

## TERMS OF REFERENCE OF THE SOCIAL, ETHICS, REMUNERATION AND TRANSFORMATION COMMITTEE

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### AUTHORISATION

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<b>Reviewed</b>	SERT Committee	-
<b>Accepted</b>	SERT Committee	-
<b>Approved</b>	Board	Chairman: Octodec Board

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**CONTENTS**

<b>1. CONSTITUTION.....</b>	<b>3</b>
<b>2. MEMBERSHIP .....</b>	<b>3</b>
<b>3. ATTENDANCE AT MEETINGS.....</b>	<b>4</b>
<b>4. FREQUENCY OF MEETINGS.....</b>	<b>5</b>
<b>5. PROCEEDINGS AT MEETINGS .....</b>	<b>5</b>
<b>6. AUTHORITY AND ACCOUNTABILITY.....</b>	<b>5</b>
<b>7. DUTIES .....</b>	<b>6</b>
<b>8. REPORTING PROCEDURE.....</b>	<b>9</b>
<b>9. COMMITTEE RESOLUTIONS .....</b>	<b>9</b>
<b>10. REVIEW AND ASSESSMENT .....</b>	<b>10</b>
<b>11. GENERAL.....</b>	<b>10</b>

## **1. CONSTITUTION**

- 1.1 In line with the requirements of section 72(4) of the Companies Act of 2008 (“the Act”), the board of directors of Octodec Investments Limited (“Octodec” or “the company”) resolved to establish a statutory committee of the board of directors (“the board”) to be known as the Social, Ethics, Remuneration and Transformation Committee (“the committee”) which shall fulfil the duties as listed below in respect of the company and its subsidiaries and associated companies (“the group”).
- 1.2 In addition to the statutory duties as referred to above, the committee shall also be responsible to assist the board in its responsibilities and oversight of all human resources related matters as listed below.
- 1.3 The duties and responsibilities of the members of the committee are in addition to those as members of the board. The deliberations of the committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary responsibilities and they must continue to exercise due care and judgement in accordance with their statutory obligations.
- 1.4 These terms of reference are subject to the provisions of the Act, the company’s Memorandum of Incorporation, the King IV Report on Corporate Governance for South Africa 2016, (“King IV™”), the JSE Listings Requirements and any other applicable law or regulatory provision.
- 1.5 The purpose of the committee is to provide an independent and objective body that will fulfil the statutory duties of a social and ethics committee as listed in Section 72 and Regulation 43 to the Act to reaffirm the concept of the company as means of achieving economic and social benefits and, in addition:
- 1.5.1 monitor human resources strategies and policies of the group;
  - 1.5.2 make recommendations on the remuneration policies and practices for the executive directors, senior management and the group in general;
  - 1.5.3 make recommendations on the empowerment credentials of the group;
  - 1.5.4 monitor the corporate social responsibility initiative(s) of the group; and
  - 1.5.5 establish, set targets and monitor the implementation of the transformation strategy of the group that are consistent with good corporate citizenship.

## **2. MEMBERSHIP**

- 2.1 The committee consisting of at least 3 (three) members, should comprise not less than (three) non-executive directors, the majority being independent as defined in King IV™).
- 2.2 The members of the committee shall be appointed by the board that shall also fill any vacancy on the committee as soon as possible after the vacancy arises.
- 2.3 The chairman of the committee shall be appointed by the board and shall preferably be an independent non-executive director and one of the members of the committee.
- 2.4 If the chairman is absent from a meeting, the members present shall elect one of the members present to act as chairman for that meeting provided that an independent non-executive director chairs the meeting.
- 2.5 All committee members will be required to keep up to date with developments affecting the areas of responsibility of the committee.
- 2.6 Every member should have experience in some area pertinent to the business of the committee, and at least 1 (one) member should be familiar with the industry within which the group operates.
- 2.7 The members of the committee shall be knowledgeable about the affairs of the group and, where appropriate, specific skills shall be represented on the committee.
- 2.8 New members should receive a complete orientation that allows them to function effectively from the start.
- 2.9 All committee members will be required to keep up to date with developments affecting the areas of responsibility of the committee.
- 2.10 Opportunities for continuous education and training on sustainability issues should be actively pursued by each member.

