



MERAFE
R E S O U R C E S

Terms of Reference of the Social, Ethics and Transformation Committee

NOTE: THESE TERMS OF REFERENCE HAVE NOT YET BEEN UPDATED TO THE KING IV RECOMMENDATIONS AND WILL BE ALIGNED TO KING IV DURING 2018.



1. INTRODUCTION

The **Social and Ethics Committee** (the Committee) is constituted as a committee of the Board of **Merafe Resources Limited** (the Company) in terms of section 72(4) of the Companies Act no. 71 of 2008 read with Regulation 43 of the Companies Regulations, 2011.

The duties and responsibilities of the members of the Committee as set out in this terms of reference are in addition to those duties and responsibilities that they have as members of the Board, or prescribed officers of the Company as the case may be. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.

The Committee shall discharge its duties and act as the Committee for the Company as contemplated in Regulation 43(2)(a) of the Companies Regulations, 2011.

These terms of reference are subject to the provisions of the Companies Act, King III, the Company's Memorandum of Incorporation, the Pooling and Sharing Venture (PSV) with Glencore and any other applicable law or regulatory provision

2. PURPOSE

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3. COMPOSITION

The Committee comprises of six (6) individuals, as set out below.



Committee members - at least three non-executive directors, of whom at least one is an independent non-executive director who is not involved in the day-to-day management of the Company's business and who must not have been so involved within the previous three (3) financial years to be appointed by the Board and the Merafe CEO and CFO; and

Invitees - one (1) Namely the General Manager of Glencore South Africa.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties and required to keep up-to-date with developments affecting the required skill-set.

The Committee is chaired by an independent non-executive Board member who is not the Chairperson of the Board. The Board, in conjunction with the nominations committee elects the Chairperson of the Committee from the elected members who should preferably be an independent non-executive director.

4. SECRETARY

The Company Secretary of the Company shall act as the secretary of the Committee.

5. ROLE

The Committee has an independent role with accountability to the Board and shareholders. Its role is to assist the Board with the **oversight of social and ethical matters** relating to the Company. The Committee does not assume the functions of management, which remains the responsibility of the executive directors, prescribed officers and other members of senior management.

6. RESPONSIBILITIES

The Committee performs all the functions as are necessary to fulfil its role as stated above and including the following statutory duties amongst others:



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1. Monitoring the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of:
 - 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 Global Compact Principles;
 - ii. The OECD recommendations regarding corruption;
 - iii. The Employment Equity Act; and
 - iv. The Broad-Based Black Economic Empowerment Act;
 - v. Mining Charter(a i – v above are annexed and marked Appendix "I")
 - b. Good corporate citizenship, including the Company's:
 - i. Promotion of equality, prevention of unfair discrimination, and reduction of corruption, including transformation policies and strategies, and social responsibility policies and strategies;
 - 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;(b i, ii and iii above are annexed and marked Appendix "II")
 - 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 Organisation Declaration on Fundamental Principles and Rights at Work; and



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- ii. The Company's employment relationships, and its contribution towards the educational development of its employees;
- f. Ensuring that the Company's ethics is managed effectively (as recommended in principle 1.3 of the King Report on Governance for South Africa, 2009, including –
- i. Leadership demonstrating support for ethics throughout the Company;
 - ii. A strategy for managing ethics that is informed by the negative and positive risks the Company faces;
 - iii. Ethical standards are articulated in a code of ethics and supporting ethics policies;
 - iv. Structures, systems and processes are in place to ensure that the various boards, employee and supply chains are familiar with and adhere to the Company's group's ethical standards;
 - v. Ethics performance is included in the scope of internal audit and reported on in the Company's integrated annual report;
 - vi. Ethics is embedded in the corporate culture;
- g. Drawing matters within its mandate and terms of reference to the attention of the Board as occasion requires; and
- h. Reporting, through the Chairperson of the Committee, to the shareholders at the Company's annual general meeting on any part of the business of the meeting that concerns the Committee's functions.

7. AUTHORITY

The Committee is authorised and entitled to seek any information or explanation it requires from any director, prescribed officer, employee or other committee of the Company as the case may be, in order to fulfil its functions.



The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its mandate and terms of reference.

The Committee is entitled to reasonable access to the Company's records, facilities and employees necessary to discharge its duties and responsibilities.

The Committee may form, and delegate authority to, subcommittees, one or more designated members of the Committee and to one or more members of the executive to perform certain tasks on its behalf.

The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost, subject to prior approval by the Board.

The Committee shall, in addition to reporting to shareholders as per 1(h) hereof, report to the Board through the Chairperson, who shall provide a review of the deliberations of the Committee and its recommendations for Board consideration, noting and/or approval as appropriate.

