

CHARTERED INSTITUTE FOR BUSINESS ACCOUNTANTS NPC

REGISTRATION NUMBER: 1990/005364/08

("CIBA")

CIBA SOCIAL AND ETHICS, REMUNERATION AND NOMINATIONS COMMITTEE

TERMS OF REFERENCE

The purpose of these terms of reference is to define the mandate, role and responsibilities, delegated authority, membership and its meeting procedures of the Social and Ethics, Remuneration and Nominations Committee (the "**Committee**").

These terms of reference were approved by the Board of Directors (the "**Board**"). The Board is required to annually review the terms of reference. Committee members are responsible for familiarising themselves with the most current terms of reference to fully understand their responsibilities.

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| Reference number | SECToR-003 |
| Initial approval | Social and Ethics, Remuneration and Nominations Committee |
| Final approval | Board of Directors |
| Amendments | Minor grammatical corrections Replacement of references to SAIBA with CIBA |
| Review date by the Committee | July 2023 |
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t: +27 (0)12 643 1800 | f: +27 86 508 2923 | e: saiba@saiba.org.za |
 w: saiba.org.za | saiba.academy.co.za | accountingweekly.com | cfoclub.co.za

PRETORIA: The Workspace, Corner Pinaster Avenue & 18th Street, The Club Shopping Centre, Hazelwood
CAPE TOWN: Spaces Century City, No. 1 Bridgeway Road, Bridgeways Precinct, Century City 7441
NAMIBIA: Regus Office Building, 3rd Floor, Maerua Mall, Windhoek

DEFINITIONS AND ABBREVIATIONS

Unless the context indicated otherwise, the following words, terms of expressions will have the meanings to them hereunder –

“**B-BBEE**” means Broad-Based Black Economic Empowerment;

“**Board**” means the Board of Directors of CIBA;

“**Chairperson**” means the chairperson of the Committee appointed by the Board;

“**Committee**” means the Social and Ethics, Remuneration and Nominations Committee of CIBA;

“**Companies Act**” means the Companies Act, 71 of 2008, as amended and from time to time;

“**Company Secretary**” means the company secretary of CIBA;

“**Good Cause**” means cause that will be acceptable to the Board, which may be accepted or rejected by the Board; and

“**King IV**” means the King IV Report on Corporate Governance for South Africa, 2016.

1. INTRODUCTION

1.1 In order to improve efficiencies, the Social and Ethics Committee and Nomination, Remuneration and Human Resources Committee were combined by the Board by round robin resolution during February 2017. The Social and Ethics Committee and Nomination, Remuneration and Human Resources Committee are therefore constituted by the Board as the combined Social and Ethics, Remuneration and Nominations Committee with combined terms of reference.

1.2 In terms of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, CIBA is obliged to appoint a social and ethics committee. Principle 4 of King IV states that the Board of CIBA should appreciate that CIBA’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all integrally connected and part of the value creation process.

1.3 Clause 7 of the Board Charter makes provision for the Board to delegate certain matters to the Committee. Principle 8 of King IV states that a governing body should ensure that the delegation of duties and responsibilities to its various governing body committees promotes independent judgement and assists with the balance of power, as well as the effective discharge of its duties.

1.4 The duties and responsibilities of the Committee members are in addition to those as Board members. The deliberations of the Committee do not reduce the individual and collective

responsibilities of Board members, who must continue to exercise due care and judgment in accordance with their legal obligations.

- 1.5 These terms of reference are subject to the provisions of the Companies Act, CIBA's Memorandum of Incorporation, the Board Charter, any other applicable law or regulatory provision and with due consideration of King IV.

2. MEMBERSHIP

2.1 Composition

- 2.1.1 The Committee is a committee of the Board, advisory in nature and accountable to the Board and to members by reporting on an annual basis on the execution of its mandate.

- 2.1.2 Committee members will be appointed by the Board from amongst the Board members from time to time and will consist of executive and non-executive directors, the majority of whom must be non-executive directors. In deliberating on the appointment of Committee members, the Board should give due consideration to the ideal combination of skills required to fulfil the mandate of the Committee.

- 2.1.3 Committee members are required to ensure they are fully apprised of latest developments in the industry and in the areas of social and ethics development generally.

- 2.1.4 Committee members must act with care, skill and diligence, in the best interest of CIBA and avoid conflicts of interest.

- 2.1.5 A Committee member, who holds office as director, automatically ceases to be a Committee member upon resignation from the Board.

- 2.1.6 A Committee member may resign at any time by giving 2 (two) months' written notice to the Company Secretary and the Chairperson of the Board.