## **3. ATTENDANCE AT MEETINGS**

- 3.1 The committee will identify those members of management that will have a standing invitation to attend the meetings of the committee as and when deemed necessary.
- 3.2 The chairman of the board, if she is not a member, will be a standing invitee to committee meetings. Other board members shall have the right of attendance with the prior consent of the chairman of the committee.

- 3.3 The chairman of the committee may invite such other members of management or the board to attend meetings of the committee from time to time as and when deemed necessary.
- 3.4 No invitee is entitled to participate without the consent of the chairman and does not have a right to vote at any committee meeting.
- 3.5 Other board members shall have the right of attendance, with the prior consent of the chairman of the committee. However, unless that member is also a member of the committee, the member is not entitled to fees for such attendance, unless payment of fees is agreed to by the board and shareholders.
- 3.6 The group company secretary shall be the secretary of the committee and will be responsible for the preparation of the meeting agenda in consultation with the chairman of the committee and the managing director.
- 3.7 Committee members will attend all scheduled meetings of the committee, including meetings called on an ad hoc basis for special matters, subject to receiving reasonable notice unless prior apology, with reasons, has been submitted to the chairman or group company secretary.

#### **4. FREQUENCY OF MEETINGS**

- 4.1 Meetings of the Committee shall be held as frequently as the committee, in consultation with the group company secretary, considers appropriate, but it shall normally meet not less than twice a year.
- 4.2 Two meetings per year shall exclusively be utilised to ensure that the statutory duties of a social and ethics committee in terms of section 72(4) of the Act are properly discharged.
- 4.3 Any member of the committee or the managing director, if not a member of the committee, may request a meeting if deemed necessary and a meeting will then be arranged in consultation with the chairman of the committee. Formal notice of such special meeting shall be given as and when required.
- 4.4 The committee must undertake such work as is necessary in preparation for each board meeting and to properly report to the board on its activities and recommendations.

#### **5. PROCEEDINGS AT MEETINGS**

- 5.1 A quorum shall be a majority of members present in person or via telecommunication and/or videoconferencing facilities.

- 5.2 In the event of an equality of votes regarding any matter the chairman of the committee or the person acting as chairman, shall have a casting vote in addition to his or her deliberate vote.
- 5.3 An agenda with supporting papers will be circulated no later than 5 (five) business days prior to the meeting, where reasonably possible.
- 5.4 An annual work plan, as a minimum, will determine the content of the agenda and frequency of the meetings will be in place and based on the duties listed in paragraph 7.
- 5.5 Draft minutes will be presented to the chairman of the committee for comment within 7 (seven) business days from the date of the meeting and will be circulated to the committee members thereafter, but not later than 10 (ten) business days of the meeting.

## **6. AUTHORITY AND ACCOUNTABILITY**

- 6.1 In respect of the statutory duties of the committee as set out below, the committee will be accountable to shareholders and report to shareholders as provided for in the Act. In respect of all other duties as contained in these terms of reference, the committee will be accountable and report to the board.
- 6.2 The functions of management will remain the responsibility of the executive directors, officers and other members of senior management. Such functions shall not be assumed by the members of the committee.
- 6.3 The chairman of the committee will be required to attend the company's annual general meeting to answer relevant questions posed by shareholders.
- 6.4 The committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any director and/or employee and all directors and employees are directed to co-operate with any request made by the committee, subject to a board approved process.
- 6.5 The committee is authorised by the board, subject to the approved process, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if deemed necessary.
- 6.6 The committee may establish and delegate authority to any member or sub-committee to assist it in carrying out certain of its functions.
- 6.7 The company shall meet all expenses reasonably incurred by the committee in the fulfilling of its 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.

