfiguration
- b) **Employment Equity** - promote equal opportunity and fair treatment of employment practices and ensure equitable representation in all occupational levels of the workforce, including a focus on the empowerment of black female employees.
- c) **Skills Development** – expansion of skills development programmes for previously disadvantaged employees and internships, inclusive of Persons with Disabilities, unemployed people and in particular absorption of leaner/intern candidates.
- d) **Employee Involvement** - involve employees in transformation through active debate, training & participation.
- e) **Enterprise and Supplier Development** - support the development of entrepreneurs in clothing retail through the Textiles Cluster and extensive localisation programmes through training, capacitating, lab testing, marketing and facilitation for working capital.
- f) **Localisation and Preferential Procurement** – source new SMEs into the Edcon Supply Chain pipeline to increase the use of local and regional suppliers through a centralised procurement approach. Facilitate the transformation of current strategic suppliers in terms of black ownership and/or black women ownership by procuring from suppliers with strong contributions to BB-BEE, including the development of 51% black owned and black woman owned small suppliers.

#### **Progress Note on 2017 Targets:**

- 80% Business divisions' transformation forum meetings occurred throughout organisation.
- Edcon achieved BB-BEE level 4, an improvement on the 2016 Level 5.

#### **2018 Outlook:**

- 1. Edcon has implemented a new decentralised model that focuses on productivity and profitability of the core divisions namely; Edgars, Jet and, CNA – the decentralised model is applicable to chains, shared services and corporate services**
- 2. Launch of new organisational values**
- 3. Implementation of the new organisational marketing corporate identity with revamped logo**
- 4. Implementation of a talent management initiative led by the CEO.**

# A SOURCE OF INSPIRATION

We thread ourselves amongst the nuances of the local development to become part of the economic fibre that delivers local products with a touch of local flair. Growing local manufacturing, local content, local procurement and local innovation.

## 4 Responsible Sourcing

### 4.1 Management Approach

- <sup>vii</sup> Edcon utilises centralised procurement to capture scale efficiencies, increase direct sourcing and consolidate its vendor base. Edcon acknowledges its responsibility to use its influence to encourage good environmental, social and governance practices in its supply chain.
- By directing more of its spend to local and regional suppliers, not only is this further entrenching the benefits of a quick response business model, it also seeks to help develop the economies in which Edcon’s current and future customers live and work, including the more specific transformation goals such as enterprise and supplier development.

### <sup>viii</sup> Commitment to the excellence of products – Unpacking Edcon’s Circular Economy – Closing the Loop

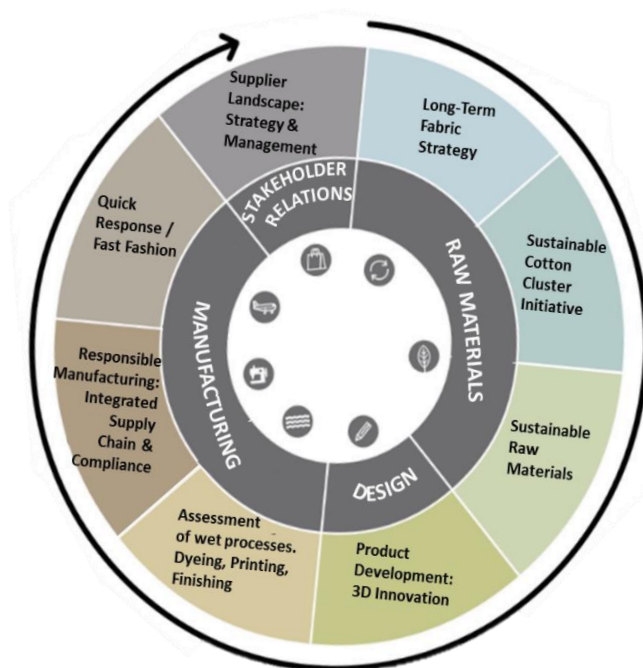


FIGURE 5: UNPACKING EDCON’S CIRCULAR ECONOMY

In an Edcon apparel context, today a circular economy is a way of **collaborating** and managing an **integrated supply chain** so as to drive a long-term, meaningful and sustainable commitment to the **excellence of its products**.

#### Long-Term Fabric Strategy

Review and identify areas of improvement and differentiation in line with each Operating Divisions’ value proposition. Standardize qualities on common fabrics and reduce the long fabric tail where possible, while also identifying opportunities for fabric consolidation and fabric cost reductions.

#### Sustainable Cotton Cluster

Edcon joined the Cluster in 2017 and committed to 600 tons of cotton lint (Edgars: 800k T-shirts & 50k chinos) from SA cotton farmers and for the 2018 period it has increased to 1600 tons (Edgars: 2.4m T-Shirts & 100k Chinos). The aim of the initiative is to implement a fully integrated Supply Chain **“from farm to shelf”**, creating sustainability in the pipeline, reviving the local cotton sector, promoting near sourcing and Quick Response and driving job creation in South Africa.

#### Sustainable Raw Materials

Long-Term focus to incorporate textiles that allow Edcon to reduce its environmental impact and protect biodiversity, such as organic cotton, which does not require fertilisers or chemical pesticides, and viscose where fiber has originated from wood in forests that are managed in a sustainable way.

#### Product Development: Fit For Purpose 3D Innovation

3D technology will enable Edcon to create 3D Avatars for a full size curve graded full body measurements. Fit performance, styling and fabric performance can be analysed upfront on a full size curve and adjustments can be made prior to sampling.

**Supplier Landscape: Strategy & Management**

Edcon has made significant progress in reducing absolute supplier numbers, shifting more product to Local / Regional vendors and balancing the geo mix over the past 2-3 years.

