

Social and ethics committee report

This report aims to provide Deneb's stakeholders with insight into the Group's social values and the ethos we strive to maintain in our daily conduct and stakeholder interaction.

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

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

The Deneb social and ethics committee 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 M Ntuli (executive director), Ms R D Watson (independent non-executive director), Mr S Rubidge (Group IR executive) and Mr G D T Wege (executive director). The members are appointed by the board and the committee elected Mr A M Ntuli 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:

	25 August 2015	25 April 2016
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 the 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 a continuous journey, integrated into all aspects of the Group and imperative to the sustainability of the business. The Group's transformation efforts are aligned with the principles and objectives of broad-based black economic empowerment as envisaged by the Department of Trade and Industry (dti).

On 1 May 2015, the dti's Broad-based Black Economic Empowerment (B-BBEE) Revised Codes of Good Practice ("Revised Codes") came into effect. These Codes aim to enhance South Africa's transformation landscape and provide targets and recognition measurements that are progressively more demanding compared to prior B-BBEE guidelines – a powerful expression of Government's intention to promote and fast-track the implementation of the B-BBEE principles. To simplify the reporting deliverables, the previous seven elements were consolidated and reduced to five, with Preferential Procurement now included in Enterprise and Supplier Development and Employment Equity integrated into Management Control.

The Group's B-BBEE assessment was conducted against the previous codes and while the Revised Codes are significantly more stringent and presenting fresh challenges, we remain fully committed to the spirit of the Revised Codes. The Group responded swiftly to the Revised Codes by launching an integrated transformation strategy and are proud to have achieved a Level 4 classification in accordance to the Revised Codes.

Transformation is monitored and managed within a governance framework which includes the social and ethics committee, an internal transformation committee, in which the Chief Executive participates, and the subsidiary transformation forums.



Deneb's Broad-based Black Economic Empowerment Profile is summarised below:

Element	Max	2016
Ownership	25.00	25.00
Management Control	19.00	9.33
Skills Development	20.00	9.88
Enterprise and Supplier Development	40.00	34.69
Socio-economic Development	5.00	5.00
Overall Score	109.00	83.90
Empowering Supplier		Yes

Ownership and Management Control

The Group's ownership element remained exemplary: Deneb's majority shareholder is Hosken Consolidated Investments Limited ("HCI"), which in turn is a black-owned and controlled company with 59,96% exercisable voting rights by black people.

Of our staff, 86,2% (2015: 84,8%) are black, demonstrating our continued commitment to cultivating a balanced workforce that will support and further our organisation in the most efficient and effective manner. The Group remains committed to its Employment Equity Plan which focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas.

Formal strategies have been developed to achieve internal employment equity targets. These strategies include, amongst other things, the implementation of in-house learning and development plans. The Group has also implemented a management trainee programme where graduates are employed and given the opportunity to work within various of the Group's businesses. The programme is structured to ensure the trainee gains exposure across various industries and business functions, which will equip the participants with sufficient experience to excel in a future employment role.

Skills Development

Training and development remained a focus area with all companies taking an active role in up-skilling and developing employees within all spheres of the organisation.

In conjunction with various industry SETAs, the majority of the Group's operations have implemented learnership programmes. Currently, in excess of 20 unemployed students have been enrolled in the NQF level 2 learnership programme. The Group has identified the importance of this training intervention and its role in providing employees with workplace skills. The success

of the programme is demonstrated in the achievement that all participants of the prior year's learnership programme have been deployed in permanent positions within the Group.

The Workplace Experience programme has seen great success with a number of students securing permanent employment at Group companies. These students are required to obtain formal workplace experience in terms of educational institutions' tertiary education requirements. The programme includes diverse academic fields such as Textile Technology, Financial Management, Human Resources and Engineering.

During the year, the Group embarked on a number of apprenticeships in both the mechanical and electrical fields, with the objective to improve the technical skills of our employees. In addition, with the support of SETA grants, tertiary studies are offered to qualifying employees. A number of our development candidates have enrolled in these studies ranging from Marketing, Finance, Operations and Occupational Health and Safety.