2.2 Committee tenure

The Committee will serve until the Board elects to make changes.

2.3 Chairperson

- 2.3.1 The Board must elect the Chairperson, who must be an independent non-executive Board member.

- 2.3.2 If the Chairperson is not available to chair a Committee meeting, the Committee members present will elect one of their number to act as chairperson for that Committee meeting.

3. INELIGIBILITY AND DISQUALIFICATION OF MEMBERS

A person is ineligible or disqualified to become a Committee member if such a person is ineligible or disqualified in terms of section 69 of the Companies Act; is not a director of CIBA; or does not comply with the minimum qualification requirements as may be prescribed from time to time.

4. DELEGATION OF DUTIES AND RESPONSIBILITIES

The Committee may delegate any of its responsibilities, as it deems appropriate, to any of its members or a sub-committee of its members, or to working groups, subject to the Committee's direction and supervision – this with the express condition that the Committee retains full and exclusive authority over and responsibility for any activities of such other person or persons. Nothing contained in this paragraph will be construed to confer upon any such person any discretion, authority or control regarding any matter, unless expressly authorised in writing.

5. MANDATE OF THE COMMITTEE

5.1 The Committee's mandate is to perform the role and function of a social and ethics committee provided for in the Companies Act, read with Regulation 43 of the Companies Regulations –

5.1.1 to monitor whether CIBA complies with any relevant social, ethical and legal requirements and prevailing best practice codes;

5.1.2 to bring to the attention of the Board any relevant matters within the scope of its mandate; and

5.1.3 to report to members on matters that fall within the scope of its mandate.

5.2 The Committee is further mandated to–

5.2.1 assist the Board with strategic oversight of matters relating to the development of CIBA's human resources with the main objective of creating a competitive human resource for CIBA;

5.2.2 assist the Board in discharging its oversight responsibilities relating to all compensation, including annual base salary, annual incentive compensation, employment, severance pay and ongoing perquisites or special benefit items; and

5.2.3 assist the Board in the implementation of programmes to ensure that the Board's composition and size is appropriate at all times, to oversee the annual evaluation of the Board and its committees, as well as the independence assessment and the qualification and competence of the Company Secretary.

6. ROLE AND RESPONSIBILITIES OF THE COMMITTEE

- 6.1 The Committee has an independent oversight role and makes recommendations to the Board for its consideration and final approval, considering the input from executive management. Its role forms part of the mandate of the Committee.
- 6.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors.
- 6.3 The role of the Committee in relation to **human resources and remuneration matters**, is to assist the Board with the following –
- ensuring alignment of the remuneration and human resources strategies and policies with CIBA’s business strategy and the desired culture;
 - reviewing and approving the process of performance management and to approve annual targets set for these purposes, if any;
 - considering and recommending for approval by the Board the remuneration of the chief executive officer and chief operating officer;
 - ensuring CIBA remunerates executive management, including fees payable to non-executive directors and subject to prior approval at an Annual General Meeting (“AGM”), fairly and responsibly and that annual bonuses are clearly related to performance objectives;
 - ensuring disclosure of directors’ remuneration is accurate, complete and transparent;
 - annually review and making recommendations to the Board on the Remuneration Policy;
 - reviewing related party transactions and disclosure, if any; and
 - ensuring that the structures, policies and procedures facilitate good management and utilisation of human resources.
- 6.4 The role of the Committee in relation to **nomination matters**, is to assist the Board with the following –
- regular review of the Board’s structure, size and composition and to make recommendations to the Board on any adjustments deemed necessary;
 - identifying and nominating suitable candidates to the Board for Board approval;
 - recommending to the Board which directors should be categorised for governance purposes as executive directors, non-executive directors and independent non-executive directors;
 - ensuring that formal succession plans for the Board, Chief Executive Officer and senior

management are developed and implemented;

- considering annually, the eligibility for re-election of those Board members who retire by rotation, and recommending or advising otherwise such retiring members' re-appointment by members at the AGM, considering the results of their performance evaluation;
- considering annually, as part of the Board evaluation process, the independence of the Board members;
- ensuring the establishment of a formal process for the appointment of directors and to regularly review such process to ensure its appropriateness and adequacy, including –
 - identifying suitable candidates for election to the Board;
 - performing reference and background checks of candidates prior to nominating them for appointment;
 - formalising the appointment of directors through an agreement between CIBA and the director;
- overseeing the development of a formal induction programme for new Board members;
- co-ordinating the annual performance evaluation of the Board and its committees;
- considering and recommending to the Board for approval policies relating to the Committee's mandate as set out in these terms of reference; and
- making recommendations to the Board concerning membership of its committees as appropriate, in consultation with the chairpersons of the Board committees.