**Quick Response / Fast Fashion**

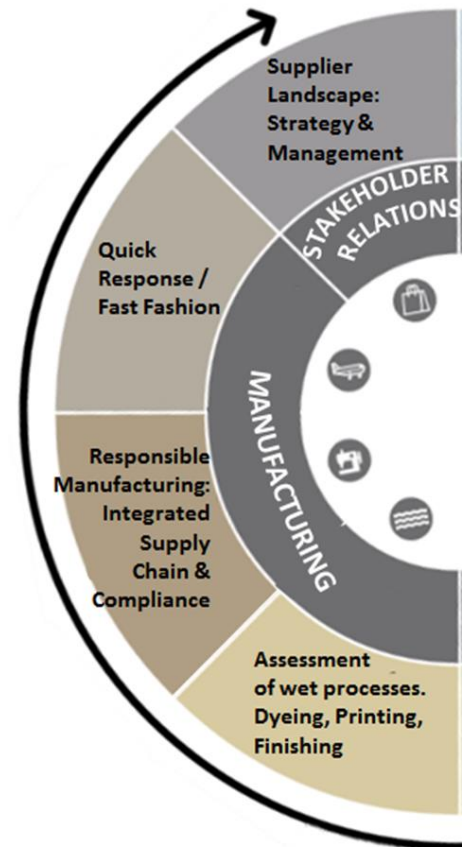
Quick Response is the ability of any business to respond quickly to actual consumer demand within a season through a well- planned testing and planning strategy.

**Responsible Manufacturing: Integrated Supply Chain & Compliance**

Edcon will for the first time be able to rigorously supervise the manufacturing process for its products, from the acquisition of raw materials to the completion of the product ensuring compliance from start to finish through its on-site facility and product audits through to the in-house QA and lab test.

**Assessment of wet processes.**

Edcon is committed to and takes a concerted effort to ensure that the production processes of its items from the selection of the components, to the finished product are completed in a safe and sustainable manner. This requires exhaustive knowledge of the supply chain and complete preparation and supervision of the facilities and the products used. The wet processes include dyeing, printing & finishing.



As a Proudly South African member, Edcon and its associated brands can use the logo to showcase its local manufacturing and/or local brands. This is done through the corporate brands, as well as on products including labelling, promotional material, in store promotions and campaigns.

Edcon is currently the first South African retail to successfully launch the Chino fabrication in South African stores...following the successful strides made in the SCC programme.

The product tag is aptly named – Proudly South African



## 4.2 Industry Initiatives – Best Practice Case Study



Sustainable  
Cotton Cluster

**The Sustainable Cotton Cluster** is a programme of Cotton SA. Cotton SA is made up of all role-players in the cotton industry. It operates as a non-profit company performing various essential functions, from providing information to overseeing the cotton sector strategic plan.

**The rationale of the initiative:** The South African context<sup>ix</sup> cotton sub-national cluster has suffered significantly over the years. From an industry that has a rich tradition of sustained production and high employment, it is now one of the smaller national employers. In 2013, its production was judged to be less than 2% of total manufacturing, with total merchandise exports at less than 1%. The textile industry in general represents less than 1% of South African gross domestic product (GDP).

While there are sufficient production capacity available, lower import duties attracting cheap imports of both cotton and cotton products have eroded local production levels. This is coupled with rising fuel and electricity prices, and stagnating export levels.

Together, these conditions have created the perfect storm, presenting a gloomy outlook for the cotton industry in South Africa. By consolidating and pooling resources, coming together as an industry, and working together to improve the economic, social and environmental sustainability of the cotton sub-national cluster, we are convinced that we can help to halt and even reverse this downward slide.

The initiative seeks to focus on transparency in the procurement value chain of sourced cotton through a **traceability platform**, powered by technology. It allows both the retailer and the consumer to trace every bale of cotton to the source and have the social and environmental data available to make a conscious choice on purchase.

Edcon's participation<sup>x</sup> in the Sustainable Cotton Cluster initiative is currently a pilot that began in 2016 that is running only in the South African market with SADC rollout dependent on the pilot.

As a responsible retailer and realising that one of the key challenges affecting local sourcing for Edcon is the lack of capability in manufacturing, that was eroded over the years, the initiative will place Edcon with other industry players in ensuring the revival and revitalisation of the industry and embedding sustainability practices in the business. The direct economic benefits for Edcon will only be established in years to come as the programme rollouts and benefits are quantified.

The 2017 commitment from Edcon was to source 600 tons of cotton from predetermined suppliers affiliated to the Sustainable Cotton Cluster initiative and to utilise this cotton to grow the manufacturing capability of predetermined and capable manufacturing suppliers on the Edcon supplier database. The exciting pilot being that Celrose<sup>2</sup> manufacturing plant was to manufacture chinos from the cotton - bringing back the competency to the local industry.

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<sup>2</sup> The Group owns a controlling stake in Celrose Proprietary Limited, which controls Eddels Proprietary Limited, which are manufacturing businesses. Celrose manufactures apparel whilst Eddels manufactures footwear.

The data derived from the traceability platform back into Edcon will allow packaging data to be displayed as part of the shelf item in store. This will be a first for Edcon and in terms of committing to a sustainable sourcing journey with its customers; this begins to regain the trust that had been eroded in the past years with changing strategy and a volatile retail market.

### Strategic Projects, Commitments, and Progress to Date

Commitment	2015	2016	2017	2018
<b>1. (1) Increase local content sourcing</b>	38%	43%	49%	53%
<b>2. (2) Sustainable Cotton Cluster (SCC) Initiative</b>	-	Agreement entered with SCC	600 tons	1600 tons
<b>3. Sustainable Cotton Cluster Initiative</b>		Capacity review of suppliers	1 manufacturer developed	2 manufacturers developed
<b>4. Sustainable Cotton Cluster Initiative</b>			SA pilot rollout	SADC rollout
<b>5. Improve local vendor performance</b>		10%	20 %	50%
<b>6. (3) Evaluate all suppliers through internal criteria</b>	100%	100%	100%	100%

- (1) Local sourcing is viewed at a local and regional (rest of Africa) perspective and is merchandise sourced for the private labels. The SA vendors contribute almost 80% of the Local Regional volume, balance 20% placed with regional vendors (Botswana, Swaziland, Lesotho etc.)<sup>xi</sup>.
- (2) As Edcon does not manufacture the majority of its own merchandise but instead works closely with a number of suppliers, the largest supplier of the private-label apparel accounted for 3.5% of the total purchases, and the largest five suppliers accounted for 14.9% of such purchases.
- (3) The programme is currently in its pilot stage currently.
- (4) All Edcon suppliers are evaluated using internal criteria. The Supply Chain and Sourcing Department is committed to 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.

