INTEGRATED REPORT

2021

TRUWORTHS INTERNATIONAL

2021

The Truworths International Integrated Report is supplemented by additional information which is relevant to shareholders and other stakeholder groups.

The documents below are available online at www.truworthsinternational.com.

GROUP WEBSITES

Group: **www.truworthsinternational.com**
Truworths: **www.truworths.co.za**
Office: **www.office.co.uk**

Financial Reporting
Group Audited Annual Financial Statements 2021
Annual Results Presentation 2021
10-Year Review, Ratios, Share Statistics and Definitions 2021

Governance Reporting
Report on Corporate Governance and Application of King IV Principles 2021
Social and Ethics Committee Report 2021

Sustainability Reporting
Social and Environmental Report 2021

Annual General Meeting
Notice to Shareholders (included in the Preliminary Report on the Audited Group Annual Results and Notice of Annual General Meeting)
Form of Proxy

This is an **interactive PDF document**, which allows for navigation using the index links at the top of each page as well as the report, page and website references

Readers should note the following references throughout the Integrated Report:

Truworths International Ltd and its subsidiaries are referred to as '**the Group**'

Truworths International Ltd is referred to as '**Truworths International**' or '**the company**'

The Truworths Africa segment is referred to as '**Truworths**'

The UK-based Office segment is referred to as '**Office**'

CONTENTS

REVIEW OF 2021

Despite extraordinary macro conditions, cash generated from operations totalled R4.1 billion, of which R1.9 billion was returned to shareholders through dividend payments and share buy-backs.

- Lockdown restrictions in South Africa during the second and third waves of the **COVID-19 pandemic** adversely impacted economic growth, employment, consumer confidence and spending as well as retail foot traffic.
- The **turnaround strategy in Office**, the Group's UK footwear retailer, is **starting to gain traction** as the business returned to profitability this year.
- **Trading conditions were exceptionally challenging in the UK** in the aftermath of Brexit and the closure of Office stores for 18 weeks when all non-essential retail activity was suspended due to COVID-19.
- **Online sales accounted for 16% of the Group's retail sales**, increasing by 30% over the prior period with Office online sales accounting for 63% of its total sales (18% growth) and Truworths Africa segment online sales accounting for 2% of its total sales (127% growth).
- **The Group's balance sheet remained robust** throughout the reporting period with a significant improvement in all key financial metrics.
- **Brand portfolio expanded** with the launch of Primark, targeting the value segment of the South African fashion market, and Fuel, a trendy young menswear brand.
- **The performance of the Truworths credit book and the turnaround of Office**, both of which were critical material issues during the period under review, exceeded expectations despite the unusual and challenging international conditions.
- **Succession planning accelerated** with the appointments of a Deputy Managing Director, Truworths Ltd, a Group CFO, a Managing Director, Office UK, three new directors to the Truworths International board, seven new directors to the Truworths board and several divisional director appointments in Truworths and Office.
- **Strong credit account performance** relative to the market, with improving market share of new accounts, healthy improvement in book quality as evidenced by a declining provision for doubtful debts, improved active accounts and credit sales as the Group continued to apply its credit management strategies consistently.
- Truworths International's **2020 Integrated Report was ranked 7th in the Ernst & Young (EY) 2021 Excellence in Integrated Reporting Awards**. This is the 14th consecutive year that the Group has been ranked in the top 10 of the EY reporting awards and is the only company on the JSE to achieve this recognition.
- The Group again **qualified for inclusion in the FTSE4Good Index**, recognising its leading environmental, social and governance practices.

GROUP FINANCIAL PERFORMANCE

Retail sales up 0.5% to R17.0 billion
(2020: R16.9 billion)

Gross margin higher at 51.0%
(2020: 50.8%)

Trading expenses down 13.5%*

Doubtful debt allowance to trade receivables at 23.4% (2020: 30.2%)

Trade receivable costs down by 52.6%

Operating profit up 23.5%*

Operating margin at 18.5%
(2020: 15.0%*)

Headline earnings per share up 26.8%

Cash generated from operations R4.1 billion
(2020: R4.5 billion)

Return on assets 24%
(2020: 13%*)

Net cash to equity 9.3%
(2020: 0.7%)

Share buy-backs of R768 million (19.3 million shares)

Annual dividend per share up 25% to 350 cents
(2020: 280 cents)

* Adjusted to exclude goodwill and intangible asset impairments in 2020.

OUTLOOK FOR 2022

TRUWORTHS

The uncertainty around COVID-19 is expected to continue for many months ahead and this will be compounded by vaccine hesitancy and roll-out rates in South Africa with approximately 23% of the adult population having been fully vaccinated, potential new variants of the virus emerging and the risk of further waves of infection.

The Group's robust balance sheet, strong cash generation and ability to manage margins and costs effectively will continue to provide resilience in the current environment of depressed consumer spending and weaker demand for fashion apparel.

Retail sales growth will be supported by continued recovery and growth in the credit account book, remodelling of emporium and large stores, new and expanded store retail concepts and brands, expansion of the e-commerce offering and investment in technology to offer customers a true omni-channel retail experience.

Trading in the first two months of the 2022 financial period was severely impacted by the civil unrest and rioting in KwaZulu-Natal and Gauteng in July 2021 as well as slower consumer spending when stricter lockdown regulations were applied in response to the third wave of COVID-19 infections.

OFFICE

As in the rest of the world, uncertainty around COVID-19 is expected to continue, compounded by vaccine hesitancy and increased infection rates in the UK and Europe, potential new variants of the virus emerging and the risk of further waves of infection.

The Office turnaround plan aimed at restoring the profitability of the chain continues to gain traction despite being adversely impacted by COVID-19 limitations.

The appointment of a new Managing Director will facilitate focus areas in the year ahead, which will continue to be stock management, the closure of loss-making and marginal stores, remodelling of important high-profile stores, upgrading stores generally, an expanded e-commerce offering, investment in information technology systems and in payment options for customers, and ongoing expense control.

High street footfall remains under pressure in the UK due to COVID-19, particularly in major city centres which are dependent on office workers and tourists. However, the rapid roll-out of the UK's COVID-19 vaccine programme, with almost 70% of the population having been vaccinated, is expected to reduce the risk of further lockdown restrictions and support the recovery of the retail sector.

INTRODUCING OUR INTEGRATED REPORT

As we emerge from the most challenging trading period in recent history, we reflect on the protracted impact of the COVID-19 pandemic, which has not only led to widespread loss and suffering but has brought about changes in consumer shopping behaviour and retail trading patterns.

As always, our actions in these adverse times have been guided by our Business Philosophy. This has allowed us to focus on the opportunities brought about by the COVID-19 pandemic and to modify our strategies in the context of the change in our operating environment, with trading limitations being experienced in both our major markets of South Africa and the United Kingdom. The trading restrictions in the UK have been particularly harsh, with our Office stores having to close for a combined 18 weeks over the second and third lockdown periods in the UK. Our business has always been one that focuses on the long term, with sustainable growth over an extended period. Our actions over this period have been guided by this long-term thinking in the context of our Business Philosophy.

Our 2021 Integrated Report aims to provide balanced insight on how the Group has managed these and other impacts on value creation, preservation and erosion in the business over the past year.

REPORTING SCOPE AND BOUNDARIES

The report covers material information relating to the business model, strategy, material issues and risks, governance and performance of Truworths International and its subsidiaries (the Group) for the 52-week period from 29 June 2020 to 27 June 2021. The report is supplemented by the Group Audited Annual Financial Statements 2021 which are available on our website at www.truworthsinternational.com.

The financial reporting boundary has been set so that the report covers the results of the Truworths and Office operating segments. Truworths operates primarily in South Africa and has a retail presence in seven other African countries. Office operates primarily in the United Kingdom, with a presence in Germany and the Republic of Ireland.

The integrated reporting boundary has been determined so that the report covers risks, opportunities and outcomes relating to the Group's operating environment, its retail businesses and stakeholder engagement with key groups that could influence the Group's ability to create and sustain value, and also the extent to which the Group's objectives have been achieved.

This year's report is again targeted primarily at our shareholders, who are the principal providers of the Group's financial capital, as well as the local and international investment community. We also recognise the essential role of our customers, employees, suppliers and regulators in the value-creation and preservation process.

MATERIALITY

We continue to apply the principle of materiality in determining the content and disclosure in our Integrated Report. This ensures that the report contains information which is relevant to investors' understanding of the Group's ability to create value. As we are a listed company with public shareholders, we believe the earnings of the Group are the most important metric to our shareholders, as they invest in the Group to earn dividends and for capital appreciation, both of which are impacted by our earnings. The determination of materiality is consistent with previous reporting periods.

MATERIAL ISSUES

Each year the directors together with management identify the issues that could have the most significant impact on the Group's ability to create sustainable value for stakeholders. In determining these material issues, the directors consider internal and external factors, including the Group's strategy, the needs, expectations and concerns of our main stakeholders and the economic and trading environment.

These material issues are reviewed annually during the course of the board's strategic planning process. Following the 2021 review the board confirmed that the material issues remain aspirational fashion, supply chain, retail presence, account management (specific to the Truworths Africa segment) and the turnaround strategy for Office.

The risks relating to these material issues are disclosed together with opportunities to provide our shareholders with insight into the growth drivers of the Group's businesses (refer to **Material Issues, Risks and Opportunities** on page 13).

REPORTING FRAMEWORKS AND COMPLIANCE

The Integrated Reporting Framework of the Value Reporting Foundation has been applied in the preparation of this report. The Group acknowledges and welcomes the recent revisions to the Framework aimed at further improving the quality of information available to providers of financial capital.

All Group financial reporting complies with International Financial Reporting Standards and with the South African Companies Act and the JSE Listings Requirements.

The King IV Code on Corporate Governance (King IV) has been applied throughout the reporting period and the directors confirm that the Group has, in all material respects, applied the principles of the code. The application of King IV is detailed in the report on Corporate Governance and Application of King IV Principles 2021 on the Group's website.

INTEGRATED REPORTING PROCESS

The Group's integrated reporting process is managed by a working group led by the Chief Financial Officer (CFO). The process commences each year with an evaluation of the previous year's integrated report and detailed feedback from an independent integrated reporting expert to identify opportunities to enhance disclosure and continually align with best reporting practices. The individual reports included in the integrated report are drafted based on board and committee papers, internal presentations, written submissions and discussions with executives. Draft reports are initially reviewed by divisional executives, followed by a panel of executives, including the CFO, and finally by the Chief Executive Officer.

The board has delegated authority to an Integrated Reporting Sub-Committee, including members of the Audit Committee, which provides the final approval and sign-off of the report, which is then released to the market.

COMMITMENT TO INTEGRATED REPORTING

The Group acknowledges the importance of and is committed to continuously improving the quality of its reporting to stakeholders. The Group's 2020 Integrated Report was ranked 7th in the Ernst & Young (EY) 2021 Excellence in Integrated Reporting Awards, and the Group is the only retailer ranked in the top 10. This is the 14th consecutive year that the Group has attained a top 10 ranking in the EY excellence in reporting awards and is the only company to have achieved this accolade, reflecting the consistently high quality of its financial and integrated reporting, and the accountable and transparent manner in which it reports to stakeholders.

INDEPENDENT ASSURANCE

The Integrated Report has not been independently assured. Accredited service providers have measured and provided assurance on selected non-financial metrics included in the Integrated Report while management has verified the processes for measuring all non-financial information.

The Group's external auditor, Ernst & Young Inc. (EY), has provided assurance on the Group Audited Annual Financial Statements 2021 and expressed an unmodified audit opinion. EY has also reviewed the accuracy of the financial information extracted from the annual financial statements that appears in the Integrated Report.

RESPONSIBILITY OF DIRECTORS

The board acknowledges its responsibility for ensuring the integrity of the Integrated Report. The directors confirm that the report fairly represents the Group's performance for the period under review as well as the growth strategies, material issues, risks and opportunities, and prospects of the Group.

The directors believe that the Integrated Report has been prepared in accordance with the Integrated Reporting Framework.

Hilton Saven
Chairman

Michael Mark
Chief Executive Officer

Emanuel Cristaudo
Chief Financial Officer

Rob Dow

Dawn Earp

Hans Hawinkels

Cindy Hess

Maya Makanjee

Tshidi Mokgabudi

Thabo Mosololi

Sarah Proudfoot

Roddy Sparks

Anthony (Tony) Taylor

Michael Thompson

GROUP PROFILE

Truworths International Ltd is an investment holding and management company based in Cape Town, South Africa. Its main operating companies, Truworths Ltd (Truworths, operating primarily in South Africa) and Office Holdings Ltd (Office, operating primarily in the United Kingdom), are leading retailers of fashion clothing, footwear, homeware and related merchandise.

Founded in 1917, the company (104 years old) listed on the JSE and on the Namibian Stock Exchange in 1998, 23 years ago. The Truworths International Group is one of the leading retailers in Africa with 793 stores across the continent and 98 Office stores and concessions in the UK, Germany and the Republic of Ireland. The Group's physical stores are complemented by an established, world-class online business in Office, contributing over 60% of Office's sales in the period, together with a fast-growing online presence in Truworths.

The Truworths brand is synonymous with superior quality, aspirational fashion which is supported by a portfolio of some of South Africa's most desired apparel brands, most of which are owned by the company and which have been developed over the past four decades. The 1980s saw the rapid expansion of the brand portfolio with the launch of Daniel Hechter under a long-term licence agreement (1984), Inwear (1986), Truworths Man (1988) and Truworths Jewellery (1989). In the 1990s internally developed brands LTD (1992), Identity and Truworths Elements (1999) were launched. Ginger Mary followed in 2004 and Hey Betty in 2011. All brands within the portfolio fulfil a particular niche in the market so that there is minimal overlap between brands in the Group's portfolio.

Organic brand expansion has been supported by the acquisitions of Young Designers Emporium (2003), Uzzi (2006), Earthaddict, Earthchild and Naartjie (2015), while the acquisition of Loads of Living in 2017 launched the Group into the homeware market.

Truworths International expanded into the northern hemisphere retail market in 2015 with the acquisition of the Office fashion footwear chain in the United Kingdom.

Office London was introduced in South Africa in 2017, with Context, an upmarket offering of fashion, beauty and homeware, and ID Kids, an extension of the Identity brand into childrenswear, launched in 2019.

Over the past year the brand portfolio was enhanced with the launch of Fuel, a young, streetwear men's brand. The Group also entered the value segment of the South African fashion market with the launch of Primark, a youthful, fashionable, commercial and aspirational value brand and it plans to grow this segment over time.

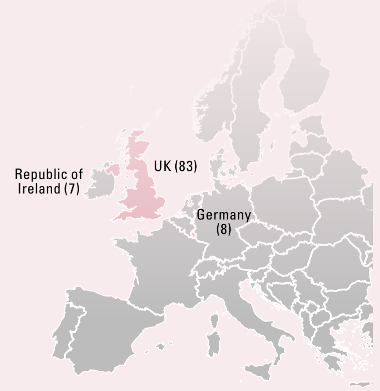
TRUWORTHS

Market positioning
Market-leading fashion apparel retailer offering internationally inspired, superior quality, aspirational fashion clothing and footwear for ladies, men, teenagers and kids, and homeware in the mainstream middle to upper-income market.

Brands
Exclusively owned or licensed brands include Truworths, Truworths Man, Hemisphere, Trench, Moskow, Extream, Inwear, Identity, Daniel Hechter, LTD, LTD Kids, Ginger Mary, Uzzi, Hey Betty, Outback Red, OBR, Finnigans, Emily Moon, Earthaddict, Earthchild, Naartjie, Office London, Loads of Living, Context, Fuel, Primark and YDE, a specialist glamour chain store.

Store footprint
Retail footprint of 758 stores across all brands in South Africa and 35 stores in other African countries. The store network is complemented by an e-commerce platform which features all major brands.

Accounts
Account facilities are offered to customers across all brands in South Africa, Namibia, Eswatini and Botswana. The active account customer base is 2.6 million.



OFFICE

Market positioning
Leading fashion footwear retailer in the UK primarily aimed at fashionable 16 to 25 year olds in the mid-level price range.

Brands
Private label and major global third-party footwear brands, including Nike, Adidas, Converse, Veja, Dr Martens, Birkenstock, Timberland, Vans and UGG, sold through Office and Offspring outlets.

Store footprint
Office has 98 stores in the UK, Germany and the Republic of Ireland, including 13 concession outlets in high-profile department store retailers.

Online retail
Fast-growing e-commerce business accounts for more than 60% of Office sales across a range of digital platforms.

TRUWORTHS			TRUWORTHS INTERNATIONAL		OFFICE	
South Africa 97% Rest of Africa 3%	R13.0bn	Retail sales	R17.0bn	South Africa 74% United Kingdom and Europe 23% Rest of Africa 3%	R4.0bn	United Kingdom 94% Rest of Europe 6%
Account 68% Cash 32%	R13.0bn	Cash: account sales	R17.0bn	Account 52% Cash 48%	R4.0bn	Cash 100%
Clothing and accessories 89% Footwear 10% Homeware 1%	R13.0bn	Product mix	R17.0bn	Clothing and accessories 68% Footwear 31% Homeware 1%	R4.0bn	Footwear 100%
South Africa 96% Rest of Africa 4%	793 stores	Store locations	891 stores	South Africa 85% United Kingdom and Europe 11% Rest of Africa 4%	98 stores	United Kingdom 85% Rest of Europe 15%
Store sales 98% Online/omni-channel 2%	R13.0bn	Sales channel	R17.0bn	Store sales 84% Online/omni-channel 16%	R4.0bn	Store sales 37% Online/omni-channel 63%

CREATING SUSTAINABLE VALUE

Our Business Philosophy is our DNA – it fundamentally describes who we are, and it is the heart and soul of our business that drives our operating philosophies, principles and decision-making.

OUR BUSINESS PHILOSOPHY

OUR BUSINESS PHILOSOPHY IS OUR DNA

It fundamentally describes who we are. It is the heart and soul of our business that drives our operating philosophies, principles and decision-making. We have a universal, clear understanding of our DNA – it is what makes us unique, differentiates us from our competitors and makes our business impossible to replicate.

- Our leaders play an essential role in ensuring that we remain true to our DNA. We believe in and actively practise our core beliefs.
- We understand that success in fashion retail is 'a marathon and not a sprint', and that over time and with consistent and ongoing application of our Business Philosophy, the business will continue its success.
- We create the platform and environment for teams and individuals to deliver our Purpose and live our Values so that we are able to deliver on our stakeholders' expectations.
- We practise constructive leadership, which is a blend of an unusual capacity for realistic optimism, an ability to find solutions and opportunities in adversity, and an ability to communicate and implement a vision to the business.
- By knowing and understanding the uniqueness of who we are, it becomes easier to internalise and gain a true understanding of our Business Philosophy.

OUR BUSINESS PHILOSOPHY AND OUR STRATEGY

Our Business Philosophy is core to the ongoing success of the business. We survive, endure and prosper through rigorously applying our Business Philosophy, which directs our consistent focus on creating long-term value for our stakeholders. Our strategic objectives are aimed at adherence to and fulfilment of the objectives of our Business Philosophy as defined by its Purpose and Vision for stakeholders. We strive to achieve these strategic objectives through the successful execution of various strategic actions, plans and by setting specific targets, all of which are adjusted based on the outcome of the assessment of our environment.

Our Business Philosophy drives each of our Truworths and Office business segments and comprises three synergistic elements:

OUR PURPOSE

defines the essence and fundamental ingredients of how we aim to meet our customer expectations

OUR VALUES

shape the business culture and behaviours required to achieve our Purpose

OUR VISION

describes the expectations of our stakeholders and how the business is assessed in terms of creating value for our stakeholders

Our Business Philosophy continued

TRUWORTHS

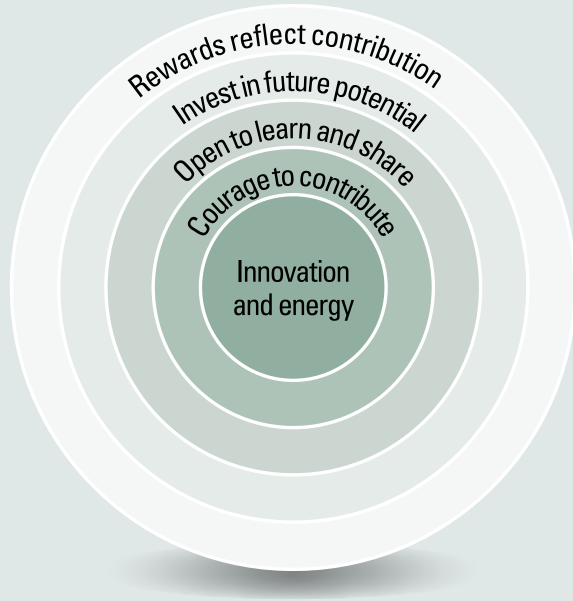
Youthful fashionable South Africans want to look attractive and feel successful and confident. Truworths entices them into exciting and visually appealing aspirational real and virtual retail emporiums, which are staffed by passionate and knowledgeable team members and which offer wide ranges of curated and tasteful fashion of superb quality and intrinsic value. The ranges of unique aspirational fashionable brands are an innovative and adventurous blend of colour, fabric and fashion styling.

OFFICE

Office aims to be the world authority on fashionable footwear by offering a broad curated range of the latest 'in-demand' styles in an environment that our teams all contribute to making an out-of-this-world experience for our customers.

OUR PURPOSE

OUR VALUES



OUR VISION

... FOR OUR TRUWORTHS CUSTOMERS

'Truworths helps me look attractive and feel successful and confident. Shopping at Truworths is exciting because it offers wide ranges of curated and tasteful fashion of superb quality and intrinsic value in retail emporiums that are visually appealing and are staffed by passionate and knowledgeable staff.'

... FOR OUR OFFICE CUSTOMERS

'I love shopping at Office because I trust that they will help me look fashionable and be well informed on international fashion footwear trends. Office creates a world-class experience and is staffed by fashion footwear experts.'

... FOR OUR EMPLOYEES 'I am totally committed because my team members and I are encouraged to contribute innovatively, and celebrate and reward excellence in contribution.'

... FOR OUR SHAREHOLDERS 'We are long-term investors in Truworths International because we trust in management's capacity to execute innovative strategies which deliver significant value over time.'

GROUP STRATEGY

The Group's strategic objectives are aimed at adherence to and fulfilment of the objectives of our Business Philosophy as defined by its PURPOSE and VISION for stakeholders. (Refer to Our Business Philosophy on page 6.)

The Group achieves its strategic objectives through the successful development and execution of a series of strategies within Truworths and Office. These strategies are underpinned by sound financial, information and operating systems, as well as people and governance processes. The Group delivers on these strategies through short-term action plans and projects, which are developed and implemented each year, as outlined in the Chief Financial Officer's Report on page 51, Material Issues, Risks and Opportunities on page 13, and the Truworths Human Capital report on page 70 and Office Human Capital report on page 78.

STRATEGIC OBJECTIVES

SHAREHOLDERS

Enhance returns to shareholders through efficient management of the business including the management of financial and capital resources, gearing, tight expense control and robust governance structures to ensure long-term growth

Conduct operations in a sustainable manner to ensure the viability of the Group's businesses, principally by remaining relevant to and meeting the needs of customers, respecting the interests of all other stakeholders and managing the impact of the operations on the physical and natural environment

CUSTOMERS

In Truworths | **Address the lifestyle needs** of our customer through a **curated mass-market offering of predominantly exclusive fashion brands**, ensuring we maintain our aspirational better-end mainstream fashion positioning

In Office | Position Office as the footwear retailer for the fashion-savvy 'London girl', and Offspring for the young fashion-obsessed male and female sneaker customer with the **latest shoe and sneaker styles from world-renowned brands**, complemented by a unique range of made-to-order (MTO) fashion footwear

Operate an efficient supply chain to reduce fashion risk and improve our ability to distribute merchandise

Provide our customers access to our aspirational merchandise through **responsible credit granting (Truworths only) and multiple payment options (Truworths and Office)**, while enhancing our ability to communicate with our customers and prospective customers

Create and maintain **enticing and modern store environments** through continual development of new store concepts and upgrading of retail stores

Enhance our digital capability through a world-class omni-channel experience

EMPLOYEES

Attract, develop and retain talent while enhancing employee engagement and satisfaction levels by acknowledging and rewarding successful outcomes

STRATEGIES

SHAREHOLDERS

Maintain a **robust balance sheet** to reduce the risk of unfavourable market conditions with the aim of continuing to pay dividends, including during difficult times

Buy back shares at earnings-accretive levels

Restore the **profitability of Office** as a fashion-forward footwear and sneaker specialist, operating under the Office and Offspring brands

Deploy a **centralised management model** characterised by clear board direction and strategy determination, a flat management structure, and an empowered and accountable management team

Maintain an efficient governance framework, comprising of relevant governance policies, structures and processes, which contributes to improved operational decision-making and corporate performance, while reducing the risk of failure

Treat all shareholders equally and fairly, irrespective of the size of their shareholding

Scientifically manage the debtors book risk through latest and best technology

TRUWORTHS

Manage the risk of fashion by offering an extensive range of **internationally inspired aspirational fashion of high quality, across a diversified brand portfolio**, and consistently introducing new fashion concepts and brands to address the lifestyle needs of our customers

Focus on **youthful and fashionable South African ladies, men and kids**, and provide a variety of innovative and unique aspirational merchandise and brands for all occasions and for different market segments

Use a **diversified range of merchandise manufacturing suppliers** operating both domestically and throughout the world, accessed either directly through internal buying and international sourcing teams, or through local or foreign import agents

Maximise efficiencies in the supply chain by reducing lead times of both local and imported supplies and be first to market with the latest fashion merchandise and then having the ability to trade quickly based on customer demand

Utilise **centralised Group-owned distribution centres** and a centralised distribution model, which uses outsourced transportation service providers

Use the Group's in-house **account expertise, offering credit as an enabler of merchandise sales** and a facilitator of merchandise sales growth, while enhancing customer relationship management to attract and retain customers

Supplement account facilities with a lay-by (set aside) offering to develop relationships with new customers, expand customer participation in the loyalty programmes and grow merchandise sales

Manage account risk by steadily growing the Group's active account base using strict credit-granting criteria, and deploying best-in-class new account acquisition processes and account risk management systems, together with creative collection strategies

Operate through leased **store premises in prime locations** in shopping malls and town centres, applying the emporium (store-within-a-store) concept where relevant

Expand the store footprint through **prudent trading space management** and utilise retail space productively through the introduction of new brands

Remodelling of emporium and large stores along with new and expanded **retail store concepts and brands**

Grow the omni-channel presence through ongoing development of e-commerce capabilities, the creative use of social media platforms and other innovative brand development opportunities

Create a workplace that fosters a culture of innovation and high performance through **alignment with the Business Philosophy**

Embrace transformation across the elements of the broad-based black economic empowerment scorecard to improve opportunities for previously disadvantaged South Africans, especially through employment equity and skills development, but also through enterprise and socio-economic development

OFFICE

Maintain and **enhance relationships with key international footwear brands** to remain positioned as their strategically important partner

Devise and implement tactics to **grow sales of own-brand MTO footwear** to materially increase revenue and improve gross margin

Manage inventory levels to minimise stock build-up, free up working capital and promote full-margin sales

Utilise custom-designed **leased distribution centres** located at key shipping and transportation hubs and a distribution model which makes use of outsourced transportation service providers

Bolster the **merchandise, planning and distribution capability** through the implementation of state-of-the-art systems

Grow sales and enhance the customer experience by providing **multiple payment options** across multiple currencies

Introduce a holistic customer relationship management programme to **communicate with both active and dormant consumers** who have shown an affinity to Office

Continue the **store portfolio rationalisation** process to meaningfully reduce real estate rental, business rates and operating costs with the closure of loss-making stores

Enhance the omni-channel experience through the remodelling of important high-profile stores

Expand the e-commerce business, recognising the importance of the omni-channel customer and the need to satisfy the customer's store and digital experience

Create a workplace that fosters a culture of innovation and high performance through **alignment with the Business Philosophy**

Build a team capable of assisting with the Office turnaround plan

HOW WE CREATE VALUE

Value creation, preservation or erosion over time contributes to the increase, decrease or transformation of the Group's capitals through its business activities and outputs. We are always guided by our Business Philosophy, through good and bad times, which directs our consistent focus on long-term value creation.

Our ability to create value for our shareholders is inextricably linked to the value we create for our customers and employees, as well as other stakeholders including suppliers, regulators, lenders, landlords, governments and the broader society in which we trade, as illustrated in the accompanying value-creation model. Our Vision, which is a synergistic element of our Business Philosophy, defines 'value' for our shareholders, our customers and our employees, and provides focus to our strategic objectives.

For further detail on the Group's stakeholders and the engagement issues addressed with these stakeholders over the past year, refer to **Managing Stakeholder Relationships** on page 23.

HOW WE CREATE VALUE

HOW WE MEASURE THE VALUE CREATED

EMPLOYEES
Human capital
Social and relationship capital

Through our employees we strive to create value by meeting the fashion, quality and service needs of our customers, and by providing the Group's business support services.

Vision for employees if we are operating according to our Values:

I am totally committed because my team members and I are encouraged to contribute innovatively, and celebrate and reward excellence in contribution.'

How we create value:

- Providing employment and creating job opportunities
- Transforming the employee base to reflect diversity and equality
- Preserving jobs through cautious human resource practices
- Creating an environment where employees are motivated and encouraged to contribute innovatively
- Paying employees market-related salaries and benefits, and rewarding employees for excellence through incentive schemes
- Encouraging learning and sharing of knowledge and developing staff to exceed customer expectations

How we measure the value created:

- Job creation, through the number of full-time equivalent employees
- Diversity, employment equity and gender equality, through the percentage of employees from designated groups
- Employee satisfaction and retention, through annual turnover rate of permanent employees
- Commitment to training and development, through skills development spend
- Organisational surveys which measure perceptions of our adherence to our Values
- Examination of our exit interviews to understand where we are falling short on delivering on our Values

CUSTOMERS
Intellectual capital
Manufactured capital
Social and relationship capital

Our customers are the consumers of our products and services, and are our primary source of revenue. This revenue-generating capability enables us to ultimately create financial value for shareholders.

Truworths Vision for customers if we are fulfilling our Purpose:

'Truworths helps me look attractive and feel successful and confident. Shopping at Truworths is exciting because it offers wide ranges of curated and tasteful fashion of superb quality and intrinsic value in real and virtual retail emporiums that are visually appealing and are staffed by passionate and knowledgeable staff.'

Office Vision for customers:

'I love shopping at Office because I trust that they will help me look fashionable and be well informed on international fashion footwear trends. Office creates a world-class experience and is staffed by fashion footwear experts.'

How we create value:

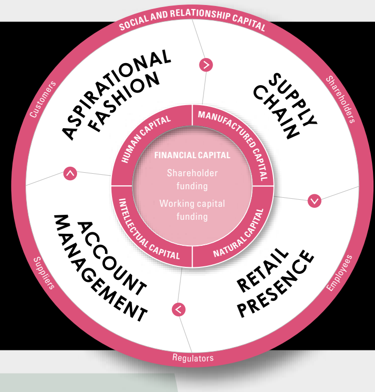
- Offering fashion clothing and footwear which enables customers to look attractive, feel successful and confident
- Selling wide ranges of curated and tasteful apparel, footwear and homeware of superb quality and intrinsic value
- Showcasing unique aspirational fashion brands through an extensive footprint of exciting and visually appealing stores supported by the convenience of online shopping
- Enabling customers to buy merchandise by offering wide-ranging payment methods, including account and lay-by facilities in Truworths
- Developing knowledgeable employees to service customers with passion
- Launching new merchandising brands and store concepts to maintain appeal to customers
- Enhancing the online and e-commerce offering for customers

How we measure the value created:

- The net promoter score measures customers' likelihood of recommending Truworths and Office respectively
- Growth in new account applications and the number of active accounts are indicators of the demand for Truworths' merchandise
- Social media following is an indication of brand loyalty, fashionability and desirability of merchandise

TRUWORTHS INTERNATIONAL

- **Generating competitive financial returns**
- **Maintaining a strong balance sheet**
- **Investing in stores, distribution facilities, technology and infrastructure for future growth**
- **Retaining income for continued growth and for the organic and acquisitive expansion of the business**
- **Ensuring best-practice governance and risk management principles are applied across the business**



Refer to **Value-creating Business Model** on page 10.

SHAREHOLDERS
Financial capital

Our shareholders are the principal providers of financial capital and by delivering sustainable, long-term value, the Group ensures continued access to capital.

Vision for shareholders if we are fulfilling our Business Philosophy:

We are long-term investors in Truworths International because we trust in management's capacity to execute innovative strategies which deliver significant value over time.'

How we create value:

- Delivering on short and medium-term action plans and projects to achieve the strategic objectives of the Group
- Growing revenue faster than expenses over time
- Executing our merchandising strategies, thereby managing inventory levels to ensure that gross profit margin and inventory turn are within guided target ranges
- Maintaining tight control of operating expenses to ensure that operating profit margin is within the guided target range
- Generating healthy financial returns and maintaining an efficient capital structure to ensure that return on equity, return on assets and asset turnover are within guided target ranges
- Efficiently managing the debtors book
- Prudently managing cash, working capital and gearing levels
- Returning excess funds to shareholders through dividends and share repurchases

How we measure the value created:

- Return on invested capital greater than the weighted average cost of capital
- Medium-term growth in headline earnings per share being greater than inflation
- Dividend yield
- Long-term share price appreciation

OTHER GROUP STAKEHOLDERS
Social and relationship capital
Natural capital

Our broader stakeholder base includes those groupings that have a material direct or indirect impact on our business and influence our ability to create value in the long term.

How we create value:

- Contributing to national and local governments, and regulatory institutions
- Supporting local and offshore manufacturers of products, lenders, service providers and property landlords
- Assisting in growing and developing society through good corporate citizenship, transformation and black economic empowerment
- Adopting sustainable business practices aimed at minimising our impact on the environment and contributing to the betterment of society

How we measure the value created:

- Government: contribution of corporate taxes and duties, and legislative compliance
- Suppliers and landlords: purchases of merchandise, other services and rentals paid
- Lenders: meeting interest and capital repayment obligations timeously
- Communities and broader society: social value created through corporate social investment, supplier and enterprise development, and environmental programmes

VALUE-CREATING BUSINESS MODEL

As a fashion retailer the Group's business model is to procure merchandise through an efficient local and international supply chain and to sell it to consumers for cash or on account through its network of retail stores and e-commerce platforms. The Group's purpose is to provide exclusive and aspirational apparel using company-owned brands to youthful fashionable consumers.

The successful execution of this business model will create value for the Group's primary stakeholders, notably shareholders, customers and employees, and other stakeholders including suppliers, financiers, landlords and the regulators in the countries in which the Group operates. The business model, underpinned by the Business Philosophies which encompass its operating segments, distinguishes the Group from its industry peers, with its unique DNA thereby providing a sustainable competitive advantage.

INPUTS

The capitals of value creation

Inputs into the Group's business activities constitute the **financial**, **manufactured**, **intellectual** and **human capitals** available to and utilised by the Group as well as the **social and relationship capital** evident in the important relationships and partnerships with stakeholders. Through its supply chain, which outsources the manufacturing and transportation processes to suppliers, the Group indirectly utilises **natural capital** in the form of raw materials such as cotton, wool and leather, as well as water and carbon-depleting energy sources. The Group's operations, to a lesser extent, utilise water and carbon-depleting energy sources in its head offices, distribution centres and stores, and the business travelling undertaken by its employees.

F — FINANCIAL CAPITAL

relates to the funding received from the providers of capital and the financial resources available to the Group.

- Equity of **R6.2 billion** (2020: R6.0 billion)
- Funding facilities (total) of **R2.8 billion** (2020: R3.4 billion)
- Net cash of **R577 million** (2020: R44 million)

M — MANUFACTURED CAPITAL

is the physical infrastructure used in the distribution and selling of merchandise, including the distribution centres, leased retail stores and the information technology (IT) systems (including websites) throughout the business.

- **891** (2020: 923) stores
- **four** (2020: four) main distribution centres
- **six** (2020: six) e-commerce sites

I — INTELLECTUAL CAPITAL

focuses on knowledge in the organisation, systems, processes, trademarks, intellectual property and brands.

- More than **40** own-brands across Truworths and Office
- Sophisticated merchandise, distribution and account management systems and processes
- Policies, procedures, and manuals

H — HUMAN CAPITAL

relates mainly to employees' skills, capabilities, development and experience.

- **11 562** (2020:12 515) employees
- Values-driven corporate culture
- Market-leading merchant trainee programme
- Extensive skills training and management development

S — SOCIAL AND RELATIONSHIP CAPITAL

deals broadly with stakeholder relationships and engagement, corporate reputation and values.

- **2.6 million** (2020: 2.6 million) active account customers
- **13.9 million** (2020: 11.1 million) loyalty programme customers
- More than 500 merchandise suppliers across the Group
- Corporate social investment (CSI) programme funded by three trusts

N — NATURAL CAPITAL

relates to environmental resources which impact on the Group's prosperity.

- Natural materials depleted in the manufacturing of merchandise and packaging materials
- Consumption of fossil fuels in the supply chain
- Electricity and water consumed in operations

Refer to challenges encountered in the Material Issues, Risks and Opportunities reports for input constraints.

ASPIRATIONAL FASHION

Business activity
- Predict and interpret latest trends in fashion apparel, footwear and homeware
- Design, develop and source own-branded exclusive fashion merchandise from both local and international suppliers
- Collaborate with third-party brands on trends and most wanted exclusive styles (Office)
- Consistently update established brands and create new and enticing brands and range extensions

Business activity outputs/outcomes
- Unique and aspirational own-brands that provide differentiation
- Adventurous blends of colour, fabric and fashion styling create enticement
- Broad curated ranges of latest 'in-demand' fashion footwear with exclusive third-party product lines combined with own-brand styles (Office)

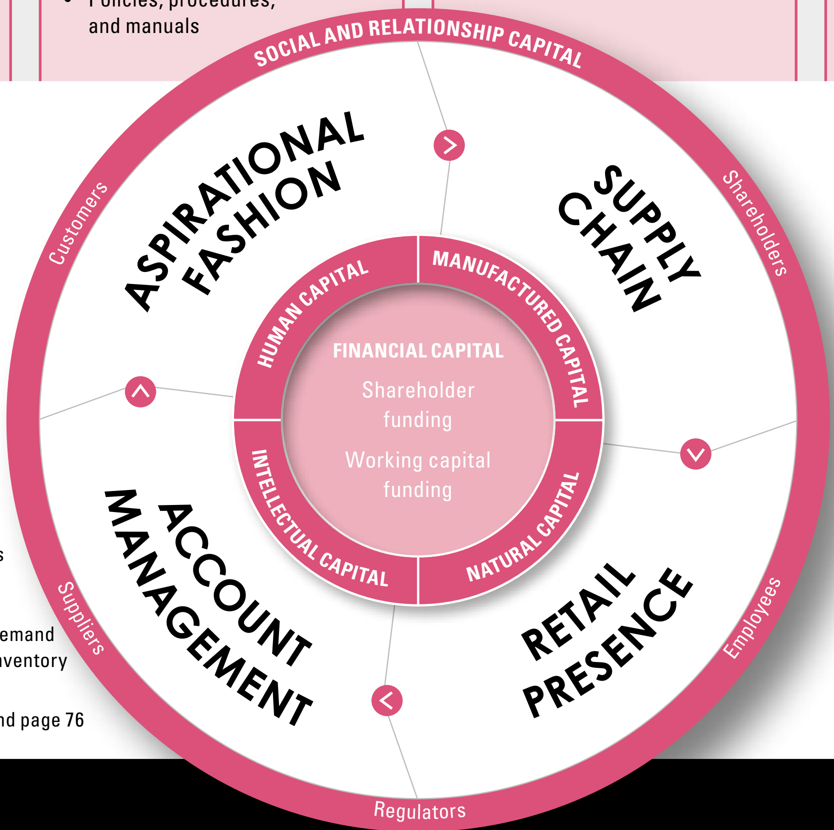
Refer to **Aspirational Fashion** on page 62 (Truworths) and page 75 (Office) for more detail.

SUPPLY CHAIN

Business activity
- Operate a centralised distribution model (Truworths in Cape Town, South Africa and Office in Kilmarnock, Scotland and Greenford, London)
- Receive imported and locally manufactured merchandise from suppliers at distribution centres for onward distribution to stores and e-commerce customers
- Distribute merchandise via third-party transport and distribution networks
- Fulfil e-commerce orders from stores and distribution centres, leveraging existing transport networks
- Dynamic interaction with local and imported product from suppliers aligned with business requirements and profile
- Persistent focus on dynamic planning systems and processes

Business activity outputs/outcomes
- Optimal inventory levels to satisfy customer demand
- Efficient supply chain which meets targeted inventory turn levels

Refer to **Supply Chain** on page 64 (Truworths) and page 76 (Office) for more detail.



RETAIL PRESENCE

Business activity
- Offer a portfolio of exclusive and aspirational ladies', men's and kidswear fashion apparel and footwear including third-party exclusive styles, and homeware
- Stock, display and sell merchandise in stores (operating from leased premises), to wholesale partners, from concession outlets (Office only) and online
- Emporium store concept showcases multiple brands in one store (Truworths)
- Optimise trading space to gain market share and promote sales
- Complement store sales with e-commerce merchandise offering, service online customers and provide convenient delivery and collection options
- Leverage customer loyalty through targeted marketing

Business activity outputs/outcomes
- Enticing store and online shopping environments
- Encourage brand cross-shopping

Refer to **Retail Presence** on page 68 (Truworths) and page 77 (Office) for more detail.

ACCOUNT MANAGEMENT

(incl. lay-bys and loyalty) (Truworths)

Business activity
- Offer accounts and lay-bys in South Africa and selected other African countries to enable retail sales
- Account granting and approval functions centralised at Truworths head office
- Collections and customer engagement through stores and call centres
- Increase basket size and frequency of purchases through loyalty programmes for account and cash customers

Business activity outputs/outcomes
- Balanced cash and account sales mix
- Account portfolio managed within acceptable risk levels
- Customer loyalty through understanding and reacting to customer information

Refer to Account Management on page 66 for more detail.

OUTPUTS

Our products

The Group's value-creating business model is focused on producing fashion clothing, footwear, homeware and related merchandise of international styling and quality to cater to every lifestyle need of our customers. An inevitable consequence of the creation of our products is the creation of waste in the supply chain during the course of production, packaging and transportation processes, mostly undertaken and managed by our suppliers and service providers.

OUTCOMES AND TRADE-OFFS

Impact of business activities on capitals

Despite the challenging trading conditions which prevailed during the 2021 reporting period, which was adversely impacted by the COVID-19 pandemic and the various levels of lockdown restrictions, the outcomes achieved by the Group, Truworths and Office have created value for stakeholders, supported by the Group's Business Philosophy (refer to page 6 for more detail) which delivers a robust business model, its transparency and its entrenched governance processes. The Group maintained its dividend policy, increased profits and bought back shares despite the unusual headwinds it faced. However, the level of value creation has been tempered by the COVID-19 trading restrictions in South Africa and the UK. The Group's **financial capital** has been impacted by lower revenue mainly as a result of reduced interest earned on the book due to lower interest rates off-set by lower expenses owing to the decrease in the Truworths doubtful debt provision as well as the fact that there were no further impairments of the Office intangible assets. The **manufactured**, **human**, **social and relationship** and **intellectual capitals** deployed by the Group have all increased but in several cases the quantum of the growth has been curtailed by the pandemic. **Natural capital** depletion has reduced in line with business activity, while such depletion is at levels which the Group believes are acceptable. The impact of our business activities on the capitals is outlined below.

EXTERNAL FACTORS IMPACTING VALUE CREATION

Several factors that are partially or wholly outside the control of the Group could have a significant impact on our ability to create and sustain value for our stakeholders. We deal with the external factors influencing our financial performance and our response to these factors throughout the integrated report.

Value-creating business model continued

KEY OUTCOMES

F — FINANCIAL CAPITAL

Continued access to financial capital through investor and financial market confidence

Key outcomes			2021	2020
Return on invested capital (ROIC): Weighted average cost of capital (WACC)	✓	(times)	**2.0**	(0.1)
Net cash to equity	✓	(%)	**9.3**	0.7
Diluted headline earnings per share up 26.3%	✓	(cents)	**516.7**	409.0
Period-end share price	✓	(cents)	**5 616**	3 428
Annual dividend per share up 25%	✓	(cents)	**350**	280
Dividend yield (based on weighted average share price)	✓	(%)	**8.8**	6.0
All medium-term financial targets met or exceeded (refer to Chief Financial Officer's Report on page 51 for further detail)	✓			

M — MANUFACTURED CAPITAL

Ongoing investment in the Group's stores, distribution capability and e-commerce platforms to promote and sustain growth

Key outcomes			2021	2020
Capital expenditure		(Rm)	**320**	435
Net stores closed across all brands during the period			**32**	22
Under-performing stores closed during the period	✓		**58***	37*
Stores renovated and extended			**8**	20
Office trading space decreased	✓	(%)	**22.0**	4.8

* Including three (2020: eight) Office concession outlets.

I — INTELLECTUAL CAPITAL

Expanding our market-leading brand portfolio and developing new and streamlining existing business processes and systems

Key outcomes	
New merchandise management system contributed to process improvements.	✓
New merchandise financial planning system developed and launched shortly after period-end to plan sales, manage stock and markdowns across all divisions.	✓
Launched specialist menswear brand, Fuel.	✓
Value chain, Primark, launched to attract the lower-end segment of the young fashion market.	✓
Acquired Barrie Cline Clothing design centre to expand manufacturing capacity in Truworths ladieswear.	✓

ACTIONS TO ENHANCE OR MITIGATE OUTCOMES IN 2021

Financial capital

Ongoing active management of the Group's financial capital base through:
- Debt repayments of R1.7 billion.
- Returned R1.9 billion to shareholders through dividend payments (R1 086 million) and share buy-backs (R768 million).
- Reinvestment of R320 million in capital infrastructure.
- Utilised revolving credit facilities available to the Group (Truworths R900 million, Office £32.5 million).
- Truworths settled term loan (R500 million) and refinanced its revolving credit facility on more favourable terms.
- Office extended revolving credit facility until January 2022.

