

<b>Revision No:</b> 05 <b>Issue Date:</b> August 2013 <b>Last Review Date:</b> November 2019	<b>Author:</b> CI Lewis	<b>Review and recommend for approval:</b> Social and Ethics Committee	<b>Approval:</b> Grindrod Board	Page 1 of 8
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**SOCIAL AND ETHICS COMMITTEE**  
**TERMS OF REFERENCE**

**1. Definitions**

Unless the context indicated otherwise, the following words or terms of expressions shall have the meanings subscribed to them hereunder;

- 1.1. **"Board"** means the Board of Directors of the Company;
- 1.2. **"Capitals"** means the stocks of value on which the company depends for its success as inputs to its business model, and which are increased, decreased or transformed through the company's business activities and outputs. The six capitals are financial; manufactured; intellectual; human; social and relationship as well as natural capital;
- 1.3. **"Chairman"** means the chairman of the Social and Ethics Committee appointed by the Board;
- 1.4. **"Committee"** means the Social and Ethics Committee of the Company;
- 1.5. **"Companies Act"** means the Companies Act No 71 of 2008, as amended from time to time;
- 1.6. **"Company"** means Grindrod Limited (Registration Number 1966/009846/06), including its subsidiaries;
- 1.7. **"Corporate Citizenship"** means the exercise of ethical and effective leadership by the board and its committees towards the achievement of the Governance Outcomes;
- 1.8. **"Directors"** means directors of the Company from time to time;
- 1.9. **"Governance Outcomes"** means ethical culture; good performance; effective control and legitimacy;
- 1.10. **"Integrated reporting"** means the process founded on integrated thinking that results in a periodic integrated report by the company about value creation over time;
- 1.11. **"Integrated thinking"** means the active consideration by the Company of the relationships between its various operating and functional units and the capitals that the organisation uses or affects;
- 1.12. **"King IV"** means the King Report on Governance for South Africa 2016;

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- 1.13. **“Members”** mean the initial persons appointed as members of the Committee as well as any persons succeeding them in terms of these Terms of Reference, in their capacities as Members of the Committee;
- 1.14. **“OECD”** means The Organisation for Economic Co-operation and Development;
- 1.15. **“Regulations”** means the Regulations published under GN R351 in GG 34239 of 26 April 2011 in terms of the Companies Act, as amended from time to time;
- 1.16. **“SDGs”** means the Sustainable Development Goals, known as “Transforming our World: the 2030 Agenda for Sustainable Development”, issued as a United Nations initiative, being an inter-governmental set of 17 aspirational goals with 69 targets;
- 1.17. **“Sustainable Development”** means development that meets the needs of the present without compromising the ability of future generations to meet their needs; and
- 1.18. **“Value Creation”** means the process which results in increases, decreases or transformations of the capitals changed by the organisation’s business activities and outputs, resulting in positive, negative or neutral outcomes.

## 2. Introduction

In terms of section 72(4) of the Companies Act, read with the Regulations, the Company is obliged to appoint a Social and Ethics Committee. Principle 4 of King IV states that the board of the company should appreciate that the company’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.

Principle 8 of King IV states that the board should ensure that the delegation of duties and responsibilities to its various board committees promotes independent judgement, assists with the balance of power as well as the effective performance of its duties.

Principle 6 of King IV states that the board, and its committees should serve as a focal point and custodian of corporate governance in the company.

## 3. Appointment and Composition

- 3.1. The Social and Ethics Committee is a committee of the Board, advisory in nature and accountable to the Board and to shareholders by reporting on an annual basis on the performance of its mandate.
- 3.2. Members will be appointed by the Board from amongst the Directors of the Company from time to time and shall consist of not less than three (3) members, the majority of which shall be non-executive directors. In deliberating on the appointment of Members,

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the Board should give due consideration to the ideal combination of skills required to fulfil the functions of the Committee.

- 3.3. The Board shall appoint the Chairman of the Committee, who shall be a non-executive director.
- 3.4. If any meeting of the Committee the Chairman is absent the remaining members present shall elect one of the members to chair that specific meeting.

#### 4. **Tenure of the committee**

The committee shall endure indefinitely, until such time as the Board may determine otherwise, subject to legislative and other requirements.

#### 5. **Ineligibility and disqualification of members**

A person is ineligible or disqualified to become a member of the Committee if such a person is ineligible or disqualified in terms of Section 69 of the Companies Act.

#### 6. **Secretary**

- 6.1. The company secretary or his/her nominee shall act as the secretary of the Committee.
- 6.2. The company secretary or his/her nominee shall take written minutes of all meetings of the members; circulate them to the members for correctness and ensure that the Chairman signs the minutes as a correct reflection of the proceedings at the meetings.
- 6.3. The company secretary shall maintain a minute book and a register of all resolutions of the Committee.

#### 7. **Mandate and responsibilities**

The Committee is to monitor the activities of the Company, including its subsidiaries, taking into consideration the relevant legislation, any other legal requirements or prevailing codes of best practice. The following basic responsibilities/powers form part of the mandate of the Committee:

##### 7.1 **Organisational Ethics**

- 7.1.1 The members of the committee should individually and collectively assist the board by promoting and embedding the following values and characteristics: integrity; competence; responsibility; accountability; fairness and transparency.