Where appropriate or otherwise as authorised by the Board, decisions of the Committee may be taken by way of a round robin resolution.

8. MEETINGS AND PROCEDURES

Frequency

The Committee holds four scheduled meetings to discharge all its duties as set out in these terms of reference, but subject to a minimum of two meetings per year.

Meetings in addition to those scheduled may, with approval of the Chairperson, be held at the request of the Chief Executive Officer or at the instance of the Board.



Attendance

Committee members must attend all meetings unless prior apology has been submitted to the chairperson or company secretary.

If the elected Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson for the duration of that meeting.

Attendance of the meeting by members and invitees may be via video or teleconference and such members / invitees will be regarded as being present for that meeting.

Agenda and minutes

A detailed agenda, together with supporting documentation, is circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

Committee members must be fully prepared for Committee meetings in order to provide appropriate and constructive input on matters discussed.

The minutes are completed as soon as possible after the meeting and circulated to the Chairperson and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

Minutes of the meeting, signed by the Chairperson, are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of a formal meeting or otherwise.

Quorum

The quorum for meetings is a majority of members present.

Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings and accordingly may not vote on any matter.



9. EVALUATION AND REMUNERATION

Evaluation - The Committee must perform an evaluation of its effectiveness annually and report the outcomes to the Board.

Remuneration - – Committee members shall be entitled to such remuneration as considered by the Remuneration and Nominations Committee annually and as recommended by the board to shareholders, for approval at the annual general meeting.

10. APPROVAL

These terms of reference were reviewed by the Committee in November 2017.

11. REVIEW

These terms of reference will be reviewed annually against current legislation and practice.

Belese Majova
COMMITTEE CHAIRPERSON



Appendix I

Companies Regulations 2011 (26 April 2011)

43. Social and Ethics Committee

See Companies Act (2008) s. 72 (4) to (10)

(1) This regulation applies to—

- (a) every state-owned company;
- (b) every listed public company; and
- (c) any other company that has in any two of the previous five years, scored above 500 points in terms of regulation 26(2).

(2) A company to which this regulation applies must appoint a social and ethics committee unless—

- (a) it is a subsidiary of another company that has a social and ethics committee, and the social and ethics committee of that other company will perform the functions required by this regulation on behalf of that subsidiary company; or
- (b) it has been exempted by the Tribunal in accordance with section 72 (5) and (6).

(3) A board of a company that is required to have a social and ethics committee, and that—

- (a) exists on the effective date, must appoint the first members of the committee within 12 months after—
 - (i) the effective date; or
 - (ii) the determination by the Tribunal of the company's application, if any, if the Tribunal has not granted the company an exemption;
- (b) is incorporated on or after the effective date, must constitute a social and ethics committee and appoint its first members within one year after —
 - (i) its date of incorporation, in the case of a state-owned company;
 - (ii) the date it first became a listed public company, in such a case; or
 - (iii) the date it first met the criteria set out in sub-regulation (1)(c), in any other case.

(4) A company's social and ethics committee must comprise not less than three directors or prescribed officers of the company, at least one of whom must be a director who is not involved in the day-to-day management of the company's business and must not have been so involved within the previous three financial years.



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- (5) A social and ethics committee has the following functions:
- (a) 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 -
 - (i) social and economic development, including the company's standing in terms of the goals and purposes of—
 - (aa) the 10 principles set out in the United Nations Global Compact Principles; and
 - (bb) the OECD recommendations regarding corruption;
 - (cc) the Employment Equity Act; and
 - (dd) the Broad-Based Black Economic Empowerment Act;
 - (ii) good corporate citizenship, including the company's—
 - (aa) promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - (bb) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - (cc) record of sponsorship, donations and charitable giving;
 - (iii) the environment, health and public safety, including the impact of the company's activities and of its products or services;
 - (iv) consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws; and
 - (v) labour and employment, including—
 - (aa) the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
 - (bb) the company's employment relationships, and its contribution toward the educational development of its employees;
 - (b) to draw matters within its mandate to the attention of the Board as occasion requires; and
 - (c) to report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.



Appendix I

The United Nation's Global Compact

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- [The Universal Declaration of Human Rights](#)
- [The International Labour Organisation's Declaration on Fundamental Principles and Rights at Work](#)
- [The Rio Declaration on Environment and Development](#)
- [The United Nations Convention Against Corruption](#)

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 anti-corruption:

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.