### Progress Note on 2017 Targets:

- The targets for the Sustainable Cotton Cluster exceeded performance. Not only did Edcon attain the target, the 2018 commitment increased to 1600 tons.
- The Chino fabrication by Edcon was the first under the Proudly South African brand to retail.
- Edcon continues with supplier development and screening of suppliers

### 4.3 Enterprise and Supplier Development (ESD) Approach

The Edcon Enterprise and Supplier Development Programme (Group ESD) operates as a Centre of Excellence (CoE) to the Edcon Divisions to achieve locally sourced and manufactured merchandise and products. As a Centre of Excellence, Group ESD works in conjunction with the Chain Merchants, Group Sourcing and Quality Assurance to ensure that Small and Medium Enterprises (SMEs) with the relevant product or service are identified, trained and capacitated to deliver on the Chain’s requirements. This is in line with the Group’s Definition of Purpose of being a trusted, long-term partner of sourcing competitive local in-country manufactured product of fast fashion.

The importance of growing local enterprises and suppliers is integral to the Edcon business, not only in supporting the Group’s vision of streamlining its supplier base, but that of ensuring diversification of its supplier base for true economic transformation of suppliers from marginalised communities and backgrounds. Edcon is also committed to promoting, accelerating and supporting the development of broad-based black economic empowerment (BB-BEE) compliant suppliers through the way it directs its procurement spending on goods and services, as well as through enterprise development initiatives. Group ESD’s supplier and leadership development programmes ensures that Edcon is a South African industry leader in sustainability and transformation and unquestionably lives the Edcon values of People, Integrity, Performance and Professionalism.

#### 4.3.1 Management Approach<sup>xii</sup>

The approach to ESD is differentiated between the type of assistance a current supplier qualifies for based on the screening. The staggered approach screens existing suppliers on their current characteristics, namely:

- Retail readiness
- Sourcing experience and repeatability with Edcon/other retailers
- Capacity issues

Based on these three criteria, a supplier can qualify for enterprise development (ED) or supplier development (SD) assistance, with SD being a longer-term view and based on all the above criteria being met. As an SD candidate – the product type and business model of the supplier operations must meet the requirements of the Edcon business unit for a successful and commercial beneficial relationship with the supplier being developed.

#### Strategic Projects, Commitments, and Progress to Date

	2016	2017	2018
<b>1. Develop 6 local CMT<sup>3</sup> into Edcon supply chain</b>	1	2	3
<b>2. Edcon Design Innovation Challenge</b>		5 ladieswear designers’ collection sold in Edgars stores	Ladies and menswear from 2017 and 2018 intern designers’ collections will be sold in selected Edgars stores
<b>3. Procurement policy review</b>	BEE Supplier database baseline	Review of policy	Monitoring of BEE expenditure patterns

<sup>3</sup> CMT- Cut, Maker and Trimmer

(1) The Edcon Design Innovation Challenge aims to give young /emerging South African designers technical and business acumen and the platform to develop and commercialise their designs. The young designers' merchandise collections are sold in selected stores in the Edgars division, further extending the design innovation challenge into the commercial retail market.

**Progress Note on 2017 Targets:**

- A review of the BEE suppliers and total preferential procurement spend.
- The procurement policy sits with Finance and full review will be underway in 2018.

**2018 Outlook:**

- 1. The new business model has merged the ESD element with Strategic Sourcing. Previously ESD was a component of Transformation.**
- 2. Sourcing and key priorities are:**
  - the supplier database;
  - development of a preferred supplier list and
  - Implementation of Preferential Procurement throughout the business.

# IT'S IN OUR NATURE

Nature and mankind are cut from the same cloth.  
To ensure our prosperity, we adopt innovative ideas  
that stitch together sustainable business solutions.

### 3 Environmental Performance

#### 3.1 Management Approach

Edcon is committed to reducing its resource footprint and thereby managing its impact on the environment and contributing to providing a healthy and safe environment for its employees and customers. As one of South Africa’s largest non-food retailers, Edcon recognises that its business has both a direct and an indirect impact on the environment. Some of the direct influences include water and electricity consumption, waste disposal and the choice of merchandise, packaging and services provided. Indirect environmental influences stem from partnerships with suppliers and manufacturers of merchandise and packaging, transport contractors, property developers, landlords of business sites and the communities and projects supported. The Group’s approach is guided by the Edcon environmental policy, which commits the Group 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.<sup>xiii</sup>

Edcon has begun a new energy management programme to ensure that the carbon footprint of the organisation is consistently measured through all the stores and all locations. As a retailer in an industry that consumes a considerable amount of energy, it was prudent to review its energy management.

The approach adopted to manage the environmental challenges and opportunities is in a prudent and phased manner with the focus on high impact, low cost projects such as switching off all unused equipment, while undertaking regular maintenance of lighting, heating and cooling systems makes for optimal operations. Fundamental store refurbishment is in the longer-term plans, with implementation of more effective energy-efficiency measures.

