

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
- constructively influencing 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 chairperson.

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:

	19 September 2016	17 March 2017
A M Ntuli	√	√
S Rubidge	√	√
R D Watson	X	√
G D T Wege	√	√

√ In attendance

X Apologies

Functions

The committee fulfilled the following functions:

- monitored the Group's progress on transformation of human capital, including:
 - broad-based black economic empowerment ("B-BBEE") 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
- highlighting key matters arising from the above to the board.

Transformation of human capital

During the past year, the transformation agenda in South Africa has been completely overhauled:

- promulgation of the new B-BBEE regulations on 6 June 2016;
- the establishment of the B-BBEE Commission; and
- criminalisation of fronting practices.

For Deneb, transformation has always been an exciting opportunity for further improvement and our transformation journey continued at pace. The Group's transformation efforts are aligned with the principles and objectives of B-BBEE as envisaged by the Department of Trade and Industry ("the dti").

The revised code provides more aggressive targets and recognition measurements with the aim to assist Corporate South Africa with its transformation objectives. The code contains five elements and we accordingly provide stakeholders with our progress on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socio-economic Development.

Deneb is proud to have maintained its Level Four Contributor Status and further improved our B-BBEE score by 2.4 points to 86.30. In addition, Deneb has been recognised as one of the top 10 B-BBEE companies on the Johannesburg Stock Exchange.

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 B-BBEE profile is summarised below:

Element	Max	2017	2016
Ownership	25.00	25.00	25.00
Management Control	19.00	8.96	9.33
Skills Development	20.00	13.94	9.88
Enterprise and Supplier Development	40.00	33.40	34.69
Socio-economic Development	5.00	5.00	5.00
Overall score	109.00	86.30	83.90
Empowering supplier		Yes	Yes

Ownership and Management Control

Deneb's black ownership is 73,32%, of which 41,07% is black women ownership 86,6% (2016: 86,2%) of Deneb's employees are black, demonstrating our continued commitment to cultivating a representative 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, in particular in the senior management and professionally qualified areas.

Deneb implemented programmes across all entities to achieve the Group's transformation objectives. These programmes include, amongst other things, the implementation of an in-house learning and development plan and a management trainee programme where graduates are employed and given the opportunity to work within several 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.

Skills Development

Training and development across the Group companies continued to be a prioritised focus area.

The Group's close association with the FP&M Seta has resulted in various operations having been able to take advantage of both their mandatory and discretionary grant schemes where we have accessed much-needed funding to assist in the development of workers. In addition, an on-the-job operator training model sourced

through the FP&M Seta has commenced in selected factories and is proving to be successful and motivational for our employees.

A number of previously unemployed learners who have undergone workplace experience, apprenticeship and learnership training through the company have accepted offers of permanent employment. A selection of these employees is currently on further development programmes, assisting us to grow young people through the organisation. The number of apprenticeships in both the mechanical and electrical fields has increased and we are seeing an improvement in our technical skills and expertise.

Supervisory training is on-going and we are now bearing the fruits of these interventions with a marked improvement in the overall performance of these employees. Health and Safety continues to be a focus and training is being done continually on both a formal and informal basis. The positive effect of this is being noticed in the improved awareness of all health and safety related issues. Statutory training is completed in terms of legal requirements, both in-house and externally.

As Employment Equity evolves and new members join the committees, training is scheduled annually to provide continuing education and focus on changes to labour legislation. We partner with the CCMA for this training and are able to benefit from their experience and knowledge.

Our membership of the Clothing and Textile clusters in both KwaZulu-Natal and the Western Cape is renewed annually and we take advantage of their many offerings, which have included factory visits, workshops, peer reviews, supervisory training and feedback from international textile visits. The clusters provide valuable training interventions and insights into current industry developments in all aspects of production.

Employees at all levels are given the opportunity to attend workshops and seminars as a means of on-going professional development. As we develop and grow as an organisation, so we strive to develop and grow our employees.

Enterprise and Supplier Development

The Group views Enterprise and Supplier Development as imperative in achieving its objectives to stimulate economic growth by assisting the development of black-owned small and medium businesses in South Africa.

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The Group procured in excess of 78% of its qualifying spend from black-empowered companies, which again reaffirms its commitment to source merchandise and services from empowered local suppliers.

In response to this priority element the Group, together with our shareholder, Hosken Consolidated Investments (“HCI”) and its subsidiaries, has commenced a Supplier Club to develop small, medium and micro enterprises as a solution to support and develop emerging businesses through financial and non-financial benefits.

Some of the Club’s benefits to its members include the following:

- 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. ESD is about empowering suppliers to take charge of their own growth and sustainability.

