

# TERMS OF REFERENCE

## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

REVIEWED BY THE COMMITTEE ON 11 MARCH 2019

APPROVED BY THE BOARD ON 24 MAY 2019

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## 1. Introduction

The social, ethics and transformation committee (“**the Committee**”) is constituted, as a standing committee of the Board, in compliance with the requirements of section 72 of the Companies Act, 2008, read with Regulation 43 of the Companies Regulations and further to assist the board of directors (“**the Board**”) of Reunert Limited (“**Reunert**” or “**the Company**”) with its oversight of ethics, good corporate citizenship and labour of the Company and its subsidiaries, and affiliates to the extent relevant (“**the Reunert Group**”), and matters that are related thereto, as set out in these terms of reference.

## 2. Purpose of the terms of reference

The purpose of this document is to constitute the terms of reference of the Committee by setting out the role and responsibilities of Committee, to regulate the affairs of the Committee and deal with administrative matters relating thereto. In the event that there is a conflict between these terms and reference and any regulation that binds the Committee, the provisions of the regulation will prevail.

## 3. Composition

### 3.1 Appointment of and requirements relating to members

The committee must have at least three members. All of its members must be non-executive directors and the majority must be independent. The composition of the Committee shall, at a minimum, meet the requirements prescribed by the Companies Act<sup>1</sup> and the JSE Limited Listings Requirements<sup>2</sup>. The collective skills and experience of the members must be appropriate to carrying out the role and associated responsibilities of the Committee.

Members of the Committee are recommended by the nomination and governance committee and appointed from time to time by the Board.

### 3.2 Filling of casual vacancies

The Board must appoint an individual to fill a vacancy (that is, when the number of members on the Committee falls below three), as soon as possible, but no later than the next meeting of the Board after the vacancy arose.

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<sup>1</sup> Regulation 43(4) provides that:

*“A company’s social and ethics committee must comprise not less than three directors or prescribed officers of the company, at least one of whom must be a director who is not involved in the day-to-day management of the company’s business, and must not have been so involved within the previous three financial years.”*

<sup>2</sup> Section 3.84 of the Listings Requirements reads as follows:

*“all issuers must, in accordance with the King Code appoint an (i) audit committee, (ii) a committee responsible for remuneration and (iii) a **social and ethics committee**. The composition of such committees must comply with the Companies Act (as applicable) and should be considered in accordance with the recommended practices in the King Code on an apply and explain basis, provided that each committee must comprise of at least three members. A brief description of the committee mandates, the number of meetings held and other relevant information must be disclosed in the annual report”*

In order to ensure compliance with the JSE Listings Requirements, which stipulate that the Committee must have at least three members, the Committee may not continue to execute its mandate if it has less than three members.

### 3.3 Attendance by request

The Committee may require any employee of the Reunert Group, external consultant, or subject matter expert, to attend some or all of the meetings of the Committee, but (unless appointed to the Committee in accordance with the process in paragraphs 3.1 and 3.2) these individuals may not be members of the Committee and, as such, may not vote on any matters before the Committee.

### 3.4 Chair of the Committee

The nomination and governance committee recommends, for approval by the Board, a member of the Committee to be its chair. The chair must be a non-executive director of the Company.

The chair of the Board may not also be the chair of the Committee.

If the appointed chair of the Committee is absent from a meeting, the members present shall elect one of them to act as chair of that meeting (in which event the chair of the Board is eligible to be elected as chair of that meeting).

## 4. Mandate

The role and associated responsibilities and functions of the Committee are to:

### 4.1 King IV: Ethics

- oversee and monitor organisational ethics within the Reunert Group; and
- oversee and monitor the annual compliance undertakings submitted by business unit managing directors.

### 4.2 Strategy implementation – sustainability strategy

- monitor and make recommendations to the Board on the implementation of the Reunert Group Sustainability Strategy, which strategy shall, at a minimum, deal with transformation and the environment.

### 4.3 Regulation 43: Human resources

- monitor the Reunert Group's material activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - social and economic development, specifically the Reunert Group's standing in terms of the goals and purposes of:
    - the Employment Equity Act; and
    - the Broad-Based Black Economic Empowerment Act;
  - labour and employment, including:
    - decent work and working conditions<sup>3</sup>; and

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<sup>3</sup> Regulation 43 refers to the "*International Labour Organization Protocol on decent work and working conditions*". The ILO has a number of publications on decent work, but it is not clear what "Protocol" companies in the Reunert Group should be measured against. In 2013 the ILO published a list of South

- the Reunert Group’s employment relationships; and
- the Reunert Group’s contribution toward the educational development of its employees; and
- promotion of equality and the prevention of unfair discrimination in the workplace.

## 4.4 Regulation 43: Corporate citizenship

- monitor the Reunert Group’s material activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - social and economic development, specifically the Reunert Group’s standing in terms of the goals and purposes of:
    - the 10 principles set out in the United Nations Global Compact Principles (see **Annexure A**); and
    - the OECD recommendations regarding corruption (which, among other things, encourage companies to develop effective internal control, ethics, and compliance programmes or measures for the purpose of preventing and detecting foreign bribery);
  - good corporate citizenship, including, in respect of the Reunert Group:
    - combatting of corruption;
    - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed (as evidenced by the BBBEE ratings<sup>4</sup> presented to the Committee in terms of the Reunert transformation strategy); and
    - sponsorships, donations and charitable giving (as evidenced by the BBBEE ratings presented to the Committee in terms of the Reunert transformation strategy);
  - the environment, health and public safety, including the impact of the Reunert Group’s activities and of its products or services; and
  - compliance with consumer protection laws<sup>5</sup>.