Appendix I

Definitions from the King Report on Governance for South Africa – 2009	
Ethics	<p>‘Ethics’ and ‘morality’ (these terms can be used interchangeably) refer to that which is good or right in human interaction. Ethics involves three key, interlinked concepts – ‘self’, ‘good’, and ‘other’. Thus, one’s conduct is <i>ethical</i> if it gives due consideration not only to that which is <i>good for oneself</i>, but also good for <i>others</i>.</p>
Business ethics	<p>‘Business ethics’ refers to the ethical values that determine the interaction between a company and its stakeholders</p>
Ethical values and ethical principles	<p>Ethical values translate into behavioural commitments (principles) or behavioural directives (standards, norms, and guidelines). For example, the ethical value of honesty generates the principle ‘We should be honest’. This means that we have an ethical duty not to deceive, but to tell the truth. In specific circumstances, the principle of honesty may clash with another ethical principle, such as the principle of respect – ‘We should respect the dignity of others’. A clash of ethical principles results in an ethical dilemma. We need to employ ethical reasoning and deliberation to resolve ethical dilemmas</p>
Values	<p>Describing conduct as ‘good’ or ‘right’ means measuring it against standards, called ‘values’. <i>Ethical values</i> are convictions we hold about what is important in our character and interactions with others. Examples of ethical values are integrity, respect, honesty (truthfulness), responsibility, accountability, fairness, transparency, and loyalty</p>



Appendix II A

TERMS OF REFERENCE OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (continued) (Purpose of committee with regards to Transformation)

PURPOSE

Drive Transformation of the Company within the context and confines of relevant legislative regimes to ensure total compliance by the Company and all of its operations and new business acquisitions of the company.

Assist management in the formulation of the Company's transformation and social responsibility policies and strategies.

Help set and / or review, on an annual basis, the appropriateness and completeness of yearly action plans/programmes and other steps for advancing these strategies (transformation and social), which includes defining proposals and project plans.

Monitor and measure progress in executing the Company's transformation strategy and each year's action plan.

Audit and amend all Human Resources Policies and Procedures creating impairments or not aligned to spirit and intent of the Company's transformation policy and strategy.



Appendix II A

TERMS OF REFERENCE OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (continued) (Purpose of committee with regards to CSI)

PURPOSE

As a listed empowerment mining company, Merafe Resources believes that it has a fundamental responsibility to assist in improving the lives of individuals and communities in South Africa. The company thus has an active Corporate Social Investment programme focusing on developing the communities in which it operates through investment in skills training, education, health programmes and business enterprise development.

Merafe Resources' Corporate Social Investment (CSI) Programme is a deliberate, focused, coherent and progressive programme that is aligned to its business imperatives and is therefore:

- Well co-ordinated
- Guided by a common policy framework
- Has clear focus areas
- Mutually beneficial
- Seen as a strategic business function
- Aligned to the core business

1. OBJECTIVES OF CSI

The following are commonly shared CSI objectives:

- To increase the company's involvement in the communities in the areas in which Merafe operates
- To empower and uplift disadvantaged communities in the areas in which Merafe operates thus making a measurable impact on the socio-economic conditions of these communities



- To be seen as a caring and responsible corporate citizen by the company's stakeholders
- To build relationships with the company's stakeholders

2. CSI POLICY

Policy Statement

Merafe Resources believes that being a responsible and contributing corporate citizen is a key component of the firm's business strategy. The company is thus, through its community investment strategy, committed to empowering and uplifting specific disadvantaged communities in South Africa.

Purpose of the CSI Policy

The purpose of this CSI Policy is to:

- outline the company's CSI strategy and therefore its involvement in community development and upliftment;
- set out the processes and procedures by which the company will identify, manage, and support its corporate social investment and donation activities.

Merafe Resources CSI "Footprint"

Investments will mainly be made in the surrounding communities within which Merafe Resources operates in South Africa, namely Steelpoort, Rustenberg and Lydenburg.

3. CSI FOCUS AREAS

The focus areas outlined in this policy indicate areas in which Merafe Resources shall direct its corporate social investment spend. In allocating resources to the outlined focus areas, Merafe Resources shall be guided by the need to:

- focus on communities in which the company operates and where stakeholders are based;
- focus/emphasize investments in disadvantaged communities; and



- support programmes that promote development and enterprise development and enterprise development.

Focus Areas

The three primary focus areas are as follows:

- Education
- Skills training
- Health

3.1.1. Education

Merafe Resources social investment in education will be focused on:

- Supporting secondary school projects aimed at providing maths, science and technology education for both educators and learners
- Providing study bursaries for engineering and commerce degrees

3.1.2. Skills Training

Merafe Resources social investment in skills training aims to support projects which:

- Teach artisan skills particularly focusing on electrician, mechanics and welding skills
- Promote projects and enterprise development involving women

Merafe Resources will select at least one skills training project annually as a flagship project.