Supervisory training has been prioritised in a number of the operations as this has been identified as a critical skills requirement. Training has been on-going throughout the year, with productivity improvements recorded by all operations which participated in the programme. These improvements are attributed directly to the successful implementation of this training programme.

The focus on Health, Safety and Environmental Management training continued with both in-house and external training taking place. The positive effect of this is being noticed in the improved assessment results and a reduction in health and safety incidents. In addition, statutory training is completed as required by law.

It's both gratifying to report that the overall objective of experiential training has been achieved with the majority of young, enthusiastic, well qualified graduate trainees accepting permanent employment within the Group.

The Group has partnered with the CCMA to provide training for employment equity committee members. This ensures that new and existing members remain up to date with the constant evolution of employment equity and labour legislation.

We remain members of the Clothing and Textile clusters in both KwaZulu-Natal and the Western Cape and has participated in various training events which included factory visits, workshops, peer reviews, supervisory training and lectures from international textile organisations. The clusters provided valuable training interventions and insights into current industry developments, in particular world class production.

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Our involvement in the Fibre Processing and Manufacturing SETA remains strong and we have become very involved in the continuing development of new productivity learnership training material, designed to update and improve on the current offerings. This involvement has extended to some members of our Human Resources, Training and Production Management teams who have played an integral role as subject matter experts in their fields of expertise.

Enterprise and Supplier Development

The Group is committed to the concept of preferential procurement, procuring in excess of 97% (2015: 91%) of its qualifying spend from black-empowered companies. This reaffirms the Group's commitment to source merchandise and services from empowered local suppliers.

Enterprise and supplier development presents an opportunity to stimulate economic growth by assisting the development and sustainability of black-owned small and medium businesses in South Africa. Together with the Group's ultimate parent, Hosken Consolidated Investments ("HCI") and its subsidiaries, it has commenced a Supplier Club to provide support and benefits to qualifying small, medium and micro enterprises who are suppliers to the Group and its subsidiaries.

The Club provides the following benefits to its members:

- discounts on accommodation at Tsogo Sun hotels;
- discounts on stationery and office supplies from OfficeBox;
- discounts on Sharp copiers and multi-function printers;
- the opportunity to be considered for short television inserts on e.tv that profile the work of selected qualifying suppliers;
- the opportunity to be considered for participation in the Tsogo Sun Entrepreneurs business development and benefit programme;
- participation in training workshops which provide business information for small, medium and micro enterprises;
- attendance at networking events that enable small, medium and micro enterprises to connect with Group companies; and
- opportunities to present and exhibit at supplier showcase events that are designed to expose small, medium and micro enterprises to new markets.

The Group has also developed an enterprise and supplier development ("ESD") plan to assist local black empowered entities and aims to build and distribute the empowered entities' brands through the Group's established networks.

Objectives of the ESD plan are as follows:

- procure and distribute products from local black empowered suppliers and assist in their brand development;

- align the ESD plan with our core business interest;
- identify potential local black empowered business for the ESD partnership; and
- develop an open and transparent partnership and relationship with suppliers.

Environmental Management

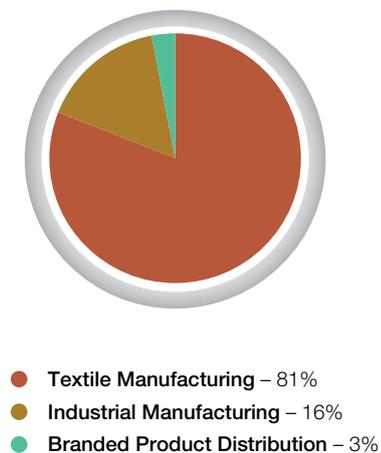
Carbon footprint

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

Scope 1 and 2 carbon emissions from Deneb were 63 314 tCO₂e, representing a 2,5% increase on the prior year (2015: 61 783 tCO₂e).

