



# **Social and Ethics Committee Terms of Reference**

## 1 INTRODUCTION

- 1.1 The Board hereby establishes a Social and Ethics Committee ("the Committee"), pursuant to s43 of the Regulations to the Companies Act 71 of 2008. The duties and responsibilities of the members of the Committee are in addition to those as members of the board.
- 1.2 The Committee shall consist of not less than 3 (three) non-executive directors appointed by the Board of Directors ("the Board"), 3 (three) members of the EC and the Group SHE Manager;
- 1.3 The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their statutory obligations.
- 1.4 These terms of reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation ("MOI") and any other applicable law or regulatory provision.

## 2 OBJECTIVES AND DELEGATION OF DUTIES

The Board of Directors hereby confer upon the members of the Committee acting in terms of this resolution from time to time the following powers:

### 2.1 Statutory duties

- 2.1.1 To consider, recommend and monitor AECI Group's activities with regards to the following and report accordingly to the Board:
  - 2.1.1.1 **Good corporate citizenship:** specifically in relation to (i) promotion of equality, (ii) prevention of unfair discrimination and reduction of corruption and (iii) AECI Group's record of sponsorship, donations and charitable giving;
  - 2.1.1.2 **Labour and employment matters:** specifically in relation to AECI Group's standing on (i) the ILO protocol on decent work and working conditions, (ii) the employment relations and contribution to the educational development of its employees;
  - 2.1.1.3 **Safety, health and environmental:** specifically in relation to the impact of AECI Group's activities and its products and services;
  - 2.1.1.4 **Social and economic development of *defined* communities:** specifically in relation to (i) the 10 principles set out in the United Nations Global Compact, (ii) the OECD recommendations regarding corruption, (iii) the Employment Equity Act and (iv) the Broad-Based Black Economic Empowerment Act, and
- 2.1.2 To monitor and advance the implementation of policies and plans approved by the Board as contemplated in 2.1 above.
- 2.1.3 Report to shareholders of the AGM on matters in its mandate.

### 2.2 Non-Statutory duties

- 2.2.1 To perform non-statutory duties in complement to its statutory duties, the Committee is further mandated to:
  - 2.2.1.1 **AECI Code of Ethics and Business Conduct:** to monitor to the best of its ability that AECI and its subsidiaries adhere to the approved Code of Ethics and Business Conduct policy and guidelines;

- 2.2.1.2 **Sustainability:** provide guidance and advice on sustainability trends and issues relevant to the AECI Group and approve and review the Group sustainability policy from time to time. The Committee will be informed on the sustainability risks as recorded in the Group risk register and provide related input to the Risk Committee as appropriate. The Committee will further review Health, Safety and Environmental incident reports;
- 2.2.1.3 **Stakeholder relations:** monitor to the best of its ability that AECI and its subsidiaries know who their stakeholders are and understand their issues and treat all stakeholders in an equitable and fair manner.

### 3 PROCEEDINGS OF THE COMMITTEE

- 3.1 The related Executive Directors and Prescribed Officers shall attend the meetings of the Committee by invitation to present and engage on pertinent matters with the Committee.
- 3.2 Suitably qualified persons may be co-opted onto the Committee when necessary, to render such specialist services as may be necessary to assist the Committee in its deliberations on any particular matter.
- 3.3 The Chairperson of the Committee shall be a Non-Executive Director nominated to the position by the Board and shall give periodic reports to the Board on pertinent matters and attend the Annual General Meeting of the Company to present a report on matters within its mandate.
- 3.4 The Company Secretary or his/her designate shall be the secretary of the Committee and take minutes of the meeting. Minutes of all meetings shall be circulated to all the members of the Committee.
- 3.5 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's Memorandum of Incorporation regulating the meetings and proceedings of Directors and committees.
- 3.6 The Committee has a right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to following due process.