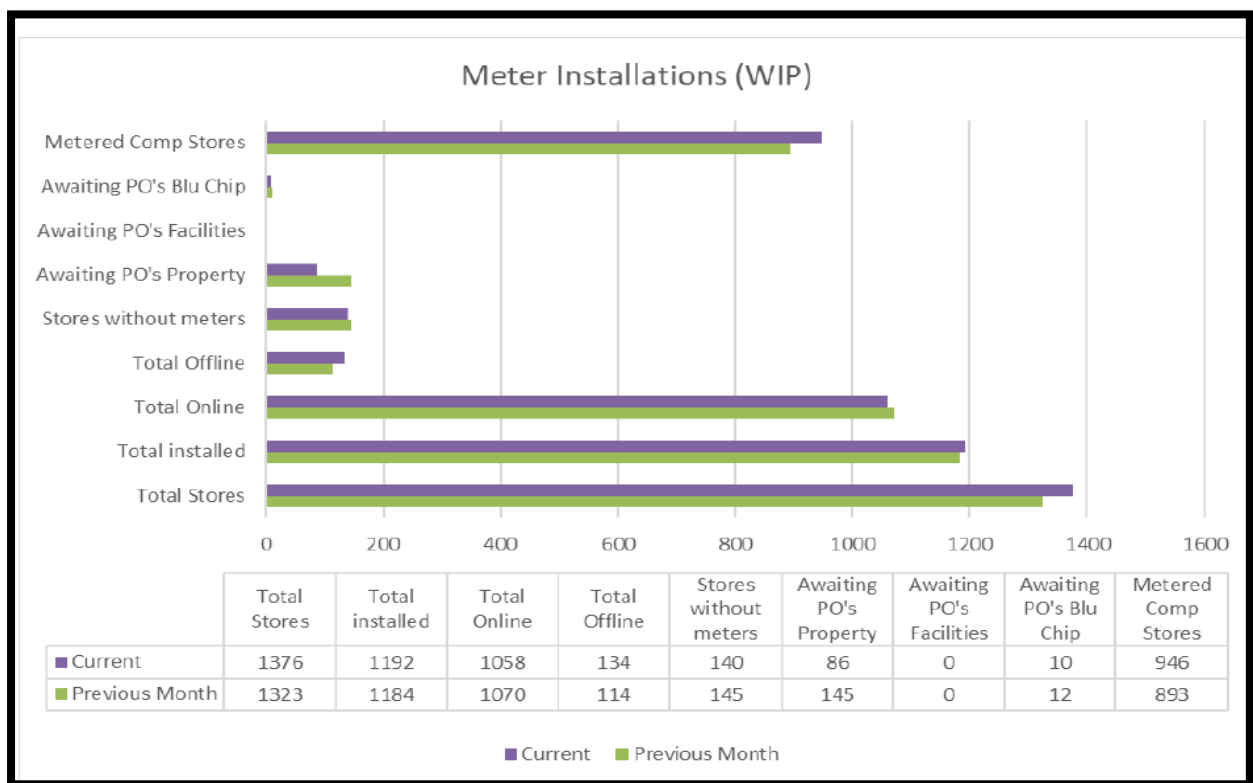


Table 4: Progress representation of meter installation, Source: RMS Energy Report, March 2018

### 3.2 Energy Management

- Edcon instituted a new energy management programme as of the 1<sup>st</sup> of April 2016. The rising costs of energy and the need to keep up with technology, has seen Edcon seek alternative means of energy conservation.
- The energy management programme constitutes the replacement of old meters for new smart meters that collate information to a central system. The collation of this information seeks to ensure there is reduced energy consumption, thereby not only reducing costs, but also cutting down on the carbon footprint.

The methodology being used to ultimately calculate the energy usage is through baseline data and readjustments<sup>xiv</sup> due to there being no direct way of measuring electricity use savings, as electricity meters cannot measure the absence of electricity use or demand. However, the absence of electricity use or demand can be calculated by comparing measurements of electricity use and/or demand from before and after the implementation of an electricity cost savings measure.

Post the baseline projections, the electricity consumption will be monitored and results reported to ensure that the ECM (Energy Conservation Measure) is managed according to the original intent i.e. cost savings and carbon footprint reduction.

#### 2.1 Cumulative savings energy management: R 16 526 718.69

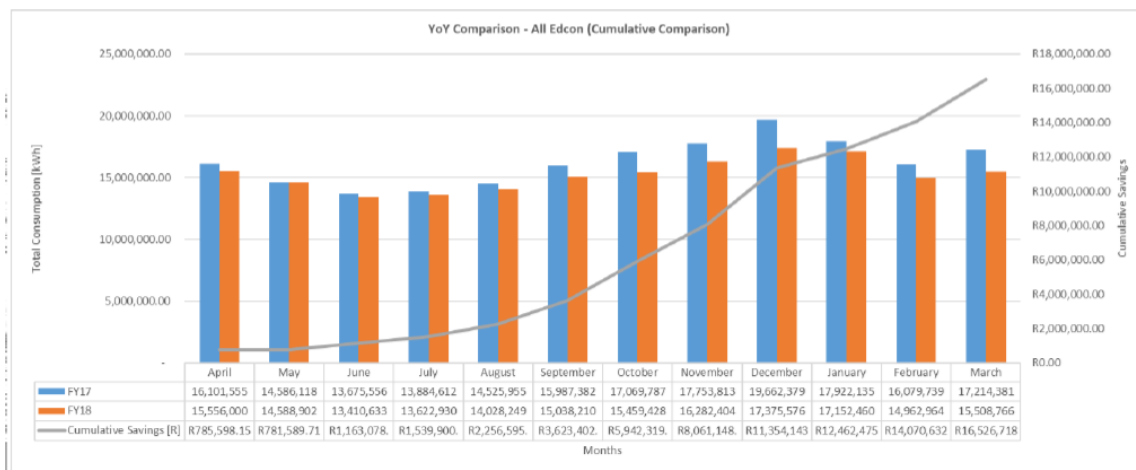
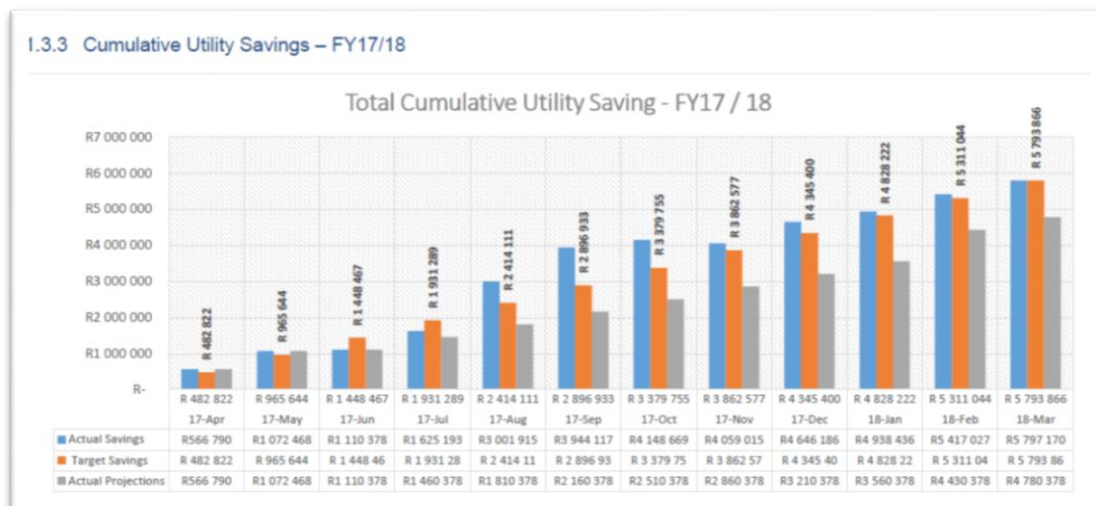