Manufactured capital

- Capital expenditure of R225 million on stores, distribution centres and buildings.
- Continued consolidation of space and improving efficiencies through introducing new brands into existing stores and closing marginal/loss-making stores.
- Identity e-commerce site developed and tested (launched after reporting period), new Offspring website launched in October 2020 and several website enhancements introduced in Office.
- Entered into early discussions with landlords to secure prime space at competitive rates.
- Secured rental reversions and lower escalations (location specific).

Intellectual capital

- Ongoing testing of new concepts.
- Regular review of account management, collections and acquisition strategies.
- Managing the Office turnaround.
- Impact of business process alignment enhanced through further systems alignment between Truworths and Office.

KEY TRADE-OFFS

Financial capital

- Financial capital is applied to sustain and grow our business, typically with positive impacts on manufactured, human, intellectual, and social and relationship capital, and negative impacts on natural capital.

Manufactured capital

- By investing in our stores and distribution capacity we are increasing our manufactured capital, but negatively impacting natural capital and, in the short term, financial capital. Our commitment to investing for growth will however contribute positively to financial capital in the medium to long term.

Intellectual capital

- Ongoing investment in business processes and new systems is growing our intellectual capital, and indirectly benefiting our human and social and relationship capital, but negatively impacting financial capital in the short term.

REFERENCES

Chief Financial Officer's Report (page 51)

Truworths Supply Chain (page 64) and Office Supply Chain (page 76)
Truworths Retail Presence (page 68) and Office Retail Presence (page 77)

Truworths Aspirational Fashion (page 62) and Office Aspirational Fashion (page 75)
Truworths Supply Chain (page 64) and Office Supply Chain (page 76)
Account Management (page 66)
Office Turnaround (page 22)

Value-creating business model continued

KEY OUTCOMES

H — HUMAN CAPITAL

Employment creation, employee development through skills training and workplace experience, and the promotion of fair labour practices

Key outcomes			2021	2020
Salaries and benefits paid to employees increased	✓	(Rbn)	**2.1**	2.0
Number of employees reduced	X		**11 562**	12 515
Maintained black employee representation in South Africa	✓	(%)	**93**	93
Strong, stable female representation – Truworths	✓	(%)	**74**	73
– Office	X	(%)	**58**	61
Trained fewer people across the Group	X		**10 884**	11 276
Significant overall investment in skills development		(Rm)	**116**	121
Higher skills development spend per employee	✓	(R'000)	**10.2**	9.7
Achieved target of 30% female representation on the Truworths International board	✓	(%)	**36**	31
No external referrals of unfair discrimination	✓			

S — SOCIAL AND RELATIONSHIP CAPITAL

Maintained positive relationships with stakeholders and invested in the well-being of the communities we operate in through our various corporate social investment initiatives

Key outcomes			2021	2020
Truworths active account customer base stable		(m)	**2.6**	2.6
Truworths loyalty customer base increased	✓	(m)	**13.9**	11.1
Net promoter score – Truworths	✓		**52**	52
– Office	✓		**66**	65
Lower corporate social investment (CSI) distributions	X	(Rm)	**7.5**	10.9
Lower merchandise donations to socio-economic and enterprise development beneficiaries		(Rm)	**33**	34
Maintained Broad-based Black Economic Empowerment (BBBEE) scorecard compliance		(Level)	**8**	8
Growing social media following:				
Followers on Facebook – Truworths	✓	(m)	**5.4**	5.0
– Office	✓	('000)	**384**	368
Followers on Instagram – Truworths	✓	('000)	**826**	695
– Office	✓	('000)	**772**	676
Purchase of merchandise, other services and rentals paid		(Rbn)	**11.0**	11.2
Significant corporate tax payments		(Rm)	**687**	817
Concluded wage negotiations with South African Commercial, Catering and Allied Workers Union (SACCAWU)				
No work days lost to industrial action				

N — NATURAL CAPITAL

Depletion of environmental resources through our supply chain (indirect) and own business operations (direct)

Key outcomes			2021	2020
South African store electricity carbon emissions increased (due to stores being closed for five weeks in 2020 as a result of the national lockdown)		(Wh per m²)	**18.5**	15.9
Increase in recycled plastic hangers due to new and improved recycling initiative	✓	(tonnes)	**102.4**	57.4
Increase in recycled cardboard cartons due to focus on re-use and lockdown	✓	(tonnes)	**482**	166

ACTIONS TO ENHANCE OR MITIGATE OUTCOMES IN 2021

Human capital

- Reduced number of permanent and flexible employment positions in Truworths through natural attrition to avoid retrenchments.
- Staff redundancy programme in Office which began in June 2020 ongoing and expected to be completed in October 2021.
- Focused on developing internal talent to demonstrate commitment to sustainable transformation in South Africa.
- Applied for government relief funding for employees in SA and UK during the COVID-19 pandemic.
- Some Office employees whose jobs meant that they were unable to work from home were placed on furlough scheme.
- Investment in personal protective equipment and other pandemic-related costs to increase safety of employees and customers.

Social and relationship capital

- Entered into new CSI initiatives and partnerships to achieve a broader spread of investment across identified focus areas.
- Continued focus on and regular communication with suppliers about BBBEE certificates.
- Continued to donate merchandise to The Clothing Bank which strengthens the relationship.
- Engaged regulators on key matters, including National Credit Regulator, Department of Employment and Labour, Department of Trade, Industry and Competition and revenue authorities.

Natural capital

- All SA stores renovated during the period received energy-efficient lighting as well as electricity meters.
- Energy meters installed in 473 South African stores (2020: 457 stores).
- Partner with organisations that recycle or re-use damaged goods or convert fabrics into garments for resale.
- All suppliers required to commit to good environmental practices.
- Continue to seek ways to limit packaging on merchandise.
- Plastic bag usage more than halved as initiatives introduced to limit single-use plastic.
- Piloting of paper and recyclable shopping bags.
- Measures implemented to decrease carbon emissions in supply chain.
- Electricity reduction targets set.
- Measures to reduce water consumption introduced at all facilities and stores.

KEY TRADE-OFFS

Human capital

- Reducing the number of permanent and flexible employment positions through natural attrition has impacted negatively on our human capital but, in the current challenging trading environment, assisted to reduce the negative impact on our financial capital. It is believed that our human capital, and indirectly social and relationship capital, will benefit from this decision in the long term as opportunities for development and growth arise for remaining staff and the risk of retrenchment is reduced.
- Our commitment to the training and development of our employees reduces our financial capital but leads to increased human and intellectual capital. This will ensure that our employees are equipped to provide our customers with superior quality, aspirational fashion merchandise, and provide world-class customer service that will ultimately increase the value created for our shareholders.

Social and relationship capital

- Through our commitment to socio-economic, supplier and enterprise development we are trading financial capital in the short term to boost social and relationship capital through the upliftment of communities and the development of our local supply chain.
- In the current tough economic climate our focus on containing costs through the negotiation of prices with suppliers and landlords, and by limiting the use of external service providers where work can be performed in-house, arguably weighs on our social and relationship capital in an effort to limit the reduction of our financial capital. This will however increase our human and intellectual capital as in-house skills grow and develop.

Natural capital

- We consume natural resources and fossil fuels in the production, packaging and transportation of our merchandise, which impacts negatively on natural capital in order to increase financial capital, and indirectly all the other capitals of value creation.
- Various green initiatives (installation of energy meters to track energy consumption, renewable energy at owned locations, LED lighting, water-savings initiatives, reducing and re-using packaging, plastics, paper and landfill) are aimed at reducing our impact on natural capital, often at a cost to financial capital, at least in the short term.

REFERENCES

Human capital: Truworths Human Capital report (page 70) and Office Human Capital report (page 78) | Social and Environmental report | Remuneration Committee Report (page 38)

Social and relationship capital: Truworths Human Capital report (page 70) and Office Human Capital report (page 78) | Social and Environmental report | Social and Ethics Committee report

Natural capital: Social and Environmental report

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

MATERIAL ISSUES

Material issues are the factors that are likely to have the most material impact on the Group's revenue, profitability and sustainability, and therefore influence our ability to create and sustain value, or limit value erosion, for stakeholders.

HOW MATERIAL ISSUES ARE MANAGED

The material issues are reviewed annually during the course of the Group's strategic planning process:

IDENTIFY
factors with a material impact on the business

- Macroeconomic and trading environment and operating context (page 47)
- Needs, expectations and concerns of primary stakeholders (page 23)
- Key Group risks (page 14)
- Human, manufactured, intellectual, social and financial capital resources
- Legislative and regulatory framework

DETERMINE
material issues

- Based on the outcome of the assessment, determine the issues that are likely to have the most material impact on performance in the year ahead, as well as in the long term
- These issues are reviewed by the Chief Executive Officer and Chief Financial Officer, and presented to and endorsed by the board
- The material issues are aligned with the Group's Business Philosophy, strategic objectives, plans and projects
- Measurable deliverables from the strategic plans and projects are incorporated in the performance targets for executives

INTEGRATE
material issues

- Annual operational plans are developed for managing each material issue
- Key performance indicators are determined to monitor the progress in managing the material issues
- Risks and mitigation plans are outlined for each of the material issues
- Medium-term opportunities are identified which highlight the potential to create value over a two to four-year time horizon

REPORT
on material issues

- **Report to the board on material issues at quarterly meetings**
- **Report to shareholders on the material issues in the integrated report and through SENS announcements**
- **Outline progress in delivering on the operational plans, performance against targets and challenges impacting the material issues**

MATERIAL ISSUES FOR 2022

The directors confirm that the material issues applied in the 2021 reporting period remain relevant and are unchanged for the 2022 financial period.

The material issues for 2022 are as follows:

TRUWORTHS INTERNATIONAL
Office turnaround

TRUWORTHS
Aspirational fashion
Supply chain
Account management
Retail presence (stores and online)

OFFICE
Aspirational fashion
Supply chain
Retail presence (stores and online)

COVID-19

The COVID-19 pandemic has continued to have a significant impact on the Group's performance and operations in South Africa and the UK in the reporting period. Despite the material nature of its impact, management believes that COVID-19 cannot be separated from the Group's other material issues and it has therefore not been included as a stand-alone material issue. Instead, the impact and management of the consequences of the pandemic are considered in the course of the review of the other material issues.

KEY GROUP RISKS

This matrix and accompanying table summarises the Group's key risks and reflects the residual risk rating, i.e. after taking into account the impact of risk mitigation actions.

	RESIDUAL RISK	REPORT REFERENCE
1	Risk of online sales substituting store sales in a fast-changing UK retail landscape	Office Material Issue: Retail Presence; Group Material Issue: Office Turnaround
2	Organic and acquisitive growth in the business in medium term placing increased pressure on Truworths' distribution and warehouse capacity	Truworths Material Issue: Supply Chain
3	Contending with the volatile Rand/US dollar exchange rate in managing retail selling prices of imported merchandise	Truworths Material Issue: Aspirational Fashion
4	Supply chain disruption	Truworths Material Issue: Supply Chain; Office Material Issue: Supply Chain
5	Impact of changing product mix within sports and made-to-order (MTO) ranges on Office's gross margin	Office Material Issue: Aspirational Fashion
6	Lack of skilled IT human resources for support and projects	Truworths Human Capital; Office Human Capital
7	Electricity load shedding in South Africa impacting on ability to trade	Truworths Material Issue: Retail Presence
8	The uncertainty of the impact that the Brexit transition could have on Office	Office Material Issue: Supply Chain
9	Suitability and sustainability of Office's ageing merchandise management system, having become acutely dependent on highly skilled scarce internal and external resources	Office Material Issue: Aspirational Fashion; Chief Financial Officer's Report
10	Loss of key executives and senior employees	Truworths Human Capital; Office Human Capital; Remuneration Committee Report; Chairman's Report
11	A major cybersecurity incident could lead to the loss of sensitive information and resultant reputational damage	Governance Creating Value
12	Major business disruption due to a disaster that leads to the loss of or inability to access one or more of the main business sites for an extended period	Governance Creating Value; Truworths Material Issue: Supply Chain
13	Ineffective management of account risk in Truworths	Truworths Material Issue: Account Management
14	Debt relief legislation will enable the SA National Credit Regulator to extinguish debts owed by qualifying critically indebted customers to credit providers such as Truworths	Truworths Material Issue: Account Management
15	COVID-19 implications	Material Issues, Risks and Opportunities
16	Office's reliance on third-party brands	Office Material Issue: Aspirational Fashion; Office Material Issue: Supply Chain
17	Suppliers not operating to contracted standards of ethical behaviour could result in reputational damage and interruption of supply	Truworths Material Issue: Supply Chain; Office Material Issue: Supply Chain
18	Failure by Truworths to comply with the amendments to the Employment Equity Act and ministerial determinations could result in penalties	Truworths Human Capital
19	Lack of key IT systems to support and enable daily trade	Chief Financial Officer's Report
20	Truworths' dependency on the warehouse management system and throughput required to meet peak demand	Truworths Material Issue: Supply Chain
21	Availability of counterfeit goods devalues the brand and impacts sales negatively	Truworths Material Issue: Aspirational Fashion
22	Non-compliance with Protection of Personal Information Act (POPIA) and National Credit Act (NCA)	Governance Creating Value; Chief Financial Officer's Report
23	Further development and formalisation of disaster recovery and business continuity plans for Office	Governance Creating Value; Chief Financial Officer's Report

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

ASPIRATIONAL FASHION

Ladieswear Emporium	**29%**	(2020: 27%)
Menswear Emporium	**26%**	(2020: 26%)
Designer Emporium	**8%**	(2020: 11%)
Kids Emporium	**9%**	(2020: 9%)
Identity	**16%**	(2020: 16%)
Other	**12%**	(2020: 11%)

TARGETS

TARGETS FOR 2021	PERFORMANCE AGAINST TARGETS	MEDIUM-TERM TARGETS
Group gross margin 49% – 53%	Group gross margin 51.0% (2020: 50.8%)	Group gross margin 49% – 53%
Truworths gross margin 54% – 57%	Truworths gross margin 54.1% (2020: 55.6%)	Truworths gross margin 54% – 57%

2021 Performance against plans

Plans for 2021	Performance against plans
Ongoing focus on managing the risk of fashion through process improvements, system enhancements and developing new technologies.	• New merchandise financial planning system implemented shortly after period-end to plan sales, manage stock and markdowns across all divisions. • Processes developed to conceptualise, plan and balance merchandise ranges with reduced head office capacity and prohibition on international travel due to the pandemic.
Launch or relaunch brands including Identity Superstore, Hey Betty, a new specialist brand from Uzzi, the large-format Kids Emporium and e-commerce store.	• Specialist menswear brand, Fuel, launched. • Launched Primark chain, marking the Group's entry into the value yet aspirational segment of the fashion market. • Identity Superstore developed for launch in the second quarter of the 2022 financial period. • Loads for Kids homeware range developed for launch early in the 2022 financial period. • Built on the strength of the Hey Betty brand and introduced line extensions including underwear, shoes and accessories.
Assist key local and exclusive factories and cut-make-trim (CMT) suppliers by investing in capacity building to increase their merchandise flows and profitability.	• Contributed to sustainability of CMT suppliers by actively managing their production capacity against demand. • Acquired Barrie Cline Clothing, Truworths' largest local ladieswear design centre, to create an integrated in-house design centre. • Provided significant financial and non-financial assistance to selected CMT suppliers through the Group's supplier and enterprise development initiatives.
Manage changing customer demand in a post-COVID-19 environment.	• Sales plans and stock levels closely monitored and managed to meet changing customer demand. • Good management of merchandise stock levels, reaching required clearance rates, despite ongoing lockdown restrictions. However, this did result in higher markdowns. • Gross inventory levels 1% lower than prior period. • Large percentage of local manufacture, particularly in smarter product, enabled flexibility in reacting to changes in lifestyle requirements driven by COVID-19.
Grow e-commerce by improving the customer experience and optimising order fulfilment.	• Increased the number of products available online where jewellery, watches and homeware are now available. • E-commerce more than doubled during the period, experiencing an impressive growth of 127% to R260 million in net sales. • Several enhancements to the fulfilment model have not only reduced average delivery times to customers but also reduced average costs. • Identity online has been launched in September 2021 on a new platform with greatly improved functionality.

Challenges encountered

- COVID-19 lockdowns, weak economic growth, low tourism, prohibition on gatherings or special events and work from home for a large portion of the South African market has led to weaker demand for clothing, specifically in the smart, formal and glamourwear categories.
- Consumers are increasingly value conscious, particularly on casual product in a highly discounted environment which placed pressure on sales growth in Truworths. A continued focus on efficient stock management and quick response has meant that Truworths has been able to achieve normal seasonal clearance.
- Managing the impact of currency volatility and increasing input cost (for example, cotton prices) on product pricing.
- Rolling lockdowns and global instability in supply chains impacted shipping logistics and created significant delays in timelines for delivery of imported goods and raw materials from various countries of origin.

2022 Plans for the year ahead

- Continue to grow and develop new brands launched in 2021 and in the early part of the 2022 financial period.
- Ensure that all products available in Truworths, Identity and Loads of Living stores are available online.
- Improve customer experience in the post-checkout phase of online shopping, with faster delivery times and lower costs.
- Offer customers a true omni-channel shopping experience through the investment in new systems and technology.

MEDIUM-TERM Opportunities

- Grow the value Primark chain to become a meaningful participant in the value fashion segment.
- Continue to introduce new experimental brand concepts and grow them, based on success.
- Introduce new markdown system with improved forecasting and enhanced price elasticity functionality.
- Develop visual merchandising tools to display ranges virtually.
- Capitalise on the functionality of the new e-commerce platform to drive traffic on the site and improve conversion resulting in improved sales.

TRUWORTHS

Key risks and mitigation strategies

1 Contending with the volatile exchange rate in managing retail selling prices of imported merchandise.

- Forward exchange contracts (FECs) are used to cover merchandise imports to lessen the impact of exchange rate volatility. FECs are reviewed and adjusted during the course of normal business processes.
- Continued to seek opportunities to increase local supply to reduce reliance on imports.
- Acquisition of Barrie Cline Clothing ladies' design centre enables Truworths to create a vertically integrated design centre for ladies', men's and kidswear.
- Improved procurement processes, consolidated fabric sourcing and adjusted product ranges to limit product inflation.

2 Availability of counterfeit goods devalues the brands and impacts sales negatively.

- Continuous work done with counterfeit experts, training of customs officials and conducting numerous raids on illicit operators.
- Ongoing assessment and bolstering of counterfeit measures.
- Instituting legal action against perpetrators.

3 Failing to provide quality fashion to customers each season at appropriate margins. This covers buying processes, fashion monitoring, supplier relationships and ensuring Truworths has skilled buying and planning resources.

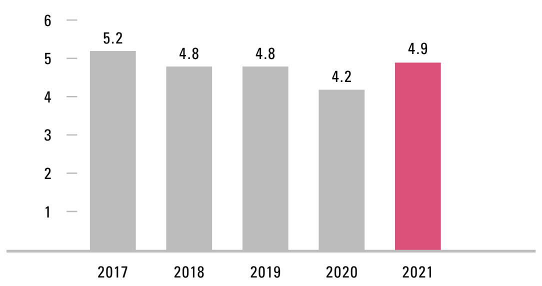
- Apply proven forecasting, design and assortment planning processes, and key executive interventions throughout the merchandise life cycle aimed at managing and mitigating the risk of fashion.
- Weekly monitoring of merchandise performance by executives and senior management to manage inventory within acceptable levels, thereby limiting markdowns and maintaining the gross margin within the target range.
- Manage suppliers' contributions of the overall buy to ensure risk is spread across the supply chain.
- Balance local and international supply base to take advantage of both quick response and fast fashion.
- Achieve better prices to offer better value by consolidating fabric sourcing across brands while maintaining product quality and increasing the contribution of planned promotions and excellent value items within the ranges.

Refer to Aspirational Fashion on page 62 for more detail.

SUPPLY CHAIN

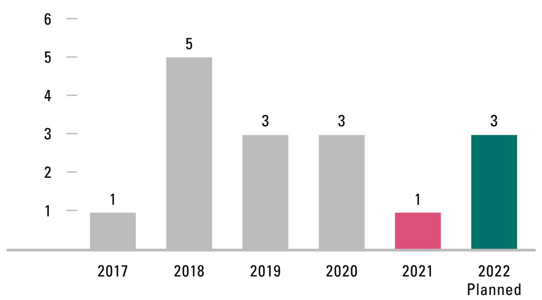
INVENTORY TURN

Times



CAPITAL EXPENDITURE ON DISTRIBUTION FACILITIES

R'million



TARGETS

TARGETS FOR 2021	PERFORMANCE AGAINST TARGETS	MEDIUM-TERM TARGETS
Group inventory turn 3.5 – 4.5 times	Group inventory turn 4.6 times (2020: 4.0 times)	Group inventory turn 3.5 – 4.5 times
Truworths inventory turn 4.5 – 5.5 times	Truworths inventory turn 4.9 times (2020: 4.2 times)	Truworths inventory turn 4.5 – 5.5 times

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Finalise approvals and related services in preparation for the construction of the new distribution centre, subject to board approval.	• Project delayed owing to the financial and operational impact of COVID-19. • Continued engagement with the City of Cape Town and professional services providers to consolidate the land adjacent to the existing distribution centre. • Management considering alternative 'greenfields' sites for a new distribution centre.
Continue to develop alliances with local design centres and cut-make-trim (CMT) suppliers to ensure the sustainability of key partners to grow local production and manufacturing efficiency.	• Acquired Barrie Cline Clothing, the largest ladieswear design centre supplying Truworths. • Ongoing monitoring of capacity requirements relative to retail demand for all strategic design centres and CMT suppliers, and match supply against demand wherever possible.
Further enhance e-commerce fulfilment model to shorten lead times and reduce costs.	• Several enhancements to the fulfilment model have not only reduced average delivery times to customers but also reduced costs. • Development of new geographic e-commerce fulfilment model to shorten the lead time from order placement to delivery to the customer, to be implemented in the 2022 financial period.
Expand Truworths' in-house manufacturing capacity and infrastructure, and increase focus on ladieswear.	• Acquisition and integration of Barrie Cline Clothing design centre has expanded manufacturing capacity in ladieswear. • Men's and kids' manufacturing capacity has been expanded to meet increased demand. • Worked towards creating an integrated ladies', men's and kidswear design centre, increasing efficiency and benefiting from economies of scale. • Process developed to optimise production capacity across all strategically important CMTs. • Utilising fabric rebate options that became available as part of the Department of Trade, Industry and Competition's Retail – Clothing, Textile, Footwear and Leather Master Plan.

Challenges encountered

- Lower consumer demand locally has negatively impacted CMT suppliers, with some factories being forced to close.
- Ongoing absenteeism and capacity constraints due to COVID-19 have hampered output and efficiencies in local and international factories.
- The global logistics supply chain has been under immense strain, with freight costs at record high levels and reliability of delivery at historically low levels.
- The shortage of containers in the Far East has resulted in delays in goods leaving their port of origin and also delays en route as harbours were under pressure with the docking of vessels. The container shortage has been a major contributor to the dramatic increase in shipping costs.
- Intermittent major congestion at the Cape Town harbour has led to lengthy delays in goods being delivered to the distribution centres. The congestion has forced some vessels to bypass the Cape Town port and only dock on the return journey.

2022 Plans for the year ahead

- Continue to develop the in-house manufacturing capabilities by fully integrating Barrie Cline Clothing with the existing Truworths men's and kids' design centre, creating the single-largest supplier to Truworths.
- Enhance systems to support the integrated in-house manufacturing capability.
- Agree the preferred strategy for the development of the new distribution centre and engage professional service providers to enable development to commence in the 2023 financial year, subject to board approval.
- Introduce geographic e-commerce fulfilment model to shorten the customer lead time from order placement to delivery.

MEDIUM-TERM Opportunities

- Further develop the Truworths in-house manufacturing capability by leveraging the Barrie Cline acquisition as well as the CMT supplier network to create a vertically integrated supply chain.
- Develop and commission new distribution centre.

TRUWORTHS

Key risks and mitigation strategies

1 The sustainability of the local and international supplier base is critical to meet Truworths' product demand. Several suppliers have been heavily impacted by COVID-19 which could impact on the long-term viability of their businesses.

- Identify key suppliers and provide support where possible to ensure their sustainability.
- Develop closer working relationships with design houses and CMT suppliers.
- Build an integrated supply model by merging the existing Truworths men's and kids' design centre with the expanded ladies' design centre.
- Review international supplier base to ensure the Group has a well-balanced and sustainable range of suppliers across the wide range of product types.
- Identify alternative sources of supply and countries of origin, where necessary, and develop close working relationships through enhanced collaboration and communication.

2 Suppliers not operating to contracted standards of ethical behaviour could result in reputational damage and interruption of supply.

- Truworths' code of conduct included in all supplier agreements.
- A breach of the code of conduct amounts to a material breach of terms and conditions.
- Manufacturers are required to comply with ethical standards, labour, health and safety, and environmental legislation.
- Legislative compliance audits are carried out as part of the new supplier take-on process.
- Compliance with Truworths' code of conduct monitored through internal audit process.

3 Loss of, or inability to access, distribution facilities

- All distribution centre assets are adequately insured.
- Fire and flood protection installed at all distribution facilities.
- Disaster recovery plans in place to ensure business continuity in the event of a disaster.

4 Organic and acquisitive growth in the business in medium term placing increased pressure on distribution and warehouse capacity.

- A new distribution centre is in the early stages of planning, although the project has been delayed due to the impact of COVID-19.
- Third-party warehousing facilities used to store imported merchandise during peak periods.

5 Civil unrest could disrupt the supply chain and the production of merchandise in certain areas.

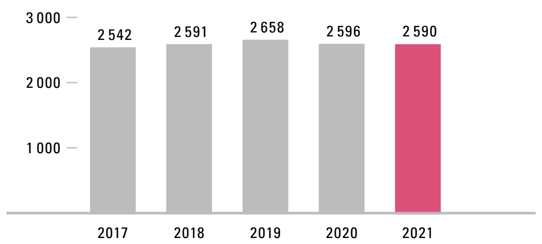
- Continue assessing supplier planned contributions at a strategic seasonal level and within the monthly review process.
- Review product categories that may present alternate sources of procurement within South Africa and for import.
- Work with a geographically diversified local supply base.

Refer to Supply Chain on page 64 for more detail.

ACCOUNT MANAGEMENT

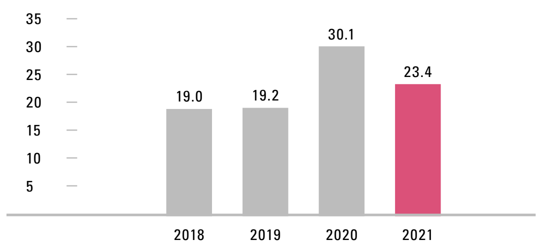
GROUP NUMBER OF ACTIVE ACCOUNTS

000's



DOUBTFUL DEBT ALLOWANCE AS A % OF GROSS TRADE RECEIVABLES

Percentage



TARGETS

TARGETS FOR 2021

Manage the account portfolio to mitigate the implications of COVID-19:

- Monitor and adjust predictive models.
- Evaluate all account decision strategies for portfolio quality and profitability.
- Track return on investment of all acquisition and promotional expenditure.

PERFORMANCE AGAINST TARGETS

- Significant reduction in expected credit loss provision from base models, with provision to gross trade receivables decreasing to 23.4% (2020: 30.1%).
- Most predictive models normalised after the hard lockdown while the remaining models were adjusted to reflect the changing customer behaviour.
- All account strategies were reviewed and, where necessary, the percentage of the portfolio allocated to certain strategies was revised.
- The account acquisition and promotional spend was adjusted owing to the change in market conditions.

TARGETS FOR 2022

- Continue to grow the customer loyalty base.
- Further enhance the new accounts application process.
- Reactivate customers who have not returned to stores since the outbreak of the COVID-19 pandemic.
- Grow the e-commerce registered user base.

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Respond appropriately to COVID-19 and position the account portfolio for the future.	• Portfolio actively managed throughout the COVID-19 pandemic. • Stable account risk performance noted for Good/Bad and 4+ delinquency. • Impressive collections performance starting to stabilise at historic three to four-year norms. • Significant reduction in expected credit loss provision from base models. • Post-lockdown performance used to adjust credit cut-offs and limits. • Grew market share by applying long-term credit-granting criteria consistently, resulting in significant growth in market share of new accounts opened (source: Principa).
Sustainable new account acquisition.	• Record number of new account applications of 3.8 million (2020: 3.4 million). • New accounts opened as a percentage of applications decreased to 15% (2020: 17%).
Improve efficiency of new account opening process.	• Conversion rate from applications to opened accounts improved in key channels. • Change in the channel mix of applications resulted in conversion rate declining for the overall portfolio.
Enhance fraud prediction and prevention processes.	• Improved fraud prediction and identification process using new data to identify suspicious transactions and behaviour. • Marked reduction in new account and account fraud losses.
Upgrade the account management software used to implement all the account scorecards and execute the account management strategies.	• Account management software upgrade scheduled to go live in the first quarter of the 2022 financial period. • New software will enable a wider range of data, features, predictive models and actions to be taken per customer in a decision strategy.
Invest in omni-channel retail system encompassing stores, e-commerce and customer engagement suite.	• Sophisticated omni-channel system developed for implementation on a phase-by-phase basis. • First phase scheduled to go live in the first quarter of the 2022 financial period.
Implement daily tracking of data, models and strategies to identify new opportunities or areas of concern.	• Predictive models are tracked to monitor both population stability and predictive strength of the model. • Models are reviewed monthly and adjusted if the performance of a model is compromising a credit strategy.
Roll out all strategies that will be appropriate in the post-COVID-19 economic environment, including predictive models using the latest data.	• Post-COVID-19 strategies rolled out across the portfolio and adjusted based on changing consumer behaviour. • Allocated additional work to collection agencies which performed better in the post-COVID-19 workplace.

Challenges encountered

- Increased volatility in key metrics due to new waves of COVID-19 infections which resulted in tighter lockdown restrictions affecting sales and collections as customers stay away from stores.
- Converting risk-approved accounts to opened accounts.
- The performance of certain collection agencies declined, as blended work-from-home/office staffing models were adopted. This was, however, counterbalanced by other collections teams, including the Truworths internal collections department, performing better than in the past. Customer payment behaviour has changed slightly with slower payments at the start of the billing cycle, and then faster payments at the end of the billing cycle versus historical trends.

2022 Plans for the year ahead

- Implement upgraded account management software.
- Implement omni-channel customer engagement solutions.
- Implement a suite of cross-channel customer communication strategies.
- Test new promotions and offers enabled by the new omni-channel solutions.

MEDIUM-TERM Opportunities

- Introduce new credit products/payment alternatives.
- Explore opportunities to establish partnerships with digital platforms including online malls, credit advisory services and payment gateways.
- Introduce new loyalty benefits.
- Leverage customer data in the decision-making process.
- Health of the portfolio and growth in market share of new and active accounts position the Group for account retail sales growth.

TRUWORTHS

Key risks and mitigation strategies

1 Ineffective management of account risk could result in increased bad debt, lower and slower collections, limited new account growth and a reduction in the number of customers able to buy on account.

- Apply account risk criteria and processes consistently using advanced analytics, scorecards and models.
- Review account management, collections and acquisition strategies regularly and refine to leverage new data and predictive models.
- Implement and maintain best-of-breed account management tools that accurately execute policies, processes and strategies.

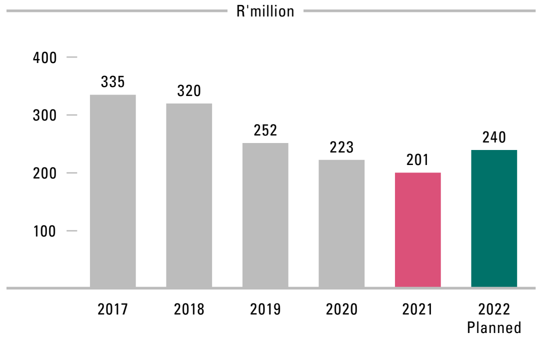
2 Debt relief legislation approved by Parliament will enable the National Credit Regulator (NCR) to extinguish the debts owed to credit providers by low-income consumers with unsecured debt of less than R50 000 who are critically indebted.

- Engaged with the NCR through the National Clothing Retail Federation and other industry bodies to have legislation amended or withdrawn.
- Aligned with other credit providers to propose workable alternatives so that debt review and debt counselling is affordable for low-income consumers.
- Contingency plans developed across the account operations and account risk management areas should the legislation be implemented.
- The allowance for doubtful debts under IFRS 9 includes a provision relating to the potential impact of debt relief legislation.

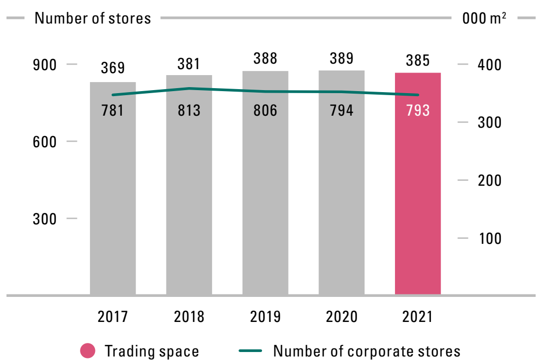
Refer to Account Management on page 66 for more detail.

RETAIL PRESENCE

STORE DEVELOPMENT CAPITAL EXPENDITURE



GROWTH IN STORE BASE



TARGETS

TARGETS FOR 2021	PERFORMANCE AGAINST TARGETS	TARGETS FOR 2022
Trading density per m² of R35 550 – R36 500	Trading density of R34 649 per m² (2020: R32 357 per m²).	Trading density per m² of R34 500 – R35 500.
Store electricity carbon emissions of 20.2 Wh per m² (South Africa only).	Carbon emissions of 18.50 Wh per m² (2020: 15.86 Wh per m²). Prior-period carbon emissions benefited from the national lockdown when retail outlets were closed.	Store electricity carbon emissions of 18 Wh per m² (South Africa only).

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Trading space expected to be unchanged with net decrease in number of stores.	• Trading space reduced by 1.1%. • 26 stores opened across all brands, 27 stores closed. • 49 stores expanded, consolidated or converted. • 793 stores at period-end (2020: 794).
R272 million committed to store development.	• R201 million (2020: R223 million) invested in store development. • Several projects delayed or cancelled due to impact of COVID-19.
Continued consolidation and rationalisation of trading space where trading densities are low, and closure of under-performing stores.	• 27 stores closed, including 9 which were incorporated into Truworths Emporium stores. • Trading space reduced in 21 stores. • Trading space reduction exceeded expansion.
Launch project to develop 'futuristic' emporium store.	• Store concept development well advanced.
Introduction of new menswear brand in free-standing format.	• Fuel menswear brand launched in April 2021. • Trading in 16 locations at period-end.
Launch enticing new design concepts for existing and new brands, including the Identity Superstore, Loads for Kids Emporium and Hey Betty.	• New Kids Emporium concept launched in three stores. • Identity Superstore concept developed for launch in the first half of the 2022 financial period. • Primark value chain launched, trading in 11 locations at period-end. • Hey Betty relaunch through range extensions.
Increase the brand awareness in the e-commerce space to off-set lower store sales.	• E-commerce available across all the main Truworths brands. • Substantial increase in website traffic and volume of transactions. • Online now larger than the top bricks-and-mortar store.
Launch e-commerce site for Identity.	• Identity e-commerce site developed and tested on new cloud-based platform with enhanced functionality. • Identity e-commerce platform launched in September 2021.

Challenges encountered

- COVID-19: Trading negatively affected when positive cases detected in stores as well as shorter trading hours in certain stores due to curfew restrictions.
- Ongoing electricity load shedding, with landlords in key centres being slow to install generators.
- Local authorities not paying monies owed to Eskom, which results in electricity being disconnected in certain towns during trading hours, accompanied by deteriorating infrastructure and poor water quality in certain areas.
- Civil unrest and ongoing service delivery protests.

2022 Plans for the year ahead

- Trading space is planned to remain unchanged.
- R240 million committed to store development.
- Continued rationalisation and consolidation of space to improve trading densities, and close under-performing stores.
- Launch Identity Superstore concept.
- Expand store formats.
- Launch Identity website and migrate existing Truworths websites to new cloud-based e-commerce platform.

MEDIUM-TERM Opportunities

- Commence implementation of 'store of the future' concept.
- Consolidate trading space further to improve operating efficiency and trading densities by renovating key stores and reprofiling stores by adding new brands.

TRUWORTHS

Key risks and mitigation strategies

1 High demand for well-located retail premises in established malls, impacting availability of retail space and expansion opportunities.

- New malls present opportunities in prime positions.
- Renovating key stores and optimising existing space to introduce new brands.
- Opening stand-alone stores for key brands to create space in existing high trading density emporium stores.
- Reconfiguring existing space to enable introduction of new brands with changes in fixturing without renovating.
- Securing expansion options in new and renewed leases.

2 Fixed annual rental escalations, high utility costs and rates increases impacting store profitability.

- Engaging with landlords to secure prime space at competitive rentals and escalation rates.
- Securing rental reversions where possible.
- Securing rental escalations that reflect the constrained economic conditions and over-supply of retail space in certain areas.
- Consolidating and rationalising trading space where trading densities are low.
- Reducing electricity consumption through smart metering, energy-efficient lighting and enforcing operating discipline.
- Rigorous review of rates increases.

3 Electricity load shedding in South Africa remains a risk to trading.

- Ongoing engagement with shopping centre owners to connect malls to central generators.
- Evaluating alternative forms of electricity supply.
- Equipping stores without alternative electricity supply to continue trading during load shedding, where possible, without undue risk.

4 Civil unrest could disrupt trading and result in damage to stores and losses.

- Critically review insurance cover.
- Business continuity plans to ensure contingency measures are implemented where possible in the event of disruptions to the supply chain and store trading.

Refer to Retail Presence on page 68 for more detail.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

ASPIRATIONAL FASHION

Sports 60% (2020: 57%)
Ladies branded 22% (2020: 19%)
Ladies own-branded 8% (2020: 12%)
Mens 4% (2020: 7%)
Kids 6% (2020: 5%)

Office 78% (2020: 82%)
Offspring 22% (2020: 18%)

TARGET FOR 2021	TARGET PERFORMANCE AGAINST TARGET	MEDIUM-TERM TARGET
Gross margin 38% – 42%	Gross margin 41.5% (2020: 38.7%)	Gross margin 38% – 42%

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Grow made-to-order (MTO) offering and benefit from the refined product strategy using Truworths' 'own-brand' expertise.	• Refinement of the MTO product strategy was disrupted by COVID-19. • Online sales of MTO during lockdown were below expectations and did not compensate for lost store sales. • Benefits of the refined strategy are only expected to be realised into the 2022 financial period.
Ensure effective planning and stock management to manage markdowns and increase margins.	• Inventory levels were 17% lower at period-end despite store closures affecting stock management. • Inventory turn 3.8 times (2020: 4.0 times). • Gross margin increased to 41.5% (2020: 38.7%).
Continue to develop brand relationships and mutually agreeable payment terms.	• Strong relationships with leading global product partners. • Quality of long-term relationships ensures exclusive access to products and improved distribution. • Payment terms improved with a number of MTO suppliers.
Ensure relevance with consumer by reacting quickly to test and trial new product.	• Under-performance in MTO meant that opportunities to react to tests and trials were limited and ongoing lockdowns in short-lead countries of origin compromised this opportunity.

Challenges encountered

- Extended store closures due to COVID-19 lockdown restrictions in all countries of operation.
- Disruption in production caused by lockdowns in different countries of origin, shipping disruption, and delays in delivery logistics.
- Administrative delays in the early period post Brexit.
- Greatly reduced tourism affected footfall.
- Reduced footfall in key city locations driven by lockdowns, risk of COVID-19 infection and working from home.
- Continued aggressive discounting and promotions across the UK high street.
- Under-performance of MTO footwear impacting negatively on Office gross margin.

2022 Plans for the year ahead

- Further develop the range of unique MTO product.
- Deliver effective planning and stock management to meet demand and increase margins.
- Continue to grow brand relationships.
- Focus on adopting an insight-driven approach to ensure that the product offering is in line with customer requirements.
- Continue to rationalise the store and concession footprint by exiting non-profitable stores as leases expire.
- Commence with the project to replace the ageing merchandise systems.

MEDIUM-TERM Opportunities

- Increase the MTO product mix as a percentage of Office sales to increase gross margin and ensure a balanced range.
- Continue to focus on sustainability by improving sourcing network, introducing sustainable products as well as reducing the usage of plastics and paper packaging.
- Improve the Office brand customer experience to be more personalised, exciting and inspiring in our omni-channel approach which supports both physical stores and e-commerce platforms.

OFFICE

Key risks and mitigation strategies

1 Suitability and sustainability of Office's ageing merchandise management system, having become dependent on highly skilled scarce internal and external resources.

- Commenced project to replace legacy merchandise system and complete vendor selection process. Project to replace these systems will begin in the first half of the 2022 financial year.
- Moved current merchandise system to new server.

2 Reliance on third-party brands

- Continued engagement with partner brands to maintain and enhance brand relationships.
- Increase MTO as a percentage of the total sales mix.
- Identify and introduce new and emerging brands.

3 Impact on gross margin of changing product mix within sports and MTO ranges.

- Continued focus on MTO product, including collaboration with Truworths trend forecasting and buying teams.
- Improve systems and processes to increase inventory turn.

4 Ineffective management of merchandise and buying decisions over stock ranges and volumes.

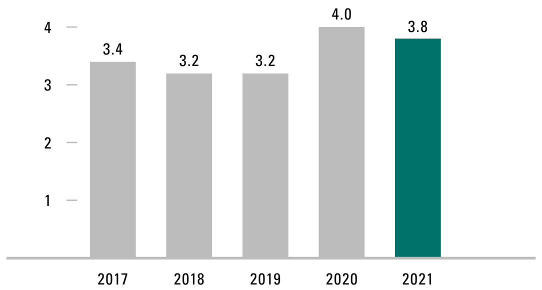
- Apply proven merchandise processes and key executive interventions throughout the merchandise life cycle aimed at managing and mitigating the risk of fashion.
- Utilise the merchandise management system to control stock levels and ensure the ideal level of stockholding.
- Continue to implement effective processes and controls.

Refer to Aspirational Fashion on page 75 for more detail.

SUPPLY CHAIN

INVENTORY TURN

Times



2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Continue relationships with third-party stock clearance partners.	• Increased the amount of higher-quality stock sold through clearance channel which has generated additional revenue. • Severely aged stock and backlogs of unsellable merchandise cleared. • Additional territories added to compensate for loss of European territories where trading has been impacted by Brexit. Extended selling of clearance stock to these additional territories.
Improve fulfilment options by completing the implementation of the same-day delivery and express 'click & collect' services.	• Same-day delivery trialled and still in test mode. • Services to be evaluated in the 2022 financial period. • Express 'click & collect' trialled and after modification will be rolled out in last quarter of the 2022 calendar year.
Investigate named day and time delivery service to improve fulfilment options.	• Services to be evaluated in the 2022 financial period.
Mitigate the risk of disruption to the business supply chain posed by Brexit.	• Partnered with carriers with capability to deal with electronic customs clearance as required by Brexit. • Supported suppliers with new customs requirements for imports.
Continue to strengthen key supplier relationships through ongoing constructive engagement on significant matters.	• Communicate with key branded partners through monthly, quarterly and yearly reviews, at senior level, to ensure Office maintains strong relationships across functions.

Challenges encountered

- Managing the continued impact of the Brexit transition with delays in border clearances.
- Increased returns from European online customers due to additional Brexit-related duties and taxes.
- Disruption in international shipping due to COVID-19 as well as the Suez Canal blockage which caused late delivery of merchandise.
- Continued impact of COVID-19 on key suppliers.

2022 Plans for the year ahead

- Initiate a tender process for key carrier contracts.
- Implement a new returns platform.
- Improve omni-channel services through the full roll-out of same-day delivery and express 'click & collect'.
- Initiate project to design the distribution model of the future.
- Commence replacement of merchandise planning, warehouse and distribution systems to position the business for growth.

MEDIUM-TERM Opportunities

- Implement future distribution model to realise efficiencies.
- Implement new merchandise and warehouse management system.
- Evaluate new courier management software to ensure lowest cost deliveries while meeting service expectations of customers.

MEDIUM-TERM TARGET

Inventory turn of 3.0 – 4.0 times

TARGET

PERFORMANCE AGAINST TARGET

Inventory turn 3.8 times in Sterling (2020: 4.0 times in Sterling)

MEDIUM-TERM TARGET

Inventory turn 3.0 – 4.0 times

OFFICE

Key risks and mitigation strategies

1 Reliance on third-party brands to secure reliable product.

- Diversify the range and styles across and within the different brands.
- Increase Office MTO contribution.
- Office considered a strategic partner by all major international brands due to its national coverage and access to certain target markets.

2 Unethical behaviour within the supply chain.

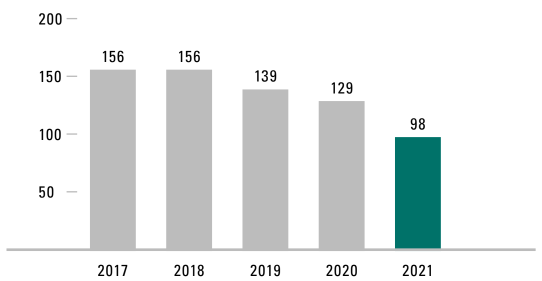
- Apply and monitor adherence with anti-corruption and anti-bribery policy.
- MTO suppliers required to provide written confirmation that they accept the working practices in Office's supplier manual.
- Ensure adherence by suppliers to Modern Slavery Act statement available on Office website.
- Communicate the Office code of ethics to new suppliers, and obtain acknowledgement and signature.
- Implemented documentation controls to safeguard against tax avoidance in the supply chain in line with legislation.

