

Social and ethics committee report

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 consisted of Mr M H Ahmed (independent non-executive director), Ms N B Jappie (independent non-executive director), Ms K F Mahloma (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 M H Ahmed as chairperson. During the year, Mr A M Ntuli, who was the chairperson of the committee, passed away, and Mr M H Ahmed and Ms F Mahloma was appointed to the committee, with Mr Ahmed assuming the role of chairperson.

MEETINGS

The committee holds a minimum of one meeting 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 May 2021	31 March 2020
A M Ntuli	n/a	√
M H Ahmed	√	n/a
K F Mahloma	√	n/a
N B Jappie	√	√
S Rubidge	√	√
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 embraces the objectives of creating a representative workforce within a work environment free from discrimination and prejudice. Transformation continues 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.

As a member of the HCI Group of companies, Deneb adopted the Group's B-BBEE accreditation methodology. The Group's B-BBEE status was accredited on 9 September 2020 and is valid for a 12-month period. The Group obtained a Level 2 Contributor Status with a total score of 96,42 out of a potential 111 points.

The measurement criteria consist of five elements and we accordingly provide stakeholders with further information on each of these elements: Ownership, Management Control, Skills Development, Enterprise and Supplier Development and Socioeconomic Development

Our B-BBEE profile is summarised below:

Element	Maximum score	Actual score
Ownership	25,00	25,00
Management Control	19,00	13,81
Skills Development	20,00	14,84
Enterprise and Supplier Development	42,00	37,77
Socioeconomic Development	5,00	5,00
Overall score	111,00	96,42

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OWNERSHIP AND MANAGEMENT CONTROL

Applying the B-BBEE methodology, Deneb's black ownership percentage is 75,84%. In addition, of the total shareholding, 43,26% is owned by black women. Further, 89,6% (2020: 89,0%) of Deneb's employees are black.

Deneb implemented programmes across all entities to achieve the Group's transformation objectives. These programmes include, among 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 effect of the Covid-19 pandemic had a transformative effect on the Group's skill development programme and training initiatives.

Many employees facing the prospect of working from home for the first time in their lives, required the training programme to be changed and adopted for a new and different working environment. This was new terrain and these challenges required a fresh approach with many of the employees turning to technology-driven communication solutions for the first time. Training programmes now include the usage of technology-driven solutions as a focus areas, with many employees having to learn and navigate their way around these new concepts. Online training quickly became the norm and positive results have been achieved over the last year. Traditional boardroom-based meetings, conferences and discussions have been replaced with these solutions across the entire Group.

Increased information technology understanding has opened up a new frontier for training applications and many training providers are switching to virtual training methods. We have become early adopters with this new method and have enrolled over 30 trainees on computer/cellphone-based training for Team Leader and Emerging Leader Training through the KwaZulu-Natal Clothing and Textile Cluster.

As the commercial sector now fully accepted these technological changes as a more effective way to provide training solutions, service providers developed online training modules and courses with an ever-increasing

range of offerings. Where online training is impractical, such as work-based practical training, we continued with the normal format. To this effect, a further two apprentices have passed their trade tests and completed their apprenticeships. They have obtained permanent employment within the Group.

In August 2020, Brits Nonwoven received discretionary grant funding from the Fibre Processing and Manufacturing SETA and has enrolled two employees as apprentices in the mechanical field.

The mentorship programme is continuing with many of the senior management taking on the role of mentors to postgraduate students across the country. The aim of the programme is to steer our young aspirant graduates on a career path and the opportunity to access the skills and knowledge of senior leaders in their respective fields.

Much attention is being placed on the appointment and development of disadvantaged candidates of all races to embark on management training programmes in line with the company's succession plans. These training interventions are focused on equipping the candidates with skills that align with the company's business model and creating a skills pool for the benefit within and outside of our Group.

ENTERPRISE AND SUPPLIER DEVELOPMENT

The Group's enterprise and supplier development plan continued to assist black-owned entities to build and distribute their products. The Group procured in excess of 90% (2020: 90%) of its discretionary merchandise and services from empowered local suppliers. Deneb 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 year under review has been a year of true "Social Investment and Social Responsibility". This has not been a year of generous support in terms of goods and monetary support, but rather a year of mental health support and assistance.

The world has been thrown a curve ball with the onset of Covid-19.

It has been a year of learning for all citizens. Employees have been exposed to hardship, sadness and loss and learnt the importance of “Ubuntu”, sharing and giving to those less fortunate than ourselves. The Group encouraged employees and provided assistance to overcome the hardship caused by Covid-19. There are countless stories of Deneb employees involved in various social investment programmes to assist individuals and communities in which we live, to cope with the Covid-19 pandemic.