## **7. DUTIES**

The duties of the committee shall be to:

### **7.1 Statutory duties (Regulation 43 to the Act)**

7.1.1 To monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to –

- a. social and economic development, including the company's standing in terms of the goals and purposes of—
  - i. the 10 principles set out in the United Nations Global Compact Principles, set out in Appendix 1 hereto; and
  - ii. the OECD recommendations regarding corruption;
  - iii. the Employment Equity Act; and
  - iv. the Broad-Based Black Economic Empowerment ("B-BBEE") Act and the Department of Trade and Industry's Codes of Good Practice as published in the Government Gazette, including the Property Sector Charter therein contained as amended or replaced from time to time;
- b. good corporate citizenship, including the company's—
  - i. promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - ii. contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - iii. record of sponsorship, donations and charitable giving;
- c. the environment, health and public safety, including the impact of the company's activities and of its products or services;
- d. consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
- e. labour and employment, including—

- i. the company's standing in terms of the International Labour Organization Protocol on decent work and working conditions; and
- ii. the company's employment relationships and its contribution toward the educational development of its employees;

7.1.2 to draw matters within its mandate to the attention of the board as occasion requires; and

7.1.3 to report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.

## **7.2 Remuneration and human resources related matters**

7.2.1 To monitor all employee benefits including remuneration retirement funding, benefits, incentives, benefits in kind and other financial arrangements to ensure these are fair, non-discriminatory, market related, correctly valued and suitably disclosed;

7.2.2 to review the provisions of executive employment appointments with a particular focus on performance and severance payments;

7.2.3 to ensure alignment of the remuneration and human resources strategies and policies with the group's business strategy, needs and the desired culture;

7.2.4 to determine the group's general policy on remuneration to ensure fair and responsible remuneration practices, including bonus and incentive schemes;

7.2.5 to review and recommend the annual financial and non-financial performance targets, of executive directors for approval by the board and to review the payment of annual incentives against achievement of the said targets;

7.2.6 annually consider and recommend for approval by the board the remuneration of the executive directors, if any, which is subject to approval by shareholders, and to approve remuneration of senior management;

7.2.7 to regularly review incentive schemes to ensure their continued contribution to shareholder value, guarding against unjustified windfalls and inappropriate gains from the operation of share-based incentives and to make appropriate recommendations to the board in this regard;

7.2.8 to determine any grants to executive directors and senior management made pursuant to the group's management share based scheme;

7.2.9 to approve salary increases for employees;



- 7.2.10 to ensure the adequacy of retirement and health care funding for executives and senior management;
- 7.2.11 ensure that the structures, policies, procedures and relevant information technology systems facilitate good management and utilisation of human resources;
- 7.2.12 to ensure adequate succession plans for the executive and senior management;
- 7.2.13 to ensure adequate consideration of policies for the group in respect of HIV/Aids management, skills development and employment equity;
- 7.2.14 to review the report on the company's remuneration policy and implementation report for inclusion in the integrated report and tabled for a separate advisory, non-binding vote by the shareholders of the company at the annual general meeting;
- 7.2.15 to ensure compliance to all statutory and best practice requirements regarding labour and industrial relations management and to monitor findings by regulatory authorities as and when made and management's response thereto.

### **7.3 Organisational integrity/ethics**

- 7.3.1 review any statements on ethical standards or requirements for the company and the procedures or review system implemented to promote and enforce compliance;
- 7.3.2 review and recommend the company's code of ethics to the board for approval;
- 7.3.3 review and recommend any corporate citizenship policies to the board for approval;
- 7.3.4 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;
- 7.3.5 where requested, make recommendations on any material potential conflict of interest or questionable situations; and
- 7.3.6 ensure that the company's ethics performance is assessed, monitored, reported and disclosed.