The majority of Deneb's Scope 1 and 2 emissions come from Winelands Textiles (57%) and Frame Knitting Manufacturers (17%), which uses coal and HFO for steam generation and electricity to power machinery. Romatex Home Textile, Integrated Polypropylene and Brits Nonwoven contributed 6% each to Deneb's total Scope 1 and 2 emissions. The remaining Deneb companies together comprise the final 8% of Scope 1 and 2 emissions (refer to figure 1 below).

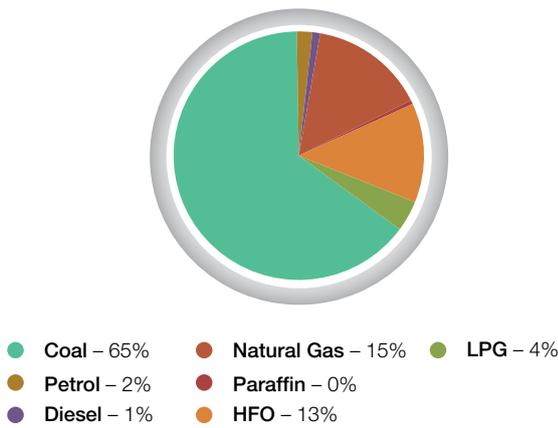
Figure 1: Scope 1 and 2 Carbon Emissions (tonnes CO₂e)



Of the total 63 314 tCO₂e Scope 1 and 2 emissions, 28 885 tCO₂e (46%) were Scope 1 emissions resulting from the mobile and stationary combustion of diesel, stationary combustion of

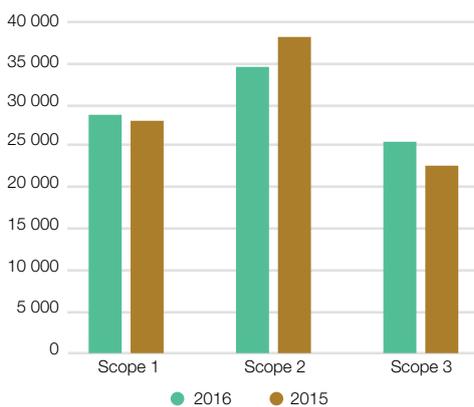
petrol, the use of LPG, natural gas, HFO, coal, paraffin, oils and lubricants, and fugitive emissions from refrigerants. Coal, HFO and natural gas make up the majority of Deneb's Scope 1 footprint as illustrated in figure 2 below.

Figure 2: 2015/16 Scope 1 emissions (tCO₂e) broken down by fuel type



Scope 2 emissions from purchased electricity and steam totalled 34 429 tCO₂e (54%) (noting that electricity makes up the vast proportion of Scope 2 emissions).

Figure 3: Carbon footprint by Scope



Referring to the above chart, the following trends were noted:

- Scope 1 emissions increased by 2%. This was primarily driven by increases in Scope 1 emissions for textiles:
 - Coal consumption increased at Winelands Textiles despite a 4% reduction in production. Production time decreased from seven to six days per week, resulting

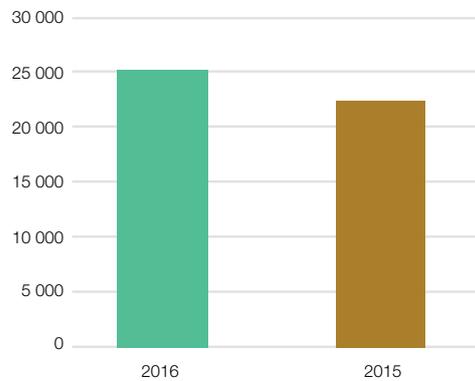
in the need to re-fire the boiler every week after the shutdown. Additional energy is required to heat the cold water and machinery during the re-fire; and

- There was an increase in natural gas consumption at Frame Knitting Manufacturers due to the steam requirements of a new solvent scour unit which was operational from January 2015; and
- Scope 2 emissions decreased by 9,5% compared to the prior year. This decrease is predominantly due to decreases in the electricity consumption at the textiles plants due to decreased production and variations in demand for different product types (some of which are less electricity intensive).

