



Social and ethics committee report

Deneb's social and ethics committee is the custodian of the Group's corporate culture and sustainability philosophies. At Deneb we believe business has an important role to play in providing solutions to the numerous sustainability challenges of a fast-changing world. This report aims to provide our stakeholders with insight into the Group's culture and the manner in which it conducts its day-to-day business.

The Group's social, ethics and sustainability objectives are as follows:

- the transformation of the Group's human capital;
- preserving natural resources; and
- the socio-economic development of the communities in which we operate.

The Deneb social and ethics committee was constituted on 10 October 2014, is a formal committee of the board and functions within its documented terms of reference.

Members

The members of the committee consist of Mr A Ntuli (executive director), Ms R Watson (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G Wege (executive director). The members were appointed by the board and at the inaugural meeting held on 27 March 2015 Mr A Ntuli was appointed as chairman.

Meetings

The committee holds a minimum of two meetings per annum. Additional meetings are convened on request of any of the members. The table below records the attendance of committee members at meetings:

	27 March 2015
A M Ntuli	√
S Rubidge	√
R D Watson	√
G D T Wege	√

√ In attendance.

Functions

The committee fulfilled the following functions:

- monitored the Group's progress on transformation of human capital, including:
 - broad-based black economic empowerment and employment equity;
 - prevention of corruption;
 - adherence to the Group's code of ethics;
 - prevention of discrimination;
 - promotion of equality;
 - consumer relations; and
 - labour and skills development;
- monitored the Group's activities in relation to social activities and socio-economic development of communities in which it operates and adherence to the principles of the United Nations Global Compact;
- monitored the company's practices pertaining to environmental impacts of its operations and preservation of natural resources; and
- draw matters within its mandate to the attention of the board.

Transformation of human capital

Transformation is imperative to the sustainability of the business and the Group's transformation efforts are aligned with the principles and objectives of broad-based black economic empowerment (B-BBEE) as envisaged by the Department of Trade and Industry.

We are proud to have retained our Level 2 contributor status for B-BBEE.

Our verification audit returned excellent results with the Group either maintaining the maximum points or exceeding the previous year's points in each element, other than employment equity.

Social and ethics committee report (continued)

Deneb's B-BBEE profile is summarised below:

B-BBEE	Max.	2015	2014
Ownership	20,00	23,00	23,00
Management control	10,00	6,50	5,39
Employment equity	15,00	8,17	11,18
Skills development	15,00	8,34	7,33
Preferential procurement	20,00	20,00	20,00
Enterprise development	15,00	15,00	15,00
Socio-economic development	5,00	5,00	5,00
Total %	100,00	86,01	86,90
		Level 2	Level 2

Ownership and management control

Deneb's majority shareholder is Hosken Consolidated Investments Limited (HCI) which, in turn, is a black-owned and controlled company with 34,5% exercisable voting rights by black women. The Group's ownership element remained exemplary, with the Group achieving three bonus points in the ownership category. Changes to the board of directors contributed towards the improved management control element.

Employment equity

During the comparative period the Group's apparel manufacturing business was disposed of, resulting in the reduction of the Group's employee numbers and, consequently, a decline in the employment equity score.

Strategies have, however, been developed to achieve internal employment equity targets. These include the implementation of in-house learning and development plans which focus on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas.

The Group has also implemented a management trainee programme whereby graduates are employed and given the opportunity to work in the Group, enabling the graduates to gain exposure across various business functions which will equip them with the skills for a successful career.

Skills development

During the year under review Deneb continued to invest in training and development of its employees, with a wide range of skills programmes being offered, both internally and externally.

These training interventions have been across all levels of operator training, quality training, mentoring, experiential training, engineering (fitter and electrical) apprenticeships, information technology, IR and disciplinary handling, world-class manufacturing, employment equity, supervisory and team leader training, root cause analysis/risk management training and ISO 14000/ISO 9000 training. In addition to the aforementioned, the Group continued with the NQF Level 2 learnership programmes in the respective businesses. Statutory training to ensure that we provide a safe workplace for our employees continued during the reporting period. This training includes first-aid, hyster drivers, employees operating lifting equipment, health and safety representatives and fire-fighters. Whilst statutory training is required to ensure compliance with the provisions of the Occupational Health and Safety Act, the company also believes that such training is critical to ensure a safe working environment for our employees.

The Group continues to participate in industry cluster programmes and to ensure that employees are exposed to world-class manufacturing principles and processes. These clusters provide participating companies with training and exposure programmes directed at middle and junior management levels as well as operator and technically skilled employees. These programmes include peer reviews, site visits and specific topical presentations related to manufacturing.

The Group mentorship programme continued during the reporting period. Management in the respective divisions participate in the programme on a voluntary basis and give their time and expertise to mentor and assist students who participate in the Group bursary programs.

