

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 socioeconomic 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:

	31 October 2017	17 April 2018
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 ("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 socioeconomic 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

Deneb continued on its transformation journey and embraced the objectives of creating a representative workforce within a work environment free from discrimination and prejudice.

As a member of the HCI Group of companies, we have adopted the Group's B-BBEE accreditation methodology. On this basis, Deneb is proud of its Level 2 Contributor Status with a total score of 98,10 out of a potential 109 points. The measurement criteria consist of 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 Socioeconomic Development.

Transformation is continued to be 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.

The B-BBEE profile is summarised below:

Element	Maximum score	Actual score
Ownership	25,00	25,00
Management Control	19,00	13,12
Skills Development	20,00	17,25
Enterprise and Supplier Development	40,00	37,73
Socioeconomic Development	5,00	5,00
Overall score	109,00	98,10

OWNERSHIP AND MANAGEMENT CONTROL

Deneb's black ownership percentage is 81,29%. In addition, of the total shareholding, 44,60% is owned by black women. Further, 87,9% (2017: 86,6%) of Deneb's employees are black.

These statistics demonstrate 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 all areas of our businesses.

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 future employment.

SKILLS DEVELOPMENT

The Deneb Group proudly actioned a record amount of skills development interventions across the Group's various businesses. We list a few of the highlights on the Group's 2018 skills development calendar:

- The company enrolled its first employee on the International Leadership Development Programme through the Fibre Processing and Manufacturing Seta. Candidates are given access to international best practice in Leadership Development, which includes overseas-based, hands-on experience and training.
- Businesses have been able to access funding from the Fiber Processing and Manufacturing Seta's discretionary funding and we have received funding for apprenticeships, learnerships, bursaries, skills programmes and workplace experience students. This has been made possible by the submission of Workplace Skills Plans and Discretionary Grant applications to the Seta.
- Technical training has been established as an urgent and important focus area during the year under review. The training interventions included a wide variety of training courses commencing with basic skills, all the way through to apprenticeship and specialist technical training. In addition, Deneb partnered with technical training schools to provide practical hands-on training to upskill our machinery and technology work

teams. Today, our businesses are reaping the fruits of improved machinery, technology and technical know-how. Apprenticeship training is key to productivity improvements across the manufacturing businesses.

- The Manufacturing segment has had great success with its learnership development programme with 15 candidates successfully completing the programme during the year under review. This learnership initiative focuses on matric students who have completed high school and are then trained into operative positions. Many of these learners who completed the learnership development programme have taken on permanent employment and are continuing their education through bursaries. This programme has now seen its first entrants progressing to managerial level.
- We have also accessed funding from the KZN Clothing and Textile Cluster to introduce sewing machine mechanic and sewing machine operator training. These short skills development programmes include best practice workshops and site visits, providing valuable training to the trainees.

Training remains an integral part of the day-to-day running of our businesses and we strive to ensure that we maintain an environment of continuous learning and development.

ENTERPRISE AND SUPPLIER DEVELOPMENT

As a result of the Group's enterprise and supplier development plan in assisting local black empowerment entities to build and distribute their products, the Group procured some 94% of its discretionary merchandise and services from empowered local suppliers. The Group views such development of local black entities as imperative to the development and growth of the South African economy.

Deneb continued to participate as a member of the HCI Group's Supplier Club. The Supplier Club aims to develop small, medium and micro enterprises as a solution to support and develop emerging businesses through financial and non-financial benefits.

SOCIOECONOMIC DEVELOPMENT

The Deneb Group of Companies acknowledges its social responsibility towards the communities in which it operates and is proud to be associated with various community projects which have made a difference in the areas where our employees live.