6.5 The role of the Committee in relation to **social and ethics matters**, is to assist the Board as follows, including but not limited to –

6.5.1 **Organisational ethics**

The Committee should ensure that the ethics of CIBA are managed in a way that supports the establishment of an ethical culture, including –

- individually and collectively assisting the Board by promoting and embedding the following values and characteristics, i.e., integrity, competence, responsibility, accountability, fairness and transparency;
- leadership demonstrating support for ethics throughout CIBA;
- setting a strategy for managing ethics that is informed by the negative and positive ethics risks

CIBA faces;

- designing, articulating and monitoring ethical standards in a code of ethics and supporting policies;
- ensuring that structures, systems and processes are in place in order to familiarise the Board, employees and supply chains with CIBA's ethics standards;
- monitoring adherence to CIBA's ethics standards by all contracted stakeholders;
- making ethics a criterion in the selection, promotion and performance management of staff and suppliers;
- identifying and reviewing items that conflict with the practice of good corporate citizenship, CIBA's code of ethics and/or any other policy of CIBA that is of an ethical nature;
- providing reporting mechanisms for safe reporting of unethical behaviour;
- reviewing and monitoring CIBA's policies on whistleblowing, tip offs anonymous or any other policy that may require independent investigation and facilitate this process in an expedient manner;
- responding to breaches of ethical standards in a manner that will prevent reoccurrence;
- reporting on CIBA's ethics performance in the integrated annual report;
- reviewing and monitoring the ethical framework of CIBA; and
- evaluating the extent to which ethics has become part of the corporate culture.

6.5.2 **Monitoring responsibilities**

- a) Monitor CIBA's activities, having regard to any relevant social, ethical and legal requirements and prevailing best practice codes.
- b) Monitor CIBA's activities, having regard to social and economic development, including CIBA's standing in terms of the goals and purpose of the following –
 - OECD guidelines regarding corporate corruption;
 - Employment Equity Act; and
 - Broad-Based Black Economic Empowerment Act.
- c) Monitor CIBA's activities, having regard to social and economic development, including CIBA's standing in terms of the goals and purpose of the 10 principles set out in the United Nations

Global Compact Principles namely –

- Human Rights
- Labour
- Environment
- Anti-corruption

d) Monitor CIBA’s good corporate citizenship principles, which include –

- promotion of equality, prevention of unfair discrimination, reduction 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; and
- record of sponsorship, donations and charitable giving.

e) Monitor CIBA’s consumer relationships and compliance with consumer protection laws.

f) Monitor labour and employment practices, including CIBA’s standing in terms of its employment relationships and its contribution towards the educational development of its employees.

6.5.3 Stakeholder relationships

The Committee is required to –

- set the direction for how stakeholder relationships should be approached and conducted in CIBA;
- approve the stakeholder policy that sets out the management of stakeholder relationships;
- review and monitor the implementation and management of the stakeholder policy, with specific reference to the following –
 - methodologies for identifying individual stakeholders and stakeholder groupings;
 - identification of material stakeholders based on the extent to which they affect, or are affected by the activities, outputs and outcomes of CIBA;
 - management of stakeholder risk;
 - formal mechanisms for engagement and communication with stakeholders;
 - measurement of the quality of material stakeholder relationships;

- proactive engagement with members; and
- development of a governance framework.

6.5.4 Sustainable development

a) Safety, health and environment

The Committee is required to take into consideration and to record the actions taken by CIBA to reduce the negative impact the activities, products and/or services of CIBA on the environment, health and public safety.

b) Human capital

- The Committee is required to assess and monitor CIBA's standing in terms of employment relationships and contribution by CIBA towards the educational development of its employees.
- The Committee should monitor legal compliance relating to human capital and should recommend to the Board on areas that may require additional resources/attention.

c) B-BBEE and transformation

The Committee is required to monitor that CIBA has embraced and duly executed the necessary measures to ensure the proper implementation of transformation and B-BBEE requirements, and to –

- review and monitor CIBA's preferential procurement relative to the targets stipulated in the B-BBEE Codes of Good Practice,
- ensure that CIBA develops and implements programmes to address the requirements of B-BBEE and all other appropriate legislation and to drive throughout CIBA the implementation and encouragement of these initiatives;
- drive the creation of a culture that embraces and supports legal compliance, as well as to inculcate the culture of developing people to achieve their optimum potential in the implementation of transformation processes and establishment of empowerment businesses. This should form part of the business plan of CIBA;
- assist CIBA in establishing and fostering an environment where individuals of ability and application can develop their careers regardless of race, gender or background and all applications will be reviewed solely on experience, qualification, potential and ability; and

- ensure that true transformation is taking place within CIBA with regards to recruitment, staff retention, and work environment.

