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
• 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

- 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

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Amount</th>
<th>Score</th>
<th>Cumulative Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of employees</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Third Party Liabilities</td>
<td>R150 million</td>
<td>150</td>
<td>250</td>
</tr>
<tr>
<td>Turnover</td>
<td>R200 million</td>
<td>200</td>
<td>450</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>100</td>
<td>100</td>
<td>550</td>
</tr>
</tbody>
</table>

As the Cumulative score is above 500, Company A must appoint a Social and Ethics Committee.
CALCULATION OF THE PUBLIC INTEREST POINTS

Company B

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Amount</th>
<th>Score</th>
<th>Cumulative Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of employees</td>
<td>200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Third Party Liabilities</td>
<td>R80 million</td>
<td>80</td>
<td>280</td>
</tr>
<tr>
<td>Turnover</td>
<td>R180 million</td>
<td>180</td>
<td>460</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>20</td>
<td>20</td>
<td>480</td>
</tr>
</tbody>
</table>

As the Cumulative score is below 500, Company B will be exempt from appointing a Social and Ethics Committee.
COMPLIANCE AREAS COVERED BY THE
SOCIAL & ETHICS COMMITTEE

- Labour and Employment, ILO and Employment Relations ship
- Education of Employees
- Advertising
- Public Relations
- Consumer Protection Law
- Sponsorships, donations and charitable giving's

- Environment, Health and Public Safety
- Contribution to Communities
- Reduction of corruption
- Education of Employees
- Compact Ten Principles
- OECD recommendations regarding corruption
- United Nations Global Compact
- Employment Equity Act
- Equality prevention of unfair discrimination
- Broad Based Economic Empowerment Act
- Registered Auditors | Accountants | Consultants
BACKGROUND TO UNITED NATIONS GLOBAL COMPACT


- 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

<p>| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery. |</p>
<table>
<thead>
<tr>
<th><strong>BACKGROUND TO OECD RECOMMENDATIONS REGARDING CORRUPTION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD stand for Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>Its origin dates back to 1960s</td>
</tr>
<tr>
<td>There are 34 OECD member countries</td>
</tr>
<tr>
<td>Has 250 committees, working groups and experts groups</td>
</tr>
<tr>
<td>The mission is to promote policies that will improve the Economics, Social and Wellbeing of people around the world</td>
</tr>
<tr>
<td>In September 2003 OECD guidelines regarding corruption were published</td>
</tr>
<tr>
<td>The objective was to promote and facilitate the companies’ contribution to the fight against corruption</td>
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</tbody>
</table>
RECAP - COMPLIANCE AREAS COVERED BY THE SOCIAL & ETHICS COMMITTEE

- Labour and Employment, ILO and Employment Relations
- Education of Employees
- Advertising
- Public Relations
- Consumer Protection Law
- Sponsorships, donations and charitable giving's

- Labour and Employment, Ten Principles
- Environment, Health and Public Safety
- Contribution to Communities
- Reduction of corruption
- Employment Equity Act
- Equal Opportunities
- Employment Equity Act
- Broad Based Economic Empowerment Act
- OECD recommendations regarding corruption
- United Nations Global Compact
- Compact Ten Principles
- OECD

Registered Auditors | Accountants | Consultants
The Importance of Social & Ethics Committee
### Companies that embrace Social and Ethics Committee responsibilities...

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