TABLE 5: CUMULATIVE ENERGY CONSUMPTION SAVINGS, SOURCE: RMS ENERGY REPORT, MARCH 2018

#### 1.3.3 Cumulative Utility Savings – FY17/18



### **3.3 Lighting**

Lighting is the second highest consumption area for Edcon and its facilities department has projects in place for the maintenance and upgrade of its systems, especially in keeping abreast of the latest technology solutions. The features of the retrofitting in stores entail the following:

- Easy to install, at relatively reduced cost and very effective, efficient LED bulbs use 90 per cent less energy than traditional incandescent bulbs and can last 40 times longer.
- To reduce lighting costs even further, sensors triggered by daylight or movement can contribute to saving energy and have been installed. Daylight sensors, switch on when it becomes dark, a feature which is particularly valuable in conserving energy in areas such as unused meeting rooms, illuminating signage, toilets, etc.

Building Management System (BMS) switch lights on escalators/lights, etc. The -programme started in Sep/Oct 2016, has generated R4m savings in Diesel consumption.

A number of stores have been equipped with BMS RTU's. These units control a number of relays that typically controls the lighting and air-conditioning systems on a time schedule. The BMS RTU can be programmed remotely through the Edcon PNPSCADA system interface, which is the interface used for the smart meter data management. The BMSRTU roll out forms part of the after-hours consumption project, and is intended to ensure that the after-hours consumption is limited to essential services only. The after-hours period is defined as from 19h00 to 07h00 every day.

The current status of the BMSRTU rollout includes 375 stores. By default, all of the non-essential services controlled by the BMSRTU are switched off between 19h00 and 07h00. Stores may request that these times be adjusted when required for after hour's in-store activities, such as retail or stock-taking.

### **3.4 Cooling Appliances**

Edcon is cognisant of the impact of R22 Gas use in air conditioning units placed in its stores and buildings. R22 Gas or HCFC-22 is established as an ozone-depleting substance. R22 is a powerful greenhouse gas with a global warming potential that is 1810 times as powerful as carbon dioxide. Edcon has proactively decided to phase out the R22 gas from the business starting in 2016 to the event of being completely R22 Gas free.

Over the past five decades, R22 gas has been used as a refrigerant in various refrigeration, industrial cooling, air conditioning, and heating applications. However, amongst other gases, R22 is scheduled for eventual phase-out under the Montreal Protocol. In replacement of the R22 refrigerant, the R407C refrigerant will be used as a substitute.



Division	Branch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	Total
Edgars	Edgars	144.40	289.20	67.00	26.09	77.40	282.00	267.00	379.10	781.50	399.80	635.99	260.00	3 609.48
	Edgars Shoes Gallery	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount	Jet	141.80	215.50	163.95	89.60	68.60	329.80	122.60	222.90	156.30	309.00	241.50	340.80	2 402.35
	Jet Mart	157.80	38.00	131.40	11.00	20.60	184.24	206.40	339.50	279.80	316.50	217.80	57.60	1 960.64
	Legit	42.50	5.00	1.00	11.00	-	-	21.00	32.50	54.00	11.00	81.60	11.00	270.60
	Jet Shoes	-	-	-	-	-	-	-	-	-	-	-	-	-
C N A	CNA	9.50	61.00	3.50	2.00	3.00	15.50	8.00	38.00	106.50	18.00	23.50	43.00	331.50
Specialities	Edgars Active	5.00	56.50	27.00	1.00	-	96.50	2.00	39.60	81.00	5.00	29.00	3.00	345.60
	Red Square	-	-	3.00	10.00	-	-	-	-	-	5.00	6.00	-	24.00
	Boardman's	-	-	12.00	-	-	3.00	18.00	-	-	-	-	-	33.00
	Prato	-	-	-	-	-	-	-	-	-	-	-	-	-
	Temptation	-	-	-	-	-	-	-	-	-	-	-	-	-
	Samsung	-	-	-	-	-	-	-	-	-	-	-	-	-
	Edgars Connect	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>501.00</b>	<b>665.20</b>	<b>408.85</b>	<b>150.69</b>	<b>169.60</b>	<b>911.04</b>	<b>645.00</b>	<b>1 051.60</b>	<b>1 499.10</b>	<b>1 064.30</b>	<b>1 235.39</b>	<b>715.40</b>	<b>8 977.17</b>

TABLE 6: 2017 EDCON R22 REPORTING, SOURCE: RMS ENERGY REPORT, MARCH 2018

### 3.5 Waste Management:

Edcon has a waste management solution for its headquarters. The organisation utilises the services of Emmunah Waste (Pty) Ltd to collect its waste and report.

The following diagrams is a sample illustration of the waste removal cycle that Emmunah Waste utilises, which has also been utilised in educating staff on the waste management process.

### Strategic Projects and Commitments and Progress to Date

Commitment	2016	2017	2018
1. Building energy audits	50%	100%	
2. (1) Building Management System rollout/meter installation (stores)	40%	60%	100%
3. Lighting -LED project	Business case	20%	40%

(1) The current fitting of meters is rolling out in South African stores.

### Progress Note on 2017 Targets:

- The LED project was put on hold and will be reviewed mid-year.
- The building energy audits and BMS projects were achieved with the meter rollout exceeding target. Cost savings of R12m from an R4m investment has been realised through this project.
- Targeted campaigns are ongoing to sensitise Store level employees on energy saving and wastage performance trends of their respective stores

### 2018 Outlook:

1. A new Divisional Executive has been appointed and will be managing a strategy and initiatives realignment to maximise the productivity of the properties and assets portfolio.

# A CULTURE OF SIMPLICITY, CUSTOMER CENTRICITY & PEOPLE EMPOWERMENT

Our people, the stitch that holds the fabric of our organization together and creates a culture where diversity and inclusivity are seamlessly bound. We strive for a workplace that develops employee skills, leadership, innovation and a green culture.