Refer to Supply Chain on page 76 for more detail.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

RETAIL PRESENCE

NUMBER OF STORES



TARGET FOR 2021	TARGET – PERFORMANCE AGAINST TARGET	2022 TARGET
Reduce trading space by 20%	Trading space decreased by 22.0% (2020: decrease of 4.8%)	Reduce trading space by 12%

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Plan to close up to 28 under-performing stores through lease expiries and break clauses.	• 28 loss-making or marginal stores and 3 concessions closed in the period. • Trading space reduced by 22.0%.
Improve efficiency in staff scheduling in stores.	• Increased productivity throughout stores through improved workforce management processes.
Planned launch of Offspring website in October 2020.	• New Offspring website launched in October 2020. • Transactions on new Offspring website increased by 17% over the prior period.
Expand online payment options.	• Apple Pay and Google Pay launched in January 2021.
Enhance e-commerce and digital retail by elevating personalisation, and optimising merchandising strategies and marketing.	• Personalised product recommendations are provided based on previous shopping or browsing behaviour. • Search and merchandising tool implemented to optimise site listings. • Marketing optimisation system being trialled.

Challenges encountered

- The physical store environment remained challenging and this was compounded by stores being unable to trade due to further lockdowns in winter 2020/2021.
- High street footfall continued to decline due to COVID-19, particularly in major city centre locations which are dependent on office workers and tourists.

2022 Plans for the year ahead

- Plan to close up to 22 marginal or loss-making stores through lease expiries and break clauses.
- Implement the updated 'store of the future' concept in a London-based store.
- Improve digital user experience, including site search optimisation, product launch improvements and image optimisation.
- Launch 'buy now, pay later' payment option.
- Further enhance the customer experience through full roll-out of same-day delivery and express 'click & collect', and an improved returns process.
- Remodelling of important high-profile stores.

MEDIUM-TERM Opportunities

- A total of 48 stores have lease expiries or break clauses between 2022 and 2024 which provides the opportunity for further store closures and renegotiation of terms.
- Integrate multichannel information to flow into a single database to target sales opportunities.

OFFICE

Key risks and mitigation strategies

1 Risk of online sales substituting store sales in a fast-changing UK retail landscape.

- Ongoing review of store portfolio to exit marginal and loss-making stores.
- Drive customer footfall into stores through improvements in the omni-channel offering including 'click & collect' and online returns in store.

2 Footfall in London substantially reduced from previous years due to the COVID-19 pandemic.

- Management focus and monitoring of the London stores with new initiatives to encourage footfall.
- As tourism increases footfall is steadily returning to pre-COVID levels.
- Ongoing review of store portfolio to exit marginal and loss-making stores.
- Compensate for reduction in sales through higher e-commerce sales in London.

3 Non-compliance with the General Data Protection Regulation (GDPR) which has changed laws relating to the collection, storage and usage of customer data.

- Compulsory GDPR training provided to all employees.
- Adherence to GDPR in line with legislation.
- All store-based information paperless from the end of the 2021 financial period as required in terms of the GDPR.

4 Payment Card Industry Data Security Standard (PCIDSS) non-compliance.

- Implementation of PCI-compliant omni-channel payment processor.
- PCIDSS training provided to all key employees.
- Adherence to PCIDSS in line with legislation.

Refer to Retail Presence on page 77 for more detail.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

OFFICE TURNAROUND

The COVID-19 pandemic has continued to impact on Office's profitability and liquidity as stores across the UK were closed for a total of 18 weeks of the financial period due to three periods of lockdown, further hampering the implementation of the turnaround strategy which commenced early in the 2020 financial period.

The turnaround programme, which is aimed at restoring Office's profitability and ensuring the long-term sustainability of the business has, however, gained traction in 2021 and the benefits are expected to start being realised from the 2022 financial period.

2021 Performance against plans

PLANS FOR 2021	PERFORMANCE AGAINST PLANS
Implement staff redundancy programme.	• Redundancy programme to be finalised in October 2021. • Redundancies to date resulted in a 15% reduction in head office payroll costs.
Rationalise the store and concession footprint by exiting non-profitable stores as leases expire.	• Closed 28 marginal and loss-making stores and 3 concession outlets. • Trading space reduced by 22.0%. • Renewed nine store leases on a short-term flexible basis. • Rent-free periods and rental reductions negotiated during COVID-19 pandemic.
Accelerate development of omni-channel capabilities.	• New Offspring e-commerce website launched in October 2020. • Online payment options expanded with introduction of Apple Pay and Google Pay. • Online sales continued while stores were closed for 18 weeks of UK lockdown, accounting for 63% of retail sales for the financial period.
Ongoing management of turnaround strategy: • **Trading: focus on merchandise performance and stock to reduce markdowns by managing stock position.** • **Short-term essentials project: aimed at prioritising Office's operational and capital expenditure.** • **Marketing and brand: focus on marketing and communications strategies, branding and brand relationships.**	• Office used the COVID-19 period to reduce stock levels and address legacy stock issues. • Inventory levels 17% lower at period-end despite store closures affecting stock management. • Operating and capital expenditure significantly reduced to preserve cash and support profitability. • Relationships with leading global brand partners strengthened during COVID-19 lockdown through proactive and constructive engagement.

Challenges affecting Office performance and turnaround strategy

- Turnaround programme was interrupted for several months owing to impact of COVID-19 and the related lockdown store closures and cash flow constraints.
- Continuing decline in high street footfall with customer preference for online shopping which was accelerated during the COVID-19 lockdown.
- Office leases have historically been concluded for an average of 10 years with upward rental adjustments only, making it difficult and expensive to exit leases in loss-making stores.

2022 Plans for the year ahead

- Continue to rationalise the store and concession footprint by exiting non-profitable stores as leases expire.
- Focus on merchandise performance and stock management to further reduce markdowns.
- Utilise different countries of origin to both improve margin and also shorten quick response lead times to enable trade based on customer demand.
- Increase contribution of sustainable product into the ranges.
- Further strengthen the brand positively through elevated digital content and engagement with the London fashion-leading consumer.
- Focus on innovative in-store display that links to the online experience and entices customers back into the store environment.
- Develop a design for the Office store of the future.
- Grow higher-margin made-to-order offering.

TRUWORTHS INTERNATIONAL

Key risks and mitigation strategies

1 Risk of online sales substituting store sales in a fast-changing UK retail landscape.

- Ongoing review of store portfolio to exit marginal and loss-making stores.
- Drive customer footfall into stores through improvements in the omni-channel offering including 'click & collect' and online returns in store.

2 Footfall in London substantially reduced from previous years due to the COVID-19 pandemic.

- Management focus and monitoring of the London stores with new initiatives to encourage footfall.
- Reassessment of the contributions from London stores based on lower footfall.
- Compensate for reduction in sales through higher e-commerce sales in London.

Refer to Chief Executive Officer's Report on page 48 for more detail.

MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholder engagement and collaboration has been intensified during the COVID-19 pandemic owing to increased interaction required by most stakeholder groups to address challenges that in many cases have been encountered for the first time, and are concerns to stakeholders due to the possible impact on the Group's business continuity and sustainability.

Throughout the COVID-19 crisis the Group's stakeholder relationship programme has continued to focus primarily on the five stakeholder groups, namely:

Shareholders | Customers | Employees | Suppliers | Regulators

Management assesses the quality of these relationships on an ongoing basis to ensure the Group understands, considers and responds to the legitimate needs and interests of these stakeholders.

A five-point internal rating scale is applied by management for each primary stakeholder group:

●●●●●	●●●●○	●●●○○	●●○○○	●○○○○
Strong relationship of transparency, trust and mutual understanding	Good-quality, value-adding relationship	Good relationship but needs to improve to add value	Functional, poor-quality relationship	Poor to no relationship

SHAREHOLDERS

●●●●○

Rationale for engaging: Shareholders are the Group's principal providers of financial capital. Engagement is focused on local and international institutional and private investors as well as fund managers and analysts. The Chief Executive Officer and Chief Financial Officer, together with senior Finance management team members, are responsible for shareholder engagement.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Ongoing impact of COVID-19 and related restrictions on trading, supply chain and the debtors book within Truworths.	Management regularly communicates responsibly and fairly with all investors to highlight the impact of changing lockdown regulations on customer behaviour, trading patterns and performance. Updates have been provided to investors in the interim and annual results presentations, trading updates on SENS and through regular engagement with shareholders and analysts, with management highlighting the sustained recovery in performance post the hard lockdown.
Progress with the turnaround programme in Office and the Group's plans to ensure the long-term viability of Office.	The Group remains committed to maximising the value of its investment in Office. COVID-19 continued to impact on Office's turnaround strategy as stores across the UK were closed for a total of 18 weeks due to lockdown. The turnaround gained traction in 2021 with good progress in relation to the staff redundancy programme, continued rationalisation of the store portfolio with a 22% reduction in trading space, and significant progress on inventory management with improved margins.
Succession management.	Succession management has been an important issue for investors in recent years. As part of the board's succession strategy, two new non-executive and independent board members were appointed, the Audit Committee membership was changed and a new chairman was appointed to the Remuneration Committee. An executive director of the Group, Sarah Proudfoot, was appointed to the newly created position of Deputy Managing Director of Truworths Ltd in January 2021. Emanuel Cristaudo, previously an independent non-executive director, was appointed as an executive director and Chief Financial Officer with effect from 1 July 2021. Seven further executives were appointed as directors of Truworths Ltd to increase the pool of succession candidates. Succession is a key board agenda item and is addressed by management in all investor presentations and engagements with the market.

Managing stakeholder relationships continued

TRUWORTHS

CUSTOMERS

Rationale for engaging: As the consumers of our merchandise and users of our account facilities, customers are overwhelmingly the primary source of revenue for Truworths. Engagement covers all account and cash customers in South Africa and the rest of southern Africa. Store management and employees, call centre agents and customer relations employees are the main contacts with customers. Engagement occurs informally in stores, formally through call centres as well as through our e-commerce websites, e-mailers and social media platforms such as Instagram and Facebook. Consumer satisfaction is tracked on an ongoing basis using the Net Promoter Score as a benchmark.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Health and safety in stores is a key concern for customers.	Strict health and safety protocols have been implemented, with stores actively maintained at COVID-19-compliant levels to ensure the safety of employees and customers during the pandemic. In-store layouts meet social distancing requirements while the number of customers permitted in stores is limited. Specific protocols are followed before merchandise is returned to the floor to ensure customer safety.
Customers limiting personal contact due to COVID-19 and increasingly engaging through digital channels.	Truworths responded by increasing its investment in digital new account acquisition and customer management capabilities through digital marketing, new application processes and broader use of digital channels across the customer life cycle.
Protection of personal information.	The Protection of Personal Information Act (POPIA), which regulates the processing, storage and use of personal information, impacts the channels available for customer engagement. Truworths has addressed all aspects of POPIA compliance to ensure the ability to engage with customers in the future. The customer base has been expanded significantly across account customers and loyalty programme customers to ensure that Truworths has the right to communicate with customers in the future.

EMPLOYEES

Rationale for engaging: Employees provide their talent and skills to ensure the business operates in an efficient and sustainable manner. Engagement includes all full-time and flexi-time employees, with line management being the key point of engagement, supported by the Human Resources Division. Employee engagement occurs frequently and extensively through formal communication issued by the business, formal and informal training, personal interaction with line management, the online platform to engage directly with the CEO, through in-house presentations covering various topics such as business performance, frequent COVID updates as well as through WhatsApp communication channels.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Impact of COVID-19 regulations on employees working from the office.	Communication includes motivational videos, frequent CEO videos to all staff on a variety of issues and written communication, some of which has focused on ensuring compliance with COVID regulations during the changing lockdown levels to ensure that employees adapted and adjusted to the requirements of the regulations. Where possible, Truworths has continued to follow a hybrid model of employees working from home and the office. A cautious approach has been adopted to the percentage of employees working in the office to ensure personal distancing and safety. Employees will mostly be returning to work in the office when conditions allow as informal and formal teamwork is one of the five core values of Truworths.
Safety and protection during the pandemic, including education on COVID-19 vaccinations and mental well-being.	Employees have been encouraged to be vaccinated against COVID-19, with all senior management having taken the lead by being vaccinated. Employees are able to use paid pandemic leave, which was introduced in 2020, to get vaccinated and for recovery should they experience post-vaccination symptoms. A vaccination plan was formulated and included in the company's COVID-19 policy. Employees have also been educated on the importance of maintaining mental well-being as this is an issue encountered by several employees. Employees affected by the loss of a colleague due to COVID-19 were offered pyscho-social support.
Implementation of POPIA and general information security.	Ahead of the implementation of POPIA from 1 July 2021, communications and e-learning channels were used to educate employees on POPIA, the protection of customer and employee data, and protection against phishing and cyberattacks.
Engagement on business performance, incentives, acknowledgement and awards to general staff.	Regular written, video and virtual conference communication on company performance, future objectives, achievement of past objectives, awards and incentive rewards to staff.

SUPPLIERS

Rationale for engaging: Suppliers are the providers of merchandise and other goods and services to Truworths. This includes local and international product manufacturers as well as landlords. The primary sources of contact are executives, merchandise buyers and planners, and management. Engagement occurs formally and informally through supplier assessments, merchandise design and order negotiations, account management interaction and supplier development discussions.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Difficulty in predicting demand for certain products has resulted in local suppliers and CMTs being placed in challenging positions in terms of available capacity.	The senior merchandise management team has constantly reviewed sales plans of key locally produced products and sought innovative opportunities to balance seasonal production flows to assist with the challenge of peaks and troughs in production that were exacerbated by the impact of COVID-19.
Ensuring that Truworths has a sustainable and reliable supply base requires continual monitoring of supplier performance and, where necessary, improving both quality and delivery performance.	A supplier scorecard is used to review performance, and clear targets are set for each supplier. This encourages suppliers to improve their performance and therefore results in improved ability to manage delivery and quality performance even during the very difficult circumstances over the past year.

REGULATORS

Rationale for engaging: Regulators are the custodians of legislative and regulatory compliance and providers of licences to trade. This includes government departments, regulatory bodies, and local authorities, with the engagement being managed by the executive directors, finance, legal and account risk executives. Engagement occurs through regulatory filings and submissions, formal and informal discussions regarding key issues, dispute resolution mechanisms and through the National Clothing Retail Federation (NCRF).

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Master Plan for the Retail – Clothing, Textile, Footwear and Leather value chain.	Truworths is a signatory to the Master Plan and is committed to the principle of increasing its local procurement of merchandise where possible, and generally providing support for local manufacturing. Extensive engagement has taken place with officials from the Department of Trade, Industry and Competition (DTIC) and the International Trade Administration Commission (ITAC) on the guidelines relating to the processes and permits for importing certain fabrics under a rebate of customs duty. Truworths has also participated in other engagement on the establishment of manufacturing clusters and the prevention of illegal imports.
Proposed debt relief legislation.	Truworths has participated in engagement with the DTIC and the National Credit Regulator regarding the proposed debt relief legislation and in initial discussions regarding the development of regulations that will be required for the legislation to come into force.
Revenue office audits and requests for information.	The Group has engaged with revenue authorities in various countries of operation in relation to audits and requests for information in a constructive, transparent and compliant manner, and has sought to render tax payments and returns that are correctly determined and completed, in a timeous manner.

Managing stakeholder relationships continued

OFFICE

SHAREHOLDER

Rationale for engaging: Truworths International is the controlling shareholder of the Office business and the board of Office Holdings Ltd is responsible to the board of Truworths International. Engagement is managed by the executive directors of the businesses.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
The sustainable turnaround in the performance of Office and ensuring its long-term viability against the background of the COVID-19 pandemic and related lockdowns, which have had a crippling impact on the UK retail sector; declining revenue from stores as consumers increasingly migrate to online shopping; and logistical challenges due to the aftermath of Brexit and the impact of the global pandemic on shipping.	The Group remains committed to maximising the value of its investment in Office. Early in the reporting period the Group provided funding to Office through a £6.5 million 15-month secured revolving credit facility. The Group continues to oversee the turnaround plan within Office (refer to **Material Issues, Risks and Opportunities** on page 22 for further detail on the turnaround plan).

CUSTOMERS

Rationale for engaging: Customers are the buyers of merchandise and the primary source of revenue for Office. Engagement focuses on customers in the UK, Germany and Republic of Ireland, and both national and international online customers. Engagement occurs informally in stores and via the e-commerce sites as well as through social media platforms such as Facebook and Instagram.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Based on Office's user feedback survey, customers would like 'buy now, pay later' options in respect of their online purchases.	Office will be introducing a 'buy now, pay later' payment system on its website which will allow customers flexible payment options on their purchases. The payment arrangement is between the 'buy now, pay later' provider and the customer, and Office carries no payment risk.
Customers would like to see images on the website of models wearing Office's shoes, rather than merely displaying images of the products.	Office plans to introduce images on its website of shoes being worn by models.

EMPLOYEES

Rationale for engaging: Employees provide their talent and skills to ensure the business operates in an efficient and sustainable manner. Engagement includes all full-time and flexi-time employees, with line management being the key point of engagement, supported by the Human Resources Division. Employee engagement occurs through formal communication and surveys, formal and informal training, personal interaction with line management and through direct communication with the Managing Director.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Impact on employees who were not able or required to work from home during lockdown.	Head office employees in key roles were required to work from home on reduced hours and salaries, and those who were not required to work were furloughed. All store and field-based staff were furloughed.
Financial impact on employees who were not required to work during lockdown.	Office applied for government aid funding for all qualifying furloughed employees.
Employee well-being	Well-being discussions are conducted with all staff, acknowledging the impact that COVID-19 has had on the population in a bid to try and alleviate concerns and address any issues that may have arisen from the pandemic.

SUPPLIERS

Rationale for engaging: Suppliers are the providers of merchandise and other goods and services, including international suppliers of branded and own-brand merchandise, and landlords. The primary sources of contact are executives, merchandise buyers and management. Engagement occurs formally and informally through merchandise design and order negotiations and account management interaction and through collaboration on mutually beneficial alignment with key brands.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Merchandise suppliers: Owing to COVID-19 and Brexit, Office experienced extensive product cancellations and delays, with own-brand product being particularly impacted in the Autumn/Winter 2020 season.	The impact of order cancellations was largely mitigated by the decline in sales due to the second and third lockdowns.
Office's constrained cash flow and liquidity position resulted in credit insurance being withdrawn so suppliers had no guarantee of being paid for merchandise orders.	Office communicated extensively with suppliers during this period and agreed new payment terms. In the case of certain smaller branded partners where terms could not be reached, the supply relationships were ended.
Property landlords: The negotiation on the payment of rentals in respect of lockdown periods, as well as discussions to secure more favourable lease terms.	In the COVID-19 lockdowns Office was granted rental holidays, rent reductions and more favourable terms in respect of certain leases. UK landlords are under significant pressure due to high vacancy rates owing to the high number of company voluntary arrangements and liquidations as a result of the COVID-19 pandemic, which frustrated landlord discussions and negotiations. Several short-term flexible rent deals were negotiated with landlords in respect of leases that expired during the period.

REGULATORS

Rationale for engaging: Regulators are the custodians of legislative and regulatory compliance and providers of licences to trade. This includes government departments, regulatory bodies and local authorities, with the engagement being managed by the executive directors as well as finance and legal executives. Engagement occurs through regulatory filings and submissions, and formal and informal discussions regarding key issues.

KEY ENGAGEMENT ISSUES	RESPONSE TO ENGAGEMENT ISSUES
Applications for UK Government relief in respect of employee retention.	Approximately £4.3 million in employee retention benefits received following applications to relevant government authorities.
Applications for government lockdown and reopening grants.	Approximately £1.3 million in lockdown and reopening grants were awarded following applications to each relevant local authority.

SUSTAINABLE FUTURE IN FASHION

SUSTAINABLE DEVELOPMENT GOALS

As a responsible corporate citizen the Group is committed to sustainable business practices and responsible environmental, social and governance (ESG) practices, which are essential in creating and sustaining long-term value.

The Group supports the Sustainable Development Goals (SDGs), the 17 global objectives developed by the United Nations (UN) to be achieved by the year 2030.

The Sustainability Committee has aligned the Truworths sustainability programme with seven of the SDGs where the committee believes the business can have the most impact and play a role in contributing in some way towards the attainment of these goals.

This report highlights our main initiatives undertaken in support of these SDGs. Further detail is included in the Social and Environmental Report 2021 on the Group's website at www.truworthsinternational.com.

SDG	OUR CONTRIBUTION
End poverty in all its forms everywhere	Through merchandise donations to organisations such as The Clothing Bank, Truworths is enabling unemployed South Africans, mainly women, to become financially and socially independent, and to eradicate poverty in their lives. Since the start of the relationship with The Clothing Bank over 386 000 garments have been donated for resale and a further 324 000 m of fabric donated. In the past financial year alone, approximately 107 000 garments and 180 000 m of fabric were donated.
Ensure healthy lives and promote well-being for all at all ages	Health has long been a focus of the Group's corporate social investment (CSI) programme and has never been more relevant than during the COVID-19 pandemic. An area of ongoing support has been the development of 12 public hospitals and clinics, catering for many millions of poorer South Africans, with more than R16.5 million invested in upgrading hospitals since 2010. The Group recently donated 10 incubators to the Tshilidzini Hospital in Limpopo to assist in reducing infant mortality at the hospital. Through its long-standing partnership with The Reach For A Dream Foundation, the Group funded the building of Dream Rooms for patients and their parents at the Queen Nandi Hospital in KwaZulu-Natal and Kimberley Hospital, and has committed to a third at the Universitas Hospital in Bloemfontein.
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	The Group invested R116 million in training and development of staff in 2021. In South Africa, 98% of those trained were black employees. Education is a key focus of the Group's CSI programme which invests in projects to improve educational infrastructure. A third major project was funded for Afrika Tikkun, with the building of two classrooms for their youth development programme and three early childhood development classrooms in Alexandra, Gauteng. Funding was also provided towards the new campus for the Leap Maths and Science School in Alexandra that will be completed in 2022.
Achieve gender equality and empower all women and girls	Empowering young women is core to the Group's CSI and enterprise development strategy through projects including support for The Clothing Bank which has assisted over 3 600 unemployed women to date. The commitment to gender equality is also reflected within the Group's workforce where 71% of employees are female. The Group opposes gender-based violence in all its forms and in the past year partnered with the Social Makeover Project in the Western Cape, South Africa to provide counselling to women at risk.
Promote inclusive and sustainable economic growth, employment and decent work for all	The Group is committed to responsible and cautious staffing strategies to remain a stable employer in all economic cycles, directly employing over 11 000 people across its operations and creating thousands more jobs indirectly. Truworths is a signatory to the South African Retail – Clothing, Textile, Footwear and Leather (R-CTFL) Master Plan between the government, labour unions, clothing/footwear and textile manufacturers and major clothing retailers, which aims to create 160 000 jobs in the manufacturing industry by 2030. The acquisition of local design house Barrie Cline, which has been an exclusive supplier to Truworths for over 30 years, is in line with the objectives of the R-CTFL Master Plan and provides stability and a base for the business to grow.
Ensure sustainable consumption and production patterns	The Group promotes responsible consumption and opposes the dumping of unsold garments in landfill sites. The Group partners with organisations that recycle or re-use damaged goods or convert fabrics into garments for resale. All suppliers are required to commit to good environmental practices. Materials associated with merchandise are recycled or re-used where possible, while the business continues to seek ways to limit packaging on merchandise. Plastic bag usage more than halved as initiatives were introduced to limit single-use plastic, with the piloting of paper and recyclable shopping bags in South Africa. In the past year alone in South Africa, 480 tonnes of cardboard cartons and 102 tonnes of plastic were recycled, with approximately 8 million plastic clothing hangers re-used in stores.
Take urgent action to combat climate change and its impacts	Measures have been implemented to decrease the carbon emissions associated with the transportation of merchandise across the international and local supply chain. In retail stores, monitors have been installed in 473 of the Group's South African stores to measure energy usage, energy-saving lighting has been installed to reduce consumption, electricity reduction targets have been set, and renewable energy is being used where possible. Measures to reduce water consumption have been introduced at facilities and stores.

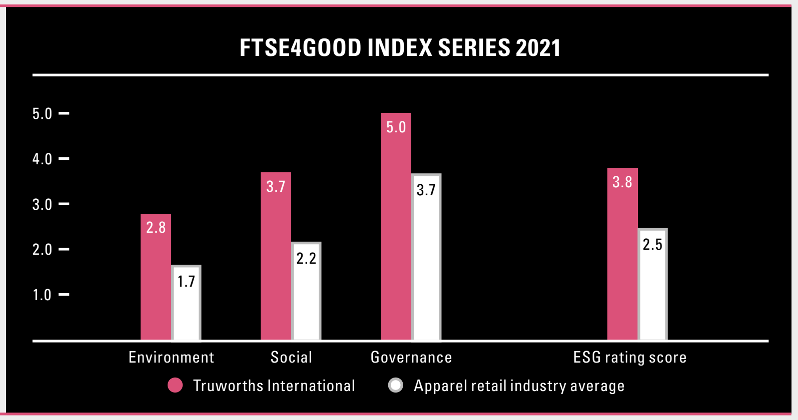
FTSE4GOOD INDEX

Truworths International was again included in the FTSE4Good Index Series. The index series is derived from the FTSE Global Equity Index Series and is a tool for investors seeking to invest in companies that demonstrate good sustainability practices measured against global standards.

Truworths received an ESG rating of 3.8 (maximum 5) in 2021 (2020: 4.2). This compared favourably to the industry average of 2.5.

FTSE4GOOD INDEX SERIES 2021 SCORECARD

Pillar/theme	Exposure	Truworths International	Apparel retail industry average	Country average: South Africa
Environment	Medium	2.8	1.7	
Climate change	Low	2.0	1.4	2.3
Environmental supply chain	High	3.0	1.7	2.3
Social	Medium	3.7	2.2	
Human rights and community	Low	5.0	2.5	3.6
Labour standards	High	4.0	1.8	3.3
Social supply chain	High	3.0	2.5	2.3
Governance	Medium	5.0	3.7	
Anti-corruption	Medium	5.0	3.1	3.9
Corporate governance	Medium	5.0	4.3	4.9
ESG rating score		3.8	2.5	



GOVERNANCE

Management has adopted sound corporate governance principles and appropriate governance structures and policies, and believes it has embedded a business-wide culture of good governance that is aligned to the Group's Business Philosophy.

CHAIRMAN'S REPORT

HILTON SAVEN

Management was steadfast in its determination to continue to follow the Group's Business Philosophy.

Annual dividend increased by
25%
to 350 cents per share

COVID-19 continued to dominate and disrupt retail businesses across the globe, materially impacting the Group's performance and our business operations for the entire financial year compared to only three months in the prior year.

The second and third waves of the pandemic in South Africa over the past year were more severe than the first wave experienced shortly after the outbreak of COVID-19 in 2020 when the country went into hard lockdown. Fortunately, our South African stores remained open, unlike the UK where our Office business endured 18 weeks of forced store closures as all non-essential retail activity was suspended in an attempt to curb the spread of the virus.

Management was steadfast in its determination to continue to follow the Group's Business Philosophy (refer to page 6 for more detail) throughout the COVID-19 pandemic. Operational measures included exercising rigorous operating and capital expenditure control, accessing government support schemes, managing inventory levels and the order book, ensuring greater focus on online sales and closely monitoring the trade receivables portfolio. The health and safety of employees and customers is paramount and strict COVID-19 protocols implemented at the start of the pandemic remained in force.

Shortly after the end of the reporting period South Africa experienced an outbreak of significant civil unrest in Gauteng and KwaZulu-Natal. The wide-scale rioting and looting had a significant impact on the retail sector in particular, and a number of the Group's stores were targeted which resulted in stock losses, damage to property and equipment, and loss of profits. The board believes the Group has adequate insurance to mitigate these losses.

On behalf of my board colleagues we commend our Chief Executive Officer (CEO), Michael Mark, and his executive team for their leadership during these times of challenge and crisis.

STRONG FINANCIAL TURNAROUND

While the pandemic continued to impact the Group in the current period, most notably revenue growth and the recoverable value of right-of-use (property lease) assets, other areas of the business have recovered sooner than anticipated. The performance of the Truworths trade receivables portfolio has been better than expected, with a significant decrease in debtors costs and the return of several metrics to pre-COVID-19 levels.

Government support schemes, specifically in relation to business rates and job retention in the UK, have further mitigated the impact on the Group's cash flows and profits.

Our robust balance sheet supported the Group throughout the pandemic while the resilient business model ensured that the business remained highly cash generative.

Cash from operations totalled R4.1 billion, with R1.9 billion being returned to shareholders through dividend payments and share buy-backs while borrowings of R1.7 billion were repaid.

Management continued to take advantage of the weaker stock market and repurchased shares on the JSE totalling R768 million during the period. Since the start of the programme in 2002, the Group has returned close to R4.5 billion to shareholders through share buy-backs, repurchasing 125.3 million shares at an average price of R35.52.

The net cash position has increased from R44 million in 2020 to R577 million in 2021, after the substantial investment in share repurchases during the current period. The Group's net cash to equity ratio was 9.3% at the end of the reporting period compared to 0.7% a year earlier.

The directors demonstrated their confidence in the Group's prospects and increased the annual dividend by 25% to 350 cents per share.

BOARD AND GOVERNANCE

We welcomed three new non-executive directors to the board this year. Emanuel Cristaudo, who served in senior executive roles in Truworths for 16 years and left the Group in 2013, was appointed as an independent non-executive director in January 2021. Thabo Mosololi and Dawn Earp, who are both chartered accountants, joined the board in May 2021.

Thabo has extensive experience in the auditing profession, corporate leadership and as a non-executive director, and will add a wealth of audit, finance and risk management expertise to the board. Dawn has cross-industry experience in senior financial and executive roles, and as a non-executive director. Her expertise in financial management and reporting, finance and governance will add depth to the board's skills in these areas and she has also been appointed to the board's Audit Committee.

David Pfaff, who had been an executive director since 2013 and held the dual roles of Chief Operating Officer and Chief Financial Officer (CFO), resigned from the Group in February 2021 to pursue a career opportunity in financial services.

Emanuel Cristaudo was appointed as CFO and an executive director of the company effective from July 2021, and he accordingly stepped down as an independent non-executive director.

After a career spanning 37 years with Truworths, our Merchandise Director, Doug Dare, retired from the Group in May 2021. He has served as an executive director since 2016. Doug has served Truworths with distinction and the board joins me in thanking him for his loyalty and commitment over more than three decades. Doug continues to consult to Truworths on a part-time basis.

BOARD PRIORITIES FOR 2022

The directors have identified focus areas to be addressed in the 2022 financial year while remaining responsive to new and emerging issues that could materially impact the Group.

Our primary responsibility is to ensure that the board provides ethical leadership so that the Group operates within a culture of integrity and compliance.

Operationally, the board will monitor the progress in the turnaround of the Office business and ensure that management's strategies to maintain momentum in the current low growth trading environment enable the Group to deliver its strategic objectives. It will also consider the various opportunities that exist within Truworths and monitor their progress.

As a board we will seek to ensure that the Group's strategies for managing its key risks and dealing with its material issues are appropriately implemented and regularly reviewed.

SUCCESSION

Shareholders will be aware of our CEO, Michael Mark's prospective retirement. In preparation for Michael's retirement, the Nomination Committee of the board implemented a succession plan in 2020 to ensure a smooth transition in the CEO's office.

The succession strategy is well under way and encouraging progress has been made in the past year. Sarah Proudfoot was promoted to the newly created position of Deputy Managing Director of Truworths Ltd in January 2021 while Emanuel Cristaudo was appointed as CFO of the Group in July 2021.

Michael, Sarah and Emanuel are working closely in a consultative and collaborative relationship, and are increasingly involved in joint executive decision-making during this transitionary phase.

The Nomination Committee is also focusing on longer-term succession. In February 2021 seven new directors were appointed to the Truworths Ltd board, increasing executive level diversity and the depth of succession candidates. Additionally, a new Managing Director has been appointed at Office, bringing relevant and extensive retailing experience to the role.

NON-EXECUTIVE DIRECTOR SUCCESSION

Succession for long-serving non-executive directors is a key focus of the board. In recent years we have followed a succession process of refreshing the non-executive component of the board. This enables us to maintain continuity from long-standing directors while newly appointed non-executive directors grow their knowledge and begin to influence board deliberations.

Our board has a healthy balance of longer-serving directors and those who have been appointed more recently. Over the past 42 months, 6 new non-executive directors have been appointed to the board as part of this succession strategy. The more recently appointed directors are being elevated to committee membership and leadership as long-serving non-executives retire from the board or stand down from committees.

Over the past 42 months,
SIX new non-executive directors have been appointed to the board

INCREASING BOARD DIVERSITY

Diversity and transformation in the boardroom ensures balanced decision-making and that the needs and concerns of our stakeholders are addressed. Our board is diverse in its skills, thinking and composition, which assists the board in adding value to the strategic direction of the business.

Diversity has been a major consideration in recent board appointments. At year-end female representation on the board was 36%, ahead of the voluntary medium-term target contained in the board's gender diversity policy. Black representation was 29% relative to the 30% medium-term target in the race diversity policy.

During the year the board formalised a broad diversity policy. The policy reinforces that nominations for appointments to the board should be based on merit and the ability of candidates to contribute meaningfully to board and committee deliberations as well as board diversity.

APPRECIATION

Thank you to my fellow non-executive directors for ensuring the board meets the highest standards of governance and oversight, and for their supportive contribution to boardroom debate. We also extend a warm welcome to the directors appointed in the past year.

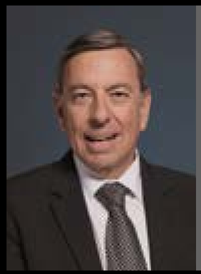
The Group's leadership was again tested by the adverse trading conditions of the past year but was more than equal to the task. Thank you to our CEO and the executive teams in Truworths and Office for their committed leadership in delivering a strong performance despite the many headwinds in the macro environment.

Our stakeholders are integral to our success and we thank our shareholders, customers, employees, suppliers and regulators for their collaboration and engagement.

Hilton Saven
Independent Non-executive Chairman

TRUWORTHS INTERNATIONAL BOARD

INDEPENDENT NON-EXECUTIVE DIRECTORS



Hilton Saven (68)
BCom, CA (SA)

Chairman of the board

Independent Non-executive Director

Chartered accountant and business consultant

Chairman: Balwin Properties Ltd, Lewis Group Ltd

Non-executive director: Monarch Insurance Company Ltd, Truworths UK Holdco 1 Ltd, Truworths UK Holdco 2 Ltd, Power Construction (Pty) Ltd, Graham Power Properties (Pty) Ltd

Trustee: Truworths Chairman's Foundation, Truworths International Limited Share Trust

Appointed to the board in February 2003

Chairman of Nomination Committee and member of Remuneration Committee and Risk Committee

Rob Dow (64)
BSc (Hons), Dip. Acc (Dist), CA

Independent Non-executive Director

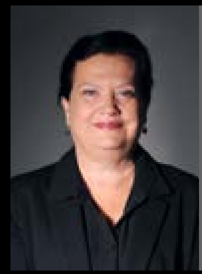
Investment adviser and business consultant

Non-executive director: St Mary's School Trust, Phetogo Investment Holdings (Pty) Ltd and subsidiaries, San Michelle 304 (Pty) Ltd, Maygrass Property & Investments (Pty) Ltd

Trustee: Truworths International Limited Share Trust

Appointed to the board in February 1998

Chairman of Remuneration Committee (until June 2021) and member of Audit Committee and Nomination Committee



Dawn Earp (59)
BCom, BAcc, CA (SA)

Independent Non-executive Director

Director of companies

Non-executive director: Impala Platinum Holdings Ltd, ArcelorMittal South Africa Ltd, Pan African Resources PLC

Appointed to the board in May 2021

Member of the Audit Committee

Hans Hawinkels (69)
BSc Eng, BCom, MBA

Independent Non-executive Director

Businessman and consultant

Appointed to the board in February 2018

Member of Remuneration Committee (appointed chairman with effect from July 2021) and Nomination Committee

Cindy Hess (45)
BCom, PGDA, CA (SA)

Independent Non-executive Director

Business consultant and professional director

Non-executive director: RCL Foods Group Ltd, Life Healthcare Group Ltd, Equites Property Fund Ltd

Trustee: Coronation Fund Managers Foundation Trust, Equites Michel Lanfranchi Foundation

Appointed to the board in May 2019

Member of Audit Committee

Maya Makanjee (59)
BCom, BA (Fine Arts), MBL (cum laude)

Independent Non-executive Director

Business consultant and director of companies

Non-executive director: Mpact Ltd, Tiger Brands Ltd, Datatec Ltd

Trustee: Nelson Mandela Foundation

Appointed to the board in February 2018

Member of Social and Ethics Committee

Tshidi Mokgabudi (67)
BCom, BAccSci (Hons), CA (SA), H Dip Tax Law, Accounting and Finance

Independent Non-executive Director

Business consultant and coach

Non-executive director: Alcutech (Pty) Ltd, Adcorp Holdings Ltd, Pamodzi (Pty) Ltd, Vukile Property Fund Ltd, Denel SOC (interim board)

Appointed to the board in February 2020

Thabo Mosololi (51)
BCom (Hons), CA (SA)

Independent Non-executive Director

Director of companies

Non-executive director: Pan African Resources PLC, Irablox (Pty) Ltd, MFT Investment Holdings (Pty) Ltd, Kotula Investments and Advisory Services (Pty) Ltd, New Seasons Investments Fund (Pty) Ltd

Appointed to the board in May 2021

Roddy Sparks (62)
BCom (Hons), CA (SA), MBA

Independent Non-executive Director

Director of companies

Non-executive director: Trencor Ltd, Imperial Logistics Ltd, Truworths UK Holdco 1 Ltd, Truworths UK Holdco 2 Ltd

Trustee: World Wide Fund for Nature and Foodbank Foundation

Member: UCT Joint Investment Committee, RMB Private Equity Investment Committee

Appointed to the board in February 2012

Chairman of Audit Committee and member of Risk Committee

Tony Taylor (74)
BA

Independent Non-executive Director

Retail executive and businessman

Non-executive chairman: PBT Group Ltd

Director: Kilrush Properties (Pty) Ltd

Appointed to the board as an executive director in February 1999. Retired as an executive director and became a non-executive director on 1 April 2010, and qualified to be classified as an independent non-executive director with effect from 1 April 2013.

Member of Remuneration Committee and Nomination Committee

Michael Thompson (78)
BCom, MBA, AMP (Harvard)

Independent Non-executive Director

Retired banking executive and management consultant

Director: Steenbras River Share Block (Pty) Ltd

Trustee: Truworths International Limited Share Trust

Appointed to the board in March 2004

Chairman of Social and Ethics Committee and member of Risk Committee and Audit Committee

EXECUTIVE DIRECTORS

Michael Mark (68)
BCom, MBA, ACMA

Chief Executive Officer

Executive Director

Executive Chairman: Truworths Ltd, since March 1998

Director: Truworths UK Holdco 1 Ltd, Truworths UK Holdco 2 Ltd, Shoo 635 Ltd, Young Designers Emporium (Pty) Ltd, Truworths (Namibia) Ltd

Trustee: Truworths Chairman's Foundation

Employee since May 1988

Appointed to the board in July 1988, as Managing Director of Truworths Ltd in July 1991 and as Chief Executive Officer in July 1996

Chairman of Risk Committee

Sarah Proudfoot (53)
National Diploma in Clothing Design

Deputy Managing Director: Truworths Ltd

Executive Director

Director: Truworths Ltd, Truworths UK Holdco 3 Ltd, Office Retail Group Ltd, Office Retail Ltd, Office Holdings Ltd

Employee since March 2001

Appointed to the board in May 2019 and as Deputy Managing Director: Truworths Ltd in January 2021

Emanuel Cristaudo (62)
BCom (Major in Business Economics and Information Systems), CNE

Chief Financial Officer

Executive Director

Director: Truworths Ltd, Brisktrade 2099 CC, Satyrid Properties (Pty) Ltd

Employee since July 2021 (previously employed by Truworths from 1997 to 2013)

Appointed to the board as an independent non-executive director in January 2021 and as an executive director in July 2021

Member of Social and Ethics Committee

GROUP LEADERSHIP

GROUP AND TRUWORTHS LEADERSHIP

TRUWORTHS INTERNATIONAL EXECUTIVE LEADERSHIP

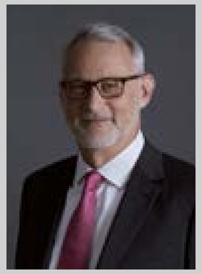
Michael Mark (68)
BCom, MBA, ACMA
Chief Executive Officer
Executive Chairman: Truworths Ltd
Employee since May 1988
Appointed to the board in July 1991

Sarah Proudfoot (53)
National Diploma in Clothing Design
Deputy Managing Director: Truworths Ltd
Employee since March 2001
Appointed to the board in March 2016 and as Deputy Managing Director: Truworths Ltd in January 2021

Emanuel Cristaudo (62)
BCom (Major in Business Economics and Information Systems), CNE
Chief Financial Officer
Employee since July 2021 (previously employed by Truworths from 1997 to 2013)
Appointed to the board in July 2021

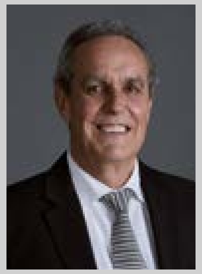
TRUWORTHS EXECUTIVE LEADERSHIP

Myles Apsey (46)
BEcon
Director: Merchandise Planning and Office UK
Employee since May 2004
In current position since February 2021

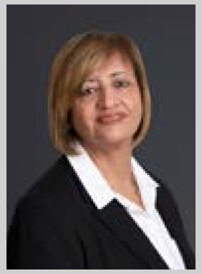


Francois Baissac (59)
Diploma in Computer Programming and Project Management
Director: Information Systems Department
Employee since June 1988
In current position since February 2021

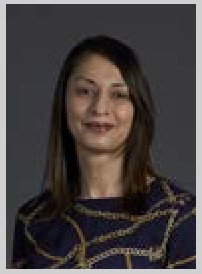
Gary Barnard (45)
BSc (Electro-Mechanical Engineering)
Director: Credit Risk and Analytics
Employee since June 2002
In current position since February 2021



Sean Furlong (60)
Diploma in Marketing Management
Truworths Director: Planning and Logistics
Employee since February 1989
Appointed to the board in March 2016

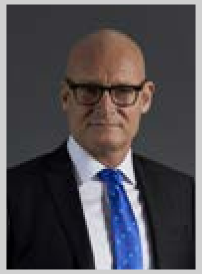


Sharon Malander (59)
BCom, Global Reward Professional
Director: Human Resources
Employee since April 1990
In current position since February 2021
Member of Transformation Committee



Zamira Mowzer (44)
BCom, CA (SA)
Director: Internal Audit, Legal, Governance and Risk
Employee since January 2008
In current position since February 2021
Trustee: Truworths Community Foundation, Truworths Social Involvement Trust, Truworths Enterprise Development Trust
Chairperson of Compliance Committee and Transformation Committee

Peter Shackleton (45)
BCom, PG Dip Management (Marketing)
Director: Marketing, Digital and Merchandise
Employee since May 2004
In current position since February 2021



Gavin Teixeira (55)
Director: Retail Operations
Employee since June 2004
In current position since February 2021
Member of Transformation Committee

TRUWORTHS DIVISIONAL DIRECTORS

See overleaf

OFFICE LEADERSHIP

Jon Richens (52)
CGMA
Managing Director
Director: Truworths UK Holdco 3 Ltd, Office Retail Group Ltd, Office Retail Ltd, Office Holdings Ltd
Employee since July 2021
In current position since July 2021

Ghassan Hodeib (49)
Buying Director
Employee since February 1996
In current position since January 2004

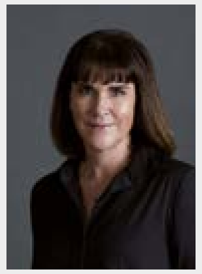
Chris Fenn (40)
BA (Hons) in Business
Divisional Director: Trade and Marketing
Employee since January 2005
In current position since February 2021

Kevin Barnes (48)
Divisional Director: E-commerce and Customer Services
Employee since September 2011
In current position since February 2021

Louis Pretorius (56)
MEng (Electronic)
Divisional Director: Information Technology and Supply Chain
Employee since October 2017
In current position since February 2021

GROUP AND TRUWORTHS LEADERSHIP (continued)

TRUWORTHS DIVISIONAL DIRECTORS



Lauren Dreyer (47)

Divisional Director: International Sourcing

Employee since July 1998

In current position since February 2021

Chris Durham (65)

FCIS, PG Dip. Adv. Co Law (UCT)

Divisional Director: Company Secretary

Employee since June 1999

In current position since March 2016

Director: Truworths (Namibia) Ltd, Truworths (Swaziland) Ltd, Truworths (Lesotho) (Pty) Ltd, Truworths (Zambia) Ltd, Truworths (Kenya) Ltd, Truworths Collections (Pty) Ltd, K2020211444 SA (Pty) Ltd

Trustee: Truworths Community Foundation, Truworths Social Involvement Trust, Truworths Enterprise Development Trust

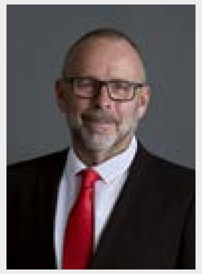
Member of Compliance Committee, Sustainability Committee, and Transformation Committee

Sarah Elliott (50)

Divisional Director: Merchandise Buying

Employee since March 2011

In current position since February 2021



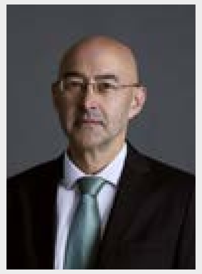
Mark Etherington (61)

Diploma in Cloth Management

Divisional Director: Truworths Manufacturing and QA

Employee since January 2012

In current position since February 2021



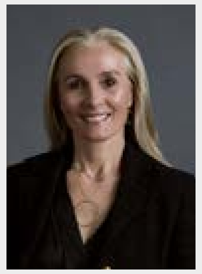
Heinrich Gericke (54)

BEcon

Divisional Director: Projects and Logistics

Employee since July 2009

In current position since February 2021



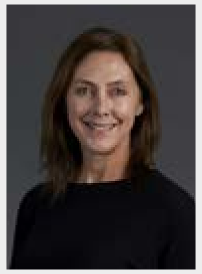
Sally Goodwin (51)

BSoc Sc, Major in Economics

Divisional Director: Merchandise Buying

Employee since May 1994

In current position since February 2021

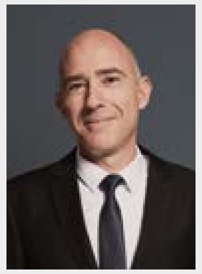


Cathy Kirkman (53)

Divisional Director: Merchandise Planning

Employee since March 1998

In current position since March 2019



Neville Kopping (58)

BCom

Divisional Director: Merchandise

Employee since March 2006

In current position since March 2008

Tony Miek (58)

PG Diploma in Accounting

Divisional Director: Real Estate and Store Design

Employee since December 2005

In current position since August 2006

Director: Young Designers Emporium (Pty) Ltd, Truworths Botswana (Pty) Ltd, Truworths (Swaziland) Ltd, Truworths (Mauritius) Ltd, Truworths (Kenya) Ltd, K2020211444 SA (Pty) Ltd, Truworths Ltd (incorporated in Zimbabwe)

Chairman: Sustainability Committee and Building Committee

Samantha Pienaar (46)

Diploma in Retail Business Management

Divisional Director: Merchandise Buying

Employee since August 1996

In current position since February 2021

Reon Smit (39)

BAcc (Hons), CA (SA)

Divisional Director: Finance

Employee since April 2008

In current position since February 2021

Director: Truworths Collections (Pty) Ltd

Trustee: Truworths Enterprise Development Trust

Member of Sustainability Committee

Steve Widegger (58)

Diploma in Business Management

Divisional Director: Merchandise

Employee since February 1987

In current position since August 2006

GOVERNANCE CREATING VALUE

BOARD CONTRIBUTION TO STRATEGIC DELIVERY AND VALUE CREATION

The Truworths International board functions in terms of a formal charter and provides ethical and strategic direction and leadership to the Group. The board is accountable for the overall strategy, governance and performance of the Group.