### **7.4 Transformation**

- 7.4.1 The committee is responsible for performing all the functions as are necessary to fulfil its responsibilities in respect of transformation, including the following:

- 7.4.1.1 review and monitor the group's progress towards the achievement of the desired Employment Equity, Skills Development and B-BBEE scorecard targets and transformation objectives;
- 7.4.1.2 review and monitor the group's management of transformation and B-BBEE principles in a manner that ensures sustainability of the group and its good reputation;
- 7.4.1.3 to review and monitor the goals and plans of the group regarding transformation, it being recorded that the Managing Director (or his nominee in his absence) is principally responsible and accountable for the implementation and monitoring of the transformation practices of the group;
- 7.4.1.4 ensure that authentic transformation is taking place within the group, with regards to recruitment, staff retention, work environment and career development; and
- 7.4.1.5 monitor legislation which may from time to time be applicable to the transformation practices of the group or the fulfilment by the committee of its role in terms hereof.

## **8. REPORTING PROCEDURE**

- 8.1 The chairman of the committee will provide verbal feedback at the meetings of the board of directors on the committee's recent activities.
- 8.2 The chairman of the committee will attend any general shareholders meeting.
- 8.3 The committee shall receive all notices of and other communications relating to any general shareholders' meeting.
- 8.4 The committee may be heard at any general shareholders' meeting on any part of the business of the meeting that concerns the committee's functions.
- 8.5 The company shall disclose in its integrated report whether or not the committee has adopted these formal terms of reference and if so whether or not the committee satisfied its responsibilities for the year in compliance with its terms of reference.
- 8.6 Membership of the committee and attendance at committee meetings shall be disclosed in the company's integrated report.

## **9. COMMITTEE RESOLUTIONS**

- 9.1 Each member of the committee has 1 (one) vote on a matter before the committee and a majority of the votes cast on a resolution at a committee meeting is sufficient to approve that resolution.

- 9.2 A resolution in writing signed by a majority of the members of the committee who are present in South Africa at the time when such resolution is released for signature, shall be as valid and effectual as if it has been passed at a duly constituted meeting of the committee, provided that each member of the committee shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates.
- 9.3 Any round robin resolution:
- 9.3.1 May be signed or accepted in any electronic form and in any number of counterparts, all of which, taken together, shall constitute one and the same document.
- 9.3.2 May, in signed or unsigned form, be conveyed or transmitted by telefax, e-mail or any other form of electronic means, subject to any conditions decided upon by the committee.
- 9.3.3 The passing of round robin resolutions of the committee must not detract from the requirements for frequency of committee meetings as set out in these terms of reference.
- 9.3.4 All round robin resolutions should be tabled at the next Committee meeting for noting.

## **10. REVIEW AND ASSESSMENT**

- 10.1 The committee's activities and effectiveness shall be assessed biennially and reviewed with the board.
- 10.2 After completing its evaluation, the committee should review the results with the board, so that appropriate action can be taken on any recommendations resulting from the review.
- 10.3 The committee must review and reassess the adequacy of these terms of reference from time to time (at least every year) and must recommend to the board any improvements to these terms of reference that the committee considers necessary.

## **11. GENERAL**

The committee shall at all times:

- 11.1 give due consideration to the relevant provisions of the Act, the JSE Listings Requirements and the Code of Governance Principles as contained in King IV™;
- 11.2 retain a copy of the current terms of reference of the committee at the registered office of the company and provide shareholders with a copy of same if requested;
- 11.3 consider such other topics and fulfil such other duties as defined by the board.

- 11.4 The committee members are obliged to disclose in writing any personal financial interest in terms of section 75 of the Companies Act, 2011 and any other interests they have within or outside the company and the group that may be of interest to the company or that may interfere or conflict with the performance of their duties.
- 11.5 All company and group related information that becomes known to persons in the performance of their duties must at all times be kept confidential.
- 11.6 Except to the extent of legal or regulatory provisions to the contrary, committee members, being a majority of non-executive directors, are entitled to rely on the executives of the company and/or City Property Administration Proprietary Limited and those of other entities within the group in relation to matters within their area of expertise and may assume the accuracy of information provided by such persons, provided that the committee member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate.

**APPROVED BY THE BOARD AT ITS MEETING ON 21 AUGUST 2019**

## **APPENDIX 1.**

### **United Nations Global Compact Ten Principles**

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 anticorruption:

#### **Human Rights**

Principle 1: Businesses should 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**

Principle 7: Businesses should 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.