## 4 People

### 4.1 Management Approach

Without top-quality people the Edcon business cannot be sustainable – rephrase that Edcon has a strong Executive team leading the organisation. Edcon relies on its dedicated employees to identify and secure top quality fashion brands and merchandise, to execute the Group’s strategy and to build its brand through giving its customers excellent service. Employees are also significant shareholders, owning 10.6% of the issued share capital of the Group.

Edcon’s sustainability framework ensures the development of a high performance culture in support of national development goals. This includes a focus on diversity and inclusion through the various transformation initiatives. The Group is committed to a progressive talent management strategy focused on attracting, developing, rewarding and recognising the required capabilities and competencies to drive a high performance organisation. Human resources practices, policies and objectives are aligned to the organisation’s strategic goals through an integrated performance management, skills development, employment equity, remuneration and benefits programme.

In executing its mandate, the HR department switched over to being the Centre of Excellence (CoE) in support of embedding sustainable transformative human capital practices into the business. Below is the detailed overview of the model and the services offered.

### 4.2 Objectives

In driving Transformation, one of the key tools at the disposal of business is the measurement of Employment Equity (EE). A three-year employment equity plan is devised by the organisation as per requirement of the Department of Labour in response to the challenges, opportunities for Edcon to create not only an equitable work environment but contribute to the meaningful transformation of the retail sector.

The objectives of the 2015 -2018 Edcon Employment Equity (EE) plan include the following:<sup>xv</sup>

- Prioritise equity at top and senior management levels through the talent management strategy and ensuring women are represented.
- Talent retention especially EE candidates
- Empowerment of disabled employees
- Addressing gender equity

### Skills Development /Training

Skills development at Edcon aims to:

- Provide learning and career development opportunities for all employees.
- Ensure a sustainable supply of talent to meet current and future business needs.
- Develop learning and career paths for critical and scarce skills.
- Design and implement flagship skills development programs aligned to the group talent and resourcing plan and defined capabilities.
- Support Edcon’s Transformation agenda, thus improving the BBBEE rating on skills development for Edcon.

- Ensure compliance with Skills Development legislation, such as Workplace Skills Plan (WSP), Annual Training Report (ATR), Pivotal Planning, etc.
- Maintain Edcon’s accreditation as a Private Training Provider.
- Lead and influence the Wholesale & Retail SETA (W&RSETA) regarding the retail sector, environment and skills needs
- Position Edcon as the leader in retail skills development
- Leverage Skills development opportunities in positioning Edcon as the Employer of Choice
- Forge strategic partnerships with the external market to compete for the best available talent in the retail industry, in partnership with HET Institutions (universities & colleges)

#### 4.2.1 Functional Skills

Edcon spending on functional skills as of December 2016 is apportioned towards women employees, which is in line with the strategic objectives of the organisation.

Total Spend	Number	Expenditure
Male	46 238	R 32 000 315,00
Female	120900	R 86 689 520,00

#### 4.2.2 Learnerships, internships and academic programmes

The importance of developing critical skills is that it begins to address some of the areas of transformation that Edcon and the retail sector is required to address. A total of 290 Learnerships were targeted for 2017, leveraging on Seta funding.

#### 4.3 Ethical Behaviour

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

There is 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 its stores, facilities, offices and on the company’s intranet. There are suggestion boxes and a customer call-centre available throughout the business for employees and customers to voice their opinions. The Employee Relations (ER) Department addresses all employee grievances. The ER department is committed to complying with and supporting all constitutional rights that 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 and amongst employees.

The HR Policies are designed with the intention to support and ensure the rights and dignity of Employees.<sup>xvi</sup>

The Employee Relations Department(ER) provides a confidential, impartial process, which facilitates fair resolutions to specific complaints that remain unresolved by the normal process endeavours to resolve disputes or assist in solution referral. The ER department provides confidential assistance and protects individuals from improper or unfair treatment, acts as a source of information, referral and is impartial to both sides of the dispute.

The ER office is committed to receiving and managing employee complaints, in a sensitive, impartial and prompt manner, operates on the authority of the CEO, and is independent of all divisions within Edcon. Honouring the value Edcon places on human rights is at the centre of the organisation.

#### 4.4 Employee Communications

- The Employment Equity report is displayed for any employee to view. Not only is this prescribed by the Labour Relations Act, but it ensures that with the new CoE model, business divisions engage robustly on the issues.
- The Employment Equity Forum has representatives from various business areas and labour representatives. These representatives feedback to the various employee groups as mandated.
- Any pertinent information is transmitted via the Edcon intranet and newsletter

#### Strategic Projects, Commitments, and Progress to Date

Commitment	2016	2017	2018
<b>1. Gender management awareness</b>	50% awareness training	100% awareness training	monitoring
<b>2. Gender policy development</b>	Training/awareness	Policy final	-
<b>3. Disability management strategy</b>	5 provinces training conducted	4 province training	-

#### Progress Note on 2017 Targets:

- The gender management awareness was achieved in 2017
- Disability training met targets
- Due to the EE targets being relooked, initiatives will follow in the 2018 planning cycle

#### 2018 Outlook:

**1. The new three-year cycle for the Employment Equity (EE) target setting is underway with a report to be tabled in 2018.**

**2. A new Divisional Executive promoted within with key priorities being:**

- Focusing on people to deliver on customer centricity
- Embedding a new operational model within the business
- Implementing change management to guide organisation through new business model

A close-up photograph of a person's hand holding a small pile of bright orange seeds. The hand is positioned palm-up, and the seeds are clustered in the center. A faint, white, dashed-line watermark of a hand is visible in the upper left quadrant of the image. The background is blurred, showing what appears to be a blue fabric bag. The entire image is framed by a white dashed border.

# GROWING HOPE

Success is best when shared. We believe in transformation that creates opportunities for real development. We have a deep commitment to growing our communities, harvesting the benefits of diversity and driving social inclusion.