The board of directors periodically reviews the opportunities and threats it believes could have the most significant impact on the Group's ability to create sustainable value for stakeholders. In determining these material issues the directors consider the Group's strategic objectives together with several internal and external factors, including the Group's strategies as formulated by executive management, the needs, expectations and concerns of its main stakeholders, and the economic and trading environment.

In the 2021 financial period the board reaffirmed that the Group's strategic objectives are aimed at adherence to and fulfilment of the objectives of the Business Philosophy as defined by its Purpose and Vision for stakeholders (refer to Our Business Philosophy on page 6). The board confirmed the Group's strategic objectives and these are outlined in the Group Strategy report on page 8.

During the period under review the board confirmed that aspirational fashion, supply chain, retail presence and account management remain the material issues for the Truworths Africa segment. The material issues of aspirational fashion, supply chain and retail presence have been identified for the Office segment. The impact of COVID-19 and Brexit transition uncertainty and the ongoing challenging retail trading conditions in the UK have required the ongoing implementation of the turnaround strategy for the Office segment, including its restructuring and refinancing. Given the materiality of the Office segment to the Group, the effective execution of the turnaround strategy which commenced in the prior year has again been included as a material issue for the year ahead. The board has acknowledged that COVID-19 was a further growth inhibitor to the low-growth retail trading environments already prevailing in South Africa and the United Kingdom, its two main geographical areas of operation.

The board monitors progress on the implementation of the Group's strategies and supporting growth initiatives, and measures performance against both the agreed financial targets and the strategic objectives.

The board, aided by the boards of the principal operating subsidiaries, Truworths Ltd (SA) and Office Holdings Ltd (UK), assesses on an ongoing basis whether the activities of the Group are creating value for its key stakeholders. Refer to How We Create Value on page 9.

INNOVATION

The board promotes and enables innovation in a number of ways, including as follows:

- by ensuring that strategic projects carried out by management emphasise innovation and creativity as regards, inter alia, the development of merchandise ranges, the design of information systems, the strategies used to enhance the customer account offering, the design of stores and the expansion of e-commerce;
- by linking management's short and long-term rewards and incentives to its performance as regards delivery of measurable outcomes that encompass innovation in relation to such strategic projects;
- by receiving presentations by management at board meetings on strategic projects and other business initiatives and critically assessing the extent of innovation evident in the progress and the benefits of such projects and initiatives;
- by delegating the responsibility for monitoring progress on strategic and other projects to the Chief Executive Officer (CEO) who, at project report-back days held quarterly, stimulates innovation and creativity by challenging management to consider new concepts, designs, systems and processes when proposing solutions to business issues; and
- by communicating and emphasising to management the importance of practically applying in everyday operations the Group's Business Philosophy, at the heart of which lies innovation.

GOVERNANCE ADDING VALUE

The Group's approach to corporate governance is to ensure it contributes to improved operational decision-making and corporate performance, thereby reducing the risk of failure. The Group's aim therefore is for the relevant governance policies, structures and processes, which initially may have been brought into existence to ensure adherence with applicable regulation and codes of conduct, to add value and ensure corporate sustainability.

This aim is achieved by:

1. considering the governance requirements critically and with a view to determining how they could be implemented within the Group in a value-adding way and in a manner that aligns with the Group's Business Philosophy;
2. identifying opportunities in governance requirements for enhanced accountability, improved decision-making, better risk mitigation and more comprehensive disclosure;
3. conducting a thorough debate and enquiry process before putting into place the applicable policies, reporting and monitoring mechanisms, and committee structures, that are hallmarks of a sound corporate governance framework; and
4. periodically reviewing these elements and benchmarking the Group's initiatives against comparable organisations and recommended best practice.

Improved corporate performance arising from sound corporate governance has manifested itself in a number of ways in the Group over an extended period, including:

- diversity and independence of opinion in board decision-making, with the aim of ensuring sound outcomes;
- improved operational decision-making that takes into account the breadth of the perspectives expressed;
- maintenance of discipline and integrity in management's reporting to the board;
- enhanced levels of accountability and transparency by management to the board;
- meaningful risk management processes and controls that are practically embedded in day-to-day operations and decision-making;
- better and more comprehensive integrated reporting of both financial and non-financial aspects to stakeholders;
- high levels of assurance regarding the reporting by management to shareholders; and
- achievement of an appropriate balance in meeting the expectations of the different stakeholders of the Group.

It is the view of the board that, in a demanding operating environment, the sound governance framework has served to mitigate against the erosion of value, and has in fact preserved value for the business and its stakeholders, in the form of lower risk, ongoing sustainability, reasonable consistency of financial performance, sound stakeholder relationships, high levels of legislative compliance and reputational integrity.

Governance creating value continued

Board deliberations

OFFICE

A material matter considered and discussed by the board during the prior reporting period related to the performance of the Office segment, and the interventions planned and implemented by executive management to address the issues that were contributing to its disappointing levels of revenue and profitability. In the reporting period the board monitored the implementation of the plans that had been formulated in the prior year, including:

- restructuring the Office segment's external borrowings and continuing to provide ongoing operational and financial support;
- rationalising the store portfolio by reviewing leases and closing loss-making stores;
- prioritising the Office segment's operational and capital expenditure and cash flow management in alignment with the turnaround plan and medium-term strategic direction;
- critically reviewing staffing levels in stores and head office, and commencing a redundancy process;
- better aligning merchandise buying/planning processes with Truworths' practices;
- improving the made-to-order (MTO) own-brand range to increase the MTO contribution to revenue over the next two years; and
- aligning marketing and communication strategies, and strengthening relationships with international brands; and
- appointment of a new Managing Director after the resignation of the incumbent.

The board was satisfied with the implementation of these action plans, and will continue to assess their effectiveness on an ongoing basis with a view to maintaining the business on a positive growth trajectory over the next two years.

NON-EXECUTIVE DIRECTOR SUCCESSION

A further significant matter that has enjoyed ongoing consideration by the board is succession for long-serving non-executive directors. The board had embarked in recent years on a process of refreshing the non-executive component of the board in a systematic manner that will enable the Group to have continuity in terms of the important and ongoing contribution from long-standing directors, while newly appointed non-executive directors grow their knowledge of the Group and begin to influence board deliberations in a substantive manner.

Over the past 42 months six new non-executive directors have been appointed to the board as part of this succession strategy and it is envisaged that, as they have been and are to be promoted to committee membership, long-serving non-executives will be retiring from the board.

CEO AND SENIOR EXECUTIVE SUCCESSION

The succession for the CEO and senior executives has been an important consideration for the board during the period under review.

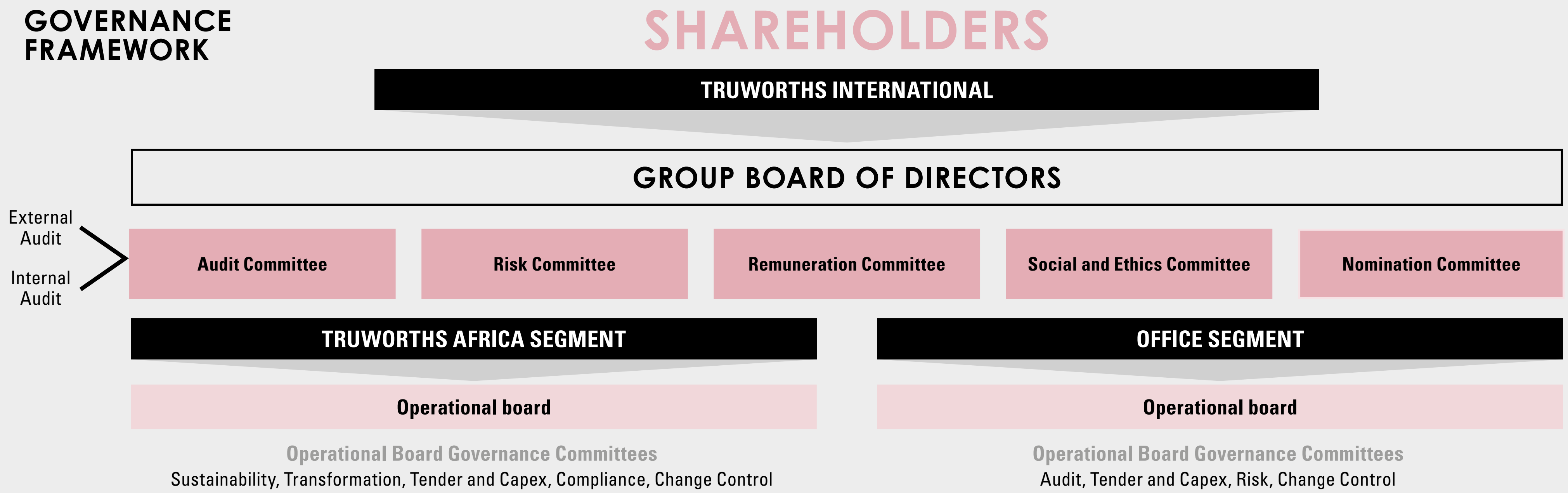
In light of the prospective retirement of Michael Mark as Group CEO, the board has agreed a succession plan which will continue to be implemented in a structured and phased manner to ensure a smooth transition. This phased approach will ensure that the leadership of the Group is appropriately constituted to successfully emerge from the COVID era and to launch the Group into a post-COVID growth phase. Refer to the Chairman's Report for further information.

During the period under review board deliberations included the following:

	NOTED	CONSIDERED	APPROVED	AUTHORISED	RESOLVED
Key issues	• The financial performance of the Office segment • Management's proposals to deal with risks in the local merchandise supply chain, including the proposals to vertically integrate key suppliers • Management's achievement of a compliance level on the broad-based black economic empowerment scorecard for the Truworths Africa segment • Management's conclusion of the acquisition of the Barrie Cline Clothing design house business, which acquisition was approved in the prior year, and the steps taken to ensure its integration into the Group	• The further progress made and steps taken to ensure adequate succession planning for key senior executives, including the CEO • Management's further extensive initiatives in response to the COVID-19 pandemic and lockdown, including ensuring the health and safety of employees and customers, and its negotiations with landlords and merchandise suppliers • Management's updated proposals to expand the Group's distribution facilities in South Africa in the medium term	• Executive management's strategies for the Truworths and Office segments • Executive management's proposal to restructure the Truworths Africa segment's borrowings, involving the repayment of the term loan and the take-up of a revolving credit facility • Executive management's proposals to renew the external borrowing facilities of the Office segment, and repay portion of the utilised facilities • Management's working capital forecast for the period to December 2021	• Executive management to continuously explore various potential acquisitions • Executive management to further undertake company share repurchases within defined parameters and, where necessary, to delist shares repurchased when legislative limits on treasury shareholdings were approached	• To ensure the ongoing development and support for the appointee in the newly created position of Deputy Managing Director: Truworths Ltd • To appoint three additional independent non-executive directors to the board • To appoint two new Audit Committee members and a new chairman of the Remuneration Committee • To appoint a new CFO for the Group • To appoint a new Managing Director for the Office UK segment • To provide ongoing financial and operational support to the Office business
Routine matters	• The general annual and other declarations made by directors regarding their personal financial interests • The quarterly analysis of the company's shareholders and beneficial owners of shares • Various presentations by management relating to different aspects of the Group's business, including the performance of the account portfolio, recent initiatives in the corporate social investment programme, performance on strategic projects and the functionalities of the merchandise information systems	• The quarterly financial reports and forecasts presented by the Chief Financial Officer (CFO) • The quarterly reports of the chairmen of the Audit, Remuneration, Nomination, and Social and Ethics Committees, and of the Truworths Transformation Committee • The quarterly presentations of the Risk Committee chairman, together with the top risk matrices for the Truworths and Office segments • The quarterly presentations by the Company Secretary on new relevant legislation and regulation • The reports on management's performance against the financial targets and key other indicators	• The Group's operational and capital expenditure budgets by business segment • The Group's Audited Annual Financial Statements 2021, Integrated Annual Report and Preliminary Report on the Audited Group Annual Results and Notice of Annual General Meeting • The Group's Interim Report and all results announcements on SENS and in the media • The Group's interim and final dividends and the company's dividend cover, including consideration of the solvency and liquidity tests • The Group's financial and strategic targets for executive incentive scheme purposes	• Executive management to issue and list company shares pursuant to share incentive scheme transactions within defined parameters • Executive management to provide financial assistance, including in the form of guarantees, to Group companies in accordance with legislative prescripts	

Governance creating value continued

GOVERNANCE FRAMEWORK



BOARD AND COMMITTEE MEETING ATTENDANCE

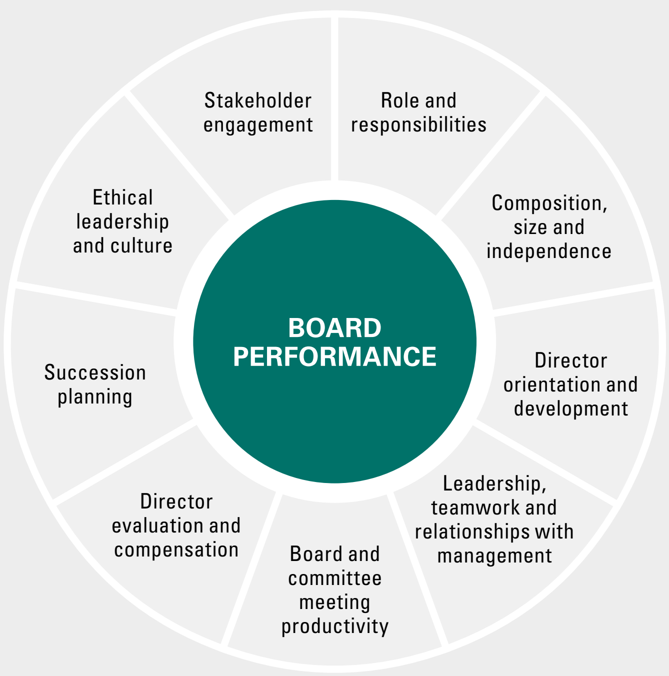
For the reporting period the directors achieved a

96.8%

(2020: 98.7%) level of attendance at board and committee meetings.

BOARD PERFORMANCE

An annual evaluation is conducted to assess the effectiveness of the board as a unit, as regards:



The evaluation concluded that the board's overall functioning and governance were excellent, and further indicated that:

1. The board has confidence that overall performance is to a very high standard and that it is highly competent on business, governance issues and the Group's strategy.
2. The relationships between the board members and with the CEO and other executives continue to be excellent, with very high overall satisfaction with the level of leadership and team synergy.
3. The board's role and responsibilities are distinct, performance objectives are in place, issues are prioritised and discussed timeously while operational and financial performance is effectively monitored.
4. A very high level of independence of the non-executive directors is regarded as a strength in the manner in which the board operates.
5. Continued advancement has been made in evolving the composition of the board by scope of experience and skill, and also by gender and race. The recent additions to the board have further facilitated its effectiveness and diversity in this regard.
6. Succession planning is regarded as a priority and continues to be an area of focus, particularly with regard to the CEO and senior board members.
7. A focus on continued development of board members, particularly those recently appointed, is regarded as a significant strength.
8. Board and committee meetings are regarded as extremely productive, particularly with regard to the quality and quantity of information, frequency and overall agenda management.
9. Board members are appropriately compensated in relation to their roles and fees are regularly benchmarked against market practices.
10. The board is satisfied with the high level of ethical behaviour and proper compliance standards throughout the Group.
11. There is a high level of consideration by the board of the Group's various constituencies, including shareholders, employees, customers, suppliers and communities.

BOARD PRIORITIES FOR THE 2022 PERIOD

- Continue to ensure that the board provides ethical leadership so that the Group operates within a culture of integrity and compliance.
- Work to ensure that the Group's strategies maintain momentum in low growth environments so that the attainment of the Group's strategic objectives remains on track.
- Monitor the further implementation of management's plans to turn around the Office business.
- Ensure that the Group's strategies for managing its key risks and suitably dealing with its material issues are appropriately implemented and regularly reviewed.
- Ensure that further progress is made as regards implementing the succession plan for the CEO.
- Ensure that the performance of executive management against financial and other targets is regularly reviewed.
- Monitor management's progress with regard to the restoration of damaged stores and the Group's insurance claims following the recent civil unrest and rioting in South Africa.
- Strategically review distribution capabilities and consider executive management's proposals to address projected capacity requirements.

Governance creating value
continued

BOARD INFORMATION

Age and tenure

Policy: Directors are appointed to the board based on skill, leadership, integrity, experience, diversity and business requirements. No maximum age limit is applicable and tenure on the board is determined with reference to contribution and engagement as assessed through the annual director evaluation process.

	Non-executive directors
0 – 5 years	6
5 – 10 years	1
> 10 years	4

Non-executive directors' average age: **63 years**

Non-executive directors' average tenure: **9 years**

	Executive directors
0 – 5 years	2
5 – 10 years	–
> 10 years	1

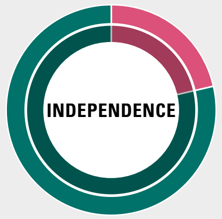
Executive directors' average age: **61 years**

Executive directors' average tenure: **12 years***

* Average tenure of executive directors as employees of the Group is approximately 23 years.

Independence

Policy: The majority of the board should consist of non-executive directors, the majority of whom should be independent.



Executive	3
Independent non-executive	11

Gender and racial diversity

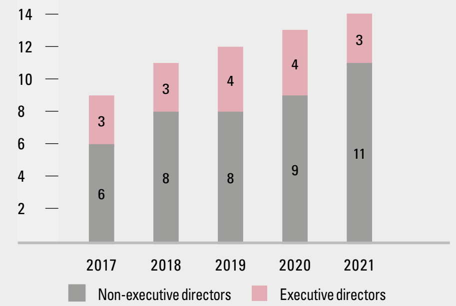
Policy: At least 30% of the board should comprise females in the medium term. At least 30% of the board should comprise black directors in the medium term.

Male	64% (2020: 69%)
Female	36% (2020: 31%)

White	71% (2020: 77%)
Black	29% (2020: 23%)

Board size and turnover

Policy: The board should comprise sufficient directors, having regard for suitable diversity of skills, experience and background, and in order to meet regulatory requirements and ensure the board and board committee workload is adequately performed.



Director movement over last five years:
Nine directors appointed, four directors resigned/retired

The Truworths International board provides ethical and strategic direction and leadership to the Group. The board is accountable for the overall strategy, governance and performance of the Group.

Board of directors	Collective expertise	Hilton Saven	Michael Mark	Sarah Proudfoot	Emanuel Cristaudo	Rob Dow	Dawn Earp	Hans Hawinkels	Cindy Hess	Maya Makanjee	Tshidi Mokgabudi	Thabo Mosololi	Roddy Sparks	Tony Taylor	Michael Thompson
		Independent non-executive director/ Chairman	Executive director/ Chief Executive Officer	Executive director/ Deputy Managing Director: Truworths	Executive director/ Chief Financial Officer	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director
Board expertise															
Strategic planning	100%	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Finance and taxation	71%	•	•		•	•	•		•		•	•	•		•
Retail	36%		•	•	•				•					•	
Corporate affairs and communication	71%	•	•	•	•		•		•	•	•	•		•	
Financial services	57%	•	•		•	•				•	•		•		•
Information technology and communication	29%		•		•			•		•					
Risk management, compliance and governance	86%	•	•		•	•	•		•	•	•	•	•	•	•
Distribution and logistics	21%							•					•	•	
Human resources and transformation	14%									•			•		
Corporate finance, mergers and acquisitions	64%	•	•			•	•	•	•			•	•		•
Marketing	21%		•	•	•										

Diversity of expertise | **Policy:** To have a well-rounded board with the necessary skills and expertise to govern effectively and satisfy business requirements.

Board committees (Ⓒ Committee chair)	Hilton Saven	Michael Mark	Sarah Proudfoot	Emanuel Cristaudo	Rob Dow	Dawn Earp	Hans Hawinkels	Cindy Hess	Maya Makanjee	Tshidi Mokgabudi	Thabo Mosololi	Roddy Sparks	Tony Taylor	Michael Thompson
Remuneration	•				Ⓒ		•						•	
Risk	•	Ⓒ										•		•
Nomination	Ⓒ				•		•						•	
Audit					•	•		•				Ⓒ		•
Social and Ethics				•					•					Ⓒ

Notes: Corporate affairs and communication (includes CSI). Financial services (includes insurance).

Governance creating value continued

SUMMARISED GOVERNANCE REVIEW

During the 2021 financial period the Group continued to practise corporate governance at a high level, aimed at adding value to the business as well as facilitating the Group's sustainability, generating long-term shareholder value and benefiting other stakeholders.

Governance in the Group is a strategic imperative and accordingly compliance with codes, legislation, regulations and listings requirements is the minimum requirement. Management has adopted sound corporate governance principles and appropriate governance structures and policies, and believes it has embedded a business-wide culture of good governance that is aligned to the Group's Business Philosophy.

An independent assessment of the Group's standard of governance is provided by the annual evaluation process for the FTSE4Good Index Series, conducted by FTSE/Russell, which relies on publicly available information. In the reporting period the Group again was a constituent company, attaining 5 out of 5 points (2020: 5 out of 5) for the corporate governance theme of the FTSE Environmental, Social and Governance (ESG) Ratings scorecard. A further indicator of the level of governance as regards its financial reporting is the ranking of the Group's 2020 Integrated Report at position 7 in the Ernst & Young (EY) 2020 Excellence in Integrated Reporting Awards. This is the 14th consecutive year that the Group has attained a top 10 ranking in the EY excellence in reporting awards and is the only JSE-listed company to achieve this acknowledgement, reflecting the consistently high quality of its financial and integrated reporting and the accountable and transparent manner in which it reports to stakeholders.

The directors confirm to the best of their knowledge and belief that, based on a written assessment conducted by Group management in preparation for the submission of the company's annual Compliance Checklist to the Companies and Intellectual Property Commission (CIPC), pursuant to the CIPC's compliance monitoring and enforcement mandate in terms of the Companies Act (71 of 2008, as amended), the company is in compliance with the provisions of the said Act and is operating in conformity with its memorandum of incorporation.

The directors confirm that during the 2021 reporting period the Group has in all material respects voluntarily applied the 2016 King Code of Governance Principles (King IV) and complied with the mandatory corporate governance provisions in the JSE Listings Requirements. A schedule of how the Group has applied the King IV principles and complied with the JSE Listings Requirements can be viewed at www.truworthsinternational.com.

The Group continued its assessment of the impact of the King IV principles and endorses the outcomes-based approach to corporate governance. While many refinements to the Group's governance processes have already been brought about, the work involved to align the Group's governance structures, policies and processes with the King IV-recommended practices is ongoing.

This report is a summary of corporate governance matters within the Group and should be read in conjunction with the more detailed Report on Corporate Governance and Application of King IV Principles 2021 available at www.truworthsinternational.com.

GOVERNANCE DEVELOPMENTS IN 2021

While the board believes the Group has achieved a suitably high level of maturity in relation to governance, the relevant processes, policies and structures are continually reviewed and modified. The following enhancements were made to the Group's governance framework during the period:

GOVERNANCE ELEMENT	GOVERNANCE DEVELOPMENT
Directors	Three independent non-executive directors were appointed to the company's board, thereby extending its skills, diversity and experience.
Board diversity	Based on the recommendation by the Nomination Committee, the board adopted a broad diversity policy in respect of the composition of the board.
Board committees	The membership of the Audit, Remuneration, Risk, and Social and Ethics Committees was refreshed by the appointment of new members thereto, while a new chairman was appointed to the Remuneration Committee.
Board race and gender diversity policies	The board continued the implementation of its race and gender diversity policies at board level towards the adoption of its medium-term targets of 30% black and female representation respectively. By the reporting period-end 29% (4 ex 14) of board members were black and 36% (5 ex 14) were female.
CFO	Following the resignation of the former CFO in February 2021, an Acting CFO was appointed to fulfil the functions of the role ahead of the appointment of the new CFO with effect from 1 July 2021.
Treasury Policy	The board adopted an updated Treasury Policy to take account of market developments and operational requirements, and to enhance the section dealing with the processes for the purchase of foreign exchange contracts.
Information technology (IT) governance	Information security and privacy within the Truworths Africa segment underwent a continuous improvement process ahead of the coming into operation of the Protection of Personal Information Act in South Africa, which galvanised management's plans to ensure the privacy of the data of customers and employees. The focus on cybersecurity risk mitigation has been maintained through the implementation of structured plans to address the development areas identified.
CEO and CFO attestation in respect of the annual financial statements	Based on a framework developed by management that was reviewed by the internal audit function and noted by the Audit Committee, the CEO and the CFO positively attested to the fairness of presentation of the Group's annual financial statements and the effectiveness of the internal controls underlying the Group's financial reporting process.
Social and Ethics Committee	The committee reviewed its monitoring function to ensure that over a rolling period all matters requiring monitoring by regulation are suitably presented on by management and appropriately considered by the committee.
Executive management succession	Pursuant to the board's plans to ensure succession in executive management ranks, a Deputy Managing Director: Truworths Ltd, a Group CFO and seven new directors were appointed to the board of the Group's principal operating subsidiary in South Africa, Truworths Ltd, and a new Managing Director was appointed to the principal operating subsidiary in the UK, Office Holdings Ltd.

2022 GOVERNANCE PRIORITIES

Board and governance priorities for the 2022 financial period will include:

- further implementation of the King IV-recommended practices across the Group;
- further developing governance and risk management within the Office business;
- further developing sustainability reporting capabilities within the Office business; and
- implementing the CEO succession plan.

The board will continue to follow an approach of continuous incremental improvement as regards governance practices and structures to ensure the reasonable expectations of stakeholders as regards the Group's corporate governance standards are met.

REMUNERATION COMMITTEE REPORT

SECTION A

REPORT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder

The financial year has been challenging on a number of fronts for all our stakeholders and we have had to remain vigilant in motivating, rewarding and retaining high-performing employees in these times. While the remuneration philosophy and reward principles are consistent with last year, we continue to focus on maintaining the long-term sustainability of the business and achieving balance for all stakeholders by setting performance targets and stretch targets that are aligned with the Business Philosophy. We have been cognisant of the need to reward the many deserving executives and other employees in our head offices, stores, call centres and distribution centres who have worked tirelessly during these COVID times.

Our performance and remuneration outcomes

The impact of the COVID-19 pandemic has been challenging in all areas of our business and our teams have worked tirelessly to navigate these challenges to reduce risk to the business and achieve set targets. The commitment and work ethic from the leadership and employees in these times have been a true testament to the strong values embedded in the business over many years, and have allowed us to respond to the challenges posed in these very trying times with passion, innovation and relentless energy.

Due to the nature of the impact of the pandemic, significant focus was placed on fulfilling principles of the Business Philosophy, managing working capital and expense control as well as the other leading indicators to maintain earnings performance. To emerge successfully from the pandemic and take advantage of the opportunities that present themselves in turbulent times, key strategic projects were re-evaluated and agreed at the end of the previous financial year which resulted in the desired performance turnaround. Since these were so critical during the pandemic and to the recovery process thereafter, a higher weighting of 40% was applied to strategic targets for the purposes of short-term incentives (STIs), with headline earnings per share being the balance of the STI target at 60%.

COVID-19 has severely disrupted retail businesses across the globe and the Group was affected in both South Africa and the UK. We believe that the rigorous expense and margin management as well as meticulous attention on the key strategic objectives set to carefully navigate the Group through the pandemic, resulted in the outperformance of the targets set for the period. Both short-term and long-term incentives awarded to executive directors for the period have been aligned with the performance requirements and hence with shareholder interests.

In light of the exceptional achievement of targets set, stretch financial targets have been set for the 2022 financial year and the strategic targets have been reduced to 30%.

We have been cautious not to make significant changes to remuneration policies until a sustained level of performance is re-established post the initial COVID-19 impact.

We are also cognisant of the impact of the pandemic on the wellness of our employees as well as the severe financial pressures many families and communities have been under during these turbulent times. We have been particularly mindful of employees at lower earnings levels who are often the most vulnerable and are particularly thankful that we have been able to safeguard all jobs as well as provide increases to qualifying performing employees.

We remain focused on rewarding in a responsible, fair and sustainable manner to ensure the retention of key employees so as not to hamper succession plans, while also continuing to focus on transformation.

At the company's 2020 Annual General Meeting (AGM), 77.41% of shareholders voting at the AGM voted in favour of the Group's remuneration policy and 81.42% voted in favour of the implementation report.

Key activities of the Remuneration Committee during the year

During the period a new senior management structure was implemented, in line with our phased top and senior management succession plan. We are particularly pleased with the commitment, dedication and relentless efforts that have been shown by the senior team and the level of performance they have achieved in this period.

The retention mechanisms within the Group were assessed to ensure high potential and critical skills talent is retained and to ensure that succession is cemented across the Group. This included a detailed market analysis and review of our variable pay allocation levels, whereafter refinements were made to ensure their alignment with current market practice.

The peer group we benchmark ourselves against for both executive and non-executive directors was evaluated to ensure the appropriateness of this group selection due to the differing impact of COVID-19 on various peers. Since the peer group was reviewed in 2019 we have not made any amendments to the peer group as it remains relevant.

The following activities were undertaken by the Remuneration Committee (the committee) during the period:

- Commissioned a review by external remuneration advisers, PricewaterhouseCoopers (PwC), of market best practice with regard to variable pay allocation levels across all grade levels. The review was aimed at ensuring that allocation levels are appropriate and in line with changing market best practice.
- Due to the restructure of the senior executive team as part of the implementation of the top and senior management succession plan, a job evaluation was undertaken of all senior roles to account for the increase in responsibilities for the respective portfolios.
- Reviewed and approved the remuneration of executives.
- Reviewed and approved the STI targets for the 2021 financial period.
- Reviewed the long-term incentive (LTI) targets following the adoption of the new financial reporting standard IFRS 16: Leases, which has materially impacted a number of the Group's financial metrics.
- Based on a benchmarking exercise by executive management, reviewed and recommended for approval by shareholders the non-executive directors' remuneration for the 2021 calendar year.
- Reviewed and approved the issue of share-based LTI awards in terms of the 2012 share plan.
- Approved the release of dividends to LTI share scheme participants holding restricted and performance shares; subject to clawback provisions where 100% vesting does not occur when performance targets are not achieved.
- Confirmed that all long-term remuneration allocations and payments were made in accordance with the rules of the LTI schemes.
- Reviewed the policy relating to the maximum individual allocation of share-based awards.
- Agreed and recommended for approval by the board the performance targets for the relevant LTI share schemes in respect of awards being made in the reporting period.
- Reviewed the benefits offered by the Group across all levels of employees and approved the introduction of parental leave, the enhancement of our healthcare gap cover to employees at a reduced cost, as well as enhancements to the healthcare and wellness benefits for all employees. In addition we introduced paid pandemic leave for positive COVID-19 cases as well as enabling employees paid time off to receive vaccinations.
- Agreed the appointment terms for Mr Emanuel Cristaudo, who was appointed as the Chief Financial Officer (CFO) effective 1 July 2021. The committee is very pleased to have someone of Mr Cristaudo's calibre and experience to guide and support the business through the transition and succession process.

Future areas of focus

The committee plans to undertake the following in the 2022 reporting period:

- Continue to address pay equity to ensure the principles and application of equal pay for work of equal value are maintained across all levels within the Group, and how this addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
- Continue to monitor the reward structures for scarce and critical skills based on market data while considering evolving trends.
- Ensure the phased succession plan for top management and for senior executives is supported by appropriate remuneration best practice and in line with our transformation plans.
- Review wellness initiatives as employees battle with the stress that COVID-19 has placed on them and their families.
- Consider the introduction of a co-investment scheme whereby senior employees may defer part or all of their short-term incentive to shares with a matched company contribution.

Remuneration governance

The committee has oversight of the Group's remuneration practices and policies. The committee is responsible for reviewing, recommending and approving the remuneration of executive and non-executive directors of the company; and directors, divisional directors and key executives of principal subsidiaries (collectively referred to as 'executives'). The committee periodically reviews the Group's remuneration strategy to ensure it supports the business and human resource strategies, remains aligned with the objective of enhancing shareholder value and is focused on achieving the following objectives:

- Attracting, engaging, motivating, rewarding and retaining a high-performing executive team as well as ensuring these principles are applied and maintained across all employee levels of the Group.
- Ensuring that the Chief Executive Officer (CEO) and executive team continue to fulfil the principles of the Business Philosophy and thereby pursue the long-term sustainable growth and success of the Group.
- Demonstrating a clear relationship between short and longer-term performance and remuneration.
- Ensuring an appropriate balance between guaranteed and variable remuneration, taking into account both the short and long-term objectives of the Group.
- Differentiating pay between higher and average performers through effective performance management and assessment.

In line with the recommendations of King IV, the committee comprises only independent non-executive directors, namely Rob Dow, Hilton Saven, Tony Taylor and myself. I was appointed as Chairman of the committee in July 2021. The CEO is an invitee to committee meetings and recuses himself from various discussions including those that relate to his performance and remuneration.

The committee ensures that the Group takes cognisance of evolving legislation and remuneration practices through continuous research and monitoring, with specific focus on equal pay for work of equal value. In this regard remuneration governance will continue to evolve and improve as the Group responds to feedback from shareholders and takes account of evolving international best practice and through its commitment to ongoing shareholder engagement.

The Chairman of the committee reports to the board on all aspects of the committee's work as a standing agenda item at each board meeting. This feedback covers all aspects of remuneration strategy and policy, how the policy objectives are being achieved and the implementation thereof over the annual cycle.

Advisers

During the year under review, PwC continued to serve as our primary external remuneration consultant and the committee is satisfied that PwC's opinions provided remain independent and objective.

Policy statement

This report of the committee provides an overview of organisation-wide remuneration with an emphasis on remuneration structure for the Truworths International executive and non-executive directors. There were no policy exceptions during the period and the committee is satisfied that the remuneration policy achieved its stated objectives during the period.

Hans Hawinkels
Chairman

Remuneration Committee report continued

APPROVAL OF REMUNERATION POLICY AND IMPLEMENTATION REPORT

In terms of the King IV principles and the JSE Listings Requirements, the Group's forward-looking remuneration policy and implementation report as set out in sections B and C which follow are required to be approved by separate non-binding advisory votes at the Annual General Meeting (AGM) of shareholders scheduled for 4 November 2021.

Should 25% or more votes be cast against either or both of the non-binding advisory resolutions, the company undertakes to engage with shareholders to ascertain the reasons for the dissenting votes. Details of the engagement process, if applicable, will be published on SENS after the AGM.

The steps taken to address legitimate and reasonable concerns of shareholders will be disclosed in the following year's Remuneration Committee Report.

SECTION B

REMUNERATION POLICY

Remuneration philosophy and principles

The remuneration philosophy is fully aligned with the Group's Business Philosophy and aimed at driving a high-performance culture that delivers the Group's long-term strategic objectives as well as sustainable shareholder returns within the Group's risk appetite. This 'total remuneration' philosophy underpins the Group's equitable reward mechanisms which are applied across all employee levels in a fair, responsible and transparent manner.

The remuneration objectives are achieved by utilising a total remuneration approach which comprises all elements of financial reward, including guaranteed earnings, short-term incentives and long-term incentives. The combination of financial and non-financial reward elements constitutes 'total reward' and supports the holistic employee value proposition. For further details on the employee value proposition, refer to the Truworths Human Capital report on page 70, the Office Human Capital report on page 78 and the Social and Environmental Report 2021 on the website at www.truworthsinternational.com.

Remuneration practices are closely linked to the achievement of Group, subsidiary companies, team and individual performance objectives. The composition of total remuneration is based on the employee's role and level in the Group and there is a strong and sustainable link between performance, contribution and potential on the one hand, and the rewards received by the employee on the other.

The Group's reward policy is designed to achieve the following objectives:

- Internal equity, which ensures employees are rewarded appropriately in relation to peers as well as an adherence with the principle of equal pay for work of equal value.
- External equity, to ensure employees are rewarded competitively in relation to the employment market.
- Fair and responsible reward management, which ensures that:
  - there is equal opportunity across the Group for growth and development of high-performing individuals who are aligned to the Group's values and philosophies;
  - performance measurement practices are regularly and consistently applied;
  - remuneration and benefits at all levels are equitable and applied consistently;
  - employees across all levels of the Group are rewarded appropriately based on their performance and contribution; and
  - reward practices promote an ethical culture and responsible corporate citizenship.
- A balanced and appropriate mix of short and long-term incentives to promote sustained high levels of performance and align employee and shareholder interests within the Group's financial constraints as well as risk appetite. These incentives are regularly reviewed to ensure appropriateness for the current life cycle of the business, the retail industry as well as the breadth and size of the Group.
- Alignment of risk and reward, with remuneration practices and schemes designed to encourage superior medium to long-term performance relative to competitors, while operating within prudent risk parameters to ensure sustainability.

Fair and responsible remuneration

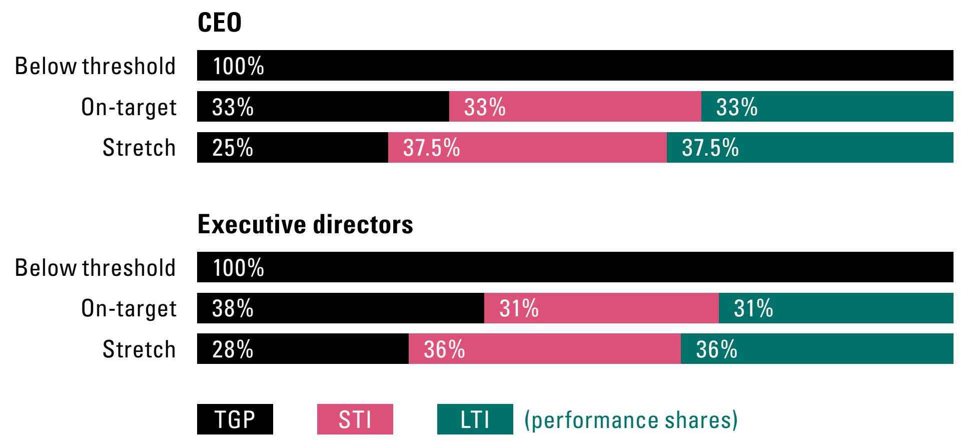
Fair and responsible reward management ensures that there is equal opportunity across the Group for growth and development of high-performing individuals aligned to the Group's values and philosophies. Our well-established performance measurement practices also ensure consistent application to ensure appropriate reward is applied.

Fair and responsibly reward continues to be a key focus area for us. In the prior year we have continued to focus on ensuring that pay aligns to the role, experience and performance levels for all employees across the Group.

In addition to the above, consideration is always given to closing the earnings gap when annual salary reviews are agreed. Although, due to the circumstances of the pandemic and expense management requirements, the annual increases were not as high as they would normally be, we have continued to maintain increases for junior employees at a higher level than that of senior management.

Pay for performance

The below graphic depicts the pay outcomes under the different performance scenarios for both CEO and executive directors.



Linking our variable pay to strategy

Executive directors' remuneration is determined according to the nature and responsibilities of the executive's role in relation to market benchmarks, and the performance of the individual in relation to Group and individual targets. Rewarding executives through guaranteed and performance-related remuneration is aimed at achieving the following:

- Alignment of executive and shareholder interests
- Promotion of a culture of executive share ownership
- Promotion of excellence in individual executive performance
- Retention of high-performing executives

The core principle of the Group's performance management process is the effective alignment of Group strategic objectives, which are driven by its Business Philosophy (refer to the Group Strategy report on page 8), with individual outputs.

Remuneration Committee report continued

Elements of remuneration

The total remuneration mix is determined as follows:

GUARANTEED REMUNERATION	VARIABLE AND PERFORMANCE-RELATED REMUNERATION	
Annual guaranteed remuneration	**Short-term performance**	**Long-term performance**
Total guaranteed package, which can include the following benefits: • Salary • Travel allowance • Retirement benefits • Healthcare benefits • Group life and disability insurance benefits	Short-term cash-based incentive scheme	**Retention shares** • Restricted share plan • Share appreciation rights **Performance shares** • Performance share plan • Performance appreciation rights • Office performance equity plan
• Total guaranteed package is based on performance, contribution, experience and market value relative to responsibilities within the Group. • Benefits are compulsory but offer flexibility in option choices.	Incentives are based on Group, subsidiary company and individual performance criteria, and are only paid if the Group achieves its threshold performance levels.	Long-term share-based incentives are aimed at retention as well as encouraging sustainable shareholder wealth creation.

Benchmarking

The Group utilises external professional service providers, external market surveys and best practices for continued remuneration benchmarking and for job evaluation purposes. Remuneration is further benchmarked against other JSE-listed retailers and comparable JSE-listed companies. All data is appropriately aged, and weighted averages, medians and ranges are applied to establish the most appropriate remuneration levels.

The Group conducts annual remuneration benchmarking of guaranteed and variable pay against comparable JSE-listed companies and also utilises the services of professional advisers to conduct external surveys with the aim of maintaining average guaranteed remuneration at the median market level.

The current JSE-listed retail peers utilised as comparators are:

- Woolworths Holdings
- The Foschini Group
- Mr Price Group
- Pepkor Holdings
- Shoprite Holdings
- Pick n Pay Stores
- The Spar Group
- Massmart Holdings
- Clicks Group
- Cashbuild
- Dis-Chem Pharmacies
- Italtile
- Lewis Group

The selection methodology takes account of both size and performance metrics which include the number of employees, turnover, total assets and earnings before interest paid and tax (EBIT). This methodology supports an objective determination of the comparator group that eliminates bias and the selection of a comparator group that is not disproportionately weak or strong.

Guaranteed remuneration

Guaranteed remuneration is determined in relation to employment market norms. It includes salary, healthcare benefits, retirement benefits, travel allowance, and group life and disability insurance benefits.

To ensure consistency in the evaluation and sizing of employment roles, the Group conducts job profiling and evaluation to ensure the correct match to comparable roles and benchmarking of guaranteed remuneration levels. This is achieved by utilising REMeasure and the REMChannel and Willis Towers Watson databases.

A combination of performance and market remuneration positioning is utilised to adjust guaranteed remuneration levels annually. Adjustments to guaranteed remuneration outside of the annual review process are made on an exception basis and linked to changes in responsibility level.

All store employees' compensation complies with the sectoral determination or statutory requirements, and the minimum rates of pay as determined for the retail industry are either met or exceeded.

Guaranteed remuneration is reviewed annually with effect from 1 March. When agreeing annual salary review levels, consideration is given to expected market movements in terms of salary reviews, Group performance, retail market data, internal comparatives, individual performance as well as the prevailing inflation levels within the economy. Annual salary reviews are merit based and a range of increases are approved based on the employee level of seniority, the market positioning in terms of their compa ratio (which is aimed at the median level), as well as the individual's performance rating for the prior period. The committee is cognisant of the disparity in levels of executive pay in relation to those of lower-paid employees within the retail industry and therefore due consideration is given to ensuring an appropriate salary increase range is approved to ensure this is addressed over time.

Variable remuneration

The performance of executive directors is reviewed annually by the committee against predetermined financial and non-financial targets to ensure alignment with shareholder interests. Incentive targets for both short and long-term variable pay schemes are selected to discourage behaviour which would be contrary to the Group's risk appetite. Instead, targets are set with the objective of being challenging, yet realistic within the context of the economic realities of the countries in which we are operating and stage in the business life cycle.

The targets and measures are verifiable and a robust process is applied to both obtaining approval for the determination, as well as when making payment, of short and long-term incentives. The committee has discretion regarding incentive payments to mitigate unintended consequences that may arise from a purely formulaic approach. Discretion will not be used to compensate for unfavourable outcomes.

Short-term incentives

The STI scheme aims to drive performance through appropriate incentivisation in a measurable and sustainable way, thereby rewarding and retaining key talent.

