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# THE DTI AND SCCL COMPANY LAW SYMPOSIUM

## TOPIC: THE IMPORTANCE OF SOCIAL & ETHICS COMMITTEE

SINDI ZILWA - CEO  
NKONKI INC.

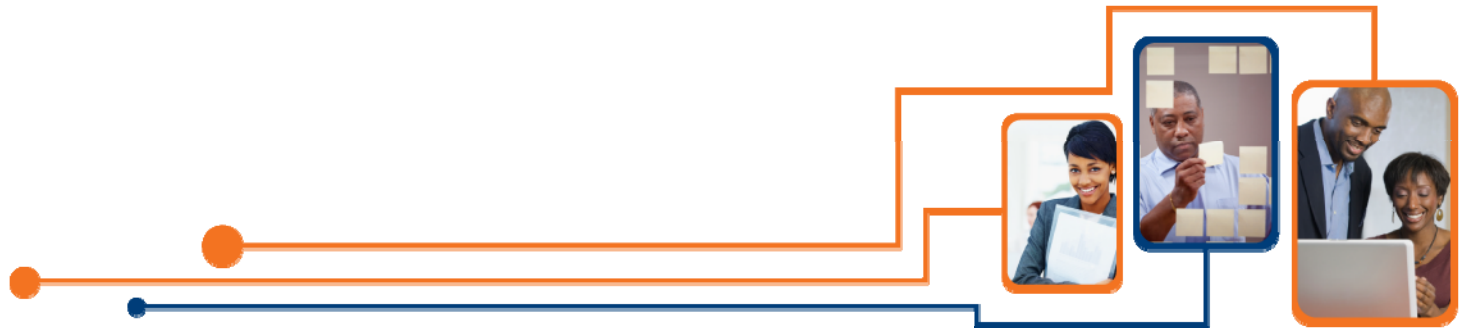


# AGENDA

1. Background
2. The Mandate
3. Calculation of the public interest points
4. Compliance areas covered by the Social & Ethics Committee
5. Background To United Nations Global Compact
6. United Nations Global Compact
7. United Nations Global Compact – 10 Principles
8. OECD
9. Background to OECD Recommendations Regarding Corruption
10. Recap - Compliance Areas Covered by The Social & Ethics Committee
11. Conclusion

