

Our Commitment to the UN Global Compact
“Communication on Progress”
November 2016

Van Dyck Carpets (Pty) Ltd

Introduction

Van Dyck Carpets (Pty) Ltd has been a signatory to the United Nations Global Compact since 2014. We remain committed to the ten principles of the Compact which foster better corporate responsibility in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Statement of Continued Support

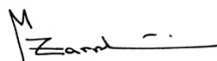
“I am pleased to confirm that Van Dyck Carpets (Pty) Ltd reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. It is the second annual Communication on Progress and we describe our actions and policies involved with the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

This communication on progress provides an abridged view of some of the practical actions we have taken to implement the Global Compact principles and our measurement of the outcomes in each of the four respective areas.

We are also committed to share this information with our stakeholders using our primary channels of communication. Of particular importance is the inclusion and training of our employees in the principles of the United Nations Global Compact and the continued fostering of an inclusive and collaborative environment.

We are pleased to confirm that our focus on environmental initiatives in the organisation has resulted in Van Dyck Carpets being the first organisation in Africa to achieve The Carbon Trust Standard for Carbon in 2015 and we have seen our carbon emissions reduce further during the period of 2016. This report should be read in conjunction with our public assertion report available from our website.”

Sincerely,



Dr Mehran Zarrebini

CEO

Environment**Assessment, policy and goals**

Van Dyck Carpets has an integrated environmental policy in line with the International Standards, ISO 14001 and ISO 14064 respectively. In 2015, Van Dyck Carpets became the first organisation in Africa to achieve The Carbon Trust Standard for Carbon. The environmental impact of our operations is of utmost importance to ensure the sustainability of our organisation and longevity of the areas in which we operate. We have developed environment policies to incorporate sustainable procurement and consumption in our day to day operations. Recertification of The Carbon Trust Standard for Carbon is due during the first quarter of 2017.

During 2017, we aim to further reduce our environmental impact by reducing our greenhouse gas emissions and complete the successful implementation of our energy management system, ISO 50001. Significant investment has been made in being able to monitor our resource consumption accurately which attributes significantly to the reduction and monitoring of our indirect emissions. Various projects were completed in 2016.

During the period of 2012 – 2015, we have seen a reduction based on the compliance period of 01/01/2014 to 31/12/2015 of 30.2% absolute reduction in greenhouse gas emissions. We envisage further reduction at the end of December 2016 for the reporting period 2016.

The continued investment in an integrated approach to energy management, environmental sustainability and the minimisation of our greenhouse gas emissions will yield further reductions in carbon emissions, waste and water consumption.

From a manufacturing perspective, we critically look at ways to minimise our environmental impact through the use of recycled content in the manufacture of our products, incorporate 'Design for Environment' philosophy within our research and development departments and ensure our products are manufactured in an efficient and least resource intensive manner.

From an internal perspective, to have a truly meaningful and lasting impact on the environment requires continuous awareness and feedback to our employees. We have held numerous talks aimed at educating our employees about the environment with a strong

focus on behavioural changes that can positively impact the organisation and their lives at home.

Implementation

Van Dyck Carpets implements its environmental policies, reduces environmental risk and responds to environmental incidents by:

- The continuous training of employees with regard to ISO 14001 and ISO 14064. During 2016, two senior individuals attended energy management system expert courses for the implementation of ISO 50 001. Both individuals have been certified. The organisation has two fully employed individuals certified as carbon analysts.
- The Carbon Trust Standard certification is valid for a period of two years. The certification will expire on December 2016. During December 2016, the organisation will conduct a review of its exist emission profile with re-certification expected during the first quarter of 2017.
- The energy team formed in 2015 has been active during 2016. The individuals were formally appointed as representatives to the team having identified the SEUs (Significant Energy Users). They were tasked with identifying energy hotspots within the organisation and instituting behavioural changes within the organisation to minimise energy impact.
- The organisation's energy management team provides the supervision of energy and water related matters including its consumption. This includes the management of electricity, steam, LPG gas, paraffin and water utilised in the organisation's manufacturing processes, provision of energy efficiency consultation, management of energy efficiency projects to reduce consumption throughout the organisation.
- The SHEQ & EnMS Policy was updated to reflect the addition of energy management into its policy. It is Van Dyck Carpets' SHEQ & EnMS policy to demonstrate sound environmental management in the acquisition of goods and services so as to ensure that such acquisitions have the minimum impact on our environment.