## 5 Corporate Social Investment

### 5.1 Management Approach

Edcon acknowledges that environmental, social and governance issues have an impact on its operations and similarly the Group's activities have an impact on the environment and society in which it operates. The Group understands that failing to address issues of non-financial sustainability ultimately affects its business through challenges that may include escalating utility costs, declining staff productivity, regulatory fines or reputational damage. The organisation is involved in a number of social and environmental initiatives that aim to enhance the communities in which it trades and build a more sustainable future. The sustainability focus areas are based on the understanding that a sustainability strategy helps the Group innovate to drive competitiveness in a changing world.

The responsibility towards the development and upliftment of its communities, while pursuing its business objectives remains a key a commitment to contributing towards making a sustainable difference. Corporate Social Investment (CSI) is therefore an integral part of Edcon's transformation strategy and the Group is committed to making a difference to the lives of individuals, families and society at large.

### 5.2 Strategic Focus Area

The Edcon CSI programme is driven strategically in alignment with the CoE model. Embedding sustainable practices into the business is critical and underpins vertical and horizontal integration in the business strategy.

#### 5.2.1 Edgars UNiTE Orange Day Campaign

In conjunction with the Edgars stores, the organisation is rolling out the Edgars UNiTE Orange Day campaign to not only underpin the importance of women and gender based violence, but also to address the development of a new women-owned supplier base into the business. The Edgars UNiTE Orange Day Campaign is a partnership with the South African provincial departments of Social Development with planned staggered rollout into the country's nine provinces. It forms part of Edcon's commitment towards the UN UNiTE Campaign and the UN Women HeforShe initiative and is championed at Group CEO level.

The programme seeks to interpret the key aspects of the drivers of domestic violence through integrated skills, economic and psychosocial model designed to address and advocate for the economic empowerment of women survivors of gender based violence.

- Strong collaborative partnerships
- Integrated and Sustainable model CSI and ESD
- Alignment to Edcon's core expertise in retail and fashion
- Public-private partnerships with committed stakeholders
- Long-term vision and planning



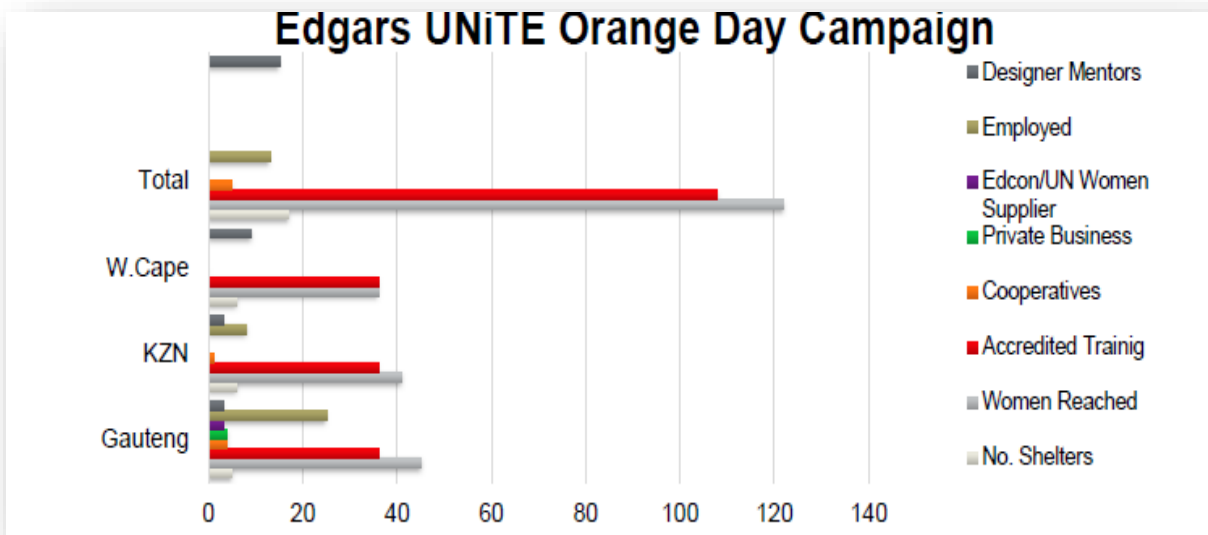


FIGURE 7: PROJECT IMPACT 2016 -2017

122 women survivors of gender-based violence have undergone a 12months intervention including accredited training in sewing and design during 2016 -2017 period. Edcon was presented with the Mbokodo Humanitarian Award on 9 December 2017, for the Edgars UNITE Orange Campaign. The campaign was also exhibited at the 2017 15<sup>th</sup> Nelson Mandela Annual Lecture, held in Cape Town.