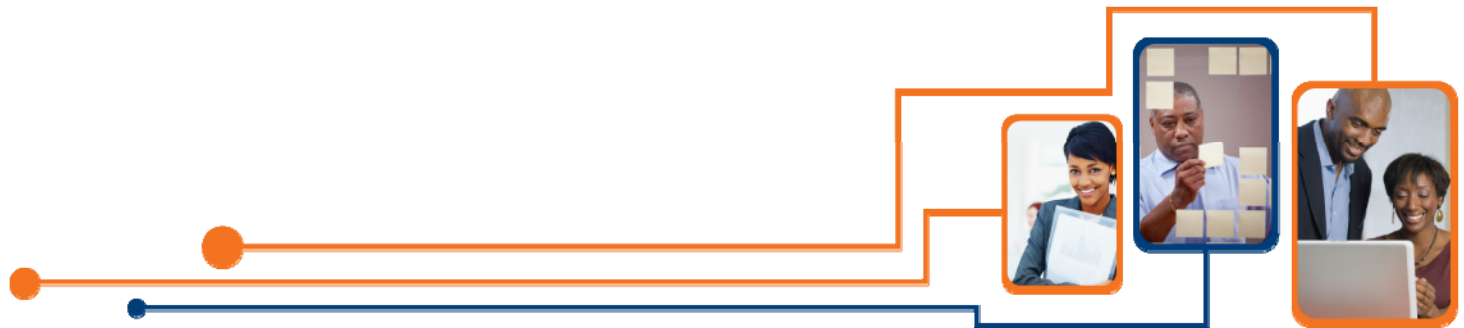


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## BACKGROUND

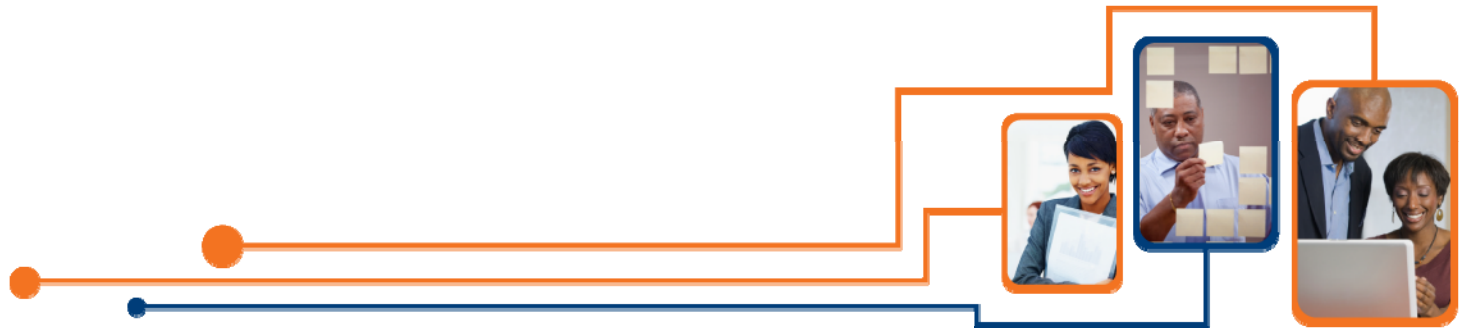
- Section 72(4) of the Companies Act stipulates:  
"Minister may by regulation prescribe that a company or a category of companies must have a social and ethics committee".
- It is a statutory board subcommittee prescribed by Regulation 43 of the company's Act No.71 of 2008
- Applicable to all state owned companies, listed public companies and any other company that's scored above 500 public interest points in terms of Regulation 26
- Membership: A minimum of three members of the board of directors (or prescribed officers) – one of which must be a non-executive director.



# THE MANDATE

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- the committee has to monitor whether the company complies with relevant social, ethical and legal requirements and best practice codes;
- the committee has to bring to the attention of the board any relevant matters within the scope of its mandate; and
- the committee has to report to shareholders on matters that fall within the scope of its mandate.



# CALCULATION OF THE PUBLIC INTEREST POINTS

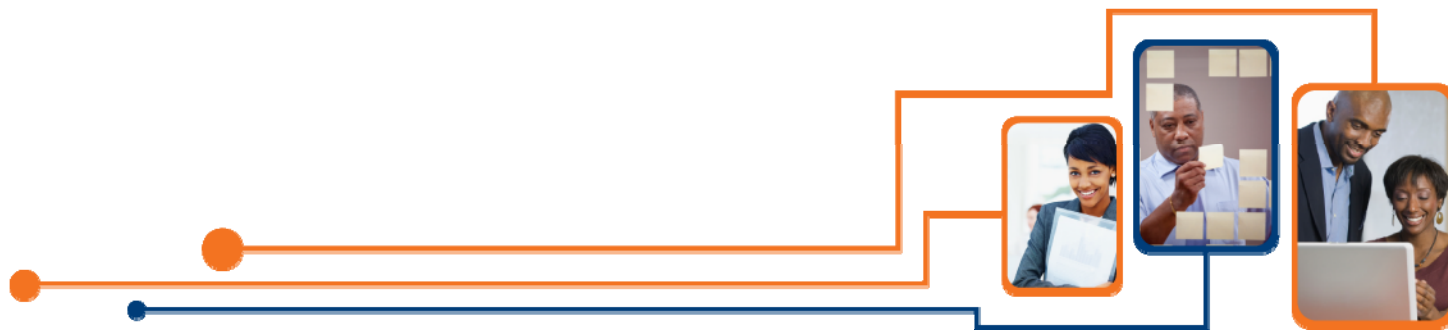
## Company A

Criteria	Amount	Score	Cumulative Score
Average number of employees	100	100	100
Third Party Liabilities	R150 million	150	250
Turnover	R200 million	200	450
Number of shareholders	100	100	550