- Van Dyck Carpets reports on its resource utilisation monthly. This report is available and posted on all notice boards throughout the company. Targets are shown graphically and communicated to employees.
- Van Dyck Carpets utilises third party specialised assessors where necessary to ensure that it complies with all South African and International environmental laws.
- In April 2015, Van Dyck Carpets introduced a Sustainable Procurement Strategy. The organisation recognises a responsibility to take into account the economic, social, environmental and equality impacts of its purchasing activity, maximising the positive outcomes and minimising the negative. As an organisation, we have a responsibility to consider when procuring all goods, services and works. This includes, but not limited to, recycling targets, environmental considerations, transport, packaging and ethical issues.
- Van Dyck Carpets utilises the services of Enviroserv to ensure that all production waste is separated, recycled or disposed of in a correct manner prior to leaving its premises.
- The CEO leads the responsibility for environmental protection within the company. The SHEQ department is responsible for the continuous accreditation and implementation of ISO 14001, ISO 14064, The Carbon Trust Standard and ISO 50001. However, it must be noted here that the success of these systems largely involves the participation of all employees in the company and hence active participation is encouraged.

Measurement of outcomes

The company monitors and evaluates environmental performance by:

- ISO 14001 environmental management system is accredited once a year by the South African Bureau of Standards (SABS).
- ISO 14064 greenhouse gas management system shows the improvements made with regard to the reduction of greenhouse gas emissions on a yearly basis. The GHG information for the period of 01/01/2014 – 31/12/2015 disclosing gross emissions of

8 857 metric tonnes CO2 equivalent are verified by SGS to a reasonable level of assurance, consistent with the agreed verification scope, objectives and criteria.

- The Carbon Trust Standard has certified Van Dyck Carpets on a 20.7% absolute reduction based on the compliance period of 01/01/2014 to 31/12/2014 and a reduction of 24.5% relative reduction against turnover. The footprint and certification correspond to all Van Dyck's South African Operations. The Carbon Trust Standard will recertify Van Dyck's South African Operations during the first quarter of 2017.

Human Rights Principles

Assessment, Policy and Goals

All stakeholders associated with our brand have been aware of our association with the UNGC during the course of 2015. Communication has been conducted internally (through town hall meetings) and externally (through Social Media platforms & stakeholder correspondence). The UNGC logo is reflected on our letterhead and hence all official correspondence with stakeholders.

Implementation

Van Dyck Carpets has taken a number of measures to prevent human rights violations at our premises in Reunion which include:

- A suggestion box that is located close to where employees enter and leave the premises. This is a quiet area along a passage where employees have the freedom to voice any concerns and problems that they face in the work place. The suggestion box is controlled by the CEO who has access to it on a daily basis. In this manner, employees are assured that their rights will not be jeopardised and will be fully respected.
- The organisation continues to adopt an open door policy with regard to human rights issues.
- The responsibility for the respect and support of the Human Rights Principles rests with the CEO and Human Resources Manager.

- The respect, support and responsibility of the Human Rights, Labour and Anti-corruption principles have been extended to the Employment Equity Committee.
- The Employment Equity Committee has identified the 21st of March as a strategic Human rights day to create awareness. This process will be jointly facilitated by the Employment Equity Manager and EE Chairperson.
- The Human Resources Manager is responsible for conducting training sessions with all employees to raise the public awareness on human rights issues.
- During the first quarter of 2016, town hall meetings were facilitated with all departments in the organisation to create awareness of the Human Rights Declaration throughout the company.
- WI-HR-006 is our controlled procedure/policy document developed to address concerns and grievances of those who feel aggrieved.
- The sexual harassment policy has been developed as standalone procedure to systematically deal with all sexual related offences that might arise. This was suggested through town hall meetings during the course of 2015.

Measurement of outcomes

- All alleged incidents will be subjected to our code of conduct and their merits will determine disciplinary action is taken.
- All reported incidents were addressed through the disciplinary route with the view to educate and cooperation from employees considering that this was our first year however further transgression will be dealt with accordingly going forward.
- Communication progress related matters were indeed part of HR monthly reports and management objectives which are reviewed quarterly by senior management.
- Communication progress issues will form part of HR monthly report to the BOD.
- It is envisaged that in 2016, the Human Rights Principles will form part of Van Dyck's bi-annual management reviews. Such meetings involve the discussion on progress of such matters relating to International Standard Accreditations, Human Resource

related matters and Sales and Marketing. Such meetings are of strategic importance since they involve senior management from across the organisation.