Deneb's Scope 3 emissions

Deneb's Scope 3 indirect (value chain) emissions comprise business travel, and energy consumption by tenants (specific to Vega Properties). Scope 3 emissions totalled 25 467 tCO₂e, with electricity used to power buildings leased to tenants emitting 24 848 tCO₂e and business travel being the remaining of the emissions (619 tCO₂e).

Figure 4: Scope 3 emissions compared to the prior year



Referring to the above graph, the following trends were noted:

- Scope 3 emissions increased by 14% compared to the prior year. This increase was predominantly due to an increase in electricity consumption by tenants for Vega Properties, specifically driven by increased production from an existing tenant, and the presence of a new tenant that uses extrusion in the manufacturing process which is electricity-intensive; and
- since Deneb has no operational control over Scope 3 emissions and the majority of the emissions are attributed to tenants, the bulk of variation year-on-year are related to tenants' electricity consumption and is not directly related to Deneb's production and/or staff activities.

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Deneb's total carbon footprint

In the 2015/16 reporting period, Deneb's total emissions (including Scope 3 in addition to Scope 1 and 2) were 88 782 tCO₂e. The total footprint data is summarised in the table below.

Deneb's Scope 1 and 2 and 3 emissions

	Scope 1 and 2 and 3 emissions (tCO ₂ e)
2015	88 601
2016	88 782
% change	0,2%

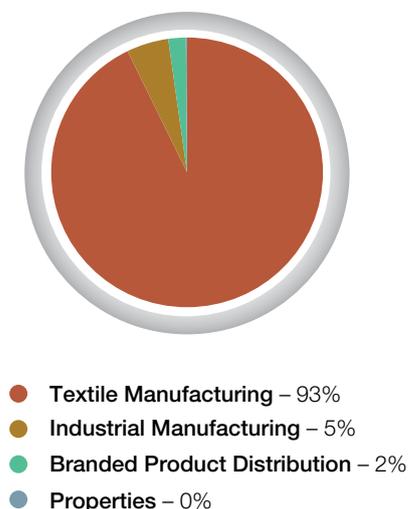
Water footprint

Withdrawals (consumption)

Deneb withdrawals were 719 megalitres (mL), compared to 730 mL in 2015. All withdrawals are from municipal water supplies, with the exception of Brits Nonwoven, where 1,8 mL is sourced from groundwater supplies.

The main proportion of Deneb's water withdrawals in 2016 are from Winelands Textiles (54%) and Frame Knitting Manufacturers (33%). The remaining companies together comprise the remaining 13% of withdrawals.

Figure 5: Water withdrawals



Discharges

According to the definition of "discharges" provided by the GRI and CDP, discharge of collected rainwater and domestic sewage is not regarded as water discharge. Discharges are therefore focused on discharge of (non-sewerage/rainwater) effluents. Six Deneb companies reported effluent discharges.

Deneb's (effluent) discharges totalled 445 mL. This compares to 364 mL in the prior year. All discharges go to municipal treatment plants. The prior year numbers includes incomplete data for Winelands Textiles due to faulty municipal meters that were fixed in 2015. The numbers included in this report are therefore incomparable.

The majority of discharges come from the textile manufacturers within Deneb, including Frame Knitting Manufacturers (48%) and Winelands Textiles (41%). These operations use water in the production process such as dyeing of fabrics and for non-core production activities such as cleaning, cooling systems and steam generation.

Water consumption reflects water "consumed" or lost in the process of use – e.g. through evaporation, incorporation into products, or by being absorbed into the ground when watering gardens. Water consumption can be measured by subtracting total discharges (where discharges, unlike the definition above, include discharge of sewerage/storm water) from total withdrawals, and reflects total water "consumed" or lost, for example through evaporation.