The Group follows a formulaic hybrid approach with regard to structuring the STI, which is a combination of both top-down and bottom-up considerations. This hybrid approach ensures bonuses are firstly linked to the key performance metrics of the business which determine the incentive pool size and, secondly, individual performance metrics which determine the individual's relative share of the pool. A formulaic approach is used to quantify the incentive pool that is self-funded through the achievement of both financial and non-financial key performance metrics.

The following qualifying criteria apply to participation in the STI scheme:

- Employees must have contributed to the attainment of company targets for at least one quarter of the financial year measured.
- Employees must be performing at the required level at the time of the award in order to qualify.
- Employees must be in service (and not in their resignation notice period or have signalled an intention to give notice of their resignation) on the date of payment.
- Only employees within qualifying roles at the approved Patterson grading level that do not participate in other short-term performance incentive schemes qualify for the STI.

Incentives are based on Group, company and individual performance levels and no short-term incentive is paid to executive directors if the Group's threshold performance measures for the period are not achieved. The Group metrics as well as threshold, target and stretch levels are determined by the committee prior to the commencement of the financial year. STI targets are shared retrospectively due to their commercially sensitive nature.

Individual performance is measured with reference to a scorecard of metrics to encourage all participants to focus on both the financial and non-financial performance targets that are directly aligned to the participant's responsibilities.

The quantum of the STI earning potential is based on the guaranteed pay of the relevant employee multiplied by a market-related on-target percentage based on her/his Patterson grade.

No portion of any STI is guaranteed. STI payments are at the discretion of the committee, which must be satisfied that such payments are fair and reasonable. All executive directors' STI payments are approved by the committee. The achievement of targets is reviewed by the committee before any STI payments are made to executive directors. STIs are in the form of cash and the committee may consider deferral of a portion of the cash incentive paid.

As a result of the review undertaken to ensure alignment of incentive allocation percentages with market best practice, the STI payment level for executive directors was amended. This policy amendment takes effect from the 2022 financial year. The CEO STI payment level was found to be in line with market practice and therefore remains unchanged. The table below indicates the threshold, on-target and stretch STI payments as a percentage of guaranteed pay. These may be further adjusted based on the individual performance score achieved, and STIs are capped at 150% of guaranteed pay.

Percentage of annual guaranteed earnings for STI purposes	Below threshold	Threshold	On-target	Stretch
2021				
CEO	–	**50%**	**100%**	**150%**
Executive directors	–	**30%**	**60%**	**100%**
2022				
CEO	–	50%	100%	150%
Executive directors	–	40%	80%	130%

Remuneration Committee report continued

Long-term incentives

Long-term incentive (LTI) schemes are aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value over the medium to longer term. The LTI schemes are reviewed regularly to ensure alignment with relevant legislation, other governing rules and standards, appropriate market benchmarks and best practice.

The Group operates five share-based LTI schemes, four in terms of the 2012 share plan and one further LTI scheme in terms of the Office performance equity plan:

RETENTION AWARDS	PERFORMANCE AWARDS
• Restricted share plan	• Performance share plan
• Share appreciation rights	• Performance appreciation rights
	• Office performance equity plan

The following core principles apply to the Group's share-based schemes:

- The maximum aggregate allocation in terms of all the schemes is limited to 5% of the company's issued shares at June 2012 over the life of the schemes in terms of the policy, being 23 090 501 shares.
- Annual allocations are capped at 1.25% of issued shares at June 2012 in any one year and no more than 5% in any five-year period in terms of the policy, but committee guidelines are to limit annual allocations to below 1% in any one year.
- The maximum aggregate allocation for any one employee across all schemes is limited to 1% of issued shares at June 2012 over the life of the schemes in terms of the policy, being 4 618 100 shares.
- Annual awards are allocated based on face value of the awards granted. As a result of the variable pay allocation percentages review undertaken to ensure alignment with market best practice, the maximum annual allocations were adjusted and are limited to a maximum of 150% of guaranteed pay for the CEO (previously 130%) and 130% (previously 110%) of guaranteed pay for other executive directors.
- The restricted share plan scheme and share appreciation rights scheme have no performance conditions, and are utilised to support the retention of key executives and employees.
- The performance share plan scheme and performance appreciation rights scheme have multiple performance targets, and are utilised to support and reward good long-term decision-making and both financial and non-financial performance. Threshold, target and stretch measures are applied to all long-term incentive targets.
- The Office performance equity plan takes the form of options with performance targets and these are utilised to reward and support the retention of key executives and employees of Office only.
- Awards can be made across all five schemes and can vest over a period of up to six years.
- Where awards lapse, there is no replacement compensation.
- No long-term incentive allocation is guaranteed.
- The committee assesses and approves all Group performance targets to ensure that the interests of all stakeholders are appropriately considered, and financial and non-financial targets are set as an incentive for employees to perform, and simultaneously for the business to achieve stretch goals.
- All unvested shares, as well as unvested and unexercised options and vested rights are forfeited upon an employee's resignation or dismissal in terms of the scheme rules.
- All annual awards made to executive directors are linked to performance conditions as a standard. The long-term incentive plans do make provision for ad-hoc awards to executive directors of retention-focused awards where necessary in exceptional circumstances and these awards cannot exceed 50% of the total annual allocation. Performance-focused long-term incentives issued to executive directors will be subject to corporate performance targets.
- The committee approves the release of dividends to holders of both restricted and performance shares. Dividends paid on performance shares held where performance targets are not yet finalised, are clawed back from participants should performance targets not be met and, therefore, 100% vesting not be achieved.
- The committee regularly monitors the overall actual and forecast impact and costs of these schemes on Group earnings.

In line with the Group's value of rewarding excellence as well as maintaining a long-term perspective on both the business and employees' careers, management aims to include all high-performing employees at senior level as well as those key to future succession or with scarce skills in the LTI share plan.

Targets agreed for shares to be awarded in the 2022 financial year with the measurement period being the 2024 financial year are as follows:

2024 LTI targets for September 2021 award	Weighting %	50% vesting target	100% vesting target	150% vesting target	Published medium-term Group targets
Headline earnings per share (HEPS) (cents)	20%	546.7	563.0	579.6	
Return on assets (ROA)	15%	20.0%	22.5%	25.0%	20% – 25%
Return on equity (ROE)	15%	27.0%	29.5%	32.0%	27% – 32%
Gross profit margin	20%	51.0%	52.0%	53.0%	49% – 53%
Strategic targets*	30%	Good performance	Very good performance	Excellent performance	

* The strategic targets include projects focused on the reorganisation of Office for its long-term success, refinement of the supply chain including distribution facilities, and the development of credit initiatives to enhance overall performance.

Legacy share scheme

The legacy long-term incentive scheme (1998 share option scheme) remains in operation but no further awards have been made in terms of this scheme since 2012 nor are currently planned to be made. The last share options issued under this scheme expire in the 2023 financial year. Potential gains relating to restricted instruments under the 1998 share option scheme as well as the number of instruments issued in terms of this scheme are taken into account in the allocation of shares under the 2012 share plan and the Office performance equity plan.

Malus and clawback

The malus and clawback policy is applicable to all variable remuneration awarded to executives and senior managers. The duration of malus provisions is aligned with the duration of the relevant incentive, up to the point of settlement. The duration of clawback provisions is limited to a period of two years from settlement. Any variable remuneration (both STI and LTI) may be reduced or recovered in whole or in part after the occurrence of a trigger event.

The following are determined to constitute trigger events which will result in the malus or clawback provisions being applied:

- An intentional and material misstatement by the employee concerned of the financial results relating to the performance period or employment period in respect of an award, resulting in an adjustment in the audited accounts of a company in the Group.
- The assessment of any performance metric or condition in respect of an award which is based on a material error, or materially inaccurate information.
- The assessment of any performance metric or condition in respect of an award which is based on intentionally misleading information.
- Events or behaviour of the employee or events attributable to an employee which lead to the censure of a company in the Group and as a direct result thereof cause material and ongoing reputational damage to a company in the Group.
- Reasonable evidence of employee action or conduct which amount to employee dishonesty, fraud or gross misconduct.

Employment contracts

There are no contractual obligations at any level to pay special severance amounts or compensation on termination of employment contracts arising from failure or incapacity to perform, or from under-performance against contracted objectives.

There are no contractual obligations at any level to allocate any short or long-term incentives, the only exception being the allocation of restricted shares in lieu of a restraint payment when employees join the Group.

No employment contract terms are affected by, or are linked in any way to, the automatic severing of such contracts as a result of a change in control of the Group. Furthermore, no payments of unvested short or long-term incentives are guaranteed on, or linked to, such a change in control, save that the rights of participants in the 2012 share plan must be accommodated by the board on a fair and reasonable basis on a change of control, and vesting of such rights will, unless the committee decides otherwise, be accelerated if such change of control leads to retrenchment within 24 months of the change in control.

The executive directors' service agreements are subject to notice periods as follows:

- Michael Mark – six months
- Sarah Proudfoot – six months
- Emanuel Cristaudo – six months

Remuneration Committee report
continued

Non-executive directors' remuneration

Non-executive directors receive fixed fees for services rendered as directors and as members of board committees. All non-executive directors receive the same base board fees, regardless of their length of service. In line with best governance and remuneration practice, non-executive directors do not participate in incentive schemes and do not receive any benefits (other than the discounts applicable to employees in respect of purchases charged to store card accounts) or performance-related remuneration from the Group. None of the non-executive directors have service contracts with the Group and no consultancy fees were paid to non-executive directors during the period. The fee structure of non-executive directors is reviewed annually by the committee with due consideration of internal, economic and market factors utilising benchmarks from similar businesses. In line with best practice and to avoid a conflict of interests, the peer group comparators utilised are the same as those utilised for executive director guaranteed remuneration considerations and are aimed at the median (refer to page 40). Recommendations for increases are researched and presented by executive management to the committee for consideration, and presented to the shareholders at the AGM for consideration and approval by way of special resolution. Fees are determined in advance for an ensuing calendar year.

The proposed fees for non-executive directors for the 2022 calendar year were benchmarked against fees payable by the peer group companies. Our fees were again found to be substantially below the median for certain committees and adjustments have therefore been recommended to close this gap and move closer to the median and are detailed below.

	Proposed fees (excluding VAT) for 12 months to December 2022 R'000	**2021 fees R'000**	% change
Non-executive chairman	1 350	**1 175**	14.8%
Non-executive director	400	**370**	8.1%
Audit Committee chairman	350	**350**	0%
Audit Committee member	160	**160**	0%
Remuneration Committee chairman	185	**170**	8.8%
Remuneration Committee member	100	**98**	2%
Risk Committee member (non-executive only)	120	**115**	4.3%
Nomination Committee chairman	150	**135**	11.1%
Nomination Committee member	90	**80**	12.5%
Social and Ethics Committee chairman	140	**115**	21.7%
Social and Ethics Committee member (non-executive only)	90	**80**	12.5%

SECTION C

IMPLEMENTATION REPORT 2021

The Group complied with the remuneration policy without any deviations for the reporting period, and no payments were made as a result of termination of office or employment.

Guaranteed remuneration adjustments

The annual remuneration increase ranges recommended by the committee for non-unionised employees ranged from 2.5% to 8% (dependent on seniority, performance and market rate positioning) for employees performing at the Group's minimum required standard or higher with averages as follows:

- Management 3.7%
- Non-management 4.3%

Unionised employees, whose increases are subject to negotiation with the union, received a remuneration increase of 4%.

Following a detailed market analysis, guaranteed pay has been adjusted for executive directors as follows over the last three years:

Executive directors' guaranteed pay	Change %	**2021 R'000**	2020 R'000	2019 R'000
Michael Mark~	–	**9 950**	9 950	9 383
David Pfaff*	(27.6)	**4 052**	5 600	5 134
Doug Dare^	(7.1)	**4 028**	4 337	3 843
Sarah Proudfoot#	13.6	**4 014**	3 533	288

~ Michael Mark received no annual adjustment to guaranteed pay.
* David Pfaff's guaranteed pay was for a period of eight months as his resignation was effective 28 February 2021.
^ Doug Dare's guaranteed pay was for a period of 11 months as he retired 31 May 2021.
# Sarah Proudfoot was appointed as Deputy Managing Director of Truworths Ltd during the period and her salary adjustment was due to the additional portfolios for which she now assumes responsibility. Sarah Proudfoot's earnings for 2019 are disclosed for one month only.

LTI and STI history

The below table indicates the historical long and short-term rewards received:

	Summary of LTIs for the period – 2016 to 2020			**Summary of STIs – 2016 to 2020**					
Name	**Total LTI offered where performance conditions have been finalised**	**Total value forfeited**	**Percentage forfeited**	**Total STI received**	2016	2017	2018	2019	2020
Michael Mark	**29 200**	**11 950**	**41%**	**7 963**	7 963	–	–	–	–
Sarah Proudfoot	**9 125**	**2 450**	**27%**	**2 170**	1 070	600	500	–	–
David Pfaff	**17 000**	**4 625**	**27%**	**2 097**	2 097	–	–	–	–
Doug Dare	**11 500**	**3 937**	**34%**	**1 707**	1 707	–	–	–	–

Remuneration Committee report continued

Short-term incentive outcomes for the 2021 financial period

As detailed in the remuneration policy on page 39, the Group follows a formulaic approach which includes company and individual scorecards. This combined approach mitigates against unjustified outcomes, while it ensures that at the same time employees are rewarded for the performance conditions which were met over the financial period.

The STIs in respect of the 2021 reporting period, determined with reference to the Group headline earnings per share (HEPS) threshold, target and stretch levels as well as the successful implementation of strategic projects defined for the period, were pre-agreed. The Group targets were set as follows:

Group measures	Weighting	Threshold 0%	Target 100%	Stretch 150%	Actual 2020	Achieved 2021	Weighted outcome
HEPS (cents)	60%	416.3	450.1	483.8	410.4	520.3	90%
Strategic targets	40%	Good performance	Very good performance	Excellent performance	Exceeded target	Exceeded target 135% achieved	54%
Total	100%						144%

Note: The 'Exceeded target' falls between 'Very Good Performance' and 'Excellent Performance'. Based on the outcomes of the individual strategic targets set, a final rating of 135% was achieved overall for strategic targets.

As targets were achieved by the Group, a resultant incentive pool of R82 million was agreed (being 3% of profit before tax) and incentives were approved for payment to all qualifying employees. Executive directors' STIs were agreed as follows:

Executive Director	On-target STI	Overall achievement after Group and personal performance modifiers	STI payment R'000
Michael Mark~	100%	150%	R14 925
Sarah Proudfoot	60%	105%	R4 662

~ The CEO's STI is limited to a maximum of 150% of guaranteed pay and was reduced accordingly.

Long-term incentives with a performance period ending during the 2021 financial period

Group financial performance conditions and targets for LTI purposes are determined by the committee. Measuring performance over a longer period ensures a focus on longer-term, sustainable growth in shareholder value.

The committee debated the amendment of the targets for existing in-flight share awards due to the impact of the COVID-19 pandemic on performance. It was, however, agreed that targets would not be amended to take into account any impact of the pandemic on the results.

The committee did, however, review and agreed changes to targets for in-flight shares due to the impact of the adoption of IFRS 16: Leases on the Group's results, specifically in relation to return on assets (ROA). These amendments per share offer are detailed as follows.

	Pre-IFRS 16 ROA metric			Post-IFRS 16 ROA metric		
Share offer	0% vesting target	100% vesting target	150% vesting target	0% vesting target	100% vesting target	150% vesting target
March 2018	20%	23%	25%	16%	18%	20%
September 2018, March 2019 and June 2019	17%	19%	23%	13.5%	15%	18%
September 2019 and March 2020	18%	21%	24%	14.5%	16.5%	19%

Actual performance against targets was assessed for the performance period ended during the year under review and applied to performance shares allocated in March 2018 (which resulted in a total vesting level of 90%), those allocated in September 2018 (which resulted in a total vesting level of 113.2%) and those allocated in March and June 2019 (which resulted in a total vesting level of 114.9%). Details of the targets for awards made during the 2018 financial year with a performance period that ended at the end of the 2021 financial year as well as vesting achieved are as follows:

FY2021 LTI targets	Weighting %	0% vesting target	100% vesting target	150% vesting target	Final result	Vesting achieved
March 2018 share awards						
Return on assets	25%	16.0%	18.0%	20.0%	24.2%	37.5%
Return on equity	10%	23.0%	26.0%	28.0%	32.0%	15%
Earnings before interest and tax growth	20%	CPI pa	CPI + 1ppt pa	CPI + 2ppt pa	Not achieved	0%
Gross profit margin	15%	51.0%	53.0%	55.0%	Not achieved	0%
Strategic targets	30%	Good performance	Very good performance	Excellent performance	125%	37.5%
Total	100%					90%
September 2018 share awards						
Return on assets	20%	13.5%	15.0%	18.0%	24.2%	30%
Return on equity	15%	17.0%	19.0%	23.0%	32.0%	22.5%
Earnings before interest and tax growth	15%	CPI pa	CPI + 1ppt pa	CPI + 2ppt pa	Not achieved	0%
Gross profit margin	20%	49.0%	50.0%	53.0%	50.97%	23.2%
Strategic targets	30%	Good performance	Very good performance	Excellent performance	125%	37.5%
Total	100%					113.2%
March and June 2019 share awards						
Return on assets	15%	13.5%	15.0%	18.0%	24.2%	22.5%
Return on equity	10%	17.0%	19.0%	23.0%	32.0%	15%
Headline earnings per share growth	15%	CPI pa	CPI + 1ppt pa	CPI + 2ppt pa	Not achieved	0%
Gross profit margin	15%	49.0%	50.0%	53.0%	50.97%	17.4%
Inventory turn	15%	3.50	3.75	4.50	4.59	22.5%
Strategic targets	30%	Good performance	Very good performance	Excellent performance	125%	37.5%
Total	100%					114.9%

During the period the committee agreed and recommended for approval by the board the performance targets for the relevant share schemes in relation to awards being made in the 2021 reporting period.

The performance measures for awards made to executive directors were based on return on assets (ROA), total shareholder return (TSR), HEPS growth, gross profit margin, inventory turn and strategic targets with a variable vesting scale from 0% to 150% with the application of linear vesting between performance measures. These awards were all performance based with a vesting period of between three and five years.

Remuneration Committee report continued

The targets applicable to the performance shares awarded during the 2021 financial year are as follows:

FY2023 LTI targets for September 2020 and March 2021 share awards	Weighting %	50% vesting target	100% vesting target	150% vesting target	Published medium-term Group targets*
ROA	15%	14%	17%	20%	14% – 20%
TSR	10%	CPI pa	CPI + 1ppt pa	CPI + 2ppt pa	
HEPS growth	10%	CPI pa	CPI + 1ppt pa	CPI + 2ppt pa	
Gross profit margin	15%	49%	51%	53%	49% – 53%
Inventory turn (times)	10%	3.5	4.0	4.5	3.5 – 4.5
Strategic targets	40%	Good performance	Very good performance	Excellent performance	

* Medium-term Group targets as published in the 2020 Integrated Report.

Note 1: CPI means the Consumer Price Index as published by Statistics SA.
Note 2: The awards have a vesting period of between three and five years.
Note 3: The vesting period for executive directors' shares awarded in September 2020 is as follows – for the CEO vesting is four years, with 40% vesting in year three and 60% vesting in year four. For other executive directors, vesting is five years with 30% vesting in year three, 30% vesting in year four and 40% vesting in year five.
Note 4: The vesting period for executive directors' shares awarded in March 2021 is five years, with 30% vesting in year three, 30% vesting in year four and 40% vesting in year five.
Note 5: The performance measurement takes place at the end of financial year three, being June 2023.
Note 6: No shares vest if performance falls below the 50% vesting target, whilst performance above the maximum 150% vesting target does not increase the vesting percentage above 150%.

These targets were set taking into account the economic environments in which the operating segments of the Group operate and are intended to focus management's attention on growing revenue, containing the fixed cost base, making well-reasoned and profitable capital expenditure decisions, maintaining a healthy and efficient balance sheet structure, and achieving the deliverables on the non-financial performance measures relating to strategic projects.

The committee applied a 40% weighting to strategic project performance in respect of share awards made this year as an exception, due to the COVID-19 pandemic requiring a number of crucial strategic projects to be delivered to ensure the sustainability of the financial results.

The committee reviewed and resolved to amend the policy relating to the maximum individual allocation of share-based awards and applied this amended policy in respect of the reporting period. The amendment was motivated by a reconsideration of the material reduction in this allocation from 2.4% to 0.5% of the shares in issue at June 2012, brought about the change in the policy in the prior reporting period, and was based on professional advice received and a benchmark study undertaken on comparator JSE-listed companies in the retail sector. In terms of this policy amendment the maximum individual allocation of share-based awards across all schemes has been increased from 0.5% to 1.0% of the shares in issue at June 2012. In resolving to make this policy amendment, the committee noted that the company's practice, that has been applied since the 2018 reporting period, is to acquire shares for allocations made in terms of the 2012 share plan through the market rather than through a fresh issue of shares, such that allocations do not result in the dilution of shareholders' existing interests.

Restricted and performance shares were allocated during the period and all shares allocated to executive directors were performance shares (all shares allocated to executive directors since 2017 have had performance conditions attached). No share appreciation rights were allocated during the period.

Long-term incentives awarded during the 2021 financial period

Executive director share scheme allocations in the 2021 financial period:

	2021			2020		
Executive director	Number of shares and type '000	Face value of shares allocated R'000	Face value as % of guaranteed pay	Number of shares and type '000	Face value of shares allocated R'000	Face value as % of guaranteed pay
Performance share plan shares (PSPs) (with performance targets)						
Michael Mark	420 PSPs	12 900	129%	–	–	–
David Pfaff*	205 PSPs	6 300	108%	110 PSPs	5 700	102%
Doug Dare	–	–	–	86 PSPs	4 500	104%
Sarah Proudfoot#	172 PSPs	6 000	149%	74 PSPs	3 850	108%

* David Pfaff was awarded 205 212 PSPs as part of the annual share award, being 108% of guaranteed pay at the time of the award and within the policy limit of 110%. As a result of Mr Pfaff's resignation the face value of his LTI awards are 155% of his earnings for the eight-month period to the date of his resignation.

\# Sarah Proudfoot was awarded 130 294 PSPs as part of the annual share award, being 108% of guaranteed pay at the time of the award and within the policy limit of 110% for executive directors. In addition, and due to her promotion to Deputy Managing Director: Truworths Ltd as well as the additional areas added to her portfolio, she was awarded a further 41 920 PSPs in March 2021.

Total share scheme allocations in the 2021 financial period:

Scheme	Number of participants	Face value of awards R'000
Restricted share plan (with no performance targets)	268	40 856
Performance share plan (with performance targets)	202	94 296

Share instruments awarded to employees and executives, including the above share scheme allocations in the 2021 financial period, (i.e. total share scheme utilisation) constitute 20 540 000 shares, being 4.4% (2020: 3.9%) of total issued shares at June 2012 which is below the policy's aggregate allocation of 5%. The annual allocation as detailed above is 0.89% of issued shares at June 2012 which is below the committee guideline of 1% in any one year (1.25% in terms of the policy). The maximum aggregate allocation for any one participant is 0.56% of shares in issue at June 2012 (1.0% in terms of the policy).

Executive directors' remuneration

Please refer to the Group Audited Annual Financial Statements 2021 on the company's website for further details relating to executive directors' remuneration and share-based awards. The total annual guaranteed pay, benefits, short-term cash incentives and loans pursuant to the 1998 share scheme in the single-figure remuneration table below have been extracted from note 30.1 of the Group Audited Annual Financial Statements 2021, while the value of long-term incentives and qualifying dividends have been calculated in terms of the requirements of King IV.

Single-figure remuneration

Director	Months paid	Total annual guaranteed pay R'000	Benefits* R'000	Short-term cash incentive R'000	Long-term incentive^ R'000	Qualifying dividends# R'000	Total single figure of remuneration	Benefit of interest-free loans pursuant to 1998 share scheme R'000
2021								
Michael Mark	12	9 950	–	14 925	15 023	4 447	44 345	1 955
David Pfaff	8	4 052	3	–	7 283	66	11 404	–
Doug Dare	11	4 028	9	–	4 815	375	9 227	–
Sarah Proudfoot	12	4 014	8	4 662	4 462	747	13 893	103
2020								
Michael Mark	12	9 950	1	–	1 747	5 668	17 366	3 010
David Pfaff	12	5 600	1	–	874	981	7 456	–
Doug Dare	12	4 337	8	–	612	726	5 683	–
Sarah Proudfoot	12	3 533	14	–	524	835	4 906	158

* Benefits comprise subsistence allowances for local and overseas travel, long-service awards and fringe benefits on life insurance premiums paid.

^ The long-term incentive value is calculated as the sum of:
- Performance share plan shares: For all awards where performance against the company performance targets (CPTs) was measured in the financial period, the five-day volume weighted average price (VWAP) of the company's share at period-end multiplied by the CPT vesting percentage and the number of awards.
- Performance appreciation rights: For all awards where performance against the CPTs was measured in the financial period, the difference between the five-day VWAP of the share at period-end and the strike price multiplied by the CPT vesting percentage and the number of awards.

\# Portion of the dividends received relate to performance shares which have not yet vested and for which performance has still to be measured against agreed targets. Security, in the form of a pledge of the shares in question, for the possibility that a portion of such dividends may have to be repaid if such targets are not achieved, has been provided by the directors to the company.

The company does not have any prescribed officers as defined in the Companies Act (71 of 2008, as amended) of South Africa.

Remuneration Committee report continued

Total awards and cash flow

Director	Award type	Opening balance 29 June 2020 '000	Granted '000	Forfeited/lapsed due to performance conditions not achieved or resignations '000	Additional shares granted due to performance conditions achieved '000	Vested/ exercised '000	Closing balance 27 June 2021 '000	Cash flow on settlement R'000	Estimated closing fair value 27 June 2021 R'000
2021									
Michael Mark		**2 273**	**420**	**80**	–	–	**2 773**	**4 447**	**126 605**
	Options	450	–	–	–	–	450		5 121
	Shares	1 550	–	–	–	–	1 550		87 048
	Restricted shares with performance conditions	273	420	80	–	–	613		34 436
David Pfaff		**357**	**205**	**562**	–	–	–	**66**	–
	Restricted shares with performance conditions	300	205	505	–	–	–		–
	Appreciation rights without performance conditions	31	–	31	–	–	–		–
	Appreciation rights with performance conditions	26	–	26	–	–	–		–
Doug Dare		**368**	–	**59**	–	**9**	**299**	**797**	**10 650**
	Options	74	–	–	–	–	74		683
	Restricted shares without performance conditions	3	–	–	–	3	–		–
	Restricted shares with performance conditions	212	–	28	–	6	178		9 967
	Appreciation rights without performance conditions	47	–	21	–	–	26		–
	Appreciation rights with performance conditions	32	–	11	–	–	21		–
Sarah Proudfoot		**304**	**172**	**24**	–	–	**452**	**747**	**23 204**
	Options	13	–	–	–	–	13		68
	Shares	81	–	–	–	–	81		4 549
	Restricted shares without performance conditions	–	–	–	–	–	–		–
	Restricted shares with performance conditions	183	172	24	–	–	331		18 587
	Appreciation rights without performance conditions	15	–	–	–	–	15		–
	Appreciation rights with performance conditions	12	–	–	–	–	12		–

Director	Award type	Opening balance 1 July 2019 '000	Granted '000	Forfeited due to performance conditions not achieved '000	Additional shares granted due to performance conditions achieved '000	Vested/ exercised '000	Closing balance 28 June 2020 '000	Cash flow on settlement R'000	Estimated closing fair value 28 June 2020 R'000
2020									
Michael Mark		2 335	–	62	–	–	2 273	5 664	62 492
	Options	450	–	–	–	–	450		–
	Shares	1 550	–	–	–	–	1 550		53 134
	Restricted shares with performance conditions	335	–	62	–	–	273		9 358
David Pfaff		294	109	22	–	24	357	1 901	10 284
	Restricted shares without performance conditions	14	–	–	–	14	–		–
	Restricted shares with performance conditions	223	109	22	–	10	300		10 284
	Appreciation rights without performance conditions	31	–	–	–	–	31		–
	Appreciation rights with performance conditions	26	–	–	–	–	26		–
Doug Dare		324	86	22	–	20	368	1 374	7 370
	Options	74	–	–	–	–	74		–
	Restricted shares without performance conditions	14	–	–	–	11	3		103
	Restricted shares with performance conditions	157	86	22	–	9	212		7 267
	Appreciation rights without performance conditions	47	–	–	–	–	47		–
	Appreciation rights with performance conditions	32	–	–	–	–	32		–
Sarah Proudfoot		264	74	22	–	12	304	1 018	9 050
	Options	13	–	–	–	–	13		–
	Shares	81	–	–	–	–	81		2 777
	Restricted shares without performance conditions	6	–	–	–	6	–		–
	Restricted shares with performance conditions	120	74	5	–	6	183		6 273
	Appreciation rights without performance conditions	15	–	–	–	–	15		–
	Appreciation rights with performance conditions	29	–	17	–	–	12		–

Notes:
- The fair value of restricted shares and performance shares is based on the relevant year-end share price.
- The fair value of appreciation rights is based on the binomial actuarial option pricing model at the relevant year-end.
- All options granted under the legacy 1998 scheme have vested. The fair value of such options is based on the difference between the year-end share price and the option strike price.
- The cash flow on settlement includes share gains made and dividends received during the period.
- All shares allocated to executive directors since 2017 have had performance conditions attached.

Non-executive directors' remuneration

The total fees paid to non-executive directors in respect of the 2021 and 2020 financial periods are detailed below.

	Months paid	Total remuneration (excluding VAT) 2021 R'000	2020 R'000
Hilton Saven	12	**1 464**	1 346
Rob Dow	12	**758**	709
Michael Thompson	12	**742**	679
Tony Taylor	12	**534**	499
Roddy Sparks	12	**822**	755
Maya Makanjee	12	**436**	378
Hans Hawinkels	12	**534**	375
Cindy Hess	12	**440**	333
Tshidi Mokgabudi	12	**360**	175
Emanuel Cristaudo^	6	**185**	–
Thabo Mosololi*	2	**93**	–
Dawn Earp*	2	**93**	–
Thandi Ndlovu#	–	**–**	88
Total		**6 461**	5 337

^ Appointed as a non-executive director with effect from January 2021 and an executive director and Chief Financial Officer with effect from July 2021.
* Appointed with effect from May 2021.
# Dr Thandi Ndlovu, one of our longest-serving non-executive directors, sadly and tragically passed away on 24 August 2019.

PERFORMANCE REVIEW

Adherence to the Business Philosophy enabled the Group to successfully deal with the many challenges faced, to implement mitigation strategies and pursue opportunities to grow and prosper during the COVID-19 pandemic.

RETAIL TRADING ENVIRONMENT

COVID-19 has continued to dominate the retail trading environment throughout the Group's 2021 financial period as further waves of infection have impacted shopping behaviour and created severe pressure on consumer disposable income.

SOUTH AFRICA: TRUWORTHS

While there were no hard lockdowns in South Africa during the reporting period, intermittent COVID-19-related restrictions adversely impacted economic growth, employment, consumer confidence and spending, as well as retail foot traffic.

Although the second and third waves of infection in December 2020/January 2021 and in June/July 2021 respectively did not lead to the forced closure of stores, the implementation of lockdown restrictions had an immediate effect on Truworths' sales and account payments as customers chose to avoid shopping centres to limit the risk of infection. It is encouraging that once lockdown limitations were relaxed, customers resumed their normal shopping patterns.

The credit market has proven to be resilient in the post-hard lockdown environment. The TransUnion Consumer Credit Index, which measures the credit health of consumers, reached a high of 62 index points for the first quarter of calendar 2021 and remains at a robust 59 index points for the second quarter, rebounding from 47 points and 59 points in the third and fourth quarters respectively of calendar 2020. In this environment the Truworths portfolio showed a stronger-than-expected recovery, with certain key account metrics returning to pre-COVID-19 levels by June 2021.

Lower debt servicing costs have contributed to the recovery in the credit market as the central bank's benchmark repo rate was maintained at its record-low level of 3.5% throughout the Group's 2021 financial period.

Consumer spending, however, remains under pressure as sharp fuel and electricity price hikes and higher food costs continue to erode disposable income. The state of the consumer economy is reflected in the consumer confidence index which measured -13 points in the second quarter of calendar 2021. Although this is far below the average index of 2 points since 1994, it is significantly higher than the levels reported in the second and third quarters of calendar 2020 during the economic hardship of the pandemic. Confidence levels are highest among middle-income earners, the core target market of Truworths, at -9 points, followed by high-income earners at -18 and low-income earners at -22.

The COVID-19 pandemic has had a devastating impact on South Africa's labour market as the unemployment rate reached 34.4% in the quarter to June 2021, the highest jobless rate since comparable data has been maintained from 2008. There are currently more than 7.8 million unemployed South Africans and the prospects for sustainable job creation in the short to medium term are limited in the prevailing low economic growth environment in the country.

Renewed power supply interruptions from the national electricity utility Eskom continue to have a serious impact across most sectors of the economy. The country experienced intensive load shedding in the first half of the 2021 calendar year, with 650 hours of scheduled power outages (source: Council for Scientific and Industrial Research). Load shedding continues to disrupt trade in Truworths' South African stores, with landlords being slow to install generators in malls. Currently only half of the top 100 stores in terms of sales are linked to alternative power supplies.

The wave of civil unrest that spread across parts of KwaZulu-Natal and Gauteng in July, shortly after the end of the Group's reporting period, had a devastating impact on the economy and on the retail sector in particular. Over 3 000 retail outlets were vandalised and looted, including 57 across the Truworths store portfolio. The rioting had a profound impact on lives and livelihoods, while the significant financial loss in terms of stock, damage to property and lost opportunities will further slow the country's economic recovery. By 28 August 2021, 51 of the 57 affected Truworths stores had been reopened and are fully operational.

Trading conditions in the Group's seven other countries of operation in Africa, where Truworths has a combined store base of 35, have been particularly challenging owing to the general weakening of the domestic economies.

UNITED KINGDOM: OFFICE

Trading conditions were exceptionally challenging amidst the Brexit transition and the closure of Office stores for two lockdown periods totalling 18 weeks as all non-essential retail activity was suspended in an attempt to curb the spread of the virus. Office stores in the Republic of Ireland were closed for 25 weeks while stores in Germany were closed for 20 weeks.

Online sales continued throughout the lockdown periods. In June 2021, online sales as a percentage of total retail sales in the UK were 26.1%, having peaked at 36.3% in December 2020 and January 2021 (source: Statista). Office's strong e-commerce presence provided resilience to counter the forced store closures as online sales accounted for 63% (2020: 44%) of total sales in the period.

Lockdown restrictions in the UK were gradually relaxed in the last quarter of the reporting period as the government's vaccine programme gained momentum. However, retail footfall and spending continued to be impacted by fewer commuters and tourists, and work-from-home arrangements, with stores in city centres being particularly hard hit.

While the economy has been reopened and COVID-19 health and safety protocols relaxed, the GfK Consumer Confidence Index remained negative at -9 points in June 2021. Sentiment levels reached a low of -33 points in October 2020.

UK retail remains under stress from the challenging economic conditions and the online disruption within the marketplace. This has led to a number of well-known high street retailers going into forced administration or company voluntary arrangements, with over 17 500 retail store closures in 2020 (source: Local Data Company).

CHIEF EXECUTIVE OFFICER'S REPORT

MICHAEL MARK

Our Business Philosophy (refer to page 6 for more detail) has continued to drive our decision-making throughout the COVID-19 pandemic. We are convinced that adherence to the Philosophy enabled the Group to successfully deal with the many challenges faced, to implement mitigation strategies and pursue opportunities to grow and prosper during the COVID-19 pandemic.

In one of the most difficult periods faced by the world in the modern era, the Group nevertheless managed to maintain dividend payment, generate increased returns and buy back 19.3 million shares. This successful navigation through the pandemic is due to the adherence to and implementation of the Business Philosophy by the dedicated directors, management and thousands of employees throughout the Group.

While there were no hard lockdowns in South Africa during the reporting period, various levels of lockdown restrictions adversely impacted economic growth, employment, consumer confidence and spending, as well as retail foot traffic during the second and third waves of infection.

Operating profit increased

23.5%

to R3.0 billion

In the UK, trading conditions were exceptionally challenging in the aftermath of Brexit and the closure of Office stores for 18 weeks as all non-essential retail activity was suspended by the government. Lockdown restrictions in the UK were gradually relaxed in the last quarter of the current period as the government's vaccine programme gained momentum.

Group retail sales increased by 0.5% to R17.0 billion. Retail sales in Truworths grew by 5.5% to R13.0 billion. Office retail sales declined by 17.4% to £192 million owing to the prolonged store closures and a reduction in the store footprint. Online trading continued throughout the lockdowns and Office benefited from its strong e-commerce presence, increasing online sales by 18%, contributing approximately 63% of the segment's retail sales for the year compared to 44% in the prior period.

Operating profit increased 23.5% to R3.0 billion supported by efficient inventory and margin management, tight expense control and a significant decrease in debtors costs as the debtors book showed a stronger and more rapid recovery than expected.

ASPIRATIONAL FASHION

Our Business Philosophy ensures that we maintain our unique positioning as the aspirational better-end mainstream retailer. We believe our differentiation has been strengthened in recent times as many of our competitors have changed direction by offering more lower-priced and often more casual product.

Our market-leading, aspirational fashion brands cover a broad range of fashion lifestyle needs and we have continued to expand the brand portfolio to increase customer appeal and identify additional lifestyles where we believe there is opportunity. Fuel, a young menswear fashion brand with a streetwear edge, was launched in April and we developed Loads for Kids, a range of kids bedding and décor accessories, for launch early in the 2022 financial period.

We launched Primark which marked the Group's entry into the value segment of the fashion market. The brand targets young men and women with quality fashion at excellent prices. Eleven stores were opened by year-end.

STORE STRATEGY

Truworths' store strategy supports our aspirational positioning, with the emporium store concept being the pinnacle in terms of an aspirational shopping experience for customers. Within the Emporium store, customers can browse across multiple brands of unique and distinctive colour, quality and fashion styling, complemented by an accessory, beauty and homeware range for all occasions.

Truworths aims to trade from the best positions in fashion courts of shopping malls and to be recognised as the fashion anchor tenant. Store concepts and designs are constantly updated in line with international trends and we have recently introduced new concepts including the Identity Superstore, Kids Emporium, Loads of Living within the Truworths Emporium as well as a new Truworths Emporium concept.

We continued to follow our strategy of cautiously managing trading space and introducing new fashion brands. We are also focused on improving the efficiency and productivity of our real estate portfolio by consolidating stores, rationalising trading space and closing under-performing stores.

In the past year Truworths opened 26 stores and closed 27, with the retail footprint now comprising 758 stores in South Africa and 35 in the rest of Africa. Trading space is planned to remain unchanged for the 2022 financial year.

EXPANDING E-COMMERCE

Online sales accounted for 16% of the Group's retail sales, increasing by 30% over the last year. Office again performed well off an established base to grow online sales by 18% to £121 million. Truworths e-commerce sales have more than doubled in the past year, growing by 127% to R260 million, and is now larger than the top bricks-and-mortar store. E-commerce contributed 2.0% of retail sales at Truworths compared to 0.9% in the prior period. Over 800 000 units of merchandise were purchased on our online platform, with 66% of the orders delivered via 'click & collect' in-store and the remainder directly to customers.

The Truworths e-commerce business is highly profitable and achieved a gross margin of 49%, with the net margin comparable to a highly profitable store.

Identity e-commerce was launched early in the 2022 financial year.

Online sales increased by 30%

ACCOUNT MANAGEMENT

The Truworths debtors portfolio showed a stronger-than-expected recovery by June 2021, with certain key account metrics back to pre-COVID-19 levels.

The doubtful debt allowance improved to 23.4% from 30.1% of trade receivables at June 2020 as the impact of the hard lockdown rolled through the portfolio and account collections improved. This contributed to debtors costs decreasing by 52.6%.

Gross trade receivables totalled R5.4 billion (2020: R5.5 billion) while the number of active accounts was almost unchanged at 2.6 million. Account sales comprised 68% of Truworths' retail sales.

Active account holders able to purchase at year-end were at 82% (2020: 77%) and overdue balances were at 15% (2020: 20%) of the book, highlighting its improving quality.

CHIEF EXECUTIVE OFFICER'S REPORT continued

OFFICE TURNAROUND

While the turnaround plan in our shoe and sneaker chain in the UK has been impacted by COVID-19 lockdowns, it is encouraging that the recovery is gaining traction and the business returned to profitability this year.

The store portfolio continued to be rationalised and trading space was reduced by 22.0% as 28 marginal and loss-making stores and 3 concession outlets were closed. Office now has 98 stores across the UK, Germany and the Republic of Ireland.

Trading space is planned to decrease by approximately 12% for the 2022 financial period as Office continues to exit non-profitable stores as leases expire.

Measures were introduced to curtail expenditure to ensure the long-term viability of Office, including a redundancy programme which has resulted in a saving of approximately 15% on the head office payroll.

We are also reaping the benefits of adopting many tried and tested Truworths best retail practices in Office, reflecting in the improved gross margin through better inventory management in the past year.

Office remains a strong brand and a key strategic partner to the world's leading fashion footwear brands. As we position the business for growth we will be investing to expand and enhance the e-commerce offering, remodel key high-profile stores and replace the inventory management, merchandise planning, warehouse and distribution systems.

MANAGEMENT AND SUCCESSION

Talent management and succession planning are key to the long-term success of our business and this has been an area of increased focus over the past few years. Succession planning is well managed and the succession process is covered in the **Chairman's Report** on page 28.

My long-time colleague Doug Dare, the Buying and Merchandising Director of Truworths, retired at the end of May 2021 after a career spanning 37 years with the Group. Doug held leadership roles in merchandise buying and planning, retail operations, marketing and human resources, and we thank him profusely for his contribution in making Truworths the country's leading fashion retailer. We are pleased that Truworths will continue to benefit from Doug's unrivalled industry knowledge as he has been contracted in a part-time project consulting role.

As part of the Group's succession plan, Sarah Proudfoot was promoted to the newly created position of Deputy Managing Director of Truworths Ltd. Sarah, who has worked for Truworths for 25 years, was our Merchandise and Marketing Director and was appointed to the Truworths Ltd board in 2016 and as an executive director of the company in 2019.

We welcomed Emanuel (Mannie) Cristaudo back to the Group in July 2021 as Chief Financial Officer (CFO). Mannie served as a director of Truworths responsible for credit risk, credit operations, marketing and information systems for 16 years before leaving the Group in 2013. I would like to thank Reon Smit for his outstanding contribution as Acting CFO prior to Mannie's re-appointment.

Seven new directors were appointed to the Truworths Ltd board in February 2021, increasing diversity at executive level and strengthening the depth of succession candidates. The members of this board have an average tenure of 22 years and collective experience of over 200 years with the company.

We have also strengthened the management in Office in the UK with the appointment of Jon Richens as Designate Managing Director in July 2021 and as Managing Director in September 2021. Jon has more than 25 years' experience in retail, including 21 at the Arcadia Group where he was most recently Chief Operating Officer.

IMPACT OF CIVIL UNREST

South Africa witnessed a wave of civil unrest and rioting in KwaZulu-Natal and Gauteng in July 2021 which temporarily disrupted parts of the Group's operations. A number of the Group's stores were targeted, resulting in stock losses, damage to property and equipment and loss of profits. The Group believes that it has adequate insurance cover to mitigate a significant portion of these losses.

57 stores of the Group's South African portfolio of 758 stores were impacted directly and severely by looting and destruction of property. These stores would normally account for approximately 7% of the retail sales in the Group's South African store portfolio. Another 160 stores were temporarily closed as a precautionary measure.

By 28 August 2021, 51 of the 57 stores that had been impacted directly had been reopened. The remaining 6 stores were located in fire-damaged shopping centres and the timing of the reopening of these shopping centres have not been confirmed.

APPRECIATION

Thank you to our Chairman, Hilton Saven, and my board colleagues for their continuing support and wise counsel. Our executive teams and the many thousands of employees in Truworths and Office have performed superbly in adverse trading conditions and I thank them for their efforts through this particularly challenging period. I would also like to thank our committed employees who have adapted admirably to the COVID-19 working environment.

Thank you to our loyal customers who have continued to support us during these difficult times and we look forward to continuing to do our level best to exceed your expectations in the year ahead.

Michael Mark
Chief Executive Officer

TRUWORTHS

The uncertainty around COVID-19 is likely to continue for many months and this will probably be compounded by vaccine hesitancy and roll-out rates in South Africa, potential new variants of the virus emerging and the risk of further waves of infection. Following a slow start, South Africa's vaccination programme is slowly gaining momentum, with approximately 23% of the adult population fully vaccinated and just over 9% partially vaccinated to date.

The Group's DNA as defined by its Business Philosophy, its unique position in the marketplace, its robust balance sheet and strong cash generation will continue to provide resilience in the current environment of depressed consumer spending.

Growth in the new financial period will be supported by continued recovery and growth in the debtors book, remodelling of emporium and large stores, new and expanded store retail concepts and brands, expansion of the e-commerce offering and investment in technology to offer customers a true omni-channel retail experience.

South Africa

- **COVID-19 vaccine programme** slowly gaining momentum
- Government taking a tougher stance on corruption and looking to **partner with business** community
- South African **Consumer Credit Health** has been improving since Q3 2020 and is healthiest in over 10 years (TransUnion)
- Initiatives to **improve stability of electricity** supply
- High **demand for commodities** (platinum, palladium and rhodium) expected to lead growth
- **Rand/US Dollar exchange rate improving**

OFFICE

The Office turnaround plan aimed at restoring the profitability of the chain continues to gain momentum. The focus areas in the year ahead will continue to be on its unique positioning in the fashion shoe and sneaker markets, tight stock management, the closure of loss-making and marginal stores, remodelling of important high-profile stores, expanded e-commerce offering, and investment in IT systems and in payment options for customers, and ongoing expense control.