- Management reviews involve the assessment of suppliers. Van Dyck Carpets will audit and evaluate all partners and suppliers against a set of defined principles, policies and guidelines. Contravention of Human Rights matters will be documented and meetings to address the matter with senior management of offending suppliers will take place. Continued non-compliance will result in the partner relationship being terminated.
- The 2016 (bi-annual) management review which is set to take place on the second week of December, is expected to reaffirm our initial commitment to review and evaluate policy, guidelines and further raise non-conformance where its required.

Labour

Assessment, policy and goals

Successful review of the Shift Pattern agreement was not only a reflection of transparent collective bargaining by Van Dyck Carpets' management and SACTWU officials but confirmation of nothing can stop parties (management and union from developing and maintaining a healthy relationship that will create a harmonious work environment. Van Dyck Carpets has developed new employment contracts in-line with recent legislation changes.

Van Dyck Carpets upholds the freedom of association and the effective recognition of the right to collective bargaining. Van Dyck Carpets recognises collective bargaining as a universal right for its employees, compensation and responsibilities.

Each employee undergoes an induction with regard to their respective rights as stipulated in its code of conduct once employed in the company.

The code of conduct clearly stipulates the rights and responsibilities of employees in the company. The compensation and benefits of each employee is stipulated in their employment letter.

Van Dyck Carpets has a long and well-established relationship with the South African Clothing and Textile Workers Union (SACTWU) and labour related matters are discussed at regular meetings that take place between the two parties.

The 2015/16 wage negotiation under NTBC (National Textile Bargaining Council) concluded with a 6.25% wage increase across the board from 1 July 2016 and a further 0.75% across the board increase from 1 January 2016.

Implementation

Van Dyck Carpets implements its labour policies, reduces risks and responds to labour violations by:

- Internal audits developed to ensure that employee personal files are up to date and all labour/developmental needs of our employees are officially addressed and maintained under the skills matrix and competency assessments.
- Labour related policies have been signed by all employees and forms part of induction process for new employees.
- For control purposes the Safety, Health, Environment and Quality (SHEQ) department ensures that all documentation related to labour policies are ISO compliant. This consists of a number of documents which include:
- **SHEQ & EnMS Policy** that reflects top management's commitment to injury prevention, ill health and the health and safety of personnel.
- **Recruitment policy** that reflects Van Dyck's commitment to rectify the imbalances of the past through affirmative action, Employment Equity and training. This policy has also been amended.
- **Performance Management Policy** - to manage performance of all staff members in the company in a participative, supportive and non-discriminatory manner in order to enhance efficiency and effectiveness and to improve service delivery through continuous feedback.
- **Career Management and Retention Policy** - to ensure career development and the retention of key staff members whose services is mission critical.
- **Training and Development Policy** - to contribute to the development of a pool of skilled South African workers to support National Economic and Skills Development strategies. Through Workplace Skills Plan and the grant from FP& M SETA, Van Dyck

Carpets was able to develop our employees skills through different trainings, not only employed people get the trainings but also the unemployed.

- **Code of Conduct** that advises employees of workplace rules and further assists management in ensuring that discipline is dealt with consistently and fairly.
- **Grievance Procedure** creates a safe and secure opportunity for employees who feel aggrieved at any given time.
- **Dress Code Policy** protects and encourages employees to dress appropriately and be presentable at all times.
- **Intoxication and Smoking Policy** protects employees from abuse of liquor and drugs. Van Dyck has partnered with Dr Mbizana, a counselling Psychologist with regards to substance abuse awareness. A 50/50 principle will be employed to those willing to use the services of the psychologist.
- **Birth Policy** ensures protection of employees before and after childbirth.
- **HIV/AIDS Policy** ensures that affected employees are treated with dignity and the company collectively works with the trade union, SACTWU to curb the scourge through the SACTWU AIDS project a joint HIV/AIDS initiative between SACTWU and all employers organised under SACMEA.
- **Communication Policy** balances privacy rights of employees with responsibilities that come with same rights of the employer.
- **Resettlement Policy** reflects management commitment to reasonable assist relocating and new employees with accommodation throughout the country.

Van Dyck Carpets works with the SACTWU, the textile affiliate under COSATU. For Collective Bargaining we are organised as the South African Carpet Manufacturer's association (SACMEA) under National Textile Bargaining Council (NTBC).