**As the Cumulative score is above 500, Company A must appoint a Social and Ethics Committee.**



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# CALCULATION OF THE PUBLIC INTEREST POINTS

## Company B

Criteria	Amount	Score	Cumulative Score
Average number of employees	200	200	200
Third Party Liabilities	R80 million	80	280
Turnover	R180 million	180	460
Number of shareholders	20	20	480

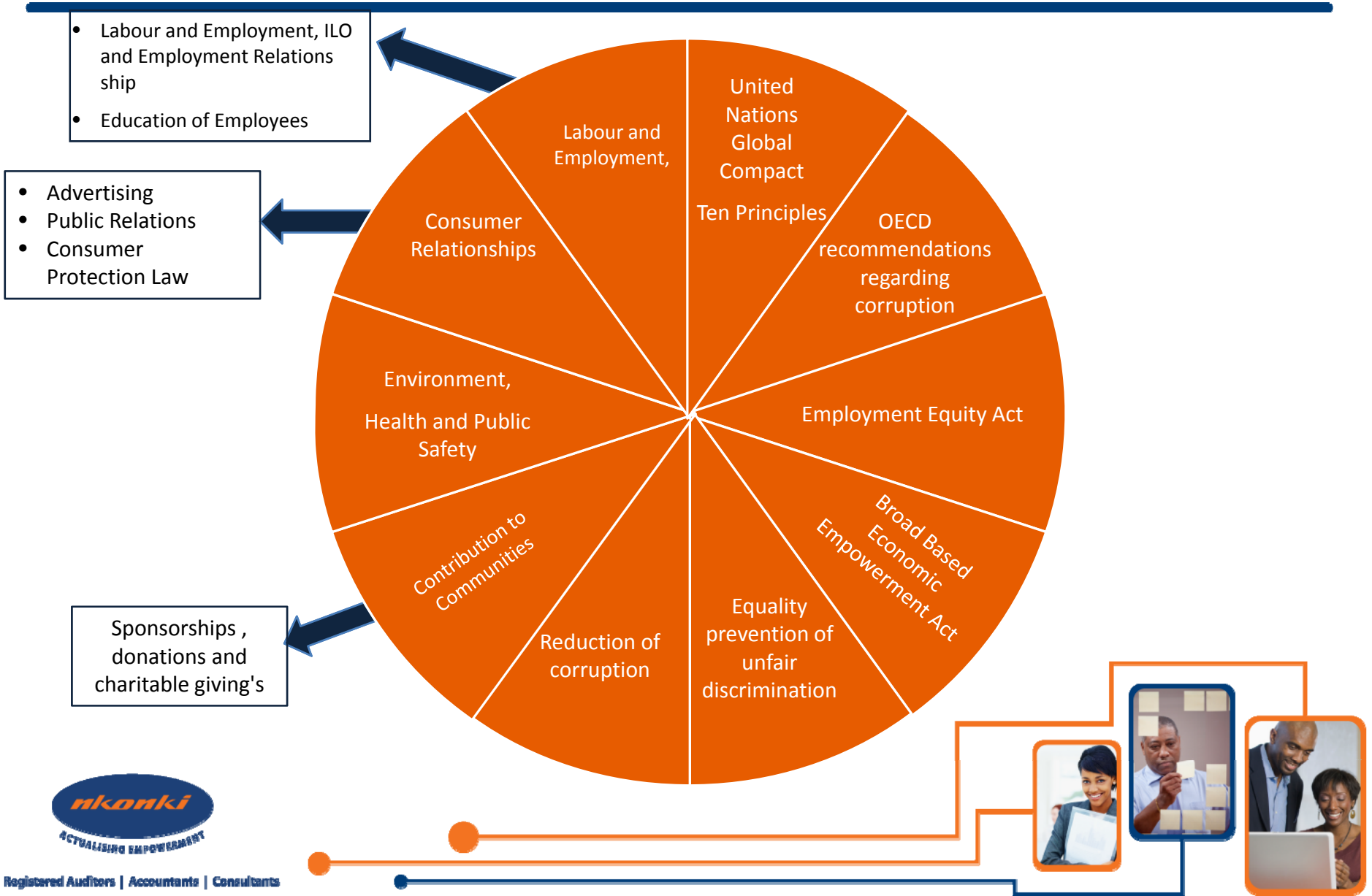
**As the Cumulative score is below 500, Company B will be exempt from appointing a Social and Ethics Committee.**