The mentees are full-time students at recognised tertiary institutions in South Africa. The programme has been in operation for four years and was initially introduced as an intervention to improve the success/pass rate of students participating in the Group bursary programme. We are proud



of the positive results that have been achieved through the mentorship programme and the pass rate of students since the inception of the programme has been 91,5%, 93,9%, 89,4% and 87% respectively. These statistics are encouraging and confirm that the programme has made a meaningful contribution to the mentees' studies.

The Group has maintained its close association with the Fibre Processing and Manufacturing (FP&M) Seta. We have also been actively involved and participated in the FP&M Seta Project Team for the development of 26 operator qualifications at a NQF Level 2. This involvement has been from both a technical and an HR/training perspective. We recognise and are appreciative of the assistance, guidance and funding provided by the Seta for the training and development of our employees.

Deneb recognises the importance of training and development of employees and will continue to place great emphasis on this important aspect of our business.

Preferential procurement

The Group procured in excess of 91% of its total qualifying spend from black-owned companies. This reaffirms the Group's commitment to source merchandise and services from empowered local suppliers and, consequently, we obtained all available points in this category.

Enterprise development

Enterprise development presents an opportunity to stimulate sustainable economic growth by assisting the development and sustainability of black-owned small and medium businesses in South Africa. The support is mainly in the form of favourable payment terms to support cash flow of these operations.

Environmental management

Deneb continued to embed environmental management into its business operations to ensure sustainable business conduct. During the year under review the Group engaged with leading accredited industry organisations to assist its energy – intensive businesses in reducing the usage of energy, optimising water usage and to implement changes to existing business processes to reduce wastage.

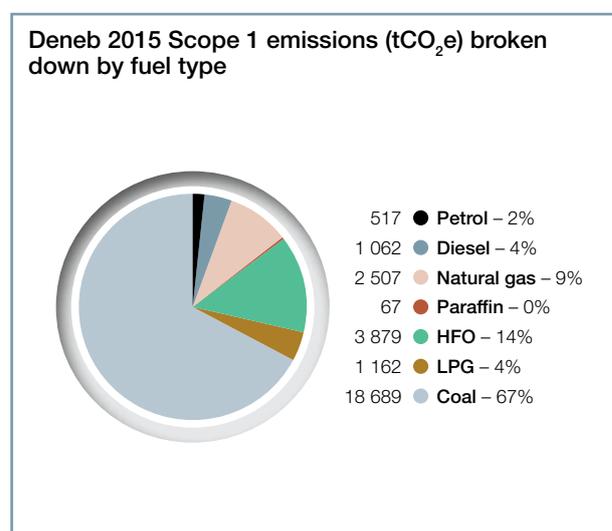
The Group reduced its carbon footprint by 17% compared to the prior year. The majority of this reduction is as a result of reduced production activity at the Group's textile manufacturing businesses, however, at least 4% of the reduction can be attributed to the implementation of energy, optimisation measures.

Carbon footprint

The Group's carbon footprint was calculated according to the World Resources Institute's and the World Business Council for Sustainable Development's (WRI/WBCD) Greenhouse Gas Protocol (a widely used corporate GHG accounting and reporting standard) applying the operational control approach, whereby the businesses report on activities over which they have operational control.

Scope 1 and 2 carbon emissions were 61 783 tCO₂e in 2014/15, compared to 74 486 tCO₂e in 2013/14.

Of the total 61 783 tCO₂e Scope 1 and 2 emissions, 27 917 tCO₂e (45%) were emissions resulting from the mobile and stationary combustion of diesel, stationary combustion of petrol, the use of LPG, natural gas, HFO, coal, paraffin, oils and lubricants, and fugitive emissions from refrigerants. Coal, HFO and natural gas make up the majority of Deneb's Scope 1 footprint, as illustrated below:



Social and ethics committee report (continued)

Scope 2 emissions from purchased electricity and steam totalled 33 866 tCO₂e (55%) in 2015, with electricity, comprising 99,6% of Scope 2 emissions.

Deneb Scope 1 and 2 emissions compared to prior year

	Scope 1 + Scope 2 emissions (tCO₂e)
2014	74 486
2015	61 783
% change	(17%)

Water management

Deneb's water consumption for the year under review was 730,3 megalitres compared to 885,4 megalitres in 2014. All the water withdrawals are from municipal water supplies, with the exception of Brits Nonwoven where 1,6 megalitres is sourced from groundwater supplies.

