

**Confidential**

The Land and Agricultural Development Bank of South Africa  
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CENTURION



# JOINT SOCIAL AND ETHICS COMMITTEE CHARTER



## 1. Document Information and History

<b>Document owner</b>	Company Secretary
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### 1.1 Change Mechanism

- 1.1.1 Any requirement for change or clarification should be addressed to the Document Owner, who will log the issue.
- 1.1.2 These issues will usually be collected until the regular Charter review date, at which point they will be addressed, as part of the Policy review and update process.
- 1.1.3 Urgent issues will be addressed as soon as possible, and where necessary, passed via the normal governance process, for acceptance, before being communicated.
- 1.1.4 Any changes to this Charter must adhere to the Change Policy.

## **1. INTRODUCTION**

The Companies Act, No. 71 of 2008 (the Companies Act) became effective on 1 May 2011. The Act has sought to modernise and 'simplify' company law, but there have been numerous innovations to regulatory, accountability, transparency and governance requirements. One of the innovations is the introduction of a provision for the establishment of a Social and Ethics Committee.

## **2. OBJECTIVE**

The purpose of this Charter is to set out the Committee's scope, roles and responsibilities as well as the requirements for its composition. The Charter is subject to the provisions of the Land and Agricultural Development Bank Act 15 of 2002 (the Land Bank Act), the Companies Act, the Public Finance Management Act 1 of 1999 (PFMA), the National Treasury Regulations of 2007, the Memoranda of Incorporation of the Insurance Companies and any other applicable law or regulatory provision

## **3. ROLE OF COMMITTEE**

- 3.1 The Committee's primary role is to
  - a. review and make recommendations to the Board of directors of the Land and Agricultural Development Bank (the Land Bank or the Bank), and the Joint Board of directors of Land Bank Insurance SOC Ltd and Land Bank Life Insurance SOC Ltd (the Land Bank Insurance Companies, Land Bank Insurance or Insurance Companies) on matters relating to social and ethics policies and strategies amongst other things; and
  - b. assist the Boards with creating value in a sustainable manner taking into consideration the triple context of the economy, society and natural environment within which the institutions operate.
- 3.2 The two Boards have delegated certain matters to the Committee, but have not divested themselves of any function conferred and delegated to the Committee. The Boards retain full responsibility for social and ethics.
- 3.3 The Committee has an independent role with accountability to the Board.
- 3.4 The Committee shall not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior management.

## **4. ESTABLISHMENT**

- 4.1. The Social and Ethics Committee is established in terms of section 72 (4) of the Companies Act, 2008 (the Companies Act of 2008) and regulation 43 (2) of the Companies Regulation of April 2011 (the Companies Regulations) which provide among others that every state owned company is required to have a Social and Ethics Committee. Subsidiaries of companies that have a Social and Ethics Committee, or those that are exempted do not have to have a committee.
- 4.2. The Land Bank is not incorporated in terms of the Companies Act of 2008 and the provisions of section 72(4) of the Companies Act and regulation 43(2) of the Companies Regulations do not therefore apply to the Land Bank. The Report on Corporate Governance for South Africa 2016 (King IV) which seeks to promote the progression of social and ethics committees to beyond mere

compliance to making a contribution to value creation however encourages organisations that are not legally required to establish social and ethics committees to consider creating such a structure. It is for that reason that the Land Bank has resolved to establish a Social and Ethics Committee on the same lines as those provided for in the Companies Act of 2008, the Companies Regulations and King IV.

- 4.3. The Insurance Companies on the other hand are incorporated in terms of the Companies Act of 2008, have not been exempted from the requirement of establishing Social and Ethics Committee and are therefore obliged to establish a Social and Ethics Committee.
- 4.4. The Committee is constituted as a Committee of the Board of Directors of the Land Bank and the Land Bank Insurance Companies in respect of all other duties assigned to it by the Board. The Committee's functions and powers are set out in this Charter or otherwise delegated to it by the Board.

## **5. AUTHORITY**

- 5.1 The Committee shall act in accordance with its statutory powers and the delegated authority of the Boards of directors of the Land Bank and the Insurance Companies as recorded in this Charter.
- 5.2 The Committee, in the fulfilment of its duties, may call upon the Chairpersons of the other Board committees, other board members, executive directors, company officers or assurance providers to provide it with relevant information subject to a Board-approved process.
- 5.3 The Committee shall be entitled to reasonable access to the records, facilities and employees of the Land Bank and the Insurance Companies as is necessary to discharge its duties and responsibilities.
- 5.4 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.
- 5.5 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the cost of the Land Bank and the Insurance Companies, subject to a Board-approved process.
- 5.6 The Committee has the right to be heard at any general shareholders meeting on any part of the business of the meeting that concerns the committee's statutory responsibilities.