## 4.5 King IV: Stakeholder relationships

- consider whether there are additional stakeholder groupings not appropriately dealt with by the Board, the Committee (in terms of Regulation 43 the Committee is responsible for overseeing relationships with employees, communities and customers) or other committees of the Board; and
- to the extent not dealt with by the Board or other committees of the Board, oversee and monitor the management of the Reunert Group’s stakeholder relationships.

## 4.6 Reunert Group policies

- consider and approve the mechanism through which employee conduct in the Group is aligned to the Group Values, following recommendation by the chief executive officer;
- review and oversee the implementation of policies in the Reunert Group relating to:
  - organisational ethics and general governance (not within the mandate of other Board committees);
  - responsible corporate citizenship (as envisaged under paragraph 4.4);

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African legislation that they regard to relate to decent work ([http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms\\_232765.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_232765.pdf) on page 80) Given that the Reunert Group complies with the existing South African labour legislation the Group is providing decent work and working conditions.

<sup>4</sup> The BBBEE-ratings include measurement of Enterprise and Supplier Development (ESD); Socio-economic Development (SED) and Skills Development.

<sup>5</sup> Due to the minimal consumer relationships in the Reunert Group (more than 95% of the Group’s sales are business-to-business) the Committee will not focus on advertising, public relations and consumer relationships.

- sustainable development (as covered by the Reunert Group's sustainability strategy); and
- stakeholder relationships (not within the mandate of the Board or other Board committees).

## 4.7 King IV, Regulation 43 and Listings Requirements: Reporting

- report, through one of its members, to the shareholders at the Company's annual general meeting on the matters within the Committee's mandate;
- report, by way of the integrated report or another publicly available platform (as the Committee in its discretion decides), on matters which fall within its mandate and as recommended by the King IV Code and including, but not limited to:
  - its overall role and associated responsibilities and functions;
  - its composition, including each members' qualifications and experience;
  - any external advisors or invitees who regularly attend meetings;
  - key areas of focus during the reporting period;
  - the number of meetings held during the reporting period and attendance at those meetings; and
  - whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with these terms of reference, for the reporting period.

## 4.8 Other roles and associated responsibilities

- fulfil any additional functions that the Board may deem appropriate to delegate to the Committee by way of its formal "Delegation of Authority" document, or on an ad hoc basis; and
- in accordance with Regulation 43, to draw matters within its mandate to the attention of the Board as occasion requires.

## 5. Authority

In terms of section 72 of the Companies Act, the Committee is entitled (subject to following any reasonable board approved process, as may be prescribed from time to time) to:

- require from any director or prescribed officer of the Reunert Group any information or explanation necessary for the performance of the Committee's functions;
- request from any employee of the Reunert Group any information or explanation necessary for the performance of the Committee's functions;
- attend any general shareholders meeting;
- receive all notices of and other communications relating to any general shareholders meeting; and
- be heard at any general shareholders meeting on any part of the business of the meeting that concerns the committee's functions; and
- payment by the Reunert Group of all expenses reasonably incurred by the Committee in the exercise of its statutory duties, including, if the Committee considers it appropriate, the costs or the fees of any consultant or specialist engaged by the Committee in the performance of its functions.

In addition to its statutory authority, the Committee has the authority to:

- investigate, monitor and report to the Board on any activity within the scope of its mandate as contemplated in these terms of reference, the formal "Delegation of Authority Document", or granted on an ad hoc basis, and to take and implement decisions on such matters to the extent that the authority to do so is expressly or impliedly bestowed in terms of its mandate;
- sub-delegate any of the authority delegated to it;

- in the fulfilment of its roles and associated responsibilities, call on the chairs of other Board committees, any of the executive directors or officers, or the company secretary of the Company to provide it with information, subject to following a Board-approved process, if any;
- access the records of the Company and its subsidiaries, facilities and any other resources necessary to discharge its role and associated responsibilities, subject to following a Board-approved process, if any; and
- obtain independent outside professional advice to assist with the execution of its role and associated responsibilities, at the cost of the Company, subject to following a Board-approved process, if any.

## 6. Administration and meetings

### 6.1 Frequency

The Committee shall hold a minimum of two meetings in any financial year.

Meetings, in addition to those scheduled before the commencement of each financial year, may be scheduled by the chair of the Committee in consultation with the secretary, or at the instance of the Board.

### 6.2 Attendance

Committee members are expected to make every effort to attend all meetings of the Committee, including meetings called on an ad hoc-basis for special matters.

If it is not possible for a member of the Committee to attend any meeting of the Committee, prior apology, with reasons, shall be submitted to the chair of the Committee or to its secretary.

### 6.3 Quorum

The Committee shall not have a quorum to proceed with a meeting if more than one of its members are not present.

Invitees and the secretary shall not be taken into account when determining a quorum.

## 7. Approval of the terms of reference

These terms of reference were recommended to the Board by the Committee following review by its members on **11 March 2019** and approved by the Board represented by its chair, on **24 May 2019**.

## UN Global Compact

*The following is an extract from the United Nations Global Compact website pertaining to the ten principles referred to in Regulation 43(5) regarding the duties of the social and ethics committee.*

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

### Human Rights

Businesses should:

- Principle 1: support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: The elimination of all forms of forced and compulsory labour;
- Principle 5: The effective abolition of child labour; and
- Principle 6: The elimination of discrimination in respect of employment and occupation.

### Environment

Businesses should:

- Principle 7: support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Further information can be found at [www.unglobalcompact.org/](http://www.unglobalcompact.org/)