As a group of companies, the focus first and foremost has been the wellbeing of our employees and their families, in addition to creating a safe work environment. We also enhanced our administration processes to ensure payment in terms of UIF-TERS were processed expeditiously. These efforts ensured that monetary relief offered by the government is channelled to our employees. Directors, management and staff worked tirelessly to ensure that they did everything possible within their means to assist and support. Many individuals sacrificed of their time and efforts for the greater well-being of our employees and the company, and where applicable demonstrated true leadership by providing counselling, guidance and support to those in distress.

Where possible, we continued to support a number of organisations in the areas in which we operate. These included children’s homes and schools. Masks and personal protective equipment were given to schools. One of the children’s homes supported by the group is the South African Children’s Home, the first welfare institution established in South Africa to support children of all races.

We thank all our employees for their effort in practicing the principles of good citizenship in the recent months, for the value they have added to the lives of many, and for the contribution they have made to society as a whole.

ENVIRONMENTAL MANAGEMENT

Carbon footprint

The 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. As was done last year, this year’s 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. These conversion factors do not change on an annual basis, making the carbon footprint process easier. Some emission factors, such as those for business travel captured under Scope 3 emissions, were still sourced from the United Kingdom’s Department for Environment, Food and Rural Affairs (“DEFRA”).

The organisational boundary was set according to the operational control approach, whereby Deneb companies report on all GHG emissions from 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 because of inaccuracies in the data. GHG emissions from these sources are likely to be minor in comparison to emissions from sources such as fuel combustion and electricity use.

In aggregate, Deneb’s Scope 1 and 2 emissions in the current financial year were 19 009 tCO₂e. This represents a 50% decrease relative to the Scope 1 and 2 emissions reported in the prior financial year. The prior-year numbers include the discontinued operations of Frame Knitting Manufacturers and Winelands Textiles. Excluding these operations, the emissions for the prior year were 21 791 tCO₂e, representing a 13% decrease in emissions. The biggest contributors to Deneb’s Scope 1 and 2 emissions are:

- Formex (23%);
- Integrated Polypropylene Products (19%), and
- Brits Nonwoven (18%).

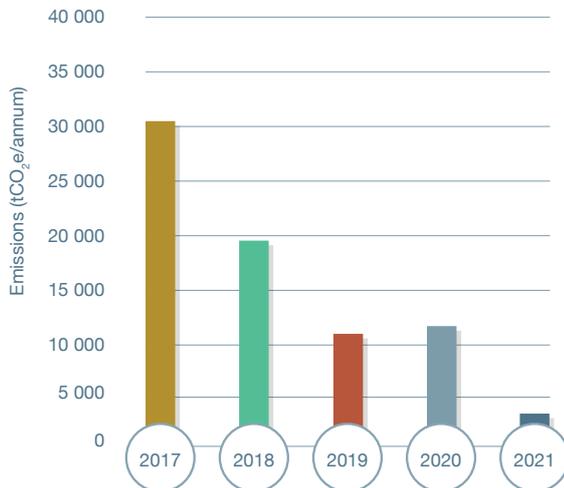
Current-year Scope 1 emissions totalled 3 184 tCO₂e (2020: 12 006 tCO₂e), a 73% decrease year-on-year. The three main sources of Scope 1 emissions are diesel (32%), natural gas (29%) and HFO (22%).

The biggest contributors to Scope 1 emissions are the manufacturing entities.

The reduction in Scope 1 emissions is primarily as a result of the discontinuation of Frame Knitting Manufacturers and Winelands Textiles, but also as a result of the effect of the lockdown, which affected the Group’s ability to trade and manufacture during the first quarter of the financial year. Excluding the discontinued operations in the prior year, the prior-year Scope 1 emissions totalled 3 964 tCO₂e. Like-for-like, the current-year results reduced by 20%.

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Deneb's Scope 1 emissions



Scope 2 emissions totalled 15 825 tCO₂e, down 40% on the prior year's emissions of 26 486 tCO₂e. The biggest contributors to Deneb's Scope 2 emissions are Formex (26%), Integrated Polypropylene Products (23%) and Brits Nonwoven (14%). The decrease in Scope 2 emissions is due to the discontinued operations and reduced manufacturing activity, partly due to the impact of the Covid-19 pandemic and partly due to electricity load shedding.