3.1.3. Health

Investment in health projects will focus specifically on:



- HIV/Aids projects (what type of HIV/Aids project to be supported will be decided once a review has been done of the needs analysis which was carried out in the mining communities in which Merafe operates)

Flagship Projects

Merafe Resources will be proactive in setting up flagship projects within focus areas and will allocate approximately 60% of the CSI budget to such projects. The balance of CSI funding will be made available for grants to smaller non-flagship projects. In terms of flagship projects, Merafe Resources will undertake to:

- Investigate and set up projects that are within the defined focus areas of Merafe Resources and are aligned to the business.
- Leverage Merafe Resources' contribution by attracting other partners and contributors in order to satisfy a complete developmental need.
- Clearly identify roles, rights and intended benefits that pertain to each of the parties involved.
- Ensure that flagship projects are sustainable in the long term and achieve real and measurable developmental impact.

Criteria for Selecting Projects within Focus Areas

Selected organisations and their projects must:

- serve marginalized groups within South Africa
- focus on the communities where Merafe operates and/or where its stakeholders are based
- be implemented by organisations that are registered as Non-Profit Organisations with the Department of Social Development's NPO Directorate and have Section 18(A) tax exemption status



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- be implemented by organizations that have been in existence for a minimum of one year
 - be visited and evaluated in order to assess the need and ultimate impact of the projects

Formal funding agreements for all selected projects should be drawn up.

General Exclusions

Merafe Resources will not offer financial support to:

- Profit-making organisations and companies
- Individuals, or small groups in their personal capacity (excluding bursaries)
- Travel, either by groups or individuals
- Political parties or groups with partisan political affiliations
- Labour unions
- Conferences
- Religious organisations for sectarian activities

4. BUDGET

Merafe Resources' CSI expenditure will be calculated according to a specific formula of 1% of net profit after tax. The budget will run from the 1st of January to the end of December each year. The majority of the budget will be allocated to the selected flagship projects with the balance allocated to non-flagship projects and a discretionary fund. The reserve amount of the fund will be determined on an annual basis by the committee.

The following split is proposed for the Merafe Resources annual CSI budget:



Flagship Projects = 60%

Non-flagship Projects = 35%

Discretionary = 5%

The discretionary fund will be for the use of the CEO in consultation with the CSI chairperson, the promotion of strategic partnerships and will be formally accounted for. Criteria for funding will be at the total discretion of the CEO and will not be restricted to the focus areas and funding criteria as set out in this CSI Policy.

5. EMPLOYEE INVOLVEMENT

Merafe Resources realizes the value of involving employees in its CSI activities and as such will endeavour to develop and implement an employee participation programme that will address the needs of the employees in a holistic manner whilst also achieving its corporate objectives.

Employees will be encouraged to get involved in projects that Merafe Resources supports. This support can include volunteer time, financial contributions and donations in kind.

The volunteer needs of projects that the company is supporting will be identified and communicated to employees to ensure that employees are aware of the opportunities available.

6. DECISION-MAKING STRUCTURE

A CSI Committee will be established to ensure that a co-ordinated, coherent and focused social investment strategy is realized. The CSI Committee shall meet on a quarterly basis and be responsible for the following:

- Determining the CSI policy and strategy
- Determining the CSI budget and allocation



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- Selecting and approving projects for investment
 - Identifying measurable project outputs and objectives
 - Ensuring that the objectives of the CSI programme are met

The Committee shall be chaired by a non-executive chairperson and include (but not be limited to) executive directors and a CSI co-ordinator.

The CSI programme will be managed on a day to day basis by the CSI Co-ordinator who will report directly to the CSI Committee on all CSI activities. Responsibilities will include:

- Controlling the CSI expenditure
- Identifying and proposing projects to the CSI Committee for consideration
- Drawing up formal contracts with the selected projects
- Monitoring the effectiveness of funded projects and reporting to the CSI Committee
- Co-ordinating the implementation of an effective internal CSI communication programme

7. EVALUATION AND FEEDBACK

An effective evaluation and impact analysis programme will be established and will apply to all projects. The measurement and evaluation of the projects will be defined within the grant agreements which set the framework for periodic evaluation. Annual evaluations will be conducted in addition to end of contract evaluations where a full impact analysis will be undertaken. The extent of this evaluation will be determined according to the size of grant and will seek to determine the nature and scope of the developmental impact that can be attributed to the Merafe Resources contribution.



Results of the evaluation will be considered when reviewing future grant allocations to particular projects. All flagship projects will be subject to review on completion of the evaluation process.

Full disclosure of grantees and the amount of grants made are in the best interest of Merafe Resources in terms of good Corporate Governance practices.

Review

This policy was approved by the Company on 24 February 2015 and will be reviewed annually against current legislation and practice.