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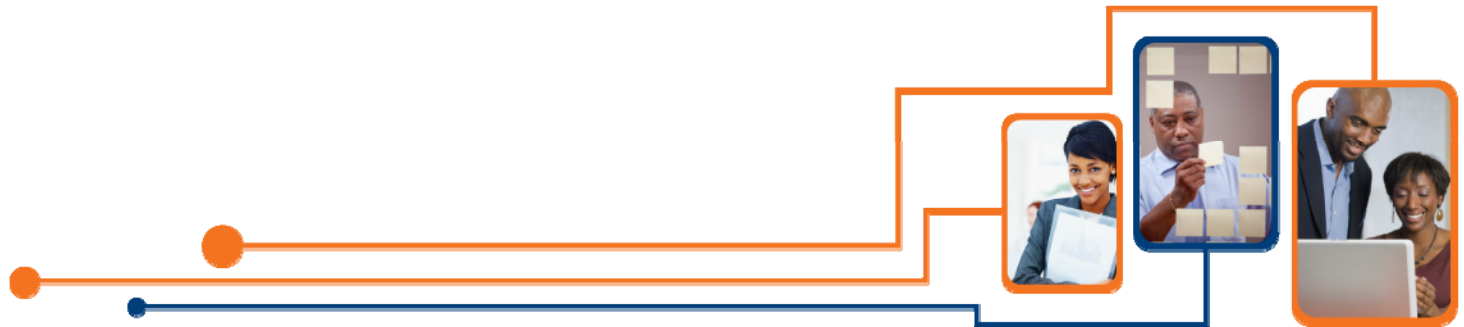


# COMPLIANCE AREAS COVERED BY THE SOCIAL & ETHICS COMMITTEE



# BACKGROUND TO UNITED NATIONS GLOBAL COMPACT

- Launched in 2000.
- Leadership platform created by the United Nations for the development, implementation and disclosure of responsible and sustainable corporate policies and practices.
- Voluntary initiative that relies on public accountability, transparency and disclosure.
- There are 60 participating South African companies.
- Companies are asked to Embrace, Support enact, within their spheres of influence, a set of Core Values in Human Rights, Labour, Environment and Corruption.





# UNITED NATIONS GLOBAL COMPACT – 10 PRINCIPLES

## Human Rights

### Principle 1

- Businesses should support and respect the protection of internationally proclaimed human rights;

### Principle 2

- Businesses should 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

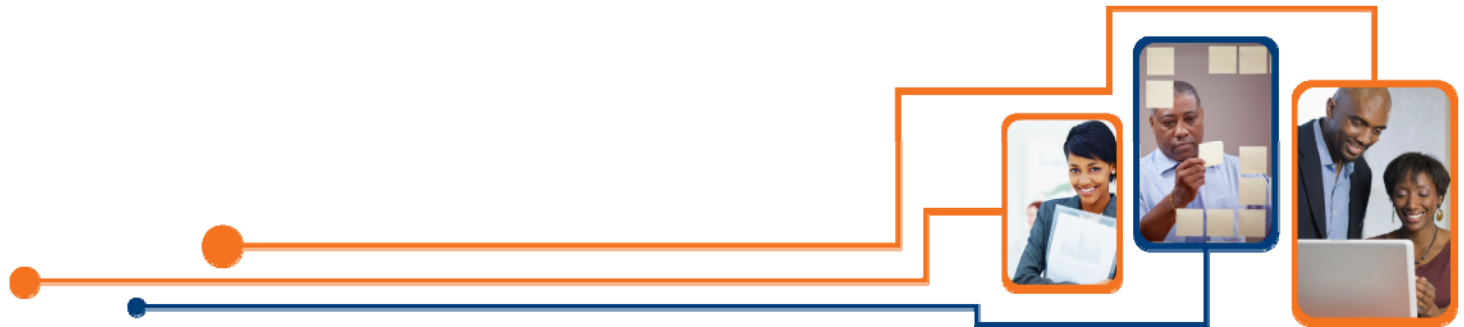
- Businesses should eliminate all forms of forced and compulsory labour;

### Principle 5

- Businesses should implement effective abolition of child labour;

### Principle 6

- Businesses should eliminate discrimination in respect of employment and occupation.