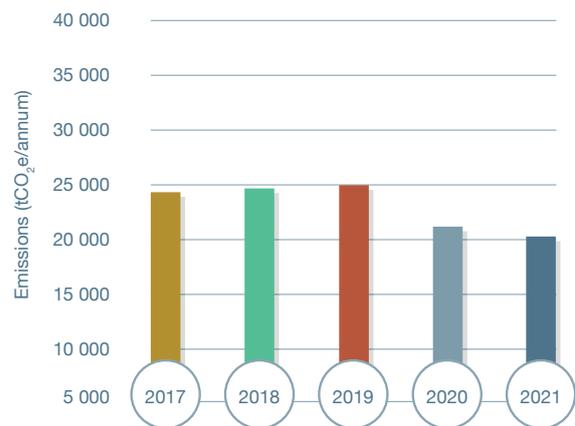
Deneb's Scope 2 emissions



Scope 3 emissions are attributable to emissions from business travel and emissions from electricity consumed by tenants at the properties owned by Vega Properties. Scope 3 emissions totalled 20 397 tCO₂e (2020: 21 040 tCO₂e), a 3% decrease relative to emissions in the prior financial year. Vega Properties is the largest

contributor to Scope 3 emissions, mainly due to the electricity consumed by all non-Deneb tenants in its properties.

Deneb's Scope 3 emissions

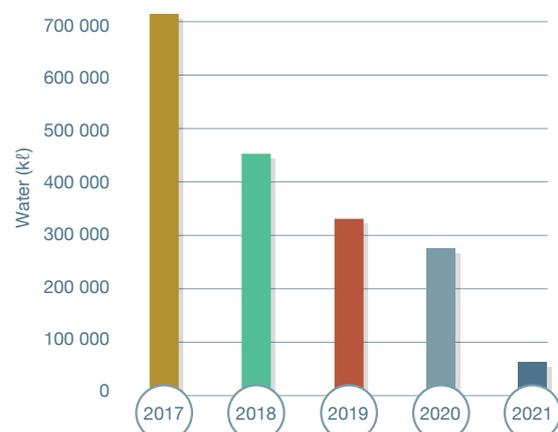


DENEB'S WATER FOOTPRINT

Water withdrawals

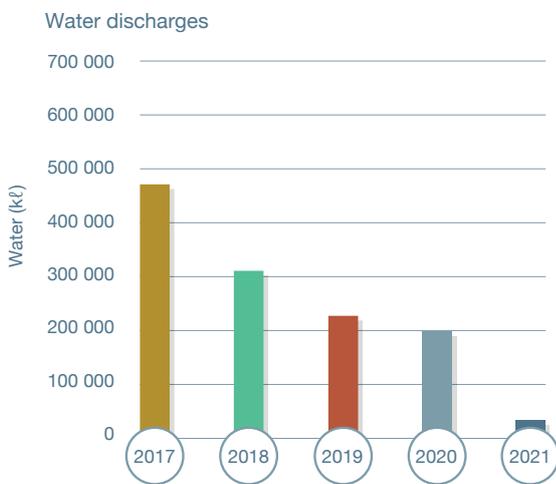
Deneb's water withdrawals for the year totalled 65 867 kℓ (2020: 285 827 kℓ), a 77% decrease compared to the prior year. As stated previously, the majority of the decrease is as a result of the discontinued operations. The main users of water is Formex (30%), Gold Reef Chemicals (18%) and Romatex (13%). Both Formex and Gold Reef Chemicals use water in their production process for the generation of steam and product cleaning.

Deneb's water footprint
Water withdrawals



Water discharges

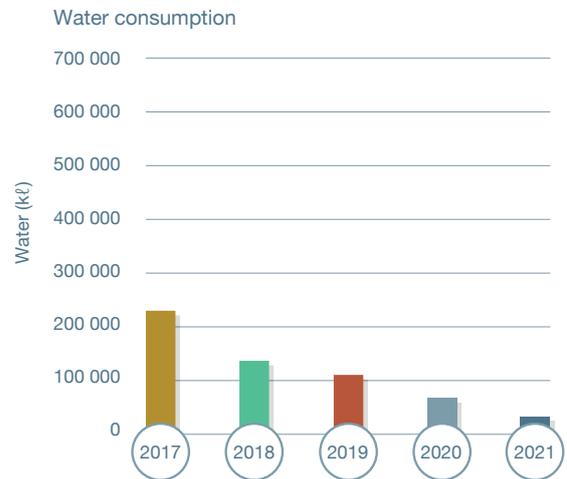
The CDP definition of water discharges excludes the discharge of collected rainwater and domestic sewage. Deneb's discharges during the year are 33 965 kℓ (2020: 208 136 kℓ), an 84% decrease from the water discharges in the prior year. Discharges in the prior year are mainly attributable to the discontinued operations. All discharges are to municipal treatment plants.



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.

Deneb's water consumption was estimated by subtracting discharges from withdrawals. Using the same method, this year's water consumption was calculated to be 31 902 kℓ (2020: 77 494 kℓ). This is a 59% decrease from the prior year. This is evidently a high-level estimate, since it excludes water discharged as sewerage or storm water. Reasons for changes in water consumption can be traced back to reasons for changes in withdrawals and discharges.



TERMS OF REFERENCE

The Deneb social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period. The committee has fulfilled its mandate as prescribed by the Companies Act and confirms there are no instances of material non-compliance.