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- 7.1.2 Identifying and reviewing items that conflict with the practice of good corporate citizenship, the Company's code of ethics and/or any other policy of the Company that is of an ethical nature.
- 7.1.3 Reviewing and monitoring the Company's policies on whistleblowing, tip offs anonymous or any other policy that may require independent investigation and facilitate this process in an expedient manner.
- 7.1.4 Reviewing and monitoring the ethical framework of the Company.

7.2. Responsible Corporate citizenship

The Committee is to monitor and review the Company's social and economic standing in terms of the goals and purposes of:

- 7.2.1 The 10 principles set out in the United Nations Global Compact Principles (see below);

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.
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.
Principle 5	Businesses should uphold the effective abolition of child labour.
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.
Principle 7	Businesses should support a precautionary approach to environmental challenges.
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.
Principle 9	Businesses should encourage development and diffusion of environmentally friendly technologies.
Principle 10	Businesses should work against corruption in all its forms including extortion and bribery.

- 7.2.2 The OECD recommendations regarding corruption;

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- 7.2.3 Promotion of equality, prevention of unfair discrimination and reduction of corruption as well as contributions to development of communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- 7.2.4 Recording of sponsorships, donations and charitable giving;
- 7.2.5 The Committee is to monitor legal compliance at a group level and to assist the Company in ensuring that any/all appropriate, applicable charters and policies are adequately addressed.

7.3. Stakeholder relationships;

The Committee is required:

- 7.3.1 To set the direction for how stakeholder relationships should be approached and conducted in the company;
- 7.3.2 To approve the stakeholder policy that sets out the management of stakeholder relationships;
- 7.3.3 To review and monitor the implementation and management of the stakeholder policy, with specific reference to the following:
  - 7.3.3.1 Methodologies for identifying individual stakeholders and stakeholder groupings;
  - 7.3.3.2 Identification of material stakeholders based on the extent to which they affect, or are affected by the activities, outputs and outcomes of the company
  - 7.3.3.3 Management of stakeholder risk
  - 7.3.3.4 Formal mechanisms for engagement and communication with stakeholders
  - 7.3.3.5 Measurement of the quality of material stakeholder relationships
  - 7.3.3.6 Proactive engagement with shareholders
  - 7.3.3.7 Development of a group governance framework

7.4 Sustainable Development

One of the fundamental concepts of King IV is that value creation is to be accomplished in a sustainable manner. This is in line with the United Nations SDGs, the Africa Agenda 2063 as well as the South Africa's National Development Plan.

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#### 7.4.1 Safety, health and environment

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

#### 7.4.2 Human capital

The Committee is required to assess and monitor the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, employment relationships and contribution by the Company 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.

#### 7.4.3 ESG reporting

Monitor and consider the Company's ESG reporting according to the FSTE/JSE Responsible Investment Index Themes.

#### 7.4.4 Transformation and B-BBEE

The Committee is required to monitor that the Company has embraced and duly executed the necessary measures to ensure proper implementation of transformation and B-BBEE and:

7.4.4.1 To ensure that the Group develops and implements programmes to address the requirements of Broad Based Black Economic Empowerment and all other appropriate legislation and to drive throughout the divisions of the group the implementation and encouragement of these initiatives;

7.4.4.2 To 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 the Company.

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7.4.4.3 To assist the Company 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.

7.4.4.4 To assist the Company in identifying special projects/initiatives to uplift disadvantaged communities within the areas where the Company's operations are situated, in line with the Group's socio economic development policy, with specific focus on educational upliftment.

## 8. **Rights**

- 8.2. Require from any Director, Prescribed Officer or employee of the Company any information or explanation necessary for the performance of its functions.
- 8.3. Attend any general shareholders meeting.
- 8.4. Receive all notices of and other communication relating to any general shareholders meeting.
- 8.5. Be heard at any general shareholders meeting or any part of the meeting that concerns the committee's functions.

## 9. **Meeting procedures**

### 9.1 Frequency

The Committee shall meet at least twice a year. Further meetings may be called by the Chairman of the committee, any member of the Committee or by the Board, chairman or CEO of the Board and shall be governed by the provisions of the Company's Memorandum of Incorporation relating to meeting procedures.

### 9.2 Quorum

9.2.1 A quorum for a meeting of the Committee shall be three members present personally and no business shall be conducted at a meeting of the Committee unless the requisite quorum is present

9.2.2 A resolution pursuant to achieving the objectives contained herein signed by all the members (unanimous resolution) shall be as effective for all purposes as if it had been passed at a meeting of the Committee duly convened, held and constituted.

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**10. General**

The Committee shall on an annual basis:

- 10.1 Review its performance in the form of an evaluation by the Chairman of the Committee, who will then be evaluated by the Board; and
- 10.2 Review its Terms of Reference to ensure optimal effectiveness and to recommend any changes it considers necessary to the Board for approval.
- 10.3 Review and approve its Annual Work Plan.

**11. Repeal of previous Terms of Reference**

These Terms of Reference shall revoke and supersede the current Terms of Reference in its totality from the date of its approval of the Committee.