# UNITED NATIONS GLOBAL COMPACT – 10 PRINCIPLES

## Environment

### Principle 7

- Businesses should support a precautionary approach to environmental challenges;

### Principle 8

- Businesses to undertake initiative to promote greater environmental responsibility;

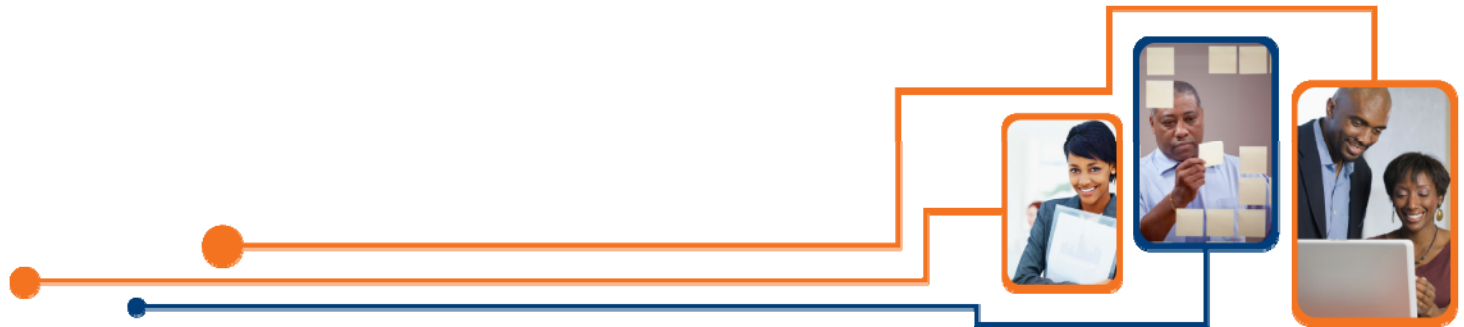
### Principle 9

- Businesses to 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.