Socio-economic Development

Deneb continued to be involved in and support various needy organisations in the communities in which our companies operate. The Group acknowledges its social responsibility towards these projects and the importance of community involvement. Projects supported cover a diverse spectrum of organisations, with the focus on development, education, women and children. Support ranges from financial, to provision of goods and services, to time generously provided by management and staff in the respective companies within the Group:

KwaZulu-Natal Cerebral Palsy Association

The Group continued to support the Reunion School for Children with Cerebral Palsy. Some 170 children attend the school; many of them are severely handicapped and require very specialised care and attention. Over the years, our support has assisted to provide infrastructure to improve the quality of these children’s lives. The infrastructure has included the finishing of new classrooms and the installation of a specialised wheelchair-friendly playground for the children. Other activities have included “spoiling” the children with a Christmas party, including a Father Christmas to hand out presents and “goodie” bags. This was enjoyed by all and a highlight for the year.

Rape Crisis Helderberg

The Rape Crisis Centre is situated next to the Local Government Hospital in Somerset West, Western Cape. The hospital provides support for the Rape Crisis Centre by assisting with medical supplies and making rooms available for patients. Rape Crisis Helderberg has been providing an essential service to the community since 1993, 24 hours a day and 365 days a year. Their services have been extended to having counselling offices in Nomzamo and Lwandle so patients do not have to travel into Somerset West for counselling services.

SACTWU – Environmental Programme

In association with our majority Union SACTWU, a donation of a consignment of bags made from recycled two-litre bottles was made for onward distribution to needy organisations. The manufacturer of these bags, using recycled materials from two-litre bottles, forms part of the Deneb Group’s commitment to our environmental management programme.

University mathematics experience

In support of Rhodes University’s programme to develop an interest and excitement for mathematics in scholars, Rhodes University has an annual mathematics competition for learners in Grades 7 to 12. In addition, lecturers and teachers are on hand to provide learners with a “mathematics experience”, which will hopefully stimulate scholars to consider a career in mathematics. Seartec has been involved in this project by providing Sharp calculators and other support for the project.



African Champs, Rio Olympic Qualifier and SA School Sprint Championships

Twenty-two countries from the African continent participated in the African Champs and Rio Olympics canoe Qualifiers, while 300 scholars from around South Africa participated in the SA Schools Championship. Seartec provided the necessary electronic and printing equipment to ensure effective commencement of heats and results in these three major events. Canoeing SA is involved in active development programmes to grow and develop canoeing amongst previously disadvantaged communities. Great strides have been made to ensure the sport is being representative in South Africa.

Jess Foord Foundation

Involvement and support continued for this worthy organisation. The Jess Foord Foundation currently has six support groups which provide a safe environment for individual and collective growth and healing. The ongoing “Young Men’s Mentorship Programme” and education and up-skilling of volunteers have continued. The Jess Foord Foundation has helped a countless number of people dealing with rape to become rape survivors.

The Group is humbled to be associated with these worthy causes and organisations which have made a difference in the lives of so many people.



Rhodes University Mathematics Experience



Reunion School



The Jess Foord Mentorship Programme



The Jess Foord Mentorship Programme

Social and ethics committee report (continued)

Environmental management

Deneb's carbon and water footprint

The Group's carbon 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 65 921 tCO₂e, representing a 4% increase on the prior year (2016: 63 314 tCO₂e).

The majority of Deneb's Scope 1 and 2 emissions come from Winelands Textiles 57% (2016: 57%) and Frame Knitting Manufacturers 16% (2016:17%), which uses coal and HFO for steam generation and electricity to power machinery. Romatex Home Textile, Integrated Polypropylene and Brits Nonwoven contributed 24% to Deneb's total Scope 1 and 2 emissions. The remaining Deneb companies together comprise the final 3% of Scope 1 and 2 emissions (refer to figure 1 below).

Of the total 65 921 tCO₂e Scope 1 and 2 emissions, 45% 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 overleaf.

Scope 2 emissions from purchased electricity and steam totalled 35 940 tCO₂e (2016: 34 429 tCO₂e) (noting that electricity makes up the vast proportion of Scope 2 emissions).

Figure 1: Scope 1 and 2 carbon emissions (tonne CO₂e) broken down by segment

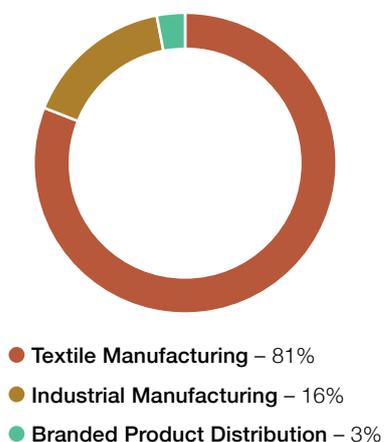
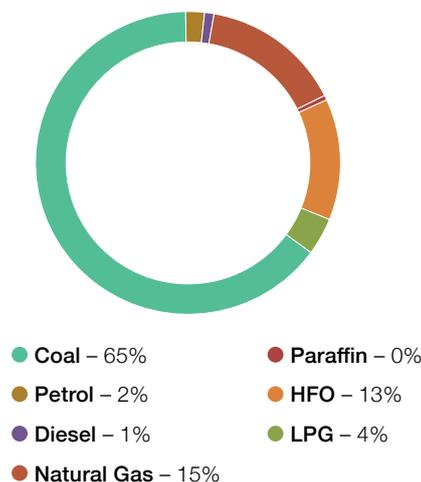