High street footfall is improving and the rapid roll-out of the UK's COVID-19 vaccine programme, with an estimated 67% of the population already having been vaccinated, is expected to reduce the risk of further lockdown restrictions and support the recovery of the retail sector.

UK

- Positive outlook for **GDP growth** (expected around 7.5% for the year)
- Manufacturing and service sector activity growing
- **Business optimism is at a record high**
- **Rapid progress in vaccinations** facilitated the gradual easing of lockdown restrictions

FIVE-YEAR REVIEW OF FINANCIAL PERFORMANCE

Period Number of weeks		2021 Reported 52	2020 Pro forma~ 52	2020 Reported 52	2019 Pro forma~ 52	2019 Reported 52	2018 52	2017 53
Returns and margin performance								
Gross margin	(%)	**51.0**	50.8	50.8	51.6	51.6	52.4	52.6
Trading margin	(%)	**13.8**	7.9	(7.8)	12.6	2.5	14.4	15.0
Operating margin	(%)	**18.5**	15.0	(0.7)	19.0	9.0	22.5	23.3
Return on equity	(%)	**32**	14	(8)	22	7	27	31
Return on assets	(%)	**24**	13	(1)	19	10	25	26
Inventory turn	(times)	**4.6**	4.0	4.0	4.2	4.2	4.0	4.5
Asset turnover	(times)	**1.3**	0.9	1.1	1.0	1.1	1.1	1.1
Net cash/(debt) to equity	(%)	**9**	–	1	(7)	(8)	(9)	(18)
Net cash/(debt) to EBITDA	(times)	**0.1**	–	–	(0.1)	(0.2)	(0.2)	(0.4)
Return on invested capital (ROIC)	(%)	**24**	11	(1)	19	9	16	17
Weighted average cost of capital (WACC)	(%)	**12**	11	11	12	12	14	13
ROIC divided by WACC	(times)	**2.0**	1.0	(0.1)	1.6	0.8	1.1	1.3
Cash realisation rate	(%)	**107**	136	136	93	93	109	91
Statements of comprehensive income								
Sale of merchandise	(Rm)	**16 400**	16 379	16 379	18 094	18 094	17 547	18 065
Trading expenses	(Rm)	**(6 454)**	(7 457)	(10 027)	(7 388)	(9 208)	(6 954)	(7 086)
Trading profit/(loss)	(Rm)	**2 269**	1 296	(1 274)	2 279	459	2 518	2 708
Operating profit/(loss)	(Rm)	**3 038**	2 460	(110)	3 440	1 620	3 946	4 210
Profit/(loss) before tax	(Rm)	**2 746**	2 107	(463)	3 046	1 226	3 696	3 915
Headline earnings	(Rm)	**2 114**	1 716	1 716	2 445	2 445	2 647	2 836
Statements of financial position								
Non-current assets	(Rm)	**5 305**	10 246	5 856	10 465	8 645	6 904	6 559
Cash and cash equivalents	(Rm)	**1 077**	2 150	2 150	777	777	982	2 055
Trade and other receivables	(Rm)	**4 327**	4 091	4 091	4 934	4 934	5 110	5 256
Inventories	(Rm)	**1 755**	2 010	2 010	2 108	2 108	2 072	1 916
Other current assets	(Rm)	**57**	174	174	175	175	423	353
Total assets	(Rm)	**12 521**	18 671	14 281	18 459	16 639	15 491	16 139
Total equity	(Rm)	**6 191**	9 826	6 008	10 105	8 379	10 369	9 450
Non-current liabilities	(Rm)	**2 195**	3 270	2 698	4 732	4 638	2 363	4 709
Current liabilities	(Rm)	**4 135**	5 575	5 575	3 622	3 622	2 759	1 980
Total equity and liabilities	(Rm)	**12 521**	18 671	14 281	18 459	16 639	15 491	16 139

Period Number of weeks		2021 Reported 52	2020 Pro forma~ 52	2020 Reported 52	2019 Pro forma~ 52	2019 Reported 52	2018 52	2017 53
Statements of cash flows								
Cash inflow from operations	(Rm)	**3 849**	4 517	4 517	4 002	4 002	3 471	2 987
Capital expenditure	(Rm)	**320**	435	435	465	465	485	467
Share performance								
Basic earnings/(loss) per share	(cents)	**480.2**	340.3	(133.0)	503.8	144.7	614.8	659.9
Headline earnings per share	(cents)	**520.3**	410.4	410.4	571.7	571.7	615.7	662.0
Diluted headline earnings per share	(cents)	**516.7**	409.0	409.0	569.5	569.5	612.7	660.9
Cash flow per share	(cents)	**947.3**	1 080.4	1 080.4	935.7	935.7	807.4	697.2
Cash equivalent earnings per share	(cents)	**882.8**	795.0	795.0	1 006.3	1 006.3	738.3	766.3
Net asset value per share	(cents)	**1 562**	2 371	1 450	2 375	1 969	2 421	2 201
Annual cash dividend per share	(cents)	**350**	280	280	384	384	420	452
Dividend cover	(times)	**1.5**	1.5	1.5	1.5	1.5	1.5	1.5
Number of shares in issue	(000's)	**438 407**	442 964	442 964	442 876	442 876	442 590	442 059
Number of shares in issue (net of treasury shares)	(000's)	**396 381**	414 427	414 427	425 506	425 506	428 260	429 410
Weighted average number of shares	(000's)	**406 267**	418 121	418 121	427 653	427 653	429 855	428 370
Cumulative value of shares repurchased#	(Rm)	**4 831**	4 063	4 063	3 480	3 480	3 214	3 030
Cumulative number of shares repurchased#	(000's)	**133 555**	114 299	114 299	102 391	102 391	98 641	96 437
Closing share price	(cents per share)	**5 616**	3 428	3 428	7 000	7 000	7 725	7 150

~ Excluding the impact of goodwill and intangible asset impairments.
# Includes shares previously repurchased and cancelled: 5 million (cost of R222 million) in 2021, 44 million (cost of R1.9 billion) in 2014, 36 million (cost of R275 million) in 2007 and 7 million (cost of R200 million) in 2006.

The full ten-year review and definitions are available on the website at www.truworthsinternational.com.

The **Summarised Group Annual Financial Statements** appear on page 56.

CHIEF FINANCIAL OFFICER'S REPORT

EMANUEL CRISTAUDO

The Group delivered a resilient operational performance and improved returns to shareholders despite the tough COVID-19 trading conditions in its two major markets, namely South Africa and the UK.

Operating profit for the year, adjusted for goodwill and intangible asset impairments in 2020, increased 23.5% to R3.0 billion. The turnaround strategy in Office started to gain traction as the business returned to profitability for the period.

The Group's strong profit growth was supported by efficient inventory and margin management, tight expense control and a decrease in debtors costs, as the debtors book showed a strong recovery.

The performance for the period resulted in an increase in headline earnings per share of 26.8% to 520.3 cents (2020: 410.4 cents).

The Group has remained strongly cash generative as cash from operations totalled R4.1 billion, with R1.1 billion returned to shareholders in dividend payments. The share buy-back programme continued and 19.3 million shares were repurchased for R768 million.

The dividend cover was maintained at 1.5 times and the annual cash dividend increased by 25% to 350 cents per share (2020: 280 cents per share), comprising an interim dividend of 232 cents per share and final dividend of 118 cents per share.

It is pleasing to report that the Group achieved all six of its board-approved financial targets, with the targets for return on assets, inventory turn and return on equity being exceeded.

EXCELLENCE IN INTEGRATED REPORTING

Truworths International continues to be recognised for its high standard of integrated reporting. In the 2021 Ernst & Young (EY) Excellence in Integrated Reporting Awards, the Group's 2020 Integrated Report was ranked seventh (2019 report: ranked eighth) among the 100 largest companies on the JSE, again the only retailer in the top ten. The Group has been ranked in the top ten in these awards for 14 consecutive years, the only company to achieve this distinction.

GROUP FINANCIAL AND OPERATING TARGETS

Financial targets are published to provide guidance to shareholders on the Group's financial performance objectives. Targets and performance are benchmarked against JSE-listed apparel retailers and leading global listed fashion retailers. The targets are reviewed annually by the board, based on actual performance and the medium-term outlook. Note that the global benchmarks may not be directly comparable in terms of the impact of the COVID-19 pandemic due to the timing of their respective year-ends.

		Actual 2021	Medium-term target	Target achieved or exceeded	Local benchmark*	Global benchmark^
Gross margin	(%)	**51.0**	**49 – 53**	✓	44.1	52.9
Operating margin	(%)	**18.5**	**16 – 21**	✓	7.5	4.6
Return on equity	(%)	**32**	**18 – 23**	✓	8	5
Return on assets	(%)	**24**	**14 – 20**	✓	9	4
Inventory turn	(times)	**4.6**	**3.5 – 4.5**	✓	3.2	3.2
Asset turnover	(times)	**1.3**	**0.9 – 1.3**	✓	1.0	0.9

* The local benchmarks are based on the average ratios for comparable JSE-listed apparel retailers Mr Price Group and TFG for the 2021 period.
^ The global benchmarks are based on the average ratios for global fashion retailers H&M and Inditex for the 2020 period.

The revised medium-term financial targets are included on page 55.

ANALYSIS OF FINANCIAL CAPITAL

The analysis of performance in this report aims to demonstrate how the Group's financial capital has been increased, decreased or transformed through the Group's operating and investing activities in the period, and how the effective management of this capital is expected to contribute to value creation for shareholders in the medium and long term.

This review of financial performance should be read together with the Group Audited Annual Financial Statements 2021, which are available at www.truworthsinternational.com.

CHIEF FINANCIAL OFFICER'S REPORT continued

GROUP

Statements of comprehensive income

Sale of merchandise

Group retail sales increased by 0.5% from R16.9 billion to R17.0 billion. Account sales comprised 52% (2020: 51%) of retail sales for the period. Account sales increased by 2.8% with cash sales decreasing by 2.0%.

Group sale of merchandise, which comprises Group retail sales, together with wholesale sales and delivery fee income, less adjustments, increased by 0.1% to R16.4 billion.

Divisional sales	52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm	Change on prior period %
Truworths ladieswear	**4 676**	4 571	2.3
Office	**3 980**	4 581	(13.1)
Truworths menswear‡	**3 438**	3 304	4.1
Identity	**2 117**	1 978	7.0
Truworths Kids Emporium#	**1 265**	1 112	13.8
Other^	**1 519**	1 371	10.8
Group retail sales	**16 995**	16 917	0.5
Delivery fee income	**76**	71	7.0
Wholesale sales	**21**	37	(43.2)
Variable consideration adjustments~	**(692)**	(646)	7.1
Sale of merchandise	**16 400**	16 379	0.1
YDE agency sales	**171**	209	(18.2)

‡ Truworths Man, Uzzi, Daniel Hechter Mens, LTD Mens and Fuel.
# LTD Kids, Earthchild and Naartjie.
^ Cosmetics, Cellular, Truworths Jewellery, Office London (South Africa), Loads of Living and Primark.
~ Accounting adjustments made in terms of IFRS and generally accepted accounting practice relating to promotional vouchers, staff discounts on merchandise purchased, cellular retail sales, notional interest on non-interest-bearing trade receivables and the sales returns provision.

Group trading space reduced by 1.8% (decrease of 1.1% in Truworths and 22.0% in Office) as a net 32 stores were closed across all brands. Truworths opened 26 stores and closed 27, while Office closed 31, including 3 concession stores.

At the end of the period the Group had 891 stores, including 13 concession outlets (2020: 923 stores, including 16 concession outlets).

Gross margin

The Group's gross margin expanded to 51.0% (2020: 50.8%). Truworths' gross margin contracted to 54.1% (2020: 55.6%), mainly due to higher levels of sales promotion activity. The gross margin in Office expanded to 41.5% (2020: 38.7%), mainly as a result of a higher proportion of full-price sales due to improved stock control.

Trading expenses

The Group continued to exercise rigorous expense control. After adjusting for the goodwill and intangible assets impairments in 2020 (hereinafter referred to as 'an adjusted basis'), trading expenses for the period decreased by 13.5% to R6.5 billion (2020: R7.5 billion) and constituted 39.4% (2020: 45.5%) of sale of merchandise. Trading expenses benefited mainly from lower depreciation in respect of right-of-use assets, employment cost savings as a result of furlough scheme benefits, the business rates holidays and lower trade receivable costs.

An analysis of trading expenses is included in the Truworths and Office sections in this report.

Interest received

Interest received decreased 34.0% to R762 million due to a material reduction in the South African repo rate since the start of the COVID-19 pandemic as well as a reduction in the size of the Truworths Africa segment's gross debtors book relative to the prior period.

Trading profit

Group trading profit on an adjusted basis increased 75.1% to R2.3 billion owing largely to the lower trading expenses. The trading margin increased to 13.8% relative to the 7.9% reported in the prior period, on an adjusted basis.

Operating profit

Adjusted Group operating profit increased 23.5% to R3.0 billion. The operating margin increased to 18.5% relative to the 15.0% reported in the prior period, on an adjusted basis.

Finance costs

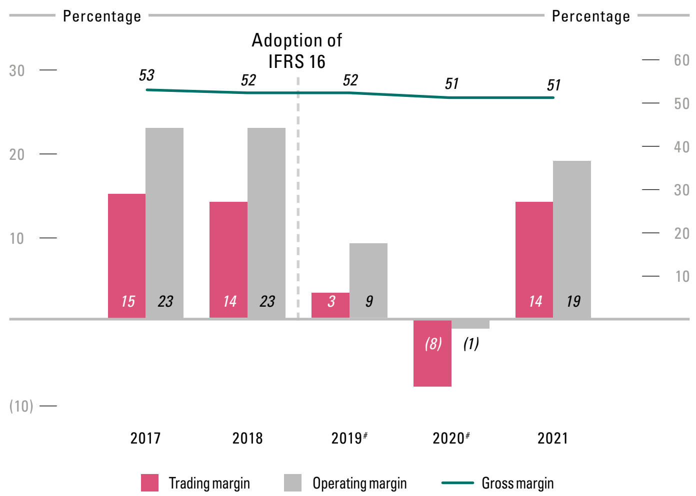
Finance costs decreased by 17.3% to R292 million (2020: R353 million) mainly due to the reduction in finance costs in respect of lease liabilities and the repayment of borrowings.

Earnings

Headline earnings per share (HEPS) and diluted HEPS increased 26.8% and 26.3% to 520.3 cents (2020: 410.4 cents) and 516.7 cents (2020: 409.0 cents) respectively.

Basic earnings per share (EPS) and diluted basic EPS increased to 480.2 cents and 476.9 cents, respectively, compared to the prior period's basic loss per share (LPS) of 133.0 cents and diluted LPS of 132.5 cents.

MARGIN TRENDS



Impacted by the impairment of goodwill and intangible assets.

Statements of financial position

Net asset value

The Group's financial position remains strong with the net asset value per share increasing 7.7% to 1 562 cents.

Right-of-use assets

Right-of-use assets decreased 17.2% to R2.2 billion, partially due to the net impairment of right-of-use assets in the current period of R202 million before tax (2020: R379 million before tax) resulting from the ongoing challenging trading conditions in the UK.

Inventory

Inventories decreased by 12.7% to R1.8 billion (2020: R2.0 billion), driven by a 16.6% decrease (in Sterling) in Office's inventory. Inventory turn was 4.6 times (2020: 4.0 times), exceeding the targeted performance of 3.5 to 4.5 times.

In Truworths gross inventory decreased by 1% to R1.4 billion and the inventory turn increased to 4.9 times (2020: 4.2 times, although impacted by the 5-week hard lockdown). In Office the inventory turn decreased to 3.8 times (in Sterling) (2020: 4.0 times).

Cash

Group net cash (excluding IFRS 16 lease liabilities) increased from R44 million at the prior period-end to R577 million, after the repurchase of shares totalling R768 million.

Capital management

The Group generated R4.1 billion in cash from operations and this funded the following:

- Dividend payments of R1.1 billion
- Lease liability payments in terms of IFRS 16 of R1.1 billion
- Capital expenditure of R320 million
- Share buy-backs of R768 million

Since the inception of the share buy-back programme in 2002, 125.3 million shares have been repurchased at a total cost of nearly R4.5 billion at an average price of R35.52 per share.

The cash realisation rate, which is a measure of how profits are converted into cash, was 107% for the current period (2020: 136%). In the prior period the cash realisation rate benefited from the timing of creditors and tax payments in the 2019 financial period, which increased the cash inflow from operations and consequently the cash realisation rate.

The Group's net cash to equity ratio at the end of the current period was 9.3% (2020: 0.7%) and net cash to EBITDA was 0.1 times (2020: nil times).

During the period the Group utilised the revolving credit facilities available to it (Truworths R900 million, Office £32.5 million). Truworths settled the term loan (R500 million) and refinanced its revolving credit facility on more favourable terms. Office extended its revolving credit facility until January 2022.

TRUWORTHS AFRICA AND OFFICE BUSINESS SEGMENTS

Management measures the operating results of the Truworths Africa and Office business segments separately for the purpose of resource allocation and performance assessment. Segmental performance is reported on an IFRS basis and evaluated with reference to revenue, gross margin, operating margin, EBITDA and profit after tax.

		Truworths Rm	Office Rm	Consolidation entries Rm	Group Rm
SEGMENT REPORTING					
2021					
Total revenue		**13 449**	**4 108**	**(23)**	**17 534**
Third party		**13 426**	**4 108**	**–**	**17 534**
Inter-segment		**23**	**–**	**(23)**	**–**
Trading expenses		**4 927**	**1 535**	**(8)**	**6 454**
Depreciation and amortisation		**1 014**	**215**	**–**	**1 229**
Employment costs		**1 666**	**413**	**(6)**	**2 073**
Occupancy costs		**527**	**155**	**–**	**682**
Trade receivable costs		**768**	**–**	**–**	**768**
Other operating costs		**952**	**752**	**(2)**	**1 702**
Interest received		**777**	**–**	**(15)**	**762**
Finance costs		**244**	**63**	**(15)**	**292**
Profit for the period		**1 863**	**93**	**–**	**1 956**
Profit before tax		**2 615**	**131**	**–**	**2 746**
Tax expense		**(752)**	**(38)**	**–**	**(790)**
EBITDA		**3 873**	**409**	**(15)**	**4 267**
Segment assets		**11 087**	**2 041**	**(607)***	**12 521**
Segment liabilities		**4 221**	**2 262**	**(153)***	**6 330**
Capital expenditure		**296**	**24**	**–**	**320**
Other segmental information					
Gross margin	(%)	**54.1**	**41.5**	**–**	**51.0**
Trading margin	(%)	**16.8**	**4.8**	**–**	**13.8**
Operating margin	(%)	**23.2**	**4.8**	**–**	**18.5**
Inventory turn	(times)	**4.9**	**4.0**	**–**	**4.6**
Account:cash sales mix	(%)	**68:32**	**0:100**	**–**	**52:48**
2020					
Total revenue		13 290	4 700	(8)	17 982
Third party		13 284	4 698	–	17 982
Inter-segment		6	2	(8)	–
Trading expenses		5 466	4 569	(8)	10 027
Depreciation and amortisation		1 108	344	–	1 452
Employment costs		1 467	552	(4)	2 015
Occupancy costs		345	330	–	675
Trade receivable costs		1 613	8	–	1 621
Other operating costs		933	3 335	(4)	4 264
Interest received		1 153	2	–	1 155
Finance costs		278	75	–	353
Profit/(loss) for the period		1 670	(2 346)	–	(676)
Profit/(loss) before tax		2 345	(2 808)	–	(463)
Tax (expense)/credit		(675)	462	–	(213)
EBITDA		3 731	(2 389)	–	1 342
Segment assets		11 561	3 202	(482)*	14 281
Segment liabilities		5 250	3 500	(477)*	8 273
Capital expenditure		374	61	–	435
Other segmental information					
Gross margin	(%)	55.6	38.7	–	50.8
Trading margin	(%)	12.5	(58.5)	–	(7.8)
Operating margin	(%)	22.4	(58.5)	–	(0.7)
Inventory turn	(times)	4.2	3.7	–	4.0
Account:cash sales mix	(%)	70:30	0:100	–	51:49

* Elimination of investment in Office as well as inter-segment assets and liabilities.

TRUWORTHS

This analysis covers the performance of the Truworths Africa business segment, which operates in South Africa and in the rest of Africa, and includes YDE.

Sale of merchandise

Retail sales in Truworths increased by 5.5% to R13.0 billion (2020: R12.3 billion), with account and cash sales increasing by 2.8% and 11.8% respectively.

Account sales comprised 68% (2020: 70%) of retail sales. Like-for-like store retail sales increased by 4.3% with product inflation averaging 1.4% (2020: product deflation of 1.2%).

Retail space decreased by 1.1% as Truworths opened 26 stores and closed 27.

The South African operations accounted for 96.5% (2020: 96.7%) of the Truworths Africa segment's retail sales, with the 35 (2020: 36) stores in the rest of Africa contributing the balance.

Trading densities grew by 7.1% to R34 649 per m² (2020: R32 357 per m²).

Gross margin

The gross margin contracted from 55.6% to 54.1% owing to higher markdowns due to increased sales promotion activity in the post hard lockdown period.

Trading expenses

Analysis of trading expenses	**Jun 2021 Rm**	Jun 2020 Rm	Change on prior period %
Depreciation and amortisation	**1 014**	1 108	(8)
Employment costs	**1 666**	1 467	14
Occupancy costs	**527**	345	53#
Trade receivable costs	**768**	1 613	(52)
Other operating costs	**952**	933	2*
Trading expenses	**4 927**	5 466	(10)^

Occupancy costs: 2% increase excluding rentals not accounted for in terms of IFRS 16 and rental concessions in 2020.

* Other operating costs: 8% increase excluding foreign exchange losses and impairments.

^ Trading expenses: 9% decrease excluding foreign exchange losses and impairments.

Trading expenses decreased by 10% to R4.9 billion. Trading expenses as a percentage of sale of merchandise decreased to 39.9% from 46.7% in the prior period.

- Depreciation and amortisation decreased by 8%. Excluding non-comparable stores, depreciation and amortisation of property, plant and equipment and software decreased 8%. Depreciation of the right-of-use assets decreased by 6% due to a reduction in the number of leases accounted for under IFRS 16 and the impact over time of rental reversions and lower rental escalations.
- Employment costs increased by 14%. Excluding non-comparable stores, incentives and other non-comparable costs, employment costs increased by 6%.
- Occupancy costs, which comprise rentals not accounted for in terms of IFRS 16 as well as other occupancy costs, increased by 53%. Excluding prior-period rent concessions (R82 million) and rentals not accounted for in terms of IFRS 16 (2021: R116 million, 2020: R23 million), occupancy costs increased 2%.
- Trade receivable costs decreased by 52%. The doubtful debt allowance decreased from 30.1% at June 2020 to 23.4% of gross trade receivables, while gross trade receivables decreased 3%, resulting in a R403 million credit to the income statement. Collection and other trade receivable costs increased 7%. The total cost of accounts of R902 million exceeded total income from accounts (including notional interest) of R823 million by R79 million (2020: R624 million).
- Other operating costs, excluding foreign exchange losses and impairments in the current and prior period, increased by 8%.

Interest received

Interest received decreased 33% to R777 million due to a material reduction in the South African repo rate since the start of the COVID-19 pandemic as well as a reduction in the Truworths gross trade receivables book relative to the prior period.

Finance costs

Finance costs reduced by R34 million to R244 million (2020: R278 million) mainly due to the reduction in finance costs in respect of lease liabilities and a decrease in interest on term loans.

Trading and operating profit

Trading profit increased by 42% to R2 075 million (2020: R1 461 million). The trading margin increased from 12.5% to 16.8% mainly due to the decrease in trading expenses and in particular trade receivable costs.

Operating profit (profit before finance costs and tax) increased by 9% to R2.9 billion (2020: R2.6 billion), with the operating margin increasing from 22.4% to 23.2%.

OFFICE

This analysis covers the financial performance of the Office business segment, which operates primarily in the UK, with a presence in Germany and the Republic of Ireland.

Sale of merchandise

Sale of merchandise declined by 17.3% to £196 million (2020: £238 million) for the period while retail sales declined by 17.4% to £192 million (2020: £233 million) as a result of the prolonged store closures and a reduction in the store footprint. Trading space decreased 22.0% following the closure of 31 stores, including 3 concession outlets.

E-commerce showed continued strong growth, particularly when stores were closed during lockdown, with online retail sales increasing 18.2% to £121 million and accounting for 63% of total retail sales (2020: 44%). Store retail sales decreased 45% to £71 million.

The UK accounted for 94% of retail sales, Germany 3% and the Republic of Ireland 3%.

	Retail sales Jun 2021 £m	Retail sales Jun 2020 £m	Change on prior period %	**Number of stores Jun 2021**	Number of stores Jun 2020
United Kingdom	**181.0**	213.8	(15)	**83**	114
Germany	**5.9**	10.7	(45)	**8**	8
Republic of Ireland	**5.5**	8.3	(34)	**7**	7
Total	**192.4**	232.8	(17)	**98***	129*

* Including 13 concession stores (2020: 16 concession stores).

Gross margin

The gross margin expanded to 41.5% (2020: 38.7%) owing mainly to a higher proportion of merchandise being sold at full price. The margin was, however, adversely impacted by the decline in the sales contribution from the higher-margin made-to-order (MTO) category.

Trading expenses

Analysis of trading expenses	**Jun 2021 £m**	Jun 2020 £m	Change on prior period %
Depreciation and amortisation	**10.4**	17.5	(41)
Employment costs	**20.0**	28.1	(29)
Occupancy costs	**7.5**	16.8	(55)
Trade receivable costs	**–**	0.4	(100)
Other operating costs (excluding impairment of trademarks)	**36.9**	39.7	(7)
Trading expenses (excluding impairment of trademarks)	**74.8**	102.5	(27)
Impairment of trademarks	**–**	118.2	(100)
Trading expenses	**74.8**	220.7	(66)

- Depreciation and amortisation decreased 41% due to assets becoming fully depreciated and a reduced right-of-use assets balance. Office incurred capital expenditure of £1.2 million (2020: £2.8 million).
- Employment costs decreased 29% as a result of the headcount reduction due to the redundancy process as well as the closure of non-performing stores. Office received funding of £4.3 million from the UK, German and Ireland Government relief schemes for furloughed employees during the COVID-19 lockdowns.
- Occupancy costs decreased 55% or £9.3 million due to lower rentals as a result of the concession outlet closures during lockdown, the business rates holiday granted in the UK and Ireland (£7.8 million), and lower rentals due to temporary store closures in lockdown and permanent closures.
- Other operating costs decreased 77% as a consequence of the prior-period impairment of trademarks of £118.2 million.

Operating profit

Office reported an operating profit of £8.9 million (2020: loss of £128.1 million) with the operating margin improving from -53.9% to 4.5%.

GROUP INFORMATION TECHNOLOGY

Capital expenditure of R90 million (2020: R102 million) was invested in leading-edge information technology (IT) systems over the past year to support the retail operations and supply chain. The Group has committed R122 million for Truworths and Office IT capital expenditure for the 2022 reporting period.

Major IT projects: Truworths

Completed in 2021 financial period:

- Upgraded key systems to ensure functionality and technology remain current. This included upgrades of the warehouse control system in the distribution centres, product life cycle management and the main campaigning application.
- Enhanced fraud detection and security capabilities.
- Implemented systems to support compliance, notably in relation to the Protection of Personal Information Act.
- Enhanced the omni-channel and customer environments with the introduction of new point-of-sale, e-commerce and customer experience systems as well as creating a fully digital new customer account process.
- Implemented a new merchandise financial planning system (launched shortly after the period-end) and human resources recruitment portal.

Planned for completion in 2022 financial period:

- Complete the implementation of the new state-of-the-art point-of-sale, e-commerce and customer experience integrated applications as well as upgrade the order fulfilment systems and processes to support these applications.
- Upgrade customer portfolio management and scoring solution, warehouse management system and wide area network infrastructure.
- Integrate the recently acquired Barrie Cline Clothing operation into the Truworths IT environment and combine the Truworths Manufacturing and Barrie Cline businesses onto a single system.
- Implement a new financial planning and analysis system to enhance the budgeting, forecasting and cost management processes.

Major IT projects: Office

Completed in 2021 financial period:

- Migrated e-commerce system from a hosted to a pure cloud solution which is cost efficient and more resilient due to the ability to increase capacity as required and with improved disaster recovery capabilities.
- Implemented VOIP telephony system for head office and warehouses which resulted in significant telephony cost savings as well as enabling employees to work from home.
- Implemented alternative payment methods, Apple Pay and Google Pay.

Planned for completion in 2022 financial period:

- Commence the implementation of the replacement of legacy merchandise and warehouse management systems.
- Implement a 'buy now, pay later' payment system.
- Continue to enhance the e-commerce systems to facilitate customer engagement.

CHIEF FINANCIAL OFFICER'S REPORT continued

GROUP FINANCIAL PLANS FOR 2022

Capital expenditure of R389 million (Truworths R332 million and Office £3 million) has been committed for the 2022 financial period and will be applied mainly as follows:

- R252 million for new stores and the expansion and refurbishment of existing stores
- R122 million for computer infrastructure and software
- R5 million for buildings
- R4 million for distribution facilities

There are plans to review our distribution facilities with the objective of increasing capacity to facilitate future growth.

Trading space is expected to be unchanged in Truworths and decrease by approximately 12% in Office as further stores are closed as leases expire.

The trading outlook for Truworths and Office for the 2022 financial period is covered in the **Chief Executive Officer's Report** on page 48.

GROUP MEDIUM-TERM FINANCIAL TARGETS

The Group's medium-term financial and operating targets have been reviewed, and in some cases revised, to reflect the Group's expected performance over the next three years. These targets set out below have been approved by the board.

		Medium-term targets	Previous medium-term targets
Gross margin	(%)	**49 – 53**	49 – 53
Operating margin	(%)	**16 – 21**	16 – 21
Return on equity	(%)	**27 – 32**	18 – 23
Return on assets	(%)	**20 – 25**	14 – 20
Inventory turn	(times)	**3.5 – 4.5**	3.5 – 4.5
Asset turnover	(times)	**0.9 – 1.3**	0.9 – 1.3

APPRECIATION

Thank you to our board, partners, service providers and to our Group finance team for their dedication and commitment in striving to achieve the highest standards of financial reporting. I look forward to engaging with you and other stakeholders in my new role in the year ahead.

Emanuel Cristaudo
Chief Financial Officer

SUMMARISED GROUP FINANCIAL STATEMENTS

SUMMARISED GROUP STATEMENTS OF FINANCIAL POSITION

		at 27 Jun 2021 Rm	at 28 Jun 2020 Rm
ASSETS			
Non-current assets		**5 305**	5 856
Property, plant and equipment		**1 707**	1 788
Right-of-use assets		**2 196**	2 651
Intangible assets		**551**	569
Goodwill		**294**	294
Derivative financial assets		**–**	2
Other non-current assets		**126**	85
Deferred tax		**431**	467
Current assets		**7 216**	8 425
Inventories		**1 755**	2 010
Trade and other receivables		**4 327**	4 091
Derivative financial assets		**5**	65
Cash and cash equivalents		**1 077**	2 150
Other current assets		**52**	109
Total assets		**12 521**	14 281
EQUITY AND LIABILITIES			
Total equity		**6 191**	6 008
Non-current liabilities		**2 195**	2 698
Lease liabilities		**2 062**	2 562
Put option liability		**15**	–
Other non-current liabilities		**118**	136
Current liabilities		**4 135**	5 575
Trade and other payables		**1 965**	1 801
Lease liabilities		**1 397**	1 557
Interest-bearing borrowings		**346**	2 106
Bank overdraft		**154**	–
Put option liability		**10**	–
Other current liabilities		**263**	111
Total liabilities		**6 330**	8 273
Total equity and liabilities		**12 521**	14 281
Number of shares in issue (net of treasury shares)	(millions)	**396.4**	414.4
Net asset value per share	(cents)	**1 562**	1 450
Key ratios			
Return on equity	(%)	**32**	(8)
Return on capital	(%)	**50**	–
Return on assets	(%)	**24**	(1)
Inventory turn	(times)	**4.6**	4.0
Asset turnover	(times)	**1.3**	1.1
Net cash to equity	(%)	**9.3**	0.7
Net cash to EBITDA	(times)	**0.1**	–

Total additions of R254 million, of which R208 million and R41 million was spent on plant, equipment, furniture and fittings, and buildings respectively.

Right-of-use assets decreased 17.2% to R2.2 billion, in part due to the net impairment of right-of-use assets in the current period of R202 million before tax (2020: R379 million before tax) as a result of ongoing challenging trading conditions in the UK.

R66 million invested in computer software.

Inventory turn increased to 4.6 times (2020: 4.0 times). Truworths' gross inventory decreased by 1% to R1.4 billion and inventory turn increased to 4.9 times (2020: 4.2 times, but impacted by the 5-week hard lockdown). Office's gross inventory decreased 16.6% and inventory turn decreased to 3.8 times (2020: 4.0 times) in Sterling.

The doubtful debt allowance decreased from 30.1% to 23.4% of gross trade receivables. The decrease in the allowance is a consequence of the impact of the hard lockdown having rolled through the portfolio as well as the improved performance observed in account collections.

Group net cash (excluding IFRS 16 liabilities) increased from R44 million at the prior period-end to R577 million, notwithstanding the repurchase of 19.3 million of the company's shares for a total of R768 million during the period.

Trade and other payables increased to R2 billion at the end of the period (2020: R1.8 billion), as a result of the timing of capital and operational expenditure.

Interest-bearing borrowings at the period-end decreased to R346 million (June 2020: R2.1 billion), due to the R1.4 billion repayment of the South African term loan (R500 million) and revolving credit facility (R900 million), together with the repayment of Office borrowings of £17.7 million (R294 million).

All Group published financial targets have been achieved. Refer to Chief Financial Officer's Report on page 51.

SUMMARISED GROUP STATEMENTS OF COMPREHENSIVE INCOME

		52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm
Revenue		**17 534**	17 982
Sale of merchandise		**16 400**	16 379
Cost of sales		**(8 042)**	(8 065)
Gross profit		**8 358**	8 314
Other income		**365**	439
Trading expenses		**(6 454)**	(10 027)
Trading profit/(loss)		**2 269**	(1 274)
Interest income		**762**	1 155
Dividend income		**7**	9
Operating profit/(loss)		**3 038**	(110)
Finance costs		**(292)**	(353)
Profit/(loss) before tax		**2 746**	(463)
Tax expense		**(790)**	(213)
Profit/(loss) for the period		**1 956**	(676)
Attributable to:			
Equity holders of the company		**1 951**	(556)
Holders of the non-controlling interest		**5**	(120)
Profit/(loss) for the period		**1 956**	(676)
Basic earnings/(loss) per share	(cents)	**480.2**	(133.0)
Headline earnings per share	(cents)	**520.3**	410.4
Diluted basic earnings/(loss) per share	(cents)	**476.9**	(132.5)
Diluted headline earnings per share	(cents)	**516.7**	409.0
Gross margin	(%)	**51.0**	50.8
Trading expenses to sale of merchandise	(%)	**39.4**	61.2
Trading margin	(%)	**13.8**	(7.8)
Operating margin	(%)	**18.5**	(0.7)
Reconciliation of headline earnings per share:			
Basic earnings/(loss) per share	(cents)	**480.2**	(133.0)
Impairment of trademarks	(cents)	**–**	460.9
Net impairment of right-of-use assets	(cents)	**38.2**	68.2
Impairment of goodwill	(cents)	**–**	12.4
Impairment of property, plant and equipment	(cents)	**–**	1.4
Loss on write-off or disposal of plant and equipment	(cents)	**1.2**	0.5
Loss on write-off of intangible assets	(cents)	**0.5**	–
Impairment of property, plant and equipment		**0.7**	–
Bargain purchase gain on acquisition of Barrie Cline	(cents)	**(0.5)**	–
Headline earnings per share	(cents)	**520.3**	410.4
Reconciliation of diluted weighted average number of shares:			
Weighted average number of shares	(millions)	**406.3**	418.1
Add: Dilutive effect of share options, restricted shares and share appreciation rights	(millions)	**2.8**	1.5
Diluted weighted average number of shares	(millions)	**409.1**	419.6

Group sale of merchandise, which comprises Group retail sales, together with wholesale sales and delivery fee income, less variable consideration adjustments, increased by 0.1% to R16.4 billion.

Trading expenses for the current period decreased by 35.6%, constituting 39.4% of sale of merchandise. Excluding the goodwill and intangible asset impairments in the prior period, trading expenses decreased by 13.5%.

Interest received decreased 34.0% to R762 million due to a material reduction in the South African repo rate since the start of the COVID-19 pandemic as well as a reduction in the Truworths Africa segment's gross debtors book relative to the prior period.

Finance costs decreased by 17.3% from R292 million (2020: R353 million) mainly as a consequence of the reduction in finance costs in respect of lease liabilities and the repayment of borrowings.

Headline earnings per share (HEPS) and diluted HEPS, which reflect the Group's underlying performance for the period, increased 26.8% and 26.3% to 520.3 cents and 516.7 cents, respectively, compared to the prior period's HEPS of 410.4 cents and diluted HEPS of 409.0 cents.

Truworths' gross margin contracted to 54.1% (2020: 55.6%), mainly due to higher levels of promotional activity. The gross margin in Office expanded to 41.5% (2020: 38.7%), mainly as a result of a higher proportion of full-price sales due to improved stock control.

The Group recorded an operating profit of R3 billion in the current period, while the operating margin increased to 18.5%. Excluding the goodwill and intangible asset impairments in the prior period, operating profit increased by 23.5%.

SUMMARISED GROUP FINANCIAL STATEMENTS continued

SUMMARISED GROUP STATEMENTS OF CHANGES IN EQUITY

	27 Jun 2021 Rm	28 Jun 2020 Rm
Balance at the beginning of the period attributable to equity holders of the company	**6 008**	8 379
Total comprehensive income/(loss) for the period	**1 979**	(330)
Profit/(loss) for the period	**1 956**	(676)
Other comprehensive income for the period	**23**	346
Dividends declared	**(1 086)**	(1 628)
Shares repurchased	**(768)**	(583)
Premium on shares issued in terms of the 1998 share option scheme	**–**	4
Share-based payments	**83**	102
Acquisition of non-controlling interest	**–**	(57)
Movement in put option liability	**(25)**	121
Balance at the reporting date attributable to equity holders of the company	**6 191**	6 008
Comprising		
Share capital and premium	**521**	743
Treasury shares	**(2 259)**	(1 815)
Retained earnings	**7 778**	6 906
Non-distributable reserves	**151**	174
Total equity attributable to equity holders of the company	**6 191**	6 008
Dividends (cents per share)		
Cash final – payable/paid September	**118**	31
Cash interim – paid March	**232**	249
Total	**350**	280

Other comprehensive income comprises the movement in the foreign currency translation reserve, the fair value adjustment in respect of financial assets held at fair value through other comprehensive income and gains on defined benefit plans.

Increase in the present value of the amount payable on exercise of the put options granted to the non-controlling management shareholders in Office as a result of the increase in the Office segment's profitability.

Annual dividend per share increased by 25.0% to 350 cents. Dividend cover maintained at 1.5 times.

SUMMARISED GROUP STATEMENTS OF CASH FLOWS

		52 weeks to 27 Jun 2021 Rm	52 weeks to 28 Jun 2020 Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flow from trading		**3 870**	3 091
Working capital movements		**196**	1 411
Cash generated from operations		**4 066**	4 502
Interest and dividends received		**771**	1 164
Interest paid		**(301)**	(332)
Tax paid		**(687)**	(817)
Cash inflow from operations		**3 849**	4 517
Cash dividends paid		**(1 086)**	(1 628)
Net cash from operating activities		**2 763**	2 889
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of plant, equipment and computer software		**(320)**	(435)
Loans advanced		**–**	(2)
Net acquisition of business		**(36)**	–
Other investing activities		**(6)**	(5)
Net cash used in investing activities		**(362)**	(442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on shares issued		**–**	4
Shares repurchased by subsidiaries		**(768)**	(583)
Borrowings repaid		**(1 694)**	(914)
Borrowings incurred		**–**	1 592
Lease liability payments		**(1 107)**	(1 028)
Acquisition of non-controlling interest		**–**	(57)
Other financing activities		**–**	(5)
Net cash used in financing activities		**(3 569)**	(991)
Net (decrease)/increase in cash and cash equivalents		**(1 168)**	1 456
Cash and cash equivalents at the beginning of the period		**2 150**	597
Net foreign exchange difference		**(59)**	97
NET CASH AND CASH EQUIVALENTS AT THE REPORTING DATE		**923**	2 150
Key ratios			
Cash flow per share	(cents)	**947**	1 080
Cash equivalent earnings per share	(cents)	**883**	795
Cash realisation rate	(%)	**107**	136

Net inflow in respect of working capital due to a reduction in inventories, increase in trade and other payables and off-set by an increase in trade and other receivables.

The cash inflow from operations of R4.1 billion was utilised to fund dividend payments of R1.1 billion, capital expenditure of R320 million, share buy-backs of R768 million (19.3 million shares bought back), the repayment of borrowings of R1.7 billion and lease liability payments in terms of IFRS 16 of R1.1 billion.

Cash and cash equivalents, net of overdraft, of R923 million.

The cash realisation rate averaged 107% over the past five years. The cash realisation rate in the prior period benefited from the timing of creditors and tax payments in the 2019 financial period.

OPERATIONAL REVIEW

Truworths owns a portfolio of market-leading fashion clothing and footwear brands. These brands are mainly exclusive to Truworths and include ladieswear, menswear and kidswear. Together they target the many lifestyle needs of our customers, who are youthful, fashionable South Africans.

TRUWORTHS

TRUWORTHS

MARKET-LEADING BRAND PORTFOLIO

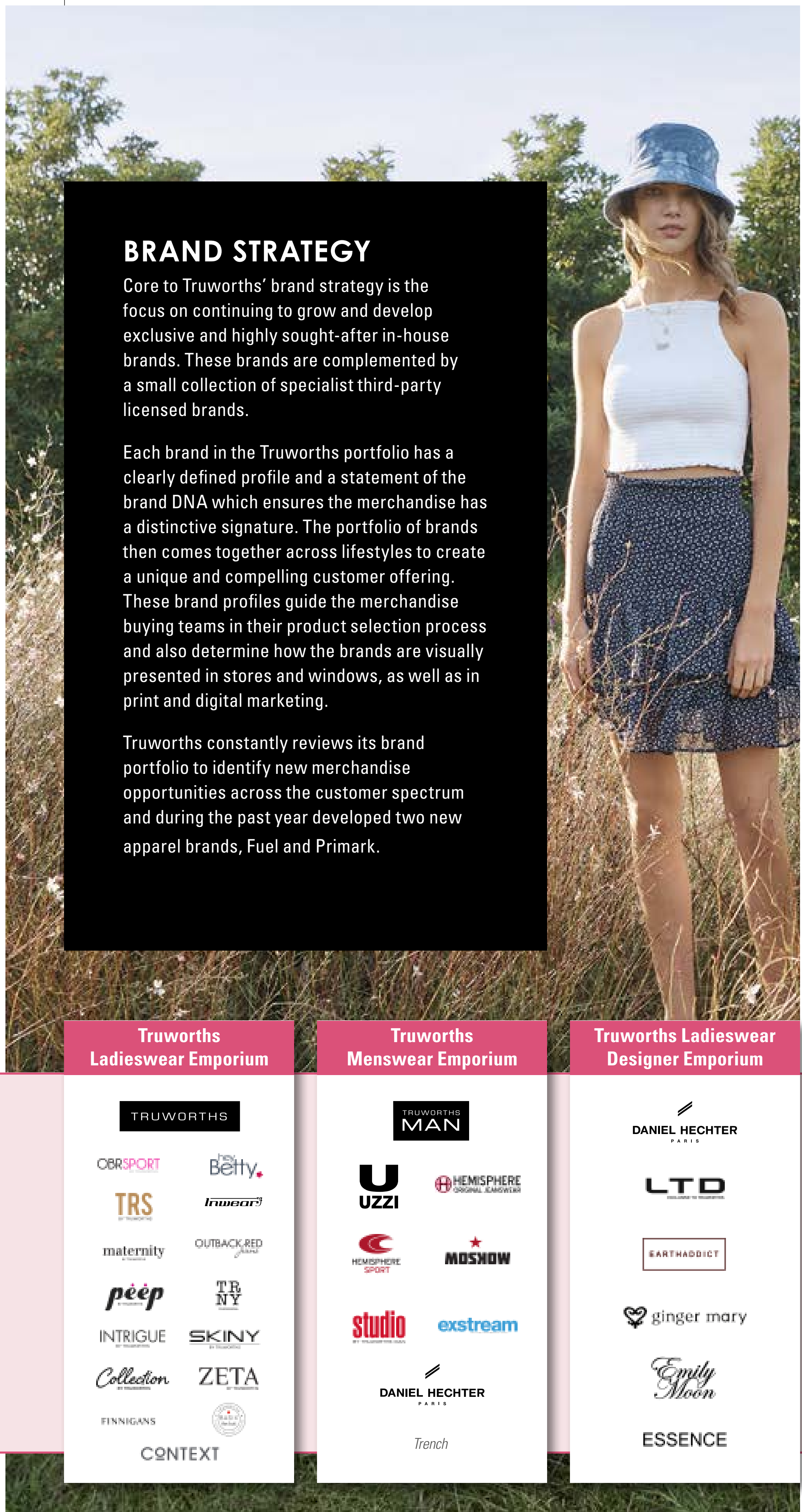
Truworths owns a portfolio of market-leading fashion clothing and footwear brands. These brands are mainly exclusive to Truworths and include ladieswear, menswear and kidswear. Together they target the many lifestyle needs of our customers, who are youthful, fashionable South Africans.

Brands are premium quality, aspirational and focus on an exclusive blend of colour, fabric and fashion styling.