Parties (SACMEA & SACTWU) reached 2015/2016 wage agreement which will cover all weekly paid employees within bargaining unit. All job categories currently applicable wage levels were increased by 7% across the board and industry minimum weekly based on 45-hour week. Over and above employers agreed to increase HIV/AIDS levy contribution with further R 0, 10 (0.10%) per employee which will extend the existing contributions to R1.20 (1.2%) per

month. Parties also agreed to expand definition/qualifying criteria for paid Family Responsibility Leave to include Spousal Illness/Injury but limited to:

1. Chronic Illness
2. Hospitalisation
3. Accident resulting in injury/hospitalisation
4. Infirmary

2016 Annual inspection/audit report reflects zero findings which suggest full compliance with National Textile Bargaining Council rules.

Measurement of outcomes

The company monitors and evaluates performance by:

- Employment Equity Forum, which consists of top management, middle management, ordinary employees and union representatives. Collectively, they develop, evaluate and implement all policies and guidelines throughout the organisation.
- In line with section 16 we have taken reasonable steps to consult and attempt to reach agreements on the collection of information and conducted analysis as prescribed within employment policies, practices, procedures and working environment, in order to identify employment barriers which adversely affect people from designated groups.
- Section 18(1) Disclosure of information - during planned consultation sessions in terms of Chapter 111, relevant information was disclosed to consulting parties for them to consult effectively, during Employment Equity Forum meetings, minutes were taken and filed accordingly.
- Quarterly meetings were scheduled and the meeting planner was circulated to all Employment Equity Forum members.
- Section 23, Successive Employment Equity Plans – employment equity plans have been prepared.
- Section 24(1), designated employer must assign manager – the company has re-appointed Mr Pravesh Mahadeo (Financial Director) to take responsibility for

monitoring and implementation of the employment equity plans/reports, respectively.

- The company extended its employee development vision by working with the Fibre Processing and Manufacturing Sector Education and Training Authority who has been designated with task to assist through Skills Development Levies (SDL) paid through tax to National Skills Fund (NSF). There are two types of funding under FP&M Seta being Pivotal and Non-Pivotal, Van Dyck Carpets focused on Pivotal Programmes through submission of Workplace Skills Plan submitted mid-2015. Following interventions were prioritised and approved:
 - AET – 20 learners are participating on this occupationally-directed programme, started October 2016 – October 2017 (foundational learning certificate).
 - Learnership – 3 employed (18.1) learners participating with SETA accredited certification outcome.
 - Learnership – 5 unemployed (18.2) learners are active participants.
 - Skills Programme – 10 employed learners are completing production process control.
 - Apprenticeship – 2 employed learners are conducting boiler making and mechanical trade.

Anti-Corruption

Assessment, policy and goals

Van Dyck Carpets has a zero-tolerance approach to corruption, bribery and extortion. As part of our values, we will act with uncompromising honesty and integrity. In doing business anywhere in the world, Van Dyck Carpets nor any person associated with the company may offer, pay, promise, authorise or receive any bribe, kickback or other illicit payment. We continue to provide education for all our employees, staff and management about corruption and its consequences.

Implementation

- Our Code of Conduct strongly discourages all forms of corruption. The Code of Conduct outlines disciplinary steps to be taken should anyone found involved in corruption, bribery and kickbacks.

- We currently have sick leave management where we are able to identify doctors who perpetrate or give out sick notes illegally. The company together with the company doctor are working to gather proof for the misconduct so that the perpetrators can be reported to the respective medical council. Employees found with illegal sick notes are subject to disciplinary action.
- Our buying procedure is developed in such a way as to minimise the potential wrongdoing from the purchase of goods from suppliers.
- Van Dyck Carpets is a proud member of Corruption Watch SA.
- Organisational ethics profile was subjected to internal audit by SHEQ department and non-conformances reviewed through Employment Equity Forum.
- All policies and external participations against corruption are made available through intranet which has been made available to all through training department facility.
- Anti-corruption will top our town hall meetings and training in 2017.
- During Employment Equity town hall meetings, anti-corruption was part of our agenda and it forms part of a disciplinary code as serious misconduct leading to dismissal.

Measurement of outcomes

- Van Dyck Carpets has not been involved in any legal cases, rulings or other events related to corruption and bribery.
- Pension reform announcement resulted in 3 individuals resigning from their respective positions with the intention to reapply for identical positions. HR has been tasked to audit the process through exit interviews and report any suspicions to the Board of Directors.
- Our financial accounts are subjected to statutory external audits yearly. These audits are used as one of the methods in identifying suspicious payments, receipt of monies, which could be related to bribery and corruption.
- No incidents of corruption have been reported in 2016.