### 4 MEETINGS

- 4.1 Meetings of the Committee will be held as often as the Committee deems to be appropriate; however the Committee should meet at least twice each year. The Chairperson of the Committee or any member of the Committee may call a meeting at any other time whenever it is deemed appropriate and in consultation with the Chairman of the Committee.
- 4.2 The notice of each meeting of the Committee, confirming the venue, time and date, and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 4.3 The quorum for the Committee shall be any 3 (three) members, of whom at least 2 (two) shall be Non-Executive Directors of the Company.
- 4.4 Members and/or invitees of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.

## 5 **REPORTING**

- 5.1 The Committee shall submit copies of the minutes of its meeting to the Board and report on its activities at board meetings.
- 5.2 The Committee shall ensure the preparation of a statement for inclusion in the annual report that describes the Committee's composition and responsibilities and how these have been discharged for the period under review.
- 5.3 The chairman of the Committee, or his designate shall report, to the shareholders at AECI's annual general meeting on matters within its mandate.

## 6 **GENERAL**

- 6.1 The Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- 6.2 These terms of reference will be due for review at 3 (three) year intervals or where otherwise required.

## 7 **GUIDELINES**

In carrying out its mandate under these terms of reference, the Board sets the following guidelines for the Committee:

### 7.1 **Broad Based Black Economic Empowerment (B-BBEE)**

- 7.1.1 The Company should use its best endeavours to involve historically disadvantaged South Africans as equity partners in the Group or as preferred suppliers to Group companies but only to the extent that the true beneficiaries are indeed historically disadvantaged South Africans and it does not unduly disadvantage or destroy shareholder value in the Group.
- 7.1.2 Approve the B-BBEE strategy and targets to ensure that transformation implementation is measurable.

### 7.2 **Labour and Employment**

- 7.2.1 The primary objective of the Company's Employment Equity Programme ("Programme") is to develop and implement a competitive human resource strategy to ensure that the Company is able to attract, retain and develop the best possible talent to support superior business performance. The Programme's objective is to create an organisational culture, structures and process that seek to support the development of people and the optimisation of their potential. The Programme shall form part of the business plans of the divisions and the Committee shall be responsible for monitoring and auditing development and progress.
- 7.2.2 The exclusion of any person capable of contributing to the Company's affairs is not good business practice and accordingly, a secondary but equal objective, is the need to address any existing inequalities in staff profiles and organisational practice. Those staff members who have been disadvantaged must be given the appropriate support so that they too, will be equipped for successful careers within the Group.
- 7.2.3 The Committee is tasked with monitoring the implementation of the Company's Employment Equity Policy which is underpinned by a commitment to:

- 7.2.3.1 embrace transformation and diversity in order to achieve adequate representation in terms of race and gender at all levels of the Company;
- 7.2.3.2 enhance business performance through progressive and innovative human resource management;
- 7.2.3.3 create an environment where individuals who demonstrate initiative, enterprise, ability, effort and loyalty are able to develop rewarding careers at all levels, irrespective of their backgrounds;
- 7.2.3.4 ensure that all employees have the right to work in an environment that is free from discrimination and harassment;
- 7.2.3.5 ensure equitable access to opportunity and contribution towards educational development of employees;
- 7.2.3.6 maintain an environment where employment and progression is based on merit – subject to clause 7.2.3.8;
- 7.2.3.7 provide meaningful support and appropriate education and training to those from historically disadvantaged backgrounds; and enhance diversity through:
  - 7.2.3.7.1 recruitment targets that ensure equitable access to employment and accelerated developmental opportunities; and
  - 7.2.3.7.2 developing a culture that values and optimises the benefits of diversity;
- 7.2.3.8 ensure compliance with the Employment Equity Act by the Company by formulating and monitoring the implementation of a Policy that addresses, amongst other matters:
  - 7.2.3.8.1 discrimination;
  - 7.2.3.8.2 harassment;
  - 7.2.3.8.3 affirmative action; and
  - 7.2.3.8.4 internal dispute resolution.