A range of beauty products are offered including fragrances, skincare and make-up products from many of the world's leading international brands. This is housed in the Elements department within the store environment.

Exclusively designed fine jewellery, sunglasses and watches are offered, along with a range of mobile products.

The business also owns a premium homeware brand.



BRAND STRATEGY

Core to Truworths' brand strategy is the focus on continuing to grow and develop exclusive and highly sought-after in-house brands. These brands are complemented by a small collection of specialist third-party licensed brands.

Each brand in the Truworths portfolio has a clearly defined profile and a statement of the brand DNA which ensures the merchandise has a distinctive signature. The portfolio of brands then comes together across lifestyles to create a unique and compelling customer offering. These brand profiles guide the merchandise buying teams in their product selection process and also determine how the brands are visually presented in stores and windows, as well as in print and digital marketing.

Truworths constantly reviews its brand portfolio to identify new merchandise opportunities across the customer spectrum and during the past year developed two new apparel brands, Fuel and Primark.

EXPANDING BRAND PORTFOLIO

Truworths and **Truworths Man** are the core brands. They are supported by a range of internally developed mainstream brands that make up the emporium: **Inwear** (launched in 1986), **Truworths Jewellery** (1989), **LTD** (1992), **Truworths Elements** (1999), **Ginger Mary** (2004), **Uzzi** (2006), **Earthaddict**, **Earthchild** and **Naartjie** (2015) and **Hey Betty** (2011).

Emporium stores include several other sub-brands which are essential to the variety of lifestyles that the company offers to satisfy customers' needs. These include well-established brands Outback Red, Hemisphere, Finnigans, Skiny, TRS, Trench and TRNY.

Daniel Hechter, the French designer brand, has been offered under an exclusive long-term licence agreement since 1984.

Identity, launched in 1999, offers a range of young, affordable and trendy merchandise for the fashion-aware and value-conscious youth market. The chain operates from stand-alone stores. **ID Kids** was introduced in 2019, offering boys' and girls' collections.

Office London, the South African offering of the UK fashion footwear brand owned by the Group, was launched in 2017. The brand offers a wide selection of third-party branded athleisure footwear and apparel.

Context was introduced in 2019 to offer a range of exclusive Truworths fashion, beauty and homeware for discerning female customers.

The most recent extensions to the brand portfolio, **Fuel** and **Primark**, were launched in 2021.

Fuel is a young masculine fashion brand with a streetwear edge targeting a cool urban aesthetic.

Primark targets the value segment of the South African fashion market, with an aspirational offering of commercial fashion for young men and women at quality which is excellent for the price.

EXPANSION THROUGH ACQUISITION

Organic expansion of the brand portfolio has been complemented by the acquisition of the following specialist brands:

Young Designers Emporium (YDE) (2003)	Italian-inspired menswear brand **Uzzi** (2006)	Ladieswear brand **Earthaddict** (2015)	Kidswear brands **Earthchild** and **Naartjie** (2015)	**Office UK** (2015)	Homeware and linen retailer **Loads of Living** (2017)

SPECIALIST BRAND EMPORIUM STORES

The Truworths Emporium store enables customers to shop for Truworths' multiple fashion brands in a single location. The emporium store concept has evolved with the expansion of the brand portfolio and customers have access to four specialist branded emporiums within the Truworths Emporium:

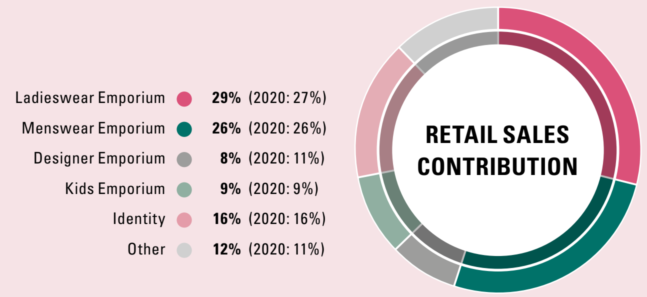
Truworths Ladieswear Emporium

Truworths Menswear Emporium

Truworths Ladieswear Designer Emporium

Truworths Kids Emporium

The Truworths portfolio of brands and specialist branded emporium stores offers an enticement to youthful and fashionable consumers to shop for quality apparel merchandise of international styling and standard.



TRUWORTHS: MARKET-LEADING BRAND PORTFOLIO continued




	TRUWORTHS LADIESWEAR EMPORIUM	TRUWORTHS MENSWEAR EMPORIUM	TRUWORTHS LADIESWEAR DESIGNER EMPORIUM	TRUWORTHS KIDS EMPORIUM
Brand description	**Truworths Ladieswear Emporium** offers a range of aspirational and fashionable leisurewear, denim, formalwear, eveningwear, lingerie, shoes and accessories designed for the youthful, modern, fashion-conscious woman.	**Truworths Menswear Emporium** caters for the entire wardrobe requirements of modern, fashion-conscious, youthful men by offering a range of exclusive aspirational brands that encompass formalwear and leisurewear and athleisurewear, in addition to a range of shoes, underwear and accessories.	The **Truworths Ladieswear Designer Emporium** offers a unique range of exclusive brands that appeal to the discerning South African woman. The ranges are complementary, with each having a clearly defined look and feel and lifestyle relevance. This combination of ranges in a single space makes for an exciting better-end shopping experience.	The **Truworths Kids Emporium** offers a range of exclusive, aspirational childrenswear brands that are of exceptional quality for the fashion and brand-conscious parent and child. Each brand offers a range of boys' and girlswear that is unique and carefully designed to ensure that the DNA of each brand is differentiated. This is to ensure that when placed together the brands complement one another to create a one-of-a-kind kids shopping experience. The emporium caters for children from newborns to 14 years old.
Brand profile	Youthful women across all ages and lifestyles	Youthful men across all ages and lifestyles	Youthful women across all ages and lifestyles	Kids, tweens, toddlers and newborns
Supporting brands and ranges	Truworths, Outback Red, OBR and OBR Sport, TRS, TRNY, Hey Betty, Inwear, Basix, Finnigans, Zeta, Truworths Maternity, Intrigue, Skiny and Peep	Truworths Man, Uzzi, Daniel Hechter Mens, Hemisphere, Hemisphere Sport, Rosati Uomo, Trench, Moskow, Exstream and Fuel	Daniel Hechter Ladies, Ginger Mary, Truworths Glamour, Emily Moon, Essence, LTD Ladies and Earthaddict	LTD Kids, Earthchild, Naartjie, Max and Mia, and Zigi
Retail sales for 2021	R3.7 billion	R3.4 billion	R0.9 billion	R1.3 billion
Retail sales growth on prior period	13% increase	4% increase	25% decrease	14%
Retail sales contribution	29% (2020: 27%)	26% (2020: 26%)	8% (2020: 11%)	9% (2020: 9%)
Number of emporium stores, departments within emporium stores or stand-alone stores	**346** Truworths Emporium stores **338** Inwear departments	**318** Truworths Man departments **34** Truworths Man stand-alone stores **269** Uzzi departments **40** Uzzi stand-alone stores **303** Daniel Hechter Mens departments **6** Fuel stand-alone stores **10** Fuel departments	**295** Daniel Hechter Ladies departments **2** Daniel Hechter stand-alone stores **297** Ginger Mary departments **2** Ginger Mary stand-alone stores **106** LTD departments **1** LTD stand-alone store **96** Earthaddict departments **1** Context stand-alone store **4** Context stores within stores	**279** LTD Kids departments **87** Truworths Kids Emporiums within Truworths Emporium stores **5** Kids Emporium stand-alone stores **25** Earthchild and Earthaddict stand-alone stores **14** Naartjie stand-alone stores **6** Naartjie and Earthchild stand-alone stores

TRUWORTHS: MARKET-LEADING BRAND PORTFOLIO continued



	OTHER TRUWORTHS BRANDS elements · OFFICE LONDON · Loads of Living · PRIMARK	IDENTITY	YDE the young designers emporium
Brand description	Included in this category are Truworths Elements, Truworths Jewellery, Truworths Cellular, Office London, Loads of Living and Primark **Truworths Elements** offers a range of premium international skincare, cosmetics and fragrance brands. Truworths Elements is a fresh and uncluttered beauty destination, focusing on highly sought-after prestigious brands for fashion-conscious customers, where they can enjoy the expertise of trained specialist cosmetic consultants. **Truworths Jewellery** offers a selection of quality fine jewellery, trendy fashion jewellery and leading international watch and sunglass brands. The merchandise appeals to youthful men and women, across broad lifestyle spectrums, who view jewellery and accessories as an integral part of fashion. The range includes gold, silver and faux jewellery collections, as well as a broad assortment of formal and leisure-inspired watch and sunglass brands. **Office London** offers a wide selection of third-party branded fashionable athleisure footwear, some of which is exclusive to Office, complemented by a limited selection of in-house designed own-brand fashion footwear, for men and women. **Loads of Living** offers a selection of sophisticated, high-quality linen and homeware. **Primark** is a youthful, fashionable, commercial and aspirational value brand offering good-quality, great-value fashion. Primark offers key fashion items and accessories for value-conscious fashionable men and women.	**Identity** offers a range of young, affordable and trendy fashion for men, women and kids and is the brand for those who want to wear up-to-date fashion. Identity caters for the fashion-aware and value-conscious youth market. Identity operates from independent stand-alone stores.	**The Young Designers Emporium (YDE)** showcases South Africa's young, cutting-edge fashion talent. As an agent, YDE markets the clothing and lifestyle products of emerging local designers and suppliers. The unique trading formula of YDE provides an exciting platform for young designers to present their exclusive own-label ranges in a branded space. The emporiums are aimed at fashion-forward customers aged 16 to 35 years and offer clothing, shoes, bags and accessories. YDE operates from independent stand-alone stores.
Brand profile	Young ladies and men	Young ladies, men and kids	Young ladies and men in the 16 – 35 age group
Supporting brands and ranges	MAC, Estée Lauder, Clinique, Clarins, Revlon, Kangol, Elizabeth Arden, Coty, Gatineau and Aramis, as well as niche fashion and salon brands, international fragrance brands, third-party branded footwear as well as own-brand fashion footwear	Identity Man, Identity Woman, Identity shoes, bags, lingerie and accessories, ID Kids	Brands of various designers
Retail sales for 2021	R1.5 billion	R2.1 billion	R171 million
Retail sales growth on prior period	11% increase	7% increase	18% decrease
Retail sales contribution	12% (2020: 11%)	16% (2020: 16%)	Agency sales, so therefore not included in retail sales
Number of emporium stores, departments within emporium stores or stand-alone stores	**87** Truworths Elements departments **173** Truworths Jewellery departments **125** Truworths Cellular departments **17** Office London stand-alone stores **10** Loads of Living stand-alone stores **18** Loads of Living departments **11** Primark stand-alone stores	**254** Identity stand-alone stores **117** ID Kids departments	**19** YDE stand-alone stores

TRUWORTHS

ASPIRATIONAL FASHION

Truworths strives to create winning merchandise ranges across its brand portfolio, season after season, offering customers internationally-styled, aspirational fashion and homeware of superior quality. Truworths' proven merchandise philosophy of offering customers an extensive range of garments and styles, while offering a limited quantity of each style, ensures exclusivity.

Proven processes are followed by the merchandise buying and planning teams to manage and mitigate the risk of fashion throughout the product life cycle. This includes forecasting and interpreting international fashion trends, tailoring these trends to the South African market, designing garments, planning and assorting ranges, sourcing and engaging with suppliers, delivering fast fashion and quick response to new trends and popular styles, and managing production across the supply chain until the merchandise reaches stores and, finally, the customer.

THE YOUTHFUL FASHIONABLE CUSTOMER

Truworths targets a youthful and fashionable customer and through its exclusive market-leading ladies' and men's brands aim to cater for the varied lifestyle needs of these customers from casualwear to workwear, eveningwear, accessories, lingerie and footwear.

Fashion is aimed at making customers look attractive and successful and feel enthused with confidence. This single customer focus on youthful, fashionable South Africans removes the risk of over-segmenting the market and provides clarity and focus to the buying and marketing teams.

Truworths also offers kidswear and has an expanding presence in this market through its exclusive kidswear brands LTD Kids, Earthchild, Naartjie and ID Kids.

A selection of superior quality homeware is offered through Loads of Living to complement the fashion offering.

FORECASTING FASHION TRENDS

The Truworths ladieswear and menswear Fashion Studios drive the merchandise forecasting process. The studios research international fashion trend information from a wide range of sources, including trade fairs, online fashion intelligence and social media, and by following global and local street trends.

Merchandise designers from these studios work in partnership with buyers to track trends and formulate the key fashion direction for each new season. A design and customisation process is completed for each brand, providing direction on colour, fabric, print and trim in line with the latest emerging trends. Season-ahead travel to the northern hemisphere, which has been curtailed since the onset of the COVID-19 pandemic, together with ongoing insights from consultants in the major fashion capitals of the world, supplement these seasonal processes.

Similarly, homeware ranges for Loads of Living require the buying team to monitor local and international trends to meet the needs of discerning homeware customers.

CONSISTENT FASHION FORMULA

A consistent merchandise buying and planning process is applied to every six-month season. Developed over many years, this process is constantly refined and updated to align with the growth and complexity of the business, and to continue to meet the challenges of the fast-moving and evolving global fashion retail market. Management intervention at critical stages in the process limit the risk of fashion failure.

Garments are selected and designed to complement each range and to showcase the differentiating characteristics of each brand. Detailed planning and balancing of ranges ensures consistency of the merchandise offering, strict control over stock holdings, and provides structure to the entire creative process.

Merchandise is sourced from a combination of local and international suppliers based on a carefully considered methodology that provides flexibility and reliability, and mitigates supply chain risk. At each stage in the process there are interventions to ensure that the merchandise meets the exacting quality standards that customers both value and expect.

Following the outbreak of the COVID-19 pandemic, the merchandise team developed a virtual method of creating, buying, and reviewing ranges during lockdown, enabling teams to meet buying deadlines despite the restrictions.

Refer to Material Issues, Risks and Opportunities on page 15 for more detail.

TRUWORTHS: ASPIRATIONAL FASHION continued

SUPERIOR QUALITY FASHION

Truworths is synonymous with quality fashion, with industry-leading metrics for low levels of quality-related customer returns. The quality assurance team partners with local and international suppliers to ensure merchandise is manufactured to consistent quality and prescribed standards.

During the COVID-19 crisis interim virtual quality assurance processes were implemented to counter the impacts on the supply chain partners and prevent delays in quality assurance processes. Certain of these processes will be retained post COVID-19 as they have contributed to a more efficient quality assurance process.

The in-house fabric and garment testing laboratory, accredited by South Africa's Council for Scientific and Industrial Research (CSIR), ensures that the laboratory's methods and results are aligned with international standards.

MANAGING FASHION RISK IN 2021

While specific merchandise strategies are implemented to reduce fashion risk, weaker demand for fashion clothing during the COVID-19 pandemic, together with the constrained economic environment, created particular challenges for the merchandise teams.

The change in lifestyle due to people working from home and having limited social contact during varying levels of lockdown led to a material reduction in demand for formal ladies' and men's apparel and footwear, and glamour merchandise.

At the same time, sales of leisure product have increased significantly across ladies', men's and kidswear. Leisurewear has become an unusually competitive category and ranges have evolved to offer excellent value in order to meet customer expectations.

In the post-lockdown period, sales were under pressure owing to a reduction in the number of customers shopping, rather than customers spending less. The average value of transactions per customer has remained stable.

Planning teams have adjusted sales and purchase plans to ensure that the business is not overstocked with unwanted product. Owing to the close relationships with key local suppliers and CMTs, ranges have been restyled into more casual product, or fabric has been held over for the next corresponding season.

The softer consumer demand, along with the challenges being faced by certain competitors, has led to higher and ongoing levels of discounting and promotions in the market. In this environment cash-strapped consumers are seeking value and increasingly buying on promotion.

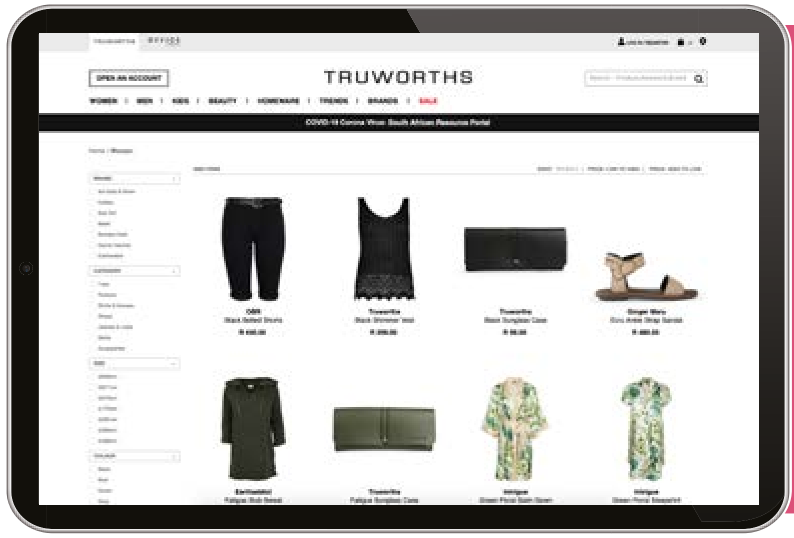
In response to this trend, several competitors are sacrificing quality to drive down prices. However, Truworths has continued to follow its strategy of the past few years of including promotional products within the ranges alongside carefully curated collections of styled, unique product at prices that represent excellent value for money.

This is central to Truworths' aspirational position in the market and customers continue to respond well to this strategy.

The continued restrictions on international travel, and the limitations on the buying and design teams meeting in person, have made the development and implementation of ranges more challenging.

Truworths faces a perennial challenge in managing the impact of the volatility of the Rand/US dollar exchange rate on product pricing as approximately 55% of merchandise is imported, and US dollar denominated. As a result, Truworths has focused on purchasing a high percentage of merchandise from local South African suppliers. This balance is important as it provides flexibility that enables reaction to consumer demand through quick response and fast fashion. A large percentage of fabric for local production has to be imported and is therefore once again impacted by Rand/US dollar fluctuation.

Gross margin contracted to 54.1% (2020: 55.6%), mainly due to higher levels of sales promotion activity. Gross inventory decreased by 1% to R1.4 billion and the inventory turn increased to 4.9 times (2020: 4.2 times, although impacted by the 5-week hard lockdown).



EXPANDING BRAND PORTFOLIO AND RANGES

New brands and ranges are constantly developed to increase customer appeal and create demand. The brand portfolio was expanded with the launch of the Fuel and Primark brands in the second half of the year.

Fuel is a cool, energetic brand targeted at the young male consumer. The range comprises the key casual items of the season with a streetwear edge. Bold branding techniques and colour combinations are used to ensure the brand's youthful appeal, with the Fuel logo distinct on all garments. Quick response and local production drive a significant portion of this range to enhance speed to market.

Primark is an aspirational value chain, offering key commercial fashion for young women and men. The brand offers great value with good quality at competitive prices, while maintaining reasonable margins.

Fuel and Primark are both in the experimental phases of launch and in the months ahead the merchandise team will test further innovation and ideas to maximise the opportunities to establish these brands.

The Loads for Kids homeware range has been developed for launch early in the 2022 financial period. The range draws on the strength of the LTD Kids, Naartjie and Earthchild kidswear brands to create unique product to enhance the offering in the Loads of Living business. Loads for Kids will offer upmarket, fun bedding and home décor items for children and will be included in a limited number of Kids Emporium and Loads of Living stores.

TECHNOLOGY ENHANCING CUSTOMER EXPERIENCE

Ongoing systems enhancements and the development of new technologies are aimed at improving the customer experience and managing the risk of fashion.

A new merchandise financial planning solution was launched shortly after the period-end to replace the merchandise divisions' planning system used to plan sales as well as manage stock and markdowns across all the divisions. The new financial planning solution has embedded forecasting functionality, reviewing store or category trends over time. Further enhancements include a single application for both pre- and in-season planning, reduced workload and seamless in-application communication with the operations team regarding store feedback.

A new retail customer engagement system will be implemented in the first half of the 2022 financial period, enabling one system to hold up-to-date customer, product and promotion information across stores and online platforms.

The first quarter of the 2022 financial period will see the introduction of a new cloud-based online e-commerce platform together with the launch of the Identity e-commerce website. The Truworths, Office London and Loads of Living websites will subsequently be migrated onto the new platform. The benefits of this platform include ease and lower cost of maintenance, improved response times to customers and an enhanced customer experience, particularly on mobile devices which represent the majority of website traffic.

A further system development is the new point-of-sale solution with the general store roll-out beginning in the second half of the 2022 financial period. The new point-of-sale solution will enhance the customer experience as it supports both an omni-channel and mobile experience.

The combination of the new customer engagement and e-commerce solutions as well as the new point-of-sale system will enable Truworths to offer a complete omni-channel retail experience to customers.

ACCELERATING ONLINE SALES

COVID-19 has accelerated the growth of e-commerce globally as customers chose to stay home and shop online to reduce the risk of contracting the virus. Over the past year, Truworths has experienced a significant increase in the volume of traffic to its website, the number of transactions and the value of sales. There has also been a marked increase in shopping on mobile devices, with users of mobile phones accounting for over 75% of all online traffic.

E-commerce sales grew by 127% off a low base. The Truworths e-commerce business is now larger than the top Truworths store, accounting for 2.0% of total retail sales (2020: 0.9%).

TRUWORTHS

SUPPLY CHAIN

Speed to market is critical for a fashion retailer and Truworths strives to constantly shorten lead times along its supply chain while balancing local and imported sources of supply.

Local manufacture is a critical component of the supply chain owing to its flexibility and speed to market advantage. Over the past years Truworths has steadily increased its local supply capability where currently 45% of apparel units are manufactured locally. For many years Truworths has been consistently committed to maintaining a high percentage of local production to leverage the fast fashion and quick response models. Despite the high base, the plan is to increase this mix over the next few years where it is appropriate and commercially viable to bring production onshore.

SUPPLY CHAIN UNDER PRESSURE

The supply chain has been and remains challenging since the outbreak of the COVID-19 pandemic in early calendar 2020. Rolling lockdowns in various countries of origin and within South Africa caused delays in production of fabric and finished garments. Factories had to shut down with no warning when COVID-19 outbreaks occurred and this type of disruption impacted both road and sea freight transportation.

Global shipping delays have mainly resulted from the shortage of containers and vessel availability in the Far East. This has led to delays in goods leaving their ports of origin and also delays en route as harbours are under pressure with the docking of vessels. This is reflected in increased freight costs while delivery lead times have moved out by a few weeks. This applies to both imported goods and the fabric used by local manufacturers.

A steady increase in shipping traffic on the China-USA route also negatively affected the availability of routes servicing South Africa from the East. These shifting demand patterns are also causing ongoing delays due to congestion in key ports servicing routes to South Africa, including Singapore.

Intermittent major congestion at the Cape Town harbour has led to delays in goods being delivered to the Truworths Distribution Centre. The congestion has at times forced ships to wait for extended periods before docking while some vessels have had to bypass the Cape Town port and only dock on the return journey.

In the local supply chain, lack of consistent demand, particularly for smart product, and trading restrictions due to COVID-19 have negatively impacted the viability of cut-make-trim (CMT) suppliers as retailers have reduced their order volumes in line with declining consumer demand.

Ongoing absenteeism and capacity constraints due to COVID-19 have hampered output and efficiencies in most local and international factories.

ADVANTAGES OF LOCAL MANUFACTURE

Local supply offers shorter lead times than imported product as suppliers can respond quickly to replenishing popular selling styles during a season. Quick response and fast fashion models have been successfully developed with key suppliers, enabling Truworths to respond more rapidly to customer buying patterns. Buyers can also make styling changes as late as four weeks prior to delivery, ensuring that the ranges reflect the latest fashion trends.

The recent rebates granted pursuant to the Department of Trade, Industry and Competition's Master Plan for the Retail – Clothing, Textile, Footwear and Leather (R-CTFL) value chain on the duty on the import of woven fabrics is a positive step which will improve the competitiveness of the local clothing industry in producing woven product specifically.

The sustainability of the local apparel manufacturing sector remains under threat and is therefore a key focus area.

SUSTAINING THE LOCAL SUPPLIER BASE

The viability of local suppliers has been negatively impacted by the COVID-19 pandemic, with some factories being forced to close due to reduced demand.

The local clothing manufacturing sector has been impacted by delays in the supply of raw material, while production capacity has been curtailed due to COVID-19 health and safety, and social distancing protocols. In the current constrained spending environment consumers are increasingly price sensitive and this is placing further pressure on CMTs to reduce their prices and resultant profit margins, which is detrimental to their long-term sustainability.

The local supply base is also challenged by the inconsistent seasonal demand caused by high summer volumes and low winter volumes, and exacerbated by an increase in product that can only be commercially sourced offshore. This results in excess capacity in winter and insufficient capacity available to meet volumes in the peak summer season.

Truworths is strategically committed to ensuring the sustainability of its local supply base. The executive and merchandise teams have continued to work closely with suppliers, particularly the exclusive design centres, to provide support to mitigate the impact of lower sales and demand, and to smooth seasonal peaks. This has ensured the sustainability of these key partners, limited attrition in the supplier base and preserved employment, while capitalising on the fast fashion response capability of the local industry in order to react to shifting consumer demands. This has been particularly valuable given the quite extreme lifestyle changes that were driven by COVID-19.

CREATING AN INTEGRATED SUPPLY CHAIN

As part of the strategy of developing an integrated vertical supply chain, Truworths acquired Barrie Cline Clothing, its largest ladieswear apparel design centre, with effect from 1 April 2021. Barrie Cline has been a supplier to Truworths for over 30 years and is closely aligned to the needs of the Truworths ladieswear business.

The acquisition complements Truworths' existing in-house design capability which focuses on men's and kidswear. The Barrie Cline business will be relocated to the Truworths head office and integrated into the Truworths Manufacturing Division. The acquisition will improve efficiencies across the integrated design centre and enable Truworths to directly control the largest bespoke design centre servicing the business.

The in-house design capability will significantly enhance Truworths' ability to design and create unique ranges for customers while generating economies of scale in areas including fabric purchasing, production planning and logistics.

Refer to Material Issues, Risks and Opportunities on page 16 for more detail.

TRUWORTHS: SUPPLY CHAIN continued

ADVANTAGES OF IMPORTED PRODUCT

Imported product accounts for approximately 55% of total apparel units. Merchandise is imported in categories where local suppliers are not as price competitive as their offshore counterparts or do not have the manufacturing capabilities to meet the required production and quality standards.

In recent years Truworths has diversified its countries of origin and expanded its supplier base into Bangladesh, Sri Lanka, Pakistan, India, Mauritius and Madagascar. Bangladesh has shown the highest growth in the past year. However, China remains the major source of international supply.

The COVID-19 pandemic has created a renewed realisation of the need for retailers to diversify their supplier bases. The merchandise teams evaluate new countries of origin on an ongoing basis to ensure that Truworths is sourcing product that will at least meet, and often exceed, the expectations of customers.

MANAGING SUPPLIER RELATIONSHIPS

Truworths has a well-diversified supplier base across a wide range of product types. The merchandise team monitors the volume of product being procured from each manufacturer as a percentage of total units so as to reduce the risk of overexposure to individual suppliers.

The Truworths Supplier Code of Conduct and Good Business Practice is incorporated into all supplier agreements and commits manufacturers to comply with ethical business standards, labour legislation (particularly relating to child labour and minimum wage levels), international health and safety standards, and environmental legislation and all treaties to which South Africa is a signatory. Legislative compliance audits are conducted by Truworths during the course of the new supplier enrolment process.

A supplier scorecard measures the performance of key suppliers. The scorecard guides the decisions of the merchandise buying teams in their choice of supplier and order quantities, resulting in Truworths growing volumes with better-performing suppliers. The scorecard also identifies areas for improvement in under-performing suppliers and these development areas can then be addressed through collaboration between Truworths and the suppliers.

EXPANDING DISTRIBUTION CAPACITY

The planned development of a new distribution centre on a site adjacent to the Truworths Distribution Centre was delayed in order to review additional options. Management continues to engage with the City of Cape Town and professional service providers to consolidate the land adjacent to the existing distribution centre as well as finalising the design of the new facility.

The Group is also considering alternative greenfield sites for a new distribution centre and a decision on the development of the new distribution centre will be made in the 2022 financial period.

CIVIL UNREST

Shortly after the end of the period South Africa witnessed civil unrest and rioting, which temporarily disrupted some parts of the Group's operations. Besides the loss of stock, damage to property and loss of profits, these events also impacted the Group's supply chain.

The Group's third-party logistics provider responsible for delivering merchandise to its South African stores and to e-commerce customers experienced major disruption due to warehousing infrastructure damage and risks relating to road transportation in KwaZulu-Natal (KZN). This meant that the Group's stores that were not directly affected by the civil unrest were also adversely impacted, as they were not receiving deliveries of merchandise allocated to them.

The Group also has manufacturers in KZN that have been looted or have had garments, raw materials and equipment vandalised, in some cases rendering these manufacturers inoperable until further notice. Some factories that have not been vandalised or looted have been impacted by the unrest, as employees were either fearful or unable to return to work in affected areas.

The bulk of Truworths' locally produced merchandise is supplied by manufacturers based in the Western Cape, while imported merchandise generally arrives via the Cape Town harbour. These factors have significantly limited the direct impact of the civil unrest incidents on merchandise sourcing and procurement. By end September (post period-end) most of the affected stores (51 of 57) had reopened and are operating as normal.

CONVENIENT AND EFFICIENT ONLINE DELIVERY

Shoppers on the Truworths online platform can choose to have their purchases delivered to a specified address or collect in store. The extensive Truworths store network makes it convenient for customers to collect and return purchases in store.

As a high percentage of customers select the 'click & collect' in-store service, Truworths is able to leverage its existing supply chain and delivery network to reduce costs and speed of delivery.

Enhancements to the e-commerce fulfilment process in the past year have not only reduced average delivery times to customers but also reduced costs. A new geographic fulfilment model will be implemented in the 2022 financial period to shorten the lead time from the placement of orders to delivery to the customer.

TRUWORTHS

ACCOUNT MANAGEMENT

Account sales comprise
68% of Truworths' retail sales
(2020: 70%)

Record new account applications of
3.8 million
(2020: 3.4 million)

Active account base consistent with prior year at
2.6 million

New accounts opened to applications received decreased to
15% (2020: 17%)

Gross trade receivables
2.5% lower at **R5.4 billion**
(2020: R5.5 billion)

Net bad debt to gross trade receivables increased to
18.1% (2020: 16.2%)

Doubtful debt allowance to gross trade receivables reduced to
23.4% (2020: 30.1%)

Refer to Material Issues, Risks and Opportunities on page 17 for more detail.

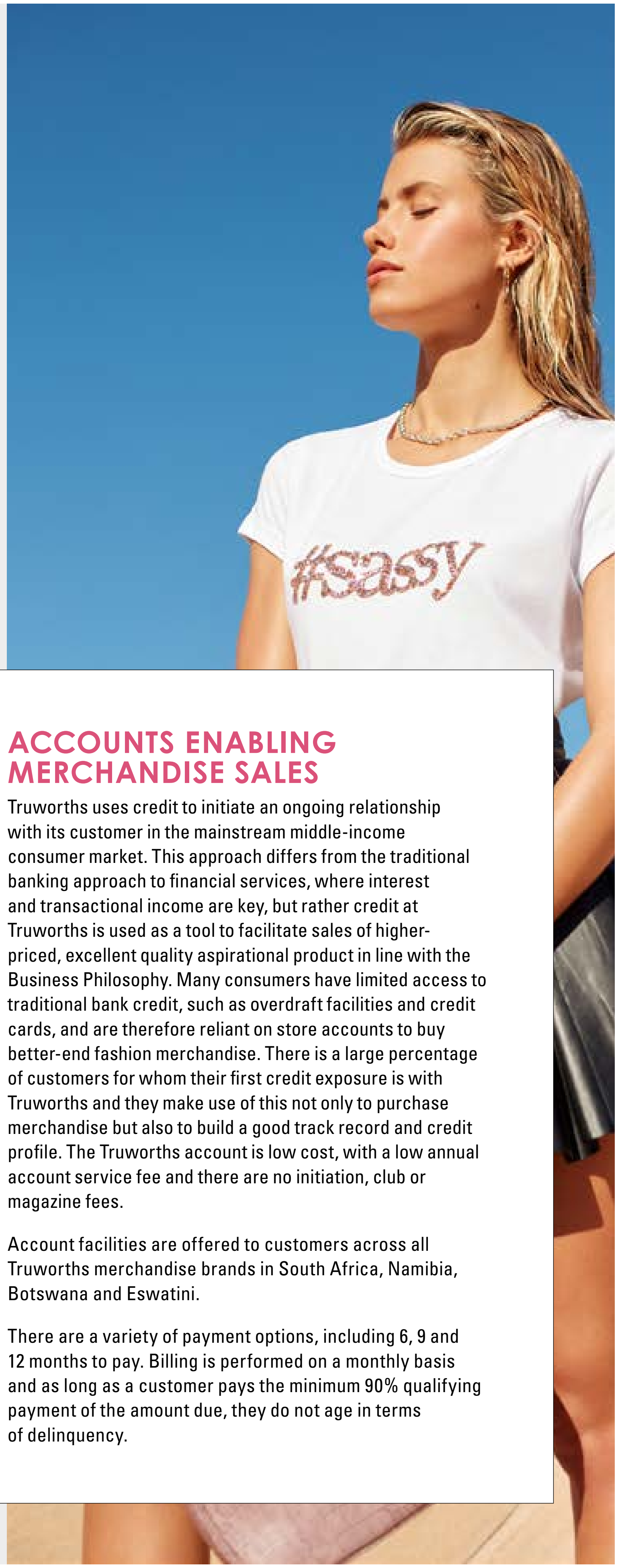
South Africa's credit market proved to be more robust than expected in the past year as the country emerged from the COVID-19 hard lockdown, with consumers showing their resilience and a commitment to honouring payment obligations.

The TransUnion Consumer Credit Index, which measures the credit health of consumers in South Africa, reached a high of 62 index points for the first quarter of calendar 2021 and remains at a robust 59 for the second quarter, rebounding from 46 points in the second quarter of calendar 2020.

The improving credit health of consumers is demonstrated by industry statistics which confirm fewer accounts being in early default, reduced distressed borrowing, increased household cash flow and lower debt servicing costs due mainly to the low interest rate environment and a general tightening of credit.

In line with these improvements in the credit market, the Truworths portfolio showed a stronger-than-expected recovery by June 2021, with certain key account metrics back to pre-COVID-19 levels.

However, COVID-19 continues to impact on trading and account collections, which was evident in the second and third waves of the pandemic in December 2020/January 2021 and in June/July 2021 respectively. While these waves of higher COVID-19 infection rates did not result in the closure of stores, the implementation of lockdown restrictions had an immediate effect on sales and account payments as customers chose to stay away from shopping centres to limit their exposure to the virus. It is encouraging that once lockdown limitations were relaxed, customers gradually started returning to historical shopping patterns.



ACCOUNTS ENABLING MERCHANDISE SALES

Truworths uses credit to initiate an ongoing relationship with its customer in the mainstream middle-income consumer market. This approach differs from the traditional banking approach to financial services, where interest and transactional income are key, but rather credit at Truworths is used as a tool to facilitate sales of higher-priced, excellent quality aspirational product in line with the Business Philosophy. Many consumers have limited access to traditional bank credit, such as overdraft facilities and credit cards, and are therefore reliant on store accounts to buy better-end fashion merchandise. There is a large percentage of customers for whom their first credit exposure is with Truworths and they make use of this not only to purchase merchandise but also to build a good track record and credit profile. The Truworths account is low cost, with a low annual account service fee and there are no initiation, club or magazine fees.

Account facilities are offered to customers across all Truworths merchandise brands in South Africa, Namibia, Botswana and Eswatini.

There are a variety of payment options, including 6, 9 and 12 months to pay. Billing is performed on a monthly basis and as long as a customer pays the minimum 90% qualifying payment of the amount due, they do not age in terms of delinquency.

ACCOUNT MANAGEMENT IN 2021

Truworths experienced excellent account application growth with a total of 3.8 million applications (2020: 3.4 million) where a consistent new account acquisition strategy was followed despite the challenging COVID-19 environment.

The risk approval rate declined from 25% of applications in 2020 to 21% in 2021 due to the increased risk profile of applicants. The percentage of account applications resulting in opened accounts decreased from 17% to 15%; however, despite the lower approval rates, Truworths increased its market share of new accounts opened (source: Principa May 2021).

Gross trade receivables on the Truworths Africa segment's debtors book, comprising the Truworths, Identity and YDE books, totalled R5.4 billion (2020: R5.5 billion).

The number of active accounts was consistent with the prior year at 2.6 million.

Account sales contributed 68% (2020: 70%) of retail sales in Truworths and active account holders able to purchase recovered to 82% (2020: 77%) at the period-end. Overdue balances to the total debtors book improved to 15% from 20% in the prior period.

The doubtful debt allowance reduced from 30.1% in 2020 to 23.4% of trade receivables at the reporting period-end. The decrease in the allowance compared to the 2020 period-end is due to the impact of the hard lockdown rolling through the portfolio as well as the improved account collections performance.

Trade receivable costs decreased by 52% to R768 million (2020: R1.6 billion) while net bad debt and related costs increased 8.1% to R1.3 billion (2020: R1.2 billion).

Decision optimisation with advanced analytics artificial intelligence is being used across all areas of portfolio management, including new account acquisition, new account decision strategy, customer engagement, credit limit management, collections, recoveries and provisioning. A champion/challenger methodology is applied and this, together with profitability-based strategies, ensures we continue to innovate in this area.

TRUWORTHS: ACCOUNT MANAGEMENT continued

INCREASING DEMAND FOR LAY-BYS

Customers continue to respond positively to Truworths' lay-by (set aside) payment facility, with a large number of lay-bys being processed during the period. Customers make use of this facility as it allows them to access high-quality, aspirational merchandise that they may not have been able to purchase using cash or an account. The lay-by offering allows customers to select merchandise and pay it off over three months. This gives non-account customers, who are unable to pay upfront or qualify for an account, access to Truworths merchandise.

Lay-by customers automatically become members of the loyalty programme and receive customer communication to encourage repeat purchases while also being potential future account customers.

GROWING CUSTOMER LOYALTY

The TruRoyalty (Truworths) and iDream (Identity) customer loyalty programmes are aimed at attracting and retaining customers, while increasing both the basket size and frequency of shopping of account and cash customers. Loyalty members spend on average more than cash customers.

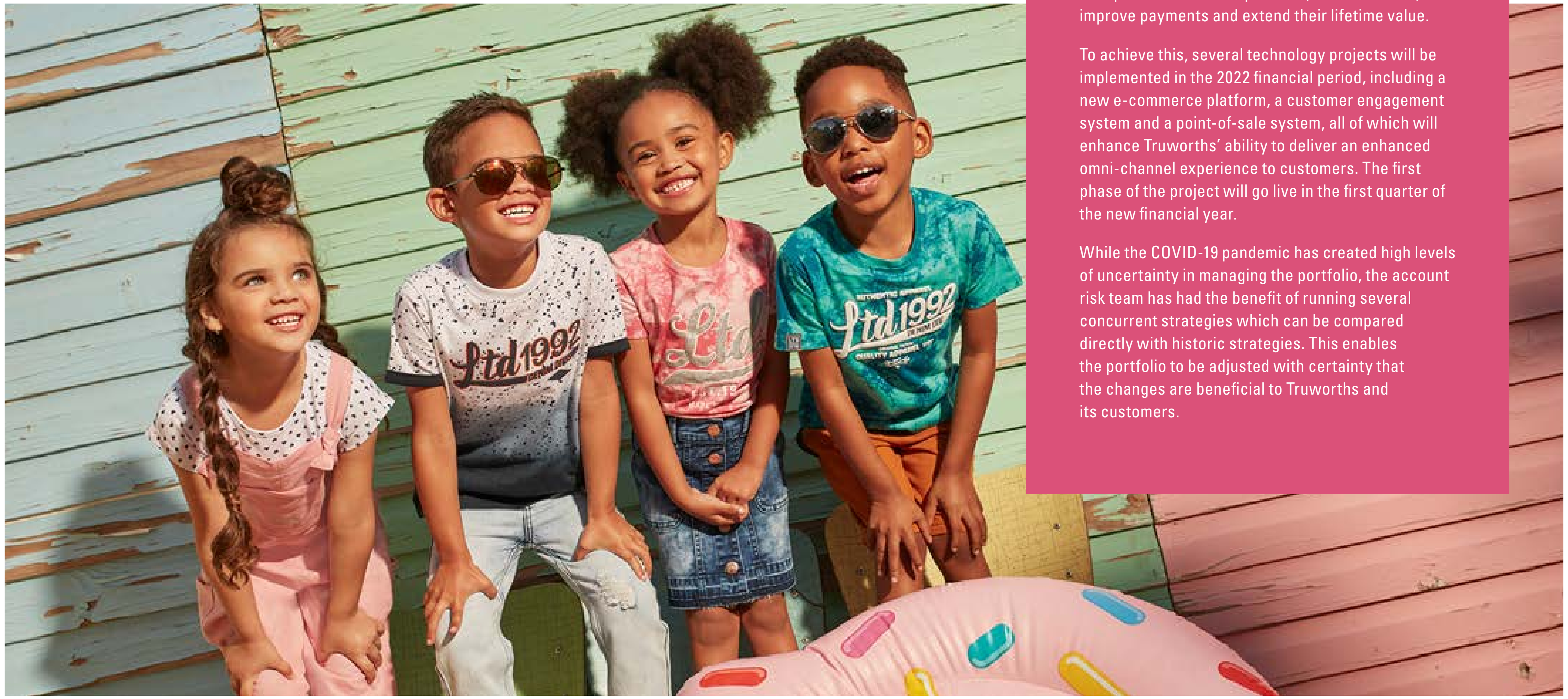
The combined membership of the loyalty programmes has increased by 2.8 million to 13.9 million members, including 3.6 million account customers and 10.3 million non-account customers. The loyalty programme is a valuable tool in understanding non-account customer behaviour.

Members are offered a suite of exclusive benefits, including personalised merchandise promotions, additional sale discounts, vouchers and competitions.

DEBT RELIEF LEGISLATION

Debt relief legislation was announced in August 2019, aimed at relieving over-indebted South Africans who are unable to ease their debt burden. In terms of the National Credit Amendment Act, the debts owed to credit providers by customers earning less than R7 500 per month with unsecured debt of less than R50 000 and who are considered critically indebted, can be extinguished by the National Credit Regulator (NCR).

No further details have been announced on the regulations required to implement the legislation, nor have any updates been provided on the status of the legislation in the past year. Truworths continues to engage with the Department of Trade, Industry and Competition, as well as the NCR, through the National Clothing Retail Federation to propose workable alternatives to debt relief and these proposals are being reviewed by the regulators.



ACCOUNT MANAGEMENT IN 2022

In 2022 Truworths will continue to apply its proven formula of testing 'champion' and 'challenger' account management strategies across the portfolio. Several areas have been identified to enhance account management performance, including new account conversions, the account opening process, customer-level data utilisation within the account management strategies, e-commerce-based account management and the intelligent mining of credit operations interactions.

These all align with Truworths' long-term goal of seamlessly managing customers across all channels to improve customer experience, increase sales, improve payments and extend their lifetime value.

To achieve this, several technology projects will be implemented in the 2022 financial period, including a new e-commerce platform, a customer engagement system and a point-of-sale system, all of which will enhance Truworths' ability to deliver an enhanced omni-channel experience to customers. The first phase of the project will go live in the first quarter of the new financial year.

While the COVID-19 pandemic has created high levels of uncertainty in managing the portfolio, the account risk team has had the benefit of running several concurrent strategies which can be compared directly with historic strategies. This enables the portfolio to be adjusted with certainty that the changes are beneficial to Truworths and its customers.