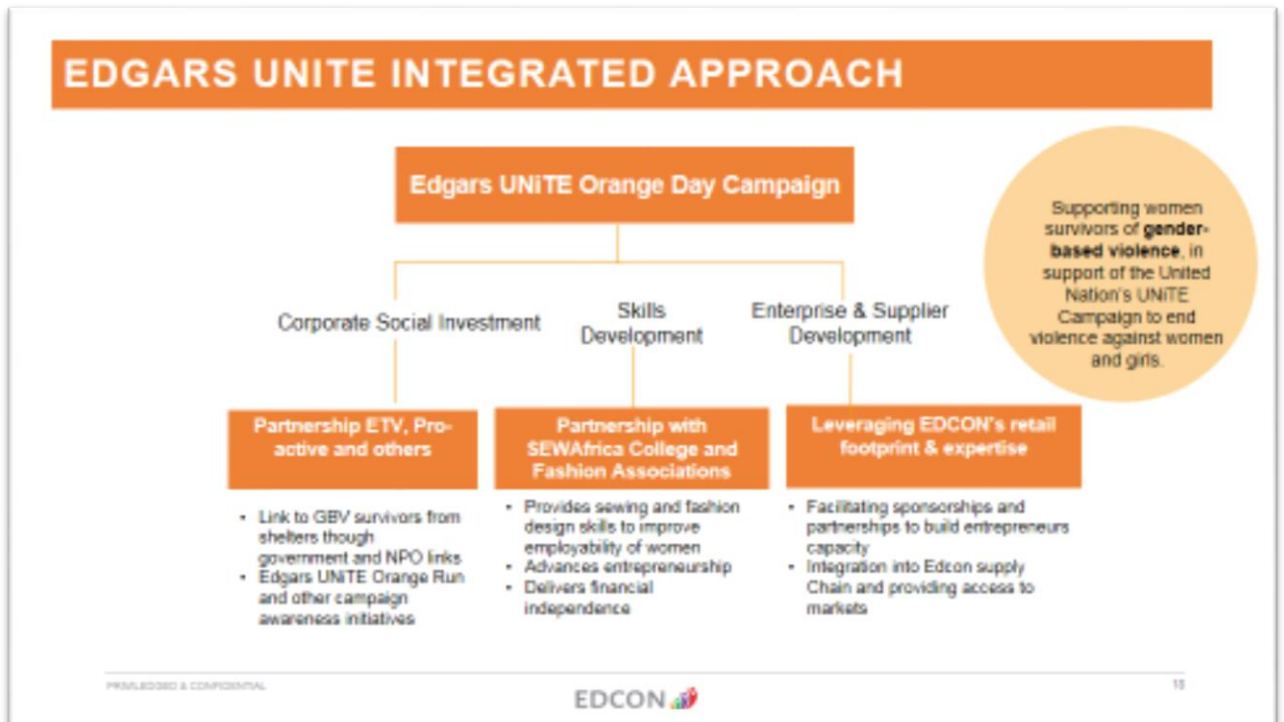


FIGURE 8: EDGARS UNITE INTEGRATED APPROACH



## 5.2.2 Edcon Design Innovation Challenge

The increasing trend away from global brands to locally sourced product requires Edcon to start building a pipeline of young emerging designers, strengthening customer proximity, reducing stock, and increasing product momentum.

Edcon has committed itself to driving localisation and as part of this commitment; the Group launched the Edcon Design Innovation Challenge - a combined CSI, skills development, and enterprise development initiative in September 2016 that seeks to nurture and develop a pipeline of young design talent for not only Edcon employment but also possible integration into the Group supply chain. The Edcon Design Innovation Challenge is fully endorsed by Proudly South African - as a Proudly South African Initiative.

The Edcon Design Innovation Challenge is an initiative that adopts a two pronged approach – a) a 3months 21 Steps to Retail programme that facilitates transition from fashion design graduate students to retail experience and b) an experiential one-year internship with the opportunity for absorption into Edcon employment or other the retail industry players. This initiative contributes and adds to Edcon’s employee intake and the attraction critical skills into the business and further, enhances the BBBEE compliance through absorption into the organisation.



Designs by interns in the Edcon Design Innovation Challenge



**AGEO By Arnold Phasha**

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### 5.2.3 Edcon Growing Hope Programme – Employee Volunteerism

The Edcon Growing Hope programme forms part of the organisation’s objectives and approach to charitable giving and a policy of encouraging employee involvement in local charities, community projects and voluntary organisations.

One of the successful initiatives that has garnered employee participation and support is the annual Casual Day Campaign – an initiative of the National Council for Persons with Disabilities that raises awareness and funding for organisations for and working with persons with disabilities. Edcon has been an anchor funder of the Casual Day campaign since 2013, contributing over R20million over this period to the cause.

### 5.3 The Level of Charitable Donations

Despite financial challenges, Edcon has retained its CSI budget, which has been steady and commitments are managed closely as most are multiyear, as opposed to yearly.

#### Strategic Commitments and Progress to Date

Commitment	2015	2016	2017	2018
<b>1. Edgars UNiTE Orange Day Campaign provincial rollout</b>	Gauteng	KwaZulu-Natal	Western Cape	Eastern Cape Province
<b>2. Edcon Design Innovation Challenge</b>		14 fashion design graduates	13 fashion design graduates	Recruitment process underway
<b>3 Casual Day Campaign (sales plus sponsorship)</b>		R4.9m	R5.5m	Budget determination underway

#### Progress Note on 2017 Targets:

- Edgars UNiTE Orange Day Campaign continues to successfully rollout with 122x beneficiaries in 2017 and an addition 100 planned for 2018 in celebration of Nelson Mandel Centenary year.
- Edcon Design Innovation Challenge has achieved targets with most designers absorbed by the business especially Jet.
- Casual Day targets achieved and programme continues to be a highlight at Store level with customer participating. Some of the proceeds from casual day sticker sales is utilised to train unemployed people with disability

#### 2018 Outlook:

- 1. New Partnerships are being explored with Nelson Mandela Foundation being a central partner for 2018. The partnership seeks to create opportunities for young designers in the business value chain.**
- 2. The Edcon Foundation to start being operational in 2018, which would leverage new opportunities and extend the funding and programmatic work of Edcon.**

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- <sup>i</sup> Annual Report. Edcon Holdings Limited. For the 52 weeks ended 26 March 2016. [www.edcon.co.za](http://www.edcon.co.za)
- <sup>ii</sup> Source: <http://www.edcon.co.za>
- <sup>iii</sup> Source : <http://www.edcon.co.za>
- <sup>iv</sup> Source :Edcon market unaudited trading update, <http://www.edcon.co.za>
- <sup>v</sup> Source: Edcon website - Governance section. [www.edcon.co.za](http://www.edcon.co.za)
- <sup>vi</sup> Source: Edcon website - Governance section. [www.edcon.co.za](http://www.edcon.co.za)
- <sup>vii</sup> Source: Edcon website - Sourcing section. [www.edcon.co.za](http://www.edcon.co.za)
- <sup>viii</sup> Source: Edcon QA Strategic Plan – Sustainability & Circular Economy
- <sup>ix</sup> Source: <http://cottonsa.org.za/sustainable-cotton-cluster/the-south-african-context/>
- <sup>x</sup> Interview: Edcon Procurement & Sourcing. 18/5/2018
- <sup>xi</sup> Interview: Edcon Quality Assurance & Strategic Sourcing. 16 & 25/5/2018
- <sup>xii</sup> Interview: Edcon Enterprise and Supplier Development 13/5/2017
- <sup>xiii</sup> Source: Edcon website -Environment section, [www.edcon.co.za](http://www.edcon.co.za)
- <sup>xiv</sup> RMS Management Report, March 2018, Supplied by Edcon Group Facilities
- <sup>xv</sup> Employment Equity Plan: Edcon (Pty) Ltd 1 April 2015 - 31 March 2018
- <sup>xvi</sup> Edcon Transformation Department Strategic Plan April 2015 - March 2018