### 7.3 **Safety, Health and Environment (“SHE”)**

In SHE matters the role of the Committee shall be:

- 7.3.1 to review the policies and performance of the Company, its divisions and its managed subsidiaries and the progressive implementation of these policies;
- 7.3.2 to examine and advise on the most appropriate methods of environmental performance measurement to be adopted and the levels of improvement that the Company should be pursuing;
- 7.3.3 to review the public reporting criteria to be adopted;
- 7.3.4 to encourage independently managed subsidiaries, associates and significant investments to develop policies, guidelines and practices congruent with the Company’s environmental, health and safety policies;
- 7.3.5 to receive reports covering matters relating to substantive SHE-related risks and liabilities relating to:

- 7.3.5.1 the Company's Head Office and its divisions (*and may request such reports from appropriate Directors of the Company*);
- 7.3.5.2 managed subsidiaries (*and may request such reports from the relevant representatives of the Company serving on the boards of these companies or their equivalent committees*); and
- 7.3.5.3 independently managed subsidiaries, associates and significant investments where appropriate, and may request the relevant representatives of the Company serving on the boards of these companies or their equivalent committees to assess whether such matters are receiving due attention in the manner congruent with the Company's policies;
- 7.3.6 to review Group environmental legacy remediation policies and progress;
- 7.3.7 to monitor key indicators on incidents and, where appropriate, ensure that such information is communicated to other companies managed by or associated with the Company;
- 7.3.8 to consider substantive national and international regulatory and technical developments in the fields of SHE management; and
- 7.3.9 to facilitate participation, co-operation and consultation on SHE-related matters of governments, national and international organisations, super-national authorities, other companies and other SHE-related bodies.

#### 7.4 **Social and Economic Development of Defined Communities**

In the area of Social and Economic Development of defined Communities (SEDC) and related spending, the role of the Committee shall be:

- 7.4.1 to make recommendations to the Board on the appropriate aggregate level of SEDC by the Group and its operating subsidiaries, either as an absolute amount per annum, to be reviewed annually, or as a percentage of after tax profit or revenue of the Company;
- 7.4.2 to make recommendations to the Board on the areas towards which the Group's SEDC spending should be directed;
- 7.4.3 to require and review reports from time to time from operating subsidiaries and from officials in the Company's Head Office charged therewith on the nature of and progress with their respective SEDC projects in progress and to make recommendations to the Board on whether such projects achieve, to best advantage, the objectives of the Group's SEDC programme.

#### 7.5 **Ethical Business Conduct**

In the area of Ethical Business Conduct, the role of the Committee shall be to:

- 7.5.1 Monitor that the ethical standards and guidelines governing relationships both internally and externally are clearly defined e.g. through an appropriate Code of Ethics and Business Conduct;
- 7.5.2 Monitor that as far as it possibly can, there is a sustainable and ethical corporate culture across the Group;

7.5.3 Monitor that the integration of the Code into business processes with employees and supplier contracts through on-going and targeted training.

7.6 **Stakeholder Relationships**

In the area of Stakeholder Relationships, the role of the Committee shall be to:

7.6.1 monitor that there is a robust process for managing the Company's reputation as detailed in a stakeholder management framework;

7.6.2 monitor that management proactively deals with stakeholder relationships in an integrated manner;

7.6.3 monitor that there is an equitable treatment of stakeholders in line with the stakeholder management framework;

7.6.4 monitor that there is a transparent and effective communication with stakeholders to build and maintain their trust and confidence;

7.6.5 monitor that there is a mechanism in place geared at guaranteeing that disputes are resolved effectively, efficiently and expeditiously as possible.

8 **FEES**

8.1 Committee members shall be remunerated for their services on the Committee. The Chairperson of the Committee may be paid additional fees for services rendered in that capacity.

8.2 The Board will decide on the fees to be paid by the Board from time to time, subject to approval by shareholders in a general meeting.

**Approved and accepted:**

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**Ms Z Fuphe** **Date**  
**Social and Ethics Committee Chairman, AECI Ltd**

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**Dr KD Mokhele** **Date**  
**Chairman, AECI Ltd**