# BACKGROUND TO OECD RECOMMENDATIONS REGARDING CORRUPTION

OECD stand for Organisation for Economic Cooperation and Development

Its origin dates back to 1960s

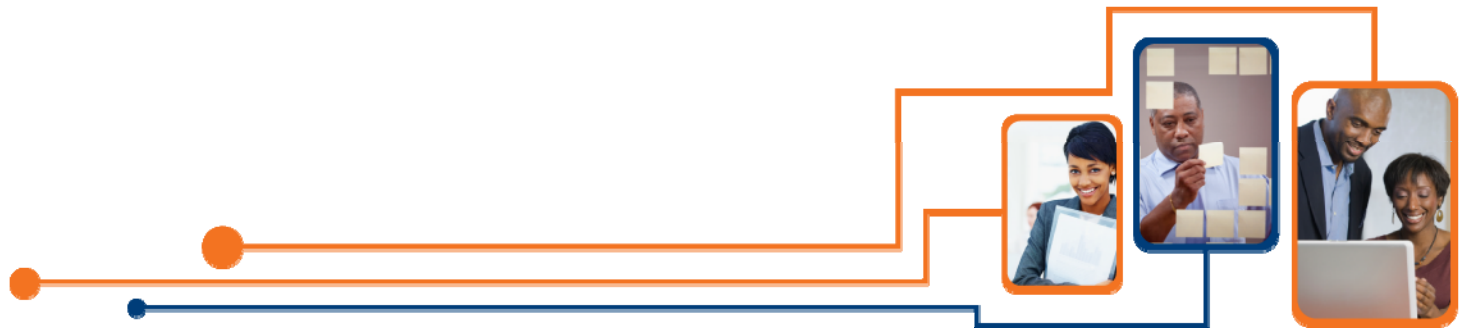
There are 34 OECD member countries

Has 250 committees, working groups and experts groups

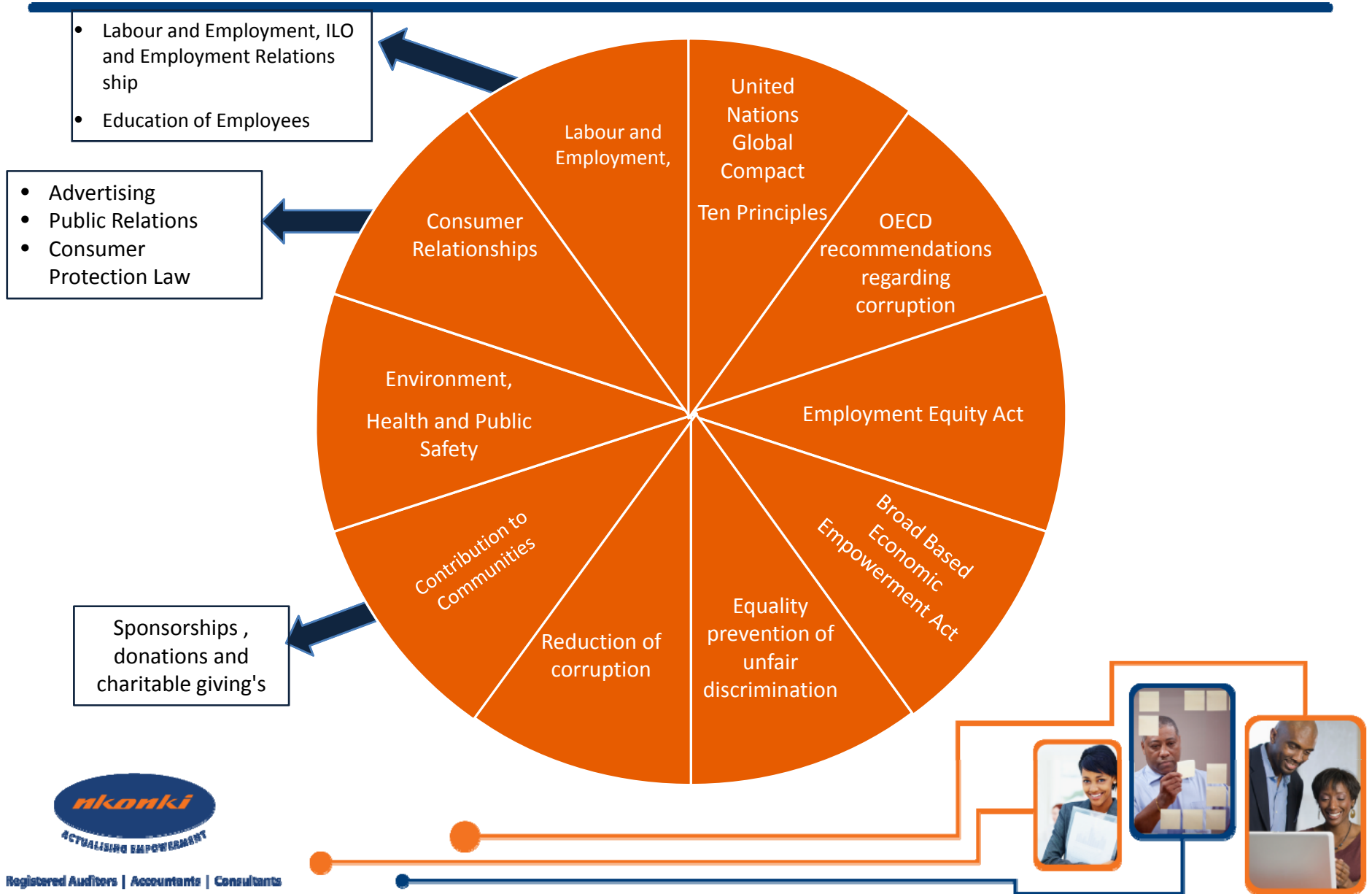
The mission is to promote policies that will improve the Economics, Social and Wellbeing of people around the world

In September 2003 OECD guidelines regarding corruption were published

The objective was to promote and facilitate the companies' contribution to the fight against corruption