7. COMPANY SECRETARY

- 7.1 The Company Secretary, or his/her nominee, will act as the secretary of the Committee.
- 7.2 The Company Secretary will –
- 7.2.1 in collaboration with the Chairperson, prepare a detailed agenda for each Committee meeting; take written minutes of all Committee meetings; circulate them to the Committee members for correctness and ensure that the Chairperson signs the minutes as a correct reflection of the proceedings at the Committee meetings;
- 7.2.2 attend and record fully the procedures and decisions taken but may be excluded by the Chairperson from any item on the agenda should any conflict of interest become evident; and
- 7.2.3 maintain a minute book and a register of all resolutions.

8. MEETINGS

8.1 Frequency

- 8.1.1 The Committee will meet at least 3 (three) times each year.
- 8.1.2 The Chairperson will report on key matters addressed by the Committee at each Board meeting.
- 8.1.3 Additional meetings may be held at the request of the Chairperson or any Committee member or the Board as required.
- 8.1.4 If any Committee member does not attend 2 (two) consecutive Committee meetings without Good Cause, such member may be removed from the Committee by the Chairperson in consultation with the Board.

8.2 Attendance

- 8.2.1 No Committee member will be entitled to appoint a proxy to attend, speak and vote in his or her stead at any Committee meeting.
- 8.2.2 Members of executive management will attend Committee meetings either by standing invitation or on an ad hoc basis. A standing invitation will be issued to all non-executive Board members to attend Committee meetings.
- 8.2.3 The Chairperson has the power to excuse any Committee attendee present at the meeting if such attendee is deemed to have a conflict of interest in the matter.

8.3 **Quorum**

8.3.1 A quorum for a Committee meeting will be majority of Committee members, present throughout the Committee meeting in person, by teleconference, video conference or such other electronic communication which may come into use in the future, for the duration of the Committee meeting.

8.3.2 No business may be transacted at any Committee meeting unless the requisite quorum is present.

8.4 **Agenda and minutes**

8.4.1 The agenda, with supporting documentation, will be circulated at least 7 (seven) working days prior to each Committee meeting to the Committee members.

8.4.2 Draft minutes of Committee meetings will be circulated to all Committee members for review and comment within 7 (seven) working days after the Committee meeting and tabled at the next Committee meeting for review and approval.

8.4.3 An action item list will be produced within 5 (five) working days after the Committee meeting and circulated to the responsible person(s).

8.5 **Voting rights**

All matters will be determined by majority vote of the Committee members present, provided the members present constitute a quorum.

9. **EVALUATION OF THE COMMITTEE**

The Committee will perform a formal evaluation, at least annually, of its own performance and achievements, including an evaluation of the Committee's compliance with the terms of reference. The Committee will conduct such evaluation in a manner as it considers appropriate and reports to the Board on the results of the self-evaluation.

10. **CONFLICTS OF INTEREST**

Committee members will declare any conflict of interest relating to matters on the agenda and such declarations will be managed as deemed necessary.

11. **REPORTING AND ACCOUNTABILITY**

11.1 The Chairperson will report formally to the Board after each Committee meeting on the Committee's proceedings relating to all matters within its mandate.

- 11.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Chairperson of the Committee (or, in his/her absence, an alternate Committee member) will attend the AGM to answer questions, through the Chairperson of the Board, on the Committee's activities and its responsibilities.
- 11.4 The Committee produces a report on its activities for inclusion in CIBA's Integrated Annual Report.

12. GENERAL

- 12.1 The Committee will annually –
 - 12.1.1 review the terms of reference to ensure optimal effectiveness and recommend any changes it considers necessary for Board approval;
 - 12.1.2 review and approve its annual work plan.
- 12.2 The Chairperson will report formally to the Board after each Committee meeting on the Committee's proceedings relating to all matters within its mandate.
- 12.3 Any non-executive Board member may, provided there is no conflict of interest and with the consent of the Chairperson, have access to the Committee's records.

13. REPEAL OF PREVIOUS TERMS OF REFERENCE

These terms of reference revoke and supersedes the current terms of reference in its totality from the date of its approval by the Committee.

14. APPROVAL OF TERMS OF REFERENCE

The terms of reference of the Committee as set out above is effective from the date on which it is approved by the Board.

Name

Signature

Position

Date