CSI projects have once again focused on education, women, children and environmental-related organisations. In order to create awareness and direct involvement and ownership of projects, the various businesses within the

Social and ethics committee report (continued)

Deneb Group are encouraged to adopt a needy organisation in the local community. This results in the management and employees of the respective companies in the Group taking a direct interest in the organisation and, in addition to financial support, giving freely of their own time to these worthy causes. This direct involvement adds great value to the Group's CSI projects. In support of the aforementioned and dependent on circumstances, we have supported a principle of assisting a smaller number of organisations with more meaningful contributions and support.

During the year, we continued to support and be involved with the Jes Foord Foundation, KwaZulu-Natal Cerebral Palsy Association and Ncedolwethu Educare Centre. Additional projects supported during the year included St Mary's Hospital Cerebral Palsy Unit, Tehillah Community Collaborative, Reach for a Dream Foundation, River of Life Ministries, Elim Night Shelter as well as a crowdfunding initiative to supply calculators to scholars who cannot afford to buy one.

ENVIRONMENTAL MANAGEMENT

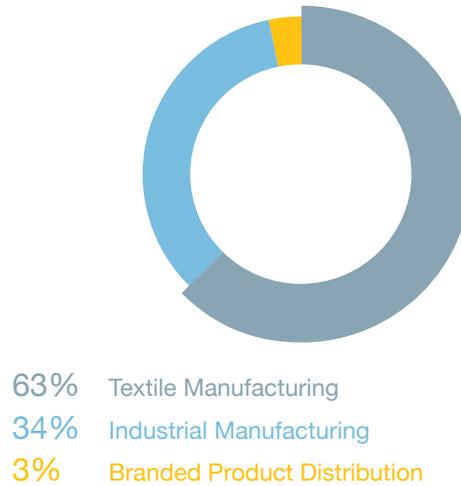
Deneb's carbon footprint

The carbon footprint contained in this report was calculated according to the WRI/WBCSD's GHG Protocol, a widely used corporate GHG accounting and reporting standard. This year, conversion factors were sourced from the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines and the South African Department of Environmental Affairs Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry. This will make the carbon footprint process easier going forward as the IPCC conversion factors do not change on an annual basis. Some emission factors, such as those for travel, were still sourced from DEFRA. Last year, the 2016 DEFRA conversion factors were used to calculate Deneb's GHG emissions. However, this year, we have restated the carbon footprint for 2017 using the IPCC conversion factors.

The organisational boundary was set according to the operational control approach, whereby Deneb companies report on facilities and activities over which they have operational control.

In keeping with last year's methodology, emissions from waste, refrigerants and oils and lubricants were excluded. GHG emissions from these sources are minor in comparison to emissions from sources such as fuel combustion and electricity use.

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



Deneb's total carbon footprint (Scope 1 and 2 emissions) for 2018 is 52 965 tCO₂e, a 15% decrease compared to 2017. The biggest contributors to Scope 1 and 2 emissions are:

- Winelands (39%);
- Frame Knitting Manufacturers (18%); and
- Formex (10%).

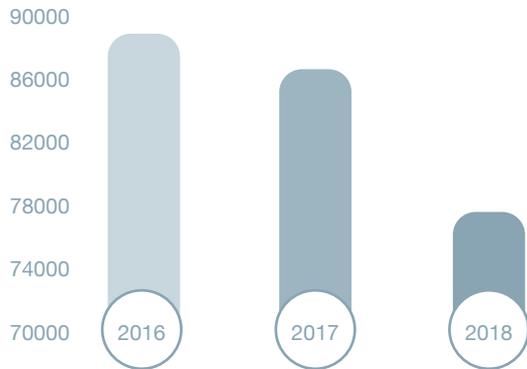
The three main sources of Scope 1 emissions within Deneb are coal (53%), natural gas (19%) and HFO (12%). The majority of the coal (93%) is used by Winelands. Natural gas is used mainly by Frame Knitting Manufacturers and HFO is used by Romatex and Winelands.

Scope 2 emissions consist mainly of purchased electricity and steam, with the majority of the usage originating from Winelands, Frame Knitting Manufacturers, Romatex and Formex.