# RECAP - COMPLIANCE AREAS COVERED BY THE SOCIAL & ETHICS COMMITTEE



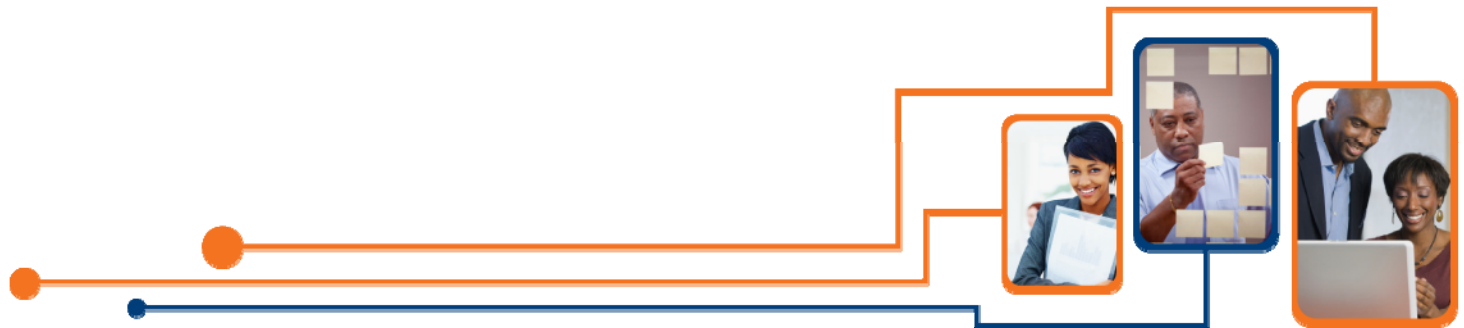
# CONCLUSION

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## THE IMPORTANCE OF SOCIAL & ETHICS COMMITTEE



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# Companies that embrace Social and Ethics Committee responsibilities ...

No.	SEC Responsibility	Impact on Equity		
		Short-term	Medium-term	Long-term
1	Respect Human Rights, Labour and Environment	+	+	+
2	Minimise corruption in their organisations	+	+	+
3	Keep consumers happy	+	+	+
4	Keep communities happy	-	+	+
5	Minimise negative impact on Environment	-	-	+
6	Keep employees and the public safe	+	+	+
7	Keep good relations with labour	+	+	+
8	Educated Employees	+	+	+
9	No unfair discrimination	+	+	+
10	Overall Impact	+	+	+



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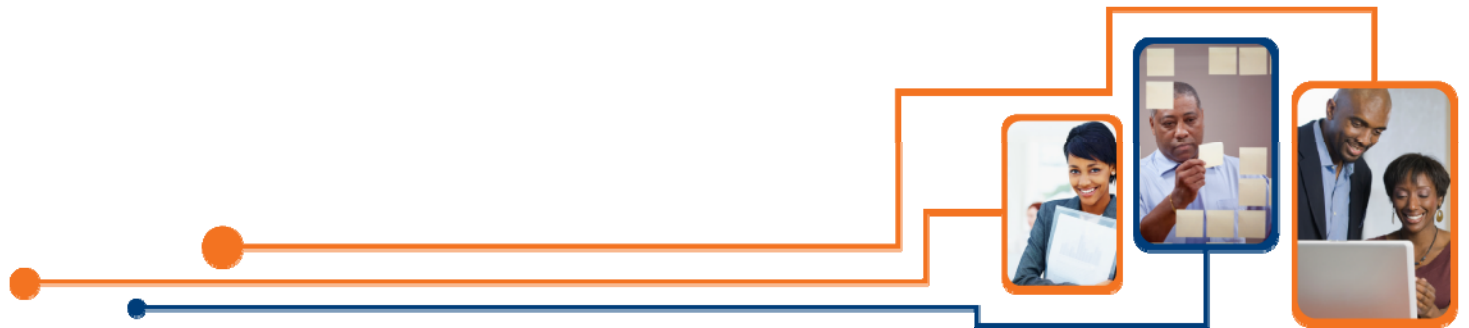


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THANK YOU



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