Figure 2: Scope 1 and 2 carbon emissions (tonne CO₂e) broken down by fuel type



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 24 013 tCO₂e (2016: 25 467 tCO₂e), with electricity used to power buildings leased to tenants emitting 23 266 tCO₂e and business travel being the remaining of the emissions totalling 747 tCO₂e.

Scope 3 emissions decreased by 6% compared to the prior year. Vega Properties is the largest contributor to Scope 3 as its Scope 3 emissions include the electricity consumed by all non-Deneb tenants in its properties. 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.

Deneb's total carbon footprint

In the 2017 reporting period, Deneb's total emissions (including Scope 3 in addition to Scope 1 and 2) were 89 934 tCO₂e. The total footprint data is summarised in the table below.

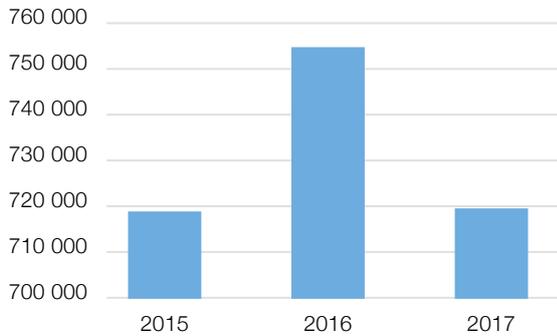
Deneb's Scope 1, 2 and 3 emissions

	Scope 1, 2 and 3 emissions (tCO ₂ e)
2015	88 601
2016	88 782
2017	89 934
% change since 2015	1,5%



Deneb's water footprint

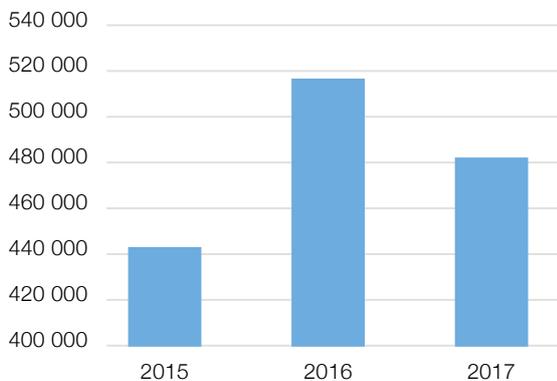
Withdrawals



Deneb withdrawals were 720 megalitres (Mℓ), compared to 754 Mℓ in 2016 (restated). All withdrawals are from municipal water supplies, with the exception of Brits Nonwoven, where 1 Mℓ is sourced from groundwater supplies.

The main proportion of Deneb's water withdrawals are from Winelands Textiles 57% (2016: 54%) and Frame Knitting Manufacturers 30% (2016: 33%). The remaining companies together comprise the remaining 13% of withdrawals.

Discharge



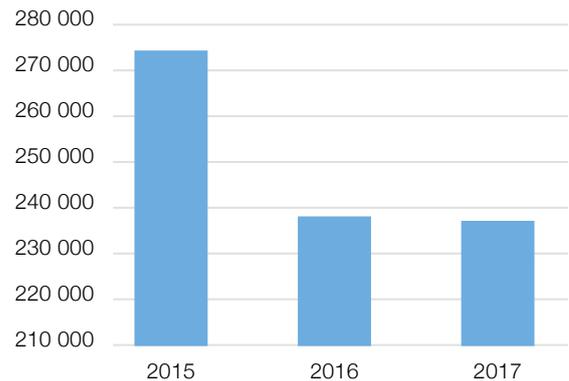
The CDP definition of water discharges excludes the discharges of collected rainwater and domestic sewage. Seven Deneb entities reported discharges of non-sewage/rainwater effluents.

Deneb's (effluent) discharges totalled 484 Mℓ (2016: 517 Mℓ). All discharges go to municipal treatment plants.

The majority of discharges come from the textile manufacturers within Deneb, including Frame Knitting Manufacturers 40% (2016: 48%) and Winelands Textiles 50% (2016: 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.

The water recovery plant at Frame Knitting enabled a reduction in withdrawals and thus discharges, which the municipality assumes to be 90% of withdrawals. Winelands Textiles discharges increased due to increased activity, but also due to increase in demand for products that go through the piece dyeing process, which uses more water.

Deneb's water consumption



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.

Deneb's water consumption was calculated to be 236 Mℓ, 0,3% lower than the prior year.