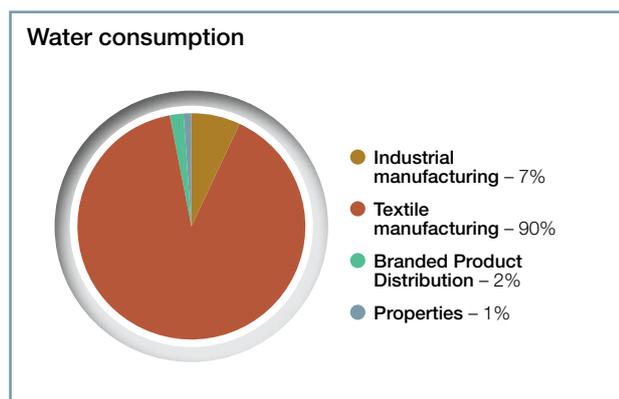
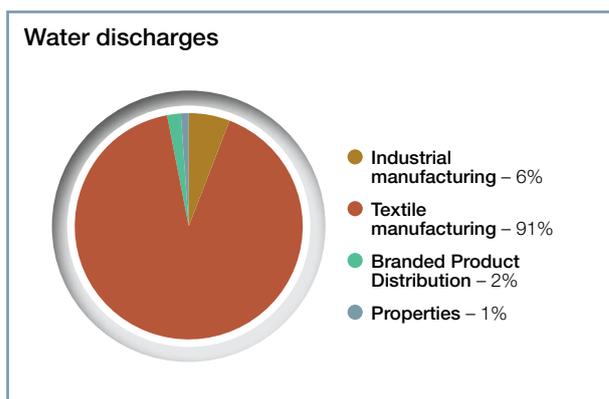
The main proportion of Deneb's water withdrawals are from the textile manufacturing operations, being Winelands Textiles (61%) and Frame Knitting Manufacturers (28%).

The reduction in water consumption is mainly attributable to a reduction in economic activity at the Group's textile manufacturing plants.

Water discharges

The definition of "discharges" excludes rainwater and domestic sewage and covers discharge of effluents generated by the operations of the businesses.

Deneb's effluent discharges in 2014/15 totalled 364 megalitres. The majority of discharges come from Frame Knitting (50%) and Winelands Textiles (36%). All discharges go to municipal treatment plants, with the exception of Brits Nonwoven where water is discharged into a private treatment plant. A split of discharges by company is provided below:





Socio-economic development

In partnership with the HCI Foundation the Group has been involved in various community projects. These projects have covered a diverse spectrum, from supporting orphaned and abandoned children, people with disabilities, to HIV/AIDS rehabilitation centres.

Socio-economic development projects have been focused on education, women, children and environmental/wildlife-related organisations. In order to create awareness and direct involvement and ownership of projects, the various divisions within the Group are encouraged to adopt a charitable organisation in the area in which they operate. This results in the management and employees in the division taking a direct interest in the organisation and, in addition to financial support, giving freely of their own time and expertise. This direct involvement adds great value to the Group's development projects.

The following charitable organisations have received support from the Group during the year under review:

Lavender Hill Secondary School

We continued our support and involvement in the Lavender Hill Development Trust Project. Better known as Y.E.S (Youth Encouragement through School Project), this has been a joint project with the HCI Foundation which has, over and above Deneb's involvement, provided substantial additional support. The project has been very rewarding and resulted in great success for the Lavender Hill Secondary School. Pupils have been given renewed hope of an education and a future. Furthermore, they have become involved in school and extramural activities, which ensure they are kept off the streets and limits exposure to drugs and undesirable activities. Through the Y.E.S. Project and other activities undertaken by Lavender Hill Development Trust, the school has made massive strides to improve its facilities and infrastructure. The newly built school hall was completed during the period under review.

KZN Cerebral Palsy Reunion

Gold Reef Speciality Chemicals continued its involvement in the KZN Cerebral Palsy Reunion School. We have provided much-needed assistance and made a difference in the lives

of these severely handicapped children. With our support the school was able to commission a new, furnished classroom block.

Cape Town Society for the Blind and Bella Maria Home for abused women and children

Seartec continued its support of the Cape Town Society for the Blind and the Bella Maria Home for abused women and children in Johannesburg. The Cape Town Society for the Blind provides employment as well as training and support for people with visual impairments. We are well aware of the large number of people who suffer with various degrees of disabilities, which makes it difficult for them to secure employment.

Wildlife Action Campaign

Prima Toys, in association with HCI Foundation and Pick n Pay, supported the Wildlife Action Campaign which were involved in a number of projects to protect and save endangered species. These projects included tracking collars for the endangered African painted wild dogs and relocation of rhinos to undisclosed and safer reserves in South Africa. The support provided by the Group, in collaboration with Pick n Pay, resulted in excess of R200 000 being raised towards this worthy cause.

Ncedolwethu Edu-care Centre

The Group provides support to the Ncedolwethu Edu-care Centre to enable it to feed the children seeking shelter at the facility. The Ncedolwethu Edu-care Centre is located in Mfuleni in the Western Cape. It was founded by Florence Ndlovu in 1994, where she cared for nine abandoned children. The educare centre has grown and now provides crèche/day-care facilities for in excess of 35 children. Deneb Head Office staff have given freely of their time and have raised funds to provide numerous items and appliances to this worthy cause.

St Vincent's Children's Home for abandoned and orphaned children

St Vincent's Children's Home for abandoned and orphaned children in Marianhill Durban, is supported by First Factory Shops. St Vincent's supports 100 children, providing them with a shelter and a home.