Socio-economic Development

The Deneb Group of companies acknowledges its social responsibility towards the communities in which it operates. Together with the HCI Foundation, the Group is proud to be associated with various community projects which have made a difference to the lives of many.

Corporate Social Investment (CSI) projects have once again 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 Deneb Group are encouraged to adopt a needy 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 CSI projects. In support of the aforementioned and dependent on circumstances, divisions are encouraged to adopt a charity for more than one year. We have also supported a principle of assisting a smaller number of organisations with more meaningful contributions and support.

During the year and as per our philosophy of supporting a needy organisation for longer than a year in order to make a meaningful contribution and difference, we continued to support and be involved with the Jes Foord Foundation and the KZN Cerebral Palsy Association. In addition, CSI projects included St. Monica's Children's Home, which had previously

been supported by the Group, and new projects in Elsie's River, Johannesburg, Vereeniging and Atlantis.

St Monica's Children's Home

Situated on the Bluff in Durban, St Monica's Children's Home has provided residential care to some 84 children who have been orphaned, abandoned or found to be at risk in their home environments. Children are placed in the care of St Monica's through the courts in terms of the Children's Act. While the home is situated on the Bluff, children from all areas of KwaZulu-Natal may be assigned to the care of St Monica's. Children range in age from three to eighteen years and are provided with accommodation and exposure to education, life skills programmes and the hosting of therapeutic groups which are facilitated with the children to help them address trauma in their lives. Social and recreational programmes are also provided. Children are required to attend local schools and "caregivers" ensure that they are assisted with school assignments and homework.

KZN Cerebral Palsy Association

The Association's Reunion School continued to get support from the Group with ongoing projects. Children attending the school are severely handicapped and require specialised attention and care. Projects undertaken as a result of the support provided by the Group and the support of the HCI Foundation include the furnishing of the new classroom block and a "wheelchair-friendly" playground for the children.

Lusa Community Chest

Lusa Community Chest supported Generation@ which is a collaborative initiative to address a critical shortcoming in the education system throughout South Africa. The programme provides learners with grounding to make a difference in their education and ultimately in their lives ahead. The Generation@ programme is based in Vereeniging, Johannesburg and has reached some 300 learners.

Dream Team

Dream Team, an NPO situated in Atlantis, has a long history in upliftment and support programmes in the area. The West Coast town of Atlantis has a high level of unemployment which results in a number of social issues. Dream Team provides much needed support for many people who are adversely affected by the prevalent social issues in Atlantis. One of the projects undertaken

by the Dream Team provides meals for in excess of 200 people per day. The Group's support for the Dream Team has enabled them to secure catering equipment to be able to prepare and provide these meals.

Jes Foord Foundation

The Group continued support for this worthy organisation. The focus this year has been to up-skill volunteers who provide counselling in the "Victim-friendly Room". These volunteers are provided with training to equip them to deal with Trauma and Rape awareness. The counselling provided by these volunteers has a major impact on how the victims deal with and overcome the trauma and the effect of rape or other harassment/trauma. The "Young Men's Mentorship Programme" continues to make a difference in the community. The principle behind the programme is that "if you want to change the way people behave, you have to change the way people think". The programme will gain momentum as more young men are exposed to the programme and are able to change the way they think and hopefully influence others.

Nazareth House

Situated in Elsie's River, Cape Town, Nazareth House provides shelter for 30 elderly people who otherwise would be totally destitute and without any family support structures. The home has a frail care section with qualified medical and nursing staff to assist the residents. Support given by the Group has provided residents with linen, bedding and curtaining.

Wildlife Active Campaign

The Group continued to support and be involved in programmes to save and sustain our environment. The focus this year was on the conservation of endangered wildlife which included programmes to encourage SA trade partners to support conservation by taking a "zero tolerance" position on the trade of illegal wildlife.

The Group is proud to have been able to make a difference in the lives of many by their involvement and contribution towards these worthwhile causes. The Deneb Group notes and applauds the massive contributions made by so many volunteers who give freely of their time and resources and provide services to needy organisations and in turn make a difference in the lives of many people.