The Scope 1 and 2 emission reduction is attributable to reduced activities at the Group's textile plants, in particular Winelands, where its Paarl plant has been discontinued in December 2017. For the remainder of the 2018 financial year, the plant was being relocated to Worcester.

Scope 3 emissions for the Group is mainly represented by travel and energy consumption of the tenants of Vega Properties. The Scope 3 emission totalled 24 587 tCO₂e, a 2% decrease on the prior year.

Deneb's Scope 1, 2 and 3 emissions

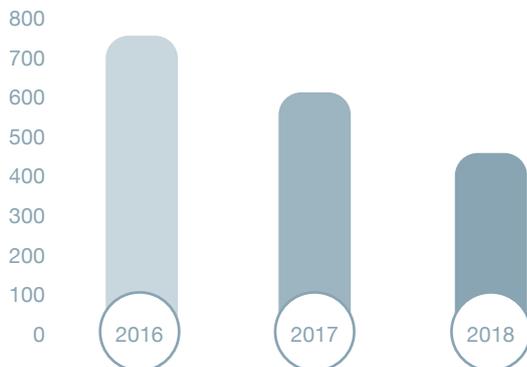


DENEBS WATER FOOTPRINT

Withdrawals

Deneb's water withdrawal in the year under review was 454 megaliters (Mℓ), a 25% decrease compared to 2017. Winelands is the largest water user (42%) followed by Frame Knitting Manufacturers (39%). The rest of the Group in aggregate utilises the remaining 19%. Withdrawals are largely from municipal water supplies, with the exception of Brits Nonwoven, which used 1 Mℓ of groundwater at its Johannesburg Factory.

Withdrawals



In comparison to the prior year, the material changes in water withdrawals were as follows:

- Winelands utilised 191 Mℓ water, a reduction of some 100 Mℓ in comparison to the prior year, due to the discontinuation of its Paarl plant in December 2017;
- Frame Knitting Manufacturers saw a reduction in water withdrawals as production hours were reduced due to damages to its production facilities resulting from a flood;
- Water withdrawals at Romatex dropped by about 14 Mℓ (52%) as demand for dyed products declined by 53% and as a result, its dye house was closed in December 2017;
- the acquisition of Formex, which increased water usage by 8,9 Mℓ; and
- a concerted effort from the drought-stricken Cape Town based businesses to reduce their water footprint.

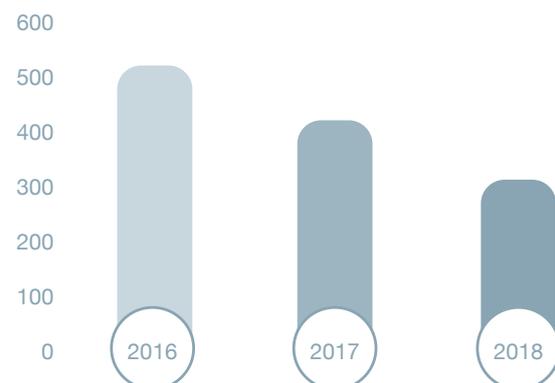
Discharges

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

Deneb's discharges in 2018 were 307 Mℓ, a 26% decrease compared to the prior year. Discharges are mainly attributable to Frame Knitting Manufacturers (52%) and Winelands (33%), while the remaining entities account for 15%. All discharges are to municipal treatment plants.

The major changes in water discharges were as a result of reduced activity at the Group's textile plants.

Discharges



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Water consumption

The CDP defines water consumption as “an amount of water that is used but not returned to its original source.” This includes water that has evaporated, transpired, has been incorporated into products, crops or waste, consumed by man or livestock or otherwise removed from the local source.

Last year Deneb’s water consumption was calculated to be 180 Mℓ. This year’s water consumption was estimated to be 146 Mℓ, a 23% reduction.

This is evidently a high-level estimate, since it excludes water discharged as sewerage or storm water. Water consumption estimates going forward will be improved as we refine our data collection.

Deneb’s water footprint

Water consumption