TRUWORTHS

RETAIL PRESENCE

Store footprint reduced to
793 stores
(2020: 794 stores)

26 new stores
opened across all brands (2020: 14 stores)

Successful launch of
Primark and **Fuel** brands

76 stores expanded, converted, consolidated or closed

Reduction in total retail trading space
1.1%

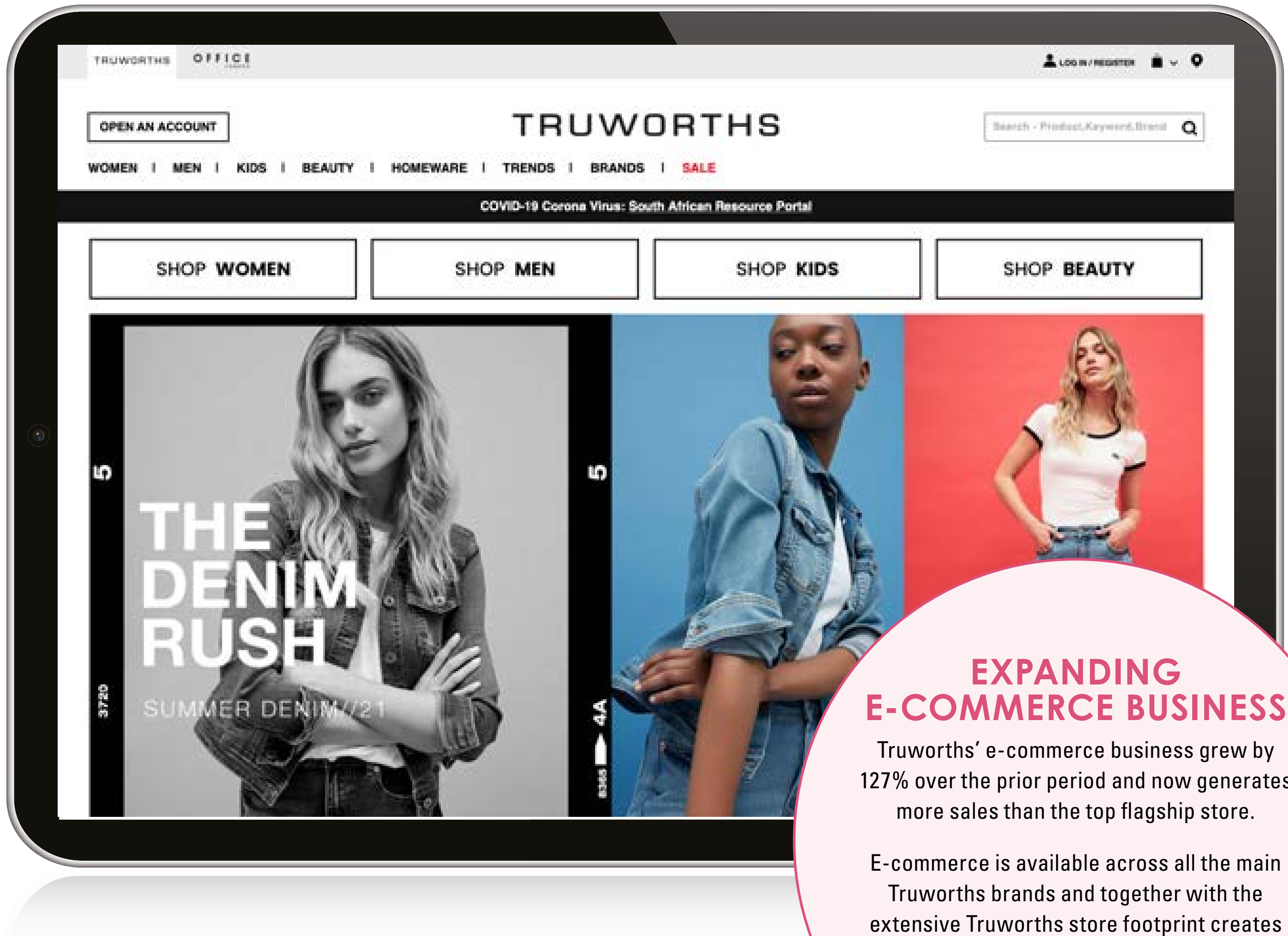
Growth in e-commerce sales of
127%

Refer to Material Issues, Risks and Opportunities on page 18 for more detail.

Truworths has continued to follow its strategy of introducing new fashion brands, investing in digital commerce, utilising retail space productively and reducing excess trading space on expiry of leases. At the same time management has focused on improving the efficiency and productivity of the Group's real estate portfolio by consolidating stores, rationalising trading space and closing under-performing stores.

Store trading patterns were impacted by changing customer shopping behaviour during the pandemic, with stores in small regional shopping malls and neighbourhood centres performing well as customers chose to shop closer to home and avoid high traffic areas. Stores in super-regional malls and city centres were impacted by the decline in foot traffic negatively affecting the performance of the largest stores in the portfolio. However, sales in large malls showed an improving growth trend in the last quarter of the reporting period.

COVID-19 protocols continue to be rigidly applied in all stores to ensure the safety of employees and customers. This includes the closure and cleaning of stores when positive COVID-19 cases are detected, social distancing requirements in queues, wearing of masks at all times and a limit on the number of customers permitted in stores. Trading hours in certain stores were restricted by curfew regulations.



EXPANDING E-COMMERCE BUSINESS

Truworths' e-commerce business grew by 127% over the prior period and now generates more sales than the top flagship store.

E-commerce is available across all the main Truworths brands and together with the extensive Truworths store footprint creates an engaging omni-channel experience for customers to shop effortlessly in-store and on digital devices.

STORE PRESENCE IN SOUTH AFRICA

The launch of the Primark and Fuel brands (refer to Aspirational Fashion on page 62 for further detail) accounted for 17 of the 24 stores opened across all brands in South Africa.

Eleven Primark stores were opened, with an average store size of approximately 100 m². Eight of these stores have been positioned within the footprint of Identity stores while three are stand-alone format stores.

Six stand-alone Fuel stores were opened during the launch phase of the brand, with Fuel also being included as a department in nine Truworths Emporium stores and in one Uzzi store.

New stores were also opened for Truworths Emporium (two), Truworths Man (two), Identity (three) and Office London (one).

A total of 25 under-performing stores were closed, including nine stores which were relocated within the same shopping malls. A further 49 stores were renovated and reprofiled, with certain of them being rightsized through either the expansion or reduction in trading space, while additional merchandise brands have been incorporated in other stores.

During the period Truworths invested R201 million (2020: R223 million) in new store development and renovations.

Space consolidation by several major retailers is placing pressure on landlords, providing an opportunity to negotiate lower escalations and in some instances rental reversions, or a combination of both.

Electricity load shedding continued to disrupt trade in the South African stores. Management continues to experiment with cost-effective alternative sources of power supply in all key stores. Currently about 50 top stores are linked to alternative power supplies.

TRUWORTHS: MANAGING RETAIL PRESENCE continued

GROWING KIDSWEAR PRESENCE

Kidswear is a strategic growth opportunity for Truworths. Truworths currently has 87 Kids Emporiums within Truworths Emporium stores (2020: 74) housing the LTD Kids, Earthchild and Naartjie brands. In addition there are five stand-alone Kids Emporium stores. A new store design concept was developed and introduced in three Kids Emporium stores. ID Kids, the boys' and girls' wear brand within Identity, has been expanded to 117 stores nationally.

STORE FOOTPRINT IN THE REST OF AFRICA

Following the opening of an Identity store in Botswana and the closure of two Identity stores in Namibia, the store base in the rest of Africa reduced to 35. The majority of the non-South African stores are located in the neighbouring countries of Namibia (13), Botswana (9), Eswatini (5) and Lesotho (2).

MULTIPLE STORE FORMATS

Truworths Emporium stores

Truworths' 346 emporium stores house a portfolio of exclusive, market-leading brands. The store format encourages customers to cross-shop between the mainstream brands such as Truworths, Truworths Man, Uzzi, Daniel Hechter, LTD, Earthaddict, LTD Kids, Earthchild and Naartjie. These brands, together with their sub-brands, retain their unique identity and fashion styling within the emporium.

The brands available in each emporium depend on the size and location of the store. Following the expansion of the Truworths brand portfolio in recent years, four specialist emporiums are now offered within the greater emporium store: Truworths Ladieswear, Truworths Menswear, Truworths Ladieswear Designer and Truworths Kids Emporiums (refer to Market-leading Brand Portfolio on page 59 for detail on the brands included in each of the emporium formats).

Emporium stores are located in central positions in shopping malls and generally have three to five entrances, with maximum shop frontage and windows showcasing the wide range of brands and merchandise.

Identity and YDE stores

Identity and Young Designers Emporium (YDE) operate from stand-alone stores and are not incorporated in emporium stores as they target a different customer profile to Truworths' shoppers. There are 254 Identity stores and 19 YDE stores.

Identity appeals to the fashion-forward and value-conscious youth market, offering high fashion merchandise at affordable prices. Stores are vibrant, edgy and fun to appeal to younger customers.

YDE showcases the fashion of emerging South African designers and targets young, fashionable customers wanting designer labels and styling. The store design is a strong point of differentiation from competitors.

Office London stores

Office London, the South African offering of the Group's UK fashion footwear brand, operates 17 stand-alone stores in central positions in shopping malls, often adjacent to the Truworths Emporium. The Office London stores are modern and energetic and are located in the top retail locations in South Africa.

DEFINING THE FASHION COURT

Truworths always aims to trade from the best positions in fashion courts of all key shopping malls and to be recognised as the fashion anchor tenant. This positioning strategy also applies to stores on main streets and in towns where Truworths strives to be located at the heart of the fashion retail zone.

Enticing stores and internationally-styled merchandise position Truworths as an appealing destination for quality fashion apparel. Creative merchandise displays in wide window frontages showcase the latest fashion trends, and are designed to entice customers.

Retail presence in 2022

Trading space is expected to be unchanged in the 2022 financial period with continued store consolidation and rationalisation of trading space and with a marginal increase expected in the store footprint. Store openings will focus mainly on three new Truworths Emporium stores and the expansion of the Primark brand, with R227 million committed to store development.

The Identity brand will be enhanced with the introduction of a large-format Identity Superstore which will be launched in the first half of the financial period.

The online offering will be extended with the launch of the Identity digital commerce platform early in the new financial period to grow sales in this younger customer segment and capitalise on the expansion of online shopping in South Africa.

TRUWORTHS

HUMAN CAPITAL

Total employees down 2% to
10 022
through natural attrition (2020: 10 209)

Turnover of permanent employees
9.6%
(2020: 11%)

Achieved target of
30%
female representation on the Truworths International board

In South Africa black employees comprise
93%
of total employees (2020: 93%)

Female employees comprise
74%
of total employees (2020: 73%)

Investment in skills development decreased to
R116 million
(2020: R121 million) due to the continued impact of COVID-19 and lockdown regulations

IMPACT OF COVID-19 LOCKDOWN ON EMPLOYEES

Truworths' employees in key roles were required to work from home from the start of the national lockdown in South Africa in March 2020. During the reporting period employees who were able to work from home were encouraged to follow a hybrid approach of working some hours or days in the office and some from home depending on their job function. The percentage of time to be worked from home and from the office was adjusted according to COVID-19 infection rates and the prevailing lockdown restrictions.

Working in teams is integral to Truworths' values and operating model. Working from home has naturally impacted on our ability to do so and is not an optimal model for the future. Teams were, however, innovative in developing ways to maintain group interactions using technology and departmental-specific processes. Plans were therefore tailored to bring all employees back to the office as soon as it was safe to do so. This included moving some teams to the recently acquired additional head office premises at 75 on Plein to ensure adequate social distancing in the workplace.

Employees receive regular communication on COVID-19 protocols and precautions, including completing a health questionnaire on the in-house COVID-19 mobile app before entering the workplace on each occasion. When COVID-19 cases are detected, in-house case managers arrange for deep cleaning of stores or offices and co-ordinate the return to work based on the regulations. Non-adherence to COVID-19 measures is considered in a very serious light.

Leave allocations were extended with a once-off extra five days leave being granted to employees who tested positive for COVID-19 or were required to self-isolate due to contact with a colleague who tested positive in the office. Employees are being encouraged to be vaccinated and may use their paid pandemic leave for the time taken off to get their vaccinations or if they experience side effects from the vaccination.

More recently Truworths partnered with the administrators of the Group's medical aid scheme to offer vaccinations on site at the head office building to encourage head office staff to get vaccinated in a convenient and safe environment. The response was very positive. Further vaccination days have been planned for second vaccinations and also vaccination days at other sites where there are large numbers of employees such as our credit offices, geographically clustered groups of stores and distribution centres. A vaccination plan was formulated and included in the company's COVID-19 policy.

Employees have been informed regarding the importance of protecting their own mental well-being and that of their colleagues and staff as there has been a global increase in mental health issues caused by the impact of COVID-19 on people's lives. Employees affected by the loss of a colleague due to COVID-19 were offered pyscho-social support.

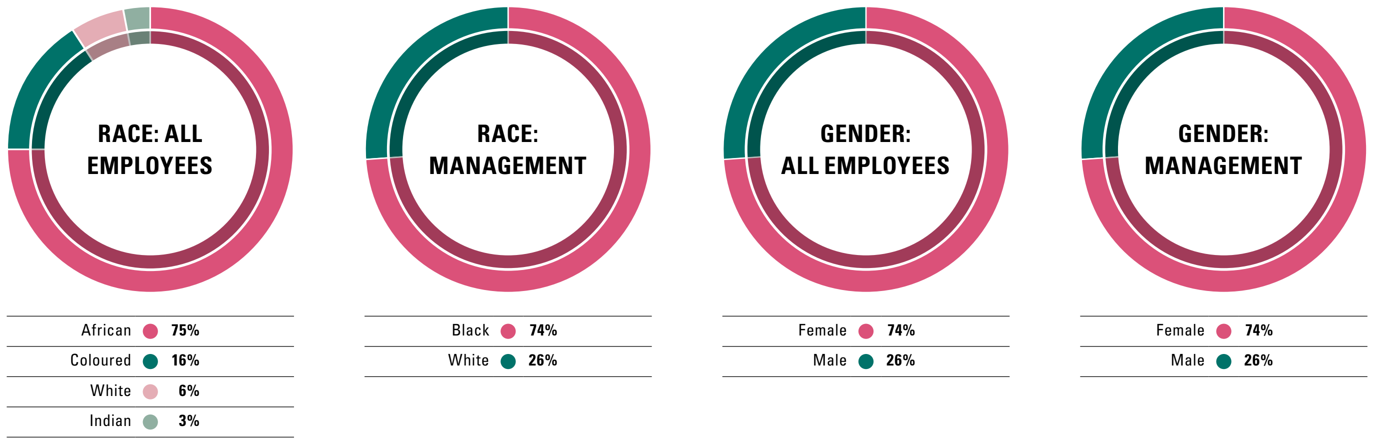
Five of our employees sadly succumbed to COVID-19 during this reporting period. We extend our sincere condolences to their families and colleagues who worked closely with them.

Truworths strives to be the South African retail employer of choice for people who identify with the company's Purpose and Values. The business continually invests in attracting, developing and retaining talent while enhancing employee engagement and satisfaction levels.

The key human resources focus areas are:

- ensuring employees understand and live by the Truworths Values;
- maintaining the investment in training and development despite the challenging trading and working environment;
- investing in employees' financial and broader well-being to ensure sustained engagement levels; and
- managing employee retention in a tough economic environment.

The Truworths workforce comprises a core component of full-time employees and a smaller component of flexi-time employees whose working hours are dependent on business requirements. The number of flexi-time positions has continued to reduce through natural attrition and this has enabled Truworths to avoid retrenchments in the reporting period. This continued responsible and cautious approach has ensured that Truworths remains a stable employer for the many loyal and high-performing employees in the business.



Truworths' human capital at a glance		2021	2020
Total employees (South Africa and rest of Africa)		10 022	10 209
Full-time employees		5 080	5 133
Contract employees*		165	187
Flexi-time employees		4 777	4 889
Skills development expenditure (excluding W&R SETA levies paid)	(Rm)	116	121
Skills development spend per employee trained	(R'000)	11.6	12.9
Total employees trained (including those who left employment during the period)		9 656	10 626
Employees trained in South Africa (including those who left employment during the period)		9 511	10 329
Black employees as a % of employees trained in South Africa	(%)	98	98

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

TRUWORTHS: HUMAN CAPITAL continued

EMBEDDING OUR VALUES

The Truworths Business Philosophy, comprising our Purpose, our Values and our Vision, permeates the corporate culture and underpins the human capital management strategy and the goal to be the South African retail employer of choice. These elements have been central in guiding the business through the current challenging trading environment and assisted in navigating the ongoing impact of the COVID-19 pandemic.

Management endeavours to foster a culture of innovation and high performance by encouraging employees to share their ideas and by recognising and rewarding excellence. The business continually invests in attracting, developing and retaining talented employees who live our values and are ambassadors of our brand.

The values are incorporated into everyday working life at Truworths through employee engagement, recognition programmes, performance reviews and employee development. We remained focused on embedding our values throughout the business during the period to ensure that there is continuity and common understanding of how each person can contribute to the success of the business by living our values.

REMUNERATION AND RETENTION

Truworths' remuneration strategies consider financial and strategic project performance as well as the performance of teams and individuals. All management and specialised full-time employees are remunerated on total guaranteed packages which enable these employees to tailor their cash and benefits to suit their personal needs. In addition, tailored incentive structures are aimed at driving reward for performance in all areas across the business. Rewarding and retaining high-performing employees has never been more challenging as there is a strong demand for talent and scarce skills in the market. There is equally a strong drive to contain costs and to protect jobs to ensure the long-term sustainable performance of the business and our ability to continue employing and rewarding people. Our challenge is to find the balance where all stakeholders are considered and can benefit.

Due to higher claims experience, disability premiums for Alexander Forbes Retirement Fund members who qualify for disability benefits increased from 0.6% to 1.08% of pensionable salary. Employees contributing to the SACCAWU National Provident Fund experienced an increase from 1.06% to 1.16%. 71% of all Truworths' employees are members of retirement funds.

There have been no other material changes to remuneration practices in the reporting period.

Owing to changes in business operations and trading patterns, 27 stores were closed in the reporting period, with no resultant retrenchments, as all affected store employees were absorbed into nearby stores.

TRANSFORMATION

Truworths is committed to transformation and meeting the objectives of the South African Broad-Based Black Economic Empowerment (BBBEE) Act and Codes. We maintained our BBBEE scorecard rating of Level 8 in 2021 and despite the tough climate improved our BBBEE score from 57.15 to 63.68 points. Truworths remains committed to steadily improving its current BBBEE score in the year ahead.

Truworths' BBBEE scorecard	2021	2020
Ownership	**13.43**	9.60
Management control (including employment equity)	**7.83**	6.09
Skills development	**15.56**	14.49
Enterprise and supplier development (including preferential procurement)	**21.86**	21.97
Socio-economic development	**5.00**	5.00
Total points	**63.68**	57.15
Level	**8**	8

The BBBEE points for ownership improved due to an increase in our black and black female shareholding in our Mandated Investments. The improvement in our Management Control points was due to an additional black non-executive director being appointed to the Truworths International board and the consolidation of the Truworths board, taking into account forthcoming retirements and subsequent promotion of several divisional directors to directors.

The skills development score increased as we maintained our investment in the learnership programme, with over 1 200 learners registered on accredited training programmes with the Wholesale and Retail Sector Education and Training Authority (W&R SETA). The focus on employing unemployed youth, disabled people and the employment of learners post completion of their learnership programmes has benefited the skills development score and is firmly aligned with our Business Philosophy.

Management's success in engaging suppliers on their BBBEE status, and highlighting that BBBEE compliance is a requirement for a continued business relationship with Truworths, positively impacted the enterprise and supplier development pillar.

To accelerate transformation in the business the Truworths Transformation Committee has been restructured and a director has been allocated responsibility for managing each of the five pillars of the scorecard. The CEO has assumed the role of chairperson of the committee. The committee will continue to meet quarterly to review strategy and measure general transformation activity and progress relative to the BBBEE scorecard. The committee will continue to seek advice from external consultants on opportunities to improve the BBBEE score and to highlight associated risks.

EMPLOYMENT EQUITY

An employment equity plan for the South African businesses was implemented in 2020 and is scheduled to run until June 2024. Quantitative and qualitative analysis was undertaken in developing the plan, including an employee survey to identify affirmative action barriers in the workplace. The process included consultation with the Employment Equity Forums, the Truworths International Social and Ethics Committee and the Truworths Transformation Committee as well as communication to all employees regarding the process of developing and adopting the new plan.

As the plan is not predicated on a growth in headcount, opportunities to transform the workplace profile to be more representative of South Africa's demographic and economically active population will arise from resignations and retirements. However, due to the economic impact of COVID-19, the pace of transformation is likely to be impacted as management critically evaluates the need to fill vacancies, particularly at more senior levels.

Employment Equity Plan 2019 – 2024: Targets	2021 %	2020 %	Goal 2024 %
Black* representivity			
Top management^	**20.0**	6.3	25.0
Senior management	**15.6**	15.0	30.7
Middle management	**40.7**	37.7	44.7
Junior management	**90.1**	89.6	89.1
Female representivity			
Top management#	**30.0**	18.8	31.0
Senior management	**47.8**	52.5	55.1
Middle management	**69.3**	69.1	70.7
Junior management	**77.4**	77.3	77.1

* 'Black' comprises persons classified as African, Indian and Coloured.
^ The increase in black representation at a top management level is due to the promotion of two black divisional directors to directors.
# The increase in female representation at a top management level is due to the promotion of two female divisional directors to directors which also had a slight knock-on effect on senior management female representation.

TRUWORTHS: HUMAN CAPITAL continued

SUCCESSION, TALENT AND SKILLS DEVELOPMENT

Truworths' Values encourage employees to learn and share, and there is a strong culture of guiding, coaching and mentoring throughout the business. In 2021, 9 656 employees participated in 120 training programmes, of whom 9 511 were trained in South Africa.

The training programme has been adapted due to COVID-19, with innovative learning solutions being applied, including the development of online resources and greater use of blended development interventions.

Over 40 training interventions were offered on the e-learning platform, TRULearning. The high rate of completion, measured by those employees who pass the assessment that forms part of every intervention, reflects employees living the Truworths Values and embracing the opportunity to learn and contribute more effectively. The e-learning platform is aimed at high-volume training interventions and content is developed internally, allowing for quick response interventions that are targeted, fit for purpose and cost-effective.

The graduate training programme is crucial to our succession pipeline in scarce skills areas of our business, which includes the merchandise buying and planning, garment technology, sourcing design and credit risk departments.

The training programme uses a blended learning approach, combining theoretical, practical and on-the-job training, supported by individual mentorship and coaching for every trainee. In order to ensure the effectiveness of the training, the training material was redesigned for the new learning environment. This approach has been especially important during the COVID-19 pandemic which has been particularly challenging for new entrants into the workplace.

Opportunities have been created for unemployed learners and youth through the implementation of learnerships and internships in entry-level positions. The internship programme provides opportunities for unemployed graduates to gain workplace experience and has also become a talent pool for recruiting for flexi-time and full-time entry-level roles. Participants in the one-year learnership programme are placed in the credit and store environments and on completion of the programme qualify with a National Certificate in Wholesale and Retail Operations. Following the success of this programme in the retail, credit and human resources departments, the internship programme will be extended to other key scarce skills departments in the 2022 financial year.

The bursary programme further demonstrates Truworths' commitment to its employees as it provides mentorship and financial support to those who plan to enrol for tertiary academic studies.

Truworths continues to offer leadership-focused development programmes for managers to ensure succession in merchandise, operations and support departments. In 2021, 1 275 employees attended these leadership development programmes (2020: 1 959), despite the constraints related to the COVID-19 pandemic.

FREEDOM OF ASSOCIATION AND LABOUR STANDARDS

All employees are made aware of their rights of freedom of association. Managers are trained on the right to freedom of association during the course of the employee relations training programme. Truworths has a policy against unfair discrimination or victimisation of employees exercising any right to freedom of association. The right to freedom of association is extended to the Group's operations globally but there is no material union membership in other African operations and therefore Truworths only has a relationship agreement with the South African Commercial, Catering and Allied Workers Union (SACCAWU) in South Africa. Membership of SACCAWU remains unchanged at 9.4% of all South African employees. There are 90 employees, who belong to the National Bargaining Council for the Clothing Manufacturing Council, these employees being employed by the newly acquired design centre business, Barrie Cline.

Truworths did not experience any incidents of industrial action in the reporting period.

Labour standards

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

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

Please refer to our Social and Environment Report on our website at www.truworthsinternational.com for further details relating to Human Rights.

OPERATIONAL REVIEW

Office and Offspring are ideally placed to collaborate with the leading international footwear brands to deliver the most relevant and fashionable merchandise in the marketplace.

OFFICE

OFFICE

LEADING BRAND PORTFOLIO

OFFICE AND OFFSPRING: ICONIC LONDON BRANDS

From the fashion capital of London, Office and Offspring are ideally placed to collaborate with the leading international footwear brands to deliver the most relevant and fashionable merchandise in the marketplace.

Online	63% (2020: 44%)
Stores	37% (2020: 56%)

Includes concession sales which decreased by 32% largely due to store closures and insolvencies.

Office is an omni-channel retailer of fashion-forward footwear with a unique offering of own-branded fashion shoes and branded 'in-demand' footwear and sneakers. Office focuses on the fashion-savvy London girl, bringing her the latest shoe and sneaker styles from world-renowned brands, and is strategically positioned with all the major international brands as

"The omni-channel hub for her and all her footwear needs"

The Office customer is typically inspired by Instagram and sees Office as a leader on style. Being on-trend is essential and she wants a true omni-channel shopping experience, visiting Office across channels at least once a month.

Offspring is a 'sneaker boutique' offering high-end fashion sportswear and has been at the forefront of collaboration with an extensive collection of special projects with global brands including Adidas, Nike, Converse and Vans. Offspring is the most engaged sneaker retailer in the world and the Offspring 'community' on Instagram is one of a kind and drives customer engagement and associated support through the brand's unique positioning as

"The most authentic and connected sneaker community globally"

Office	78% (2020: 82%)
Offspring	22% (2020: 18%)

The Office brand accounted for 78% of sales in 2021 (2020: 82%) with the contribution from Offspring at 22% (2020: 18%).

THIRD-PARTY BRANDS

adidas, Birkenstock, Blowfish Malibu, Converse, Dr. Martens, havaianas, Hunter, New Balance, Nike, Air Jordan, On, Puma, Reebok Classic, Superga, Ted Baker London, Teva, Timberland, TOMS, UGG, Vagabond Shoemakers, Vans "Off the Wall", Vans, Veja

OFFICE

ASPIRATIONAL FASHION

Office is the aspirational fashion footwear brand for the youthful UK and European customer. A key differentiator for Office is its strength and appeal to the young fashionable female customer and maintaining and developing this is a strategic priority for the Office business. The Office brand focuses on the fashion-savvy 'London girl', bringing her a unique combination of the most wanted branded footwear and sneaker product, and is positioned as 'the omni-channel hub for the "London girl" and all her footwear needs'.

Offspring is all about high-end fashion sneakers and provides young, fashionable and highly discerning male and female 'sneakerheads' with exclusive, limited edition and most sought-after styles that are in high demand. Offspring has a very well-established and powerful social media presence and is recognised and admired as 'the most authentic and connected sneaker community globally'. This community is central to Offspring's unique positioning and enables ongoing collaboration and mutually beneficial partnerships with the leading brands.

Refer to Material Issues, Risks and Opportunities on page 19 for more detail.

THE OFFICE FASHION OFFERING

Office is proud of its London heritage, drawing inspiration and gaining credibility from its origins in the heart of one of the leading fashion destinations in the world. This heritage combined with the unusual focus on the female consumer makes Office a much sought-after retail partner for the best fashion footwear and top sneaker brands globally. The branded offering is further enhanced by a trend-led range of own-brand fashion footwear for men and women.

Recognised as a strategic account by its branded product partners, Office enjoys product priority on best sellers and, in some instances, the opportunity to collaborate with key brands to design and develop unique product exclusively available in Office and Offspring stores. These relationships have been developed over many years and Office works closely with suppliers to identify future trends and build mutually beneficial strategies to enhance brand exposure and elevation.

Office's fashion-orientated philosophy requires that the teams continually enhance and develop their knowledge of emerging fashion and consumer trends. This process has evolved in recent years through the sharing of knowledge of Truworths' robust buying, planning and sourcing processes.

Office's own label 'made-to-order' (MTO) product is designed in-house and sourced globally from appropriate countries of origin that offer excellent quality and value combined with the flexibility of European suppliers who can provide quick response and the ability to react dynamically to demand. This is particularly important to ensure that Office can represent emerging trends in a highly competitive and fast-paced fashion footwear market.

In recent years the Truworths buying and planning methodologies have been applied in Office. These proven processes have been implemented in order to improve stock management, ensure well-balanced ranges and drive improved margins through reduction in markdown activity.

Office holds a premium mainstream positioning and is committed to providing customers with quality footwear that is not only fashionable but also comfortable. Buying and technical teams work closely with suppliers to ensure Office's product meets UK and European quality and testing standards.

FORECASTING FASHION TRENDS

Designers and buyers track trends and ensure the merchandise reflects the latest looks. Trend information is sourced through international trade fairs, online subscriptions, social media, international and local retail inspiration as well as global and local street trends. Celebrity styling and events are also analysed to ensure that 'must-have' items are available. The design team creates unique product that is aligned with the Office handwriting to create a broad and exciting range of footwear for all the customer's lifestyle needs. Speed to market and trend reaction are increasingly important factors for both ladies' and men's product as customers are exposed to trends sooner through social media and react and shop them immediately.

ETHICAL MANUFACTURING

Office is committed to ethical and fair manufacturing. All own-label suppliers are required to comply with the Office Code of Ethics and Good Business Practices, which is designed to be fair, achievable and promote the ongoing sustainable development of suppliers. Regular factory visits are undertaken by the buying and technical teams to ensure quality and ethical production standards are being maintained. The COVID-19 pandemic has impacted travel since early 2020 necessitating alternative methods to monitor quality standards, including the use of new technologies and virtual processes. Adherence to our ethical standards continues to be governed by the Office Code of Ethics and Good Business Practices and ethical policies as outlined in our Supplier Manual.

The code of ethics is based on international standards including the Universal Declaration of Human Rights and the International Labour Organisation Conventions. The code's general principles ensure that all people who are employed through Office's suppliers must have decent working conditions, not be exploited and be treated fairly and with dignity. All products must be produced lawfully, through fair and honest dealings.

A formal statement from the board is published annually on the Office website in compliance with the UK Modern Slavery Act legislation.

MANAGING THE RISK OF FASHION IN 2021

Retailers across the UK high street have continued to discount aggressively and promote to grow revenue and reduce stock. Office used the COVID-19 period to reduce stock levels and address legacy stock issues which impacted margins positively during the reporting period.

The branded footwear market continues to be heavily influenced by social media which can drive rapid changes in brand popularity with limited time to react to changing customer choice. In the past popular brands would be in fashion for several seasons but new and emerging brands are now growing in popularity over a far shorter time frame.

Following the disappointing performance of own-label MTO product in 2019, Office refined its product strategy with a view to providing greater clarity to the buying and design teams on product direction and also reducing the number of styles to ensure a more focused range. The outcomes of these interventions were unfortunately disrupted by the outbreak of COVID-19.

Management aims to increase the contribution from the higher margin MTO category as a proportion of total sales to increase Office's gross margin and to further entrench its unique market proposition. As the majority of MTO orders from March 2020 onwards were cancelled due to COVID-19, the benefits of this refined product strategy supported by the Truworths trend forecasting and buying teams are only expected to be realised in the 2022 financial period.

OFFICE

SUPPLY CHAIN

The global supply chain came under severe pressure owing to the continued impact of the COVID-19 pandemic in various countries of origin and the Suez Canal container ship blockage incident. This has been compounded by the impact of the Brexit transition which has made trading with the European Union (EU) particularly complex.

These major events have impacted Office's supply chain operations in the reporting period, primarily affecting goods being imported into the UK.

COVID-19 AND BREXIT IMPACT ON SUPPLY CHAIN

The effects of COVID-19 continued to be felt throughout the supply chain, with lower manpower due to COVID-19 positive cases, individuals self-isolating and social distancing rules impacting production capacities.

Shipping schedules were constantly changing or being cancelled and there was no certainty on the arrival time of imported goods. There has also been a severe global shortage of shipping containers as container stock was bottlenecked in certain regions.

This has been a particular challenge for Office on imports from China, Vietnam, India and Brazil where large volumes of both made-to-order (MTO) and branded product are shipped.

The Suez Canal incident compounded supply chain challenges and caused major vessel backlogs which took months to resolve.

A shortage of heavy goods vehicle drivers has impacted all transportation, including moving containers from ports, road freight from EU countries and domestic line hauls. This is due to the Brexit transition as EU drivers are no longer working in the UK, as well as the general increase in demand due to the expansion of online deliveries as a result of the pandemic.

While measures have been implemented to counter the supply chain challenges and minimise the impact on the business, stock flow has been negatively impacted. Long-standing and strong partner relationships have proved beneficial during this time while the business has demonstrated its ability to be flexible when transport opportunities have become available.

The Brexit transition continues to prove challenging to navigate, although the situation has improved as border officials have become increasingly familiar with the new procedures.

IMPROVING WAREHOUSE EFFICIENCIES

As the planned warehousing and distribution project was halted due to the COVID-19 pandemic, management continued to identify opportunities to improve operating efficiencies on a smaller scale with low financial impact. Under-utilised warehouse space was identified for additional bays, increasing storage capacity and pick locations. Decreasing the number of carrier providers has facilitated more efficient dispatch and collections.

Staffing costs have been reduced by not filling vacancies of permanent staff, increasing the flexibility of existing staff and using agency staff as required in periods of high demand.

Contracts with waste service providers were reviewed which resulted in cost savings and environmental benefits.

Refer to Material Issues, Risks and Opportunities on page 20 for more detail.

RELATIONSHIPS WITH KEY SUPPLIERS

Office continues to build collaborative, strategic partnerships with a group of key brand partners and suppliers which ensures that good service levels are achieved.

Through trusted relationships Office has developed a quick response model with key partners. This allows the buyers and designers to react to trading conditions and trend information, making late styling changes. These strong relationships within the supply chain are developed even further within Office's own-brand MTO footwear.

Office's European suppliers source the majority of components within the EU, allowing fast product development and reduced overall lead times. Additionally, key suppliers hold production capacity, leathers and other components, which allow the buyers and designers to react quickly to sales information and reduce lead times further. Buyers and designers would ordinarily regularly travel to key sources within Europe as well as to sources in longer-lead destinations in Asia to build relationships, align business strategies, improve communication and reduce development times. However, travel has been restricted since early 2020 following the outbreak of the COVID-19 pandemic. Collaborative and innovative digital communication methods have been implemented to enable product development and briefing and approval to continue over this time.

ENHANCING E-COMMERCE FULFILMENT

Office's contract with its main UK e-commerce carrier was renegotiated and renewed, and its services expanded. This has resulted in cost savings for Office and service improvements for the customer.

Owing to its large order volumes, Office enjoyed priority service during the COVID-19-related increased peak demand periods.

Services into certain EU countries have been discontinued to reduce losses which were incurred due to increased returns resulting from duties and taxes following Brexit.

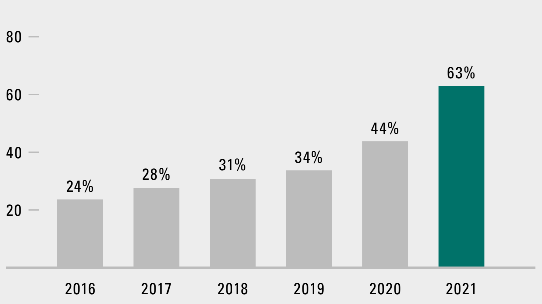
OFFICE

RETAIL PRESENCE

Office is an omni-channel retailer with a portfolio of stores and concession outlets in the UK (83 stores), Germany (8 stores) and Republic of Ireland (7 stores). The physical store offering is complemented by an established, world-class online business which contributed 63% (2020: 44%) of retail sales in the reporting period.

The ability to trade from stores continued to be severely impacted by government lockdown restrictions. UK stores were closed for 18 weeks during the 2021 financial period, 25 weeks in the Republic of Ireland and 20 weeks in Germany. Online sales continued during lockdowns when stores were closed, resulting in the strong growth in online sales contribution during the period.

ONLINE SALES AS A PERCENTAGE OF RETAIL SALES



Refer to Material Issues, Risks and Opportunities on page 21 for more detail.

CONTINUING SHIFT TO ONLINE SHOPPING

Online sales grew by 18.2% while store sales declined by 45.3% for the period, reflecting the impact of the store closures.

Declining store sales coupled with increasing national minimum wages and high local authority rates are impacting on the profitability of stores and management continually reviews the real estate portfolio to exit unprofitable stores or renegotiate leases on more favourable terms. Extensive rates holidays and furlough scheme benefits received during the period assisted to mitigate store losses to some extent.

UK retail store leases have historically been agreed for periods of 10 years or longer, with rent reviews every five years to re-price rentals to market rates, with upward adjustments only. While lease negotiations have been challenging in the current weak trading environment, the COVID-19 lockdown has resulted in Office being granted rent reductions on several leases in respect of lockdown periods and negotiations are ongoing.

STORES

Office closed 28 marginal and loss-making stores and three concession outlets during the period, resulting in a reduction in trading space of 22.0% (2020: reduction of 4.8%). Office renewed nine store leases on short-term flexible terms during the period.

A further 48 stores have lease expiries or break options between 2022 and 2024, and decisions relating to these leases will be made at the time taking into account trading conditions and outlook, location and lease terms. While the ongoing rationalisation of the store portfolio is a key management focus area to improve Office's profitability, real estate decisions need to be balanced with the omni-channel strategy.

Following the successful renovation of the Oxford Street, London, flagship store in 2019, planning on the evolution of the 'store of the future' concept has recommenced post lockdown, for roll-out to a London-based store in the 2022 and 2023 financial years.

CONCESSIONS

Trading through concession outlets allows Office and Offspring to access customer footfall within leading department stores, both physically in the stores and online, while simultaneously offering a more flexible physical footprint and cost base. Office and Offspring work closely with the concession partners to review performance and assess the need to open, relocate, adjust or close space within the host store portfolio. At the end of the period Office had 3 concessions and Offspring 10.

ONLINE AND E-COMMERCE

Office and Offspring continue to grow their e-commerce capability with strong support on social media, with over one million followers on Instagram and Facebook.

In the post-lockdown focus on Office's omni-channel capability, digital receipting was introduced across the store estate. E-receipt data is fed securely into the customer relationship management system to create future omni-channel sales and marketing opportunities.

The Office.co.uk website was enhanced with the implementation of technology to improve the customer experience.

The new Offspring website was launched in October 2020 and incorporates a forward-thinking design and best-in-class product photography in line with the long-term aspirations of the brand.

OFFICE

HUMAN CAPITAL

Over the past year there has been a continued focus on aligning human resources processes within the Truworths International Group, and Office departments have been working in collaboration with their Truworths counterparts on business-critical operations.

A key human resources focus has been on ensuring that the right structure and roles are in place as Office emerges from the pandemic and its employees adapt to the day-to-day challenges that it continues to bring.

Owing to the impact of COVID-19, management was forced to implement drastic measures to curtail expenditure to ensure the long-term viability of Office. A redundancy process was undertaken which started in June 2020 and resulted in a saving of 15% of head office payroll.

UK stores reopened and have remained open since April 2021 following the last of the UK national lockdowns. Prior to reopening, COVID-19-specific risk assessments were carried out in all stores ensuring that conditions were COVID safe by government standards prior to inviting back employees and customers. At the time all staff and customers were advised of the social distancing rules and required to wear face masks. This restriction has now been lifted; however, it is still encouraged in order to preserve the safety of employees and customers. Well-being discussions are conducted with all staff, acknowledging the impact that COVID-19 has had on the population in a bid to try and alleviate concerns and address any issues that may have arisen from the pandemic. While lockdown restrictions have been lifted, the requirement for employees to legally self-isolate for 10 days, if contacted by the National Health Service track and trace programme, continues to put a strain on store operations. This is expected to improve as vaccinated employees will not be required to self-isolate if they are not experiencing COVID-19 symptoms.

The planned end to the freedom of movement for European Economic Area (EEA) citizens came into effect in January 2021 following the implementation of Brexit. As Office had a freeze on recruitment at this time due to the national lockdown, this did not negatively impact the business.

EEA citizens who were employed by Office at 31 December 2020 were given until 30 June 2021 to apply to the European Union settlement scheme to remain in Britain.

Most training expenditure was placed on hold due to the impact of COVID-19. However, all compulsory training was undertaken via Office's online e-learning platform, including training on the General Data Protection Regulation, and health and safety training. A total of 1 228 employees used this training platform during the financial period.

IMPACT OF COVID-19 LOCKDOWN ON STAFF

The UK endured a second four-week national lockdown during November 2020, a return to a stricter tiered local lockdown system from December 2020 and then a third national lockdown from January 2021 until April 2021. During this time most store employees were furloughed and Office applied for funding from the UK Government's Coronavirus Job Retention Scheme. Selected stores were able to continue operating as 'click & collect' points and direct dispatch for online orders, although customers were not able to enter the stores. Ireland also encountered further lockdowns and continued to use the Temporary Wage Subsidy Scheme to support staff. Office's warehouse employees continued working throughout all the lockdowns and head office followed the government's guidance to work from home where possible.

The Apprenticeship Levy is a UK tax on employers which is required to be used to fund apprenticeship training. The apprenticeship programme will be incorporated into Office's learning and development strategy for the 2022 financial year to support the progression and succession of employees as the course offering has been expanded to include associate project manager, data professional and strategic leadership training.

The business trained several employees as mental-health first aiders to support employee well-being.

Office was not required to prepare the gender pay gap report for 2020 owing to the COVID-19 pandemic. The next report will be published in October 2021. This report is required to be produced annually in terms of the Equality Act 2010 for businesses employing more than 250 employees in Great Britain.

Full-time	**38%**	(2020: 27%)
Part-time	**62%**	(2020: 73%)

United Kingdom	**88%**	(2020: 89%)
Germany	**6%**	(2020: 7%)
Republic of Ireland	**6%**	(2020: 4%)

Female	**58%**	(2020: 61%)
Male	**42%**	(2020: 39%)

SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS SUMMARY

SHAREHOLDER SPREAD

Pursuant to the Listings Requirements of the JSE and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at the end of the reporting period was as follows:

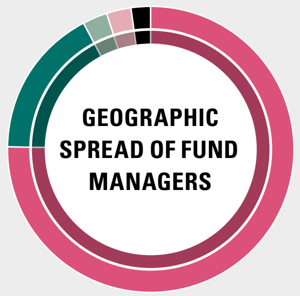
	Number of shares	% of issued share capital
Non-public shareholders		
Treasury shares (repurchased shares and 2012 share plan shares)	42 026 650	9.5
Shares held in terms of the 1998 share scheme by directors and other participants	1 771 257	0.4
Shares held directly by directors and associates	416 405	0.1
Total non-public shareholders	**44 214 312**	**10.0**
Public shareholders	**394 193 071**	**90.0**
Total shareholders	**438 407 383**	**100.0**

MAJOR FUND MANAGERS

According to the disclosures made by nominee and asset management companies in terms of section 56 of the Companies Act (71 of 2008, as amended), the following fund managers administered portfolios in excess of 3% of the company's shares at the end of the reporting period:

	Country	**2021** % of issued share capital	2020 % of issued share capital
Public Investment Corporation	South Africa	**15.3**	13.3
Prudential Investment Managers	South Africa	**8.7**	4.6
Ninety One	South Africa	**8.2**	8.9
Westwood Global Investment LLC	United States of America	**4.4**	9.2
Old Mutual Investments	South Africa	**4.1**	3.2
The Vanguard Group Inc.	United States of America	**3.2**	3.4
Fund managers no longer managing 3% or more			
Fairtree Capital and Asset Management	South Africa	*	7.8

* Less than 3% holding.



South Africa	**75.5%**	(2020: 65.7%)
North America	**16.8%**	(2020: 24.6%)
United Kingdom	**2.9%**	(2020: 3.5%)
Rest of the world	**2.7%**	(2020: 2.6%)
Europe	**2.1%**	(2020: 3.6%)

SHAREHOLDERS' DIARY

Annual General Meeting	4 November 2021

REPORTS

Annual results for the period ended 27 June 2021 announced	2 September 2021
Preliminary Report on the Audited Group Annual Results and Notice of Annual General Meeting for the period ended 27 June 2021 mailed	by 6 October 2021
Integrated Report for the period ended 27 June 2021 published	by 6 October 2021
Interim results for the period ended 26 December 2021 announced	17 February 2022*

DIVIDENDS

	Dividend declared	**Dividend paid**
In respect of the period ended 27 June 2021 (Dividend number 45)	2 September 2021	27 September 2021
For the period ended 26 December 2021 (Dividend number 46)	17 February 2022*	14 March 2022*

* These are approximate dates, and in regards to the dividend assume that the board in fact resolves to declare a dividend.

FORWARD-LOOKING STATEMENTS

The Integrated Report contains forward-looking statements which relate to the future financial condition and results of the operations of Truworths International and its Group companies. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not statements of fact, but statements by the management of Truworths International based on its current estimates, expectations and assumptions regarding the Group's future performance.

Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: global and national economic conditions; the ongoing impact of the COVID-19 pandemic; changes to IFRS and the impact on past, present and future periods; exchange rate and interest rate movements; account management and the associated risks of lending; growth in trading space; merchandise clearance rates; inventory levels and stock turn; gross and operating margins; and competitive and regulatory factors.

The Group does not undertake to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events. The forward-looking statements have not been reviewed or reported on by the Group's independent auditor.

ADMINISTRATION

Truworths International Ltd
Registration number 1944/017491/06
Tax reference number 9875/145/71/7
JSE code: TRU
NSX code: TRW
ISIN: ZAE000028296
LEI: 37890099AFD770037522

Company secretary
Chris Durham, FCIS, PG Dip. Adv. Co Law (UCT)

Registered office
No. 1 Mostert Street, Cape Town, 8001, South Africa

Postal address
PO Box 600, Cape Town, 8000, South Africa

Contact details
Tel: +27 (21) 460 7911
www.truworthsinternational.com
www.truworths.co.za
www.office.co.uk

Principal bankers
The Standard Bank of South Africa Ltd
Lloyds Bank plc

Auditors
Ernst & Young Inc. (in SA)
PricewaterhouseCoopers (in UK)

Principal attorneys
Bowman Gilfillan
Cliffe Dekker Hofmeyr
Edward Nathan Sonnenbergs
Spoor & Fisher
Shoosmiths

Sponsor in South Africa
One Capital

Sponsor in Namibia
Merchantec Capital Namibia

Transfer secretaries
In South Africa
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
Private Bag X9000, Saxonwold, 2132, South Africa
Tel: +27 (11) 370 5000
www.computershare.com

In Namibia
Transfer Secretaries (Pty) Ltd
Robert Mugabe Avenue No. 4
Windhoek, Namibia
PO Box 2401, Windhoek, Namibia
Tel: +264 (61) 22 7647

Investor relations
Michael Mark (CEO)
Emanuel Cristaudo (CFO)
Tel: +27 (21) 460 7915
Graeme Lillie (Tier 1 Investor Relations)
Tel: +27 (21) 702 3102

Directors
H Saven (Chairman)§‡, MS Mark (CEO)*, EFPM Cristaudo (CFO)*, SJ Proudfoot*, RG Dow§‡, D Earp§‡, JHW Hawinkels§‡, CJ Hess§‡, M Makanjee§‡, AMSS Mokgabudi§‡, TF Mosololi §‡, RJA Sparks§‡, AJ Taylor§‡ and MA Thompson§‡

* Executive § Non-executive ‡ Independent

truworthsinternational.com

truworths.co.za

office.co.uk

TRUWORTHS INTERNATIONAL