## **6 COMPOSITION**

- 6.1 The Committee consists of at least three (3) members appointed by the Board of Directors of the Land Bank and the Board of Directors of the Insurance Companies from ranks of non-executive directors and prescribed officers of the Bank and the Insurance Companies, with a majority being non-executive members of the Board.
- 6.2 A non-executive director shall be appointed as the Chairperson of the Committee.

- 6.3 The Chairpersons of the Boards of the Land Bank and the Insurance Companies may be members of the Committee, but may not chair it.
- 6.4 At least one executive director shall be an ex-officio member of the Committee.
- 6.5 The term of office of each member shall be aligned to their tenure as a non-executive director or prescribed officer of the Land Bank and the Insurance Companies;
- 6.6 The Minister of Finance shall determine the remuneration of the members of the Committee.
- 6.7 The Board has the power to at any time remove members(s), dissolve and reconstitute the Committee. If a member of the Committee ceases to be an employee of the Land Bank or a member of the Land Bank Board, such a member automatically ceases to be a member of the Credit Investment Committee.
- 6.8 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 6.9 The Committee members are required to keep their knowledge and skillset up -to-date.
- 6.10 Vacancies arising from the Committee shall be filled within forty (40) working days after the vacancy arises.
- 6.11 The Committee may from time to time invite, permanently or otherwise, such persons as it considers may add value to the business of the Committee, the Land Bank and the Insurance Companies.

## **7 DUTIES AND RESPONSIBILITIES**

The statutory responsibilities and functions of the Committee are the following:

- 7.1 Review and recommend to the Boards a policy, strategy, and structure to manage social and ethics issues in Land Bank and the Insurance Companies
- 7.2 Monitor the activities of the Land Bank and the Insurance Companies with regard to social and economic development as determined by legislation or prevailing codes of best practice
- 7.3 Monitor the standing of the Land Bank and the Insurance Companies in terms of the goals and purposes of
  - a. the 10 principles set out in the United Nations Global Compact Principles;
  - b. the OECD recommendations on corruption;
  - c. the Employment Equity Act; and
  - d. the Broad-Based Black Economic Empowerment Act
- 7.4 Monitor the activities of the Land Bank and the Insurance Companies with regard to good corporate citizenship including
  - a. their promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - b. development of the communities in which they operate; and sponsorships, donations and charitable giving

- 7.5 Monitor the impact of the activities and products of the Land Bank and the Insurance Companies on the environment, health and public safety
- 7.6 Monitor the relationships of the Land Bank and the Insurance Companies with consumers, their compliance with consumer protection laws, as well as the nature of their advertising and public relations efforts
- 7.7 Monitor the practices of the Land Bank and the Insurance Companies with regard to labour and employment
- 7.8 Monitor the standing of the Land Bank and the Insurance Companies with regard to the International Labour Organization Protocol on decent work and working conditions
- 7.9 Monitor the employment relationships of the Land Bank and the Insurance Companies, and their contribution toward the educational development of their employees
- 7.10 Consider substantive national and international regulatory developments as well as practice in the fields of social and ethics management
- 7.11 Develop for approval by the Boards and from time to time review the policy and strategy of the Land Bank and the Insurance Companies pertaining to their programme of corporate social investment
- 7.12 Determine for approval by the Boards and from time to time review clearly articulated ethical standards (Code of Ethics) and ensure that the Land Bank and the Insurance Companies take measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable ethical corporate culture within the Land Bank and the Insurance Companies
- 7.13 Ensure that management develops and implements programmes, guidelines and practices congruent with the social and ethics policies of the Land Bank and the Insurance Companies
- 7.14 Review the material risks and liabilities relating to the provisions of the Code of Ethics, and ensure that such risks are managed as part of risk management programmes of the Land Bank and the Insurance Companies
- 7.15 Review and recommend to the Boards policies, strategies and structures to manage the reputation of the Land Bank and the Insurance Companies, review the reputational risks of the Land Bank and the Insurance Companies and ensure that such risks are managed as part of the risk management programme of the Land Bank and the Insurance Companies.
- 7.16 Annually review the performance assertions of the Land Bank and the Insurance Companies in implementing the provisions of the Code of Ethics
- 7.17 Annually obtain external assurance of ethics performance of the Land Bank and the Insurance Companies, and facilitation of the inclusion in the Integrated Report of an assurance statement related to the ethics performance of the Land Bank and the Insurance Companies
- 7.18 Ensure that the Boards have allocated adequate resources to comply with social and ethics policies, codes of best practice and regulatory requirements

7.19 Draw matters within its mandate to the attention of the Boards as occasion require

7.20 Report to the Board and to the Executive Authority of Land Bank on the matters within its mandate.

The Committee shall also be responsible for the following non-statutory duties:

7.21 Organisational ethics (as articulated in King IV, Principle 2). The Committee should ensure that the ethics of the organisation are managed in a way that supports the establishment of an ethical culture, including:

- a. leadership demonstrating support for ethics throughout the organisation;
- b. setting a strategy for managing ethics that is informed by the negative and positive ethics risks the company faces;
- c. articulating ethical standards in a code of ethics and supporting policies;
- d. ensuring that structures, systems and processes are in place to familiarise the Boards, employees and supply chains with the organisation's ethics standards;
- e. monitoring adherence to the organisation's ethics standards by all contracted stakeholders;
- f. making ethics a criterion in the selection, promotion and performance management of staff and suppliers;
- g. providing reporting mechanisms for safe reporting of unethical behaviour;
- h. responding to breaches of ethical standards in a manner that will prevent reoccurrence;
- i. including ethics management and performance in the scope of internal audit;
- j. reporting on the organisation's ethics performance in the organisation's integrated annual report; and
- k. evaluating the extent to which ethics has become part of the corporate culture of the organisation.
- l. Reviewing and making recommendations to the Board regarding all identified
  - i. DPIPs (domestic prominent influential persons), i.e. individuals who hold, (including in an acting position) for a period exceeding six months, or have held at any time in the preceding 12 months in South Africa, a prominent public function as listed in Schedule 3A of the FIC Act;
  - ii. FPPOs (foreign prominent public official) i.e. individuals who hold, or have held at any time in the preceding 12 months, in a foreign country a prominent public function as listed in Schedule 3B of the FIC Act
  - iii. PEPs/PEPs (politically exposed person/politically influential persons ) i.e. natural persons who are or have in the past held a prominent public function and their associates in order to safeguard the reputation of the Land Bank and its Subsidiaries
- m. Reviewing and making recommendations to the Board regarding instances where the risk of taking on or retaining existing business falls outside the acceptable risk appetite of the Bank and its Subsidiaries



- n. Reviewing and making recommendations to the Board regarding instances where there is adverse information about individuals/entities that are doing or may do business with the Bank, which information may tarnish the reputation of the Bank and render the continuation or establishment of the relationship is undesirable.

7.22 Corporate Citizenship (as articulated in King IV Principles 3, Para. 14 and Principle 8 Paras. 68 and 69). Guided by the values and rights enshrined in the Constitution of South Africa, King IV, Sustainable Development Goals, climate change agreements, national and international standards and leading practice in governing good corporate citizenship, the Committee is responsible for issues relevant to the triple context in which the organisation operates including:

- a. Sustainable development
- b. Stakeholder relations
- c. Fraud prevention
- d. Responsible and transparent tax practices
- e. Fair remuneration
- f. Pollution
- g. Waste disposal
- h. Protection of biodiversity

The duties and responsibilities of the members of the Committee as set out in this Charter are in addition to those duties and responsibilities that they have as members of the Board.

The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members and prescribed officers concerning their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations.

## **8 RELATIONSHIP WITH THE AUDIT AND RISK COMMITTEES**

In the execution of its duties the Committee will rely among others on the reports generated by the internal audit, risk management and compliance functions<sup>1</sup>.

The following assurance reports that serve before the Audit, Risk and Governance Committees will also serve before the Social and Ethics Committee

### **8.1 Ethics Assurance**

- a. Ethical Climate Surveys which measure adherence to ethical standards, including the company's behaviour and practices towards customers, employees, suppliers and legal requirements

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<sup>1</sup> Early planning of the information and assurance needs for all board committees will ensure non-duplication of effort, efficient and non-wasteful use of resources and relevant and useful information through the governance

structures to the board.

- b. Fraud hotline activity and effectiveness
- c. Fraud risk assessments and mitigations.

## 8.2 Stakeholder Management

Given the provisions of the Companies Act with regard to the responsibilities of the Social and Ethics Committee, the reports of the monitoring activities of the Internal Audit and Compliance<sup>2</sup> functions will be on the agenda of the Social and Ethics Committee. The Committee will consider Internal Audit and Compliance Reports dealing with adherence to the provisions of the following pieces of legislation among others:

- Basic Conditions of Employment Act No. 75 of 1997
- Competition Act No. 89 of 1998
- Consumer Protection Act No. 68 of 2008
- Employment Equity Act No. 55 of 1998
- Environment Conservation Act Extension No. 73 of 1989 and the Extension Act of 1996
- Financial Intelligence Centre Act No. 38 of 2001
- Labour Relations Act No. 66 of 1995
- National Building Regulations and Building Standards Act No. 103 of 1977
- National Environmental Management Act No. 107 of 1998
- National Water Act No. 36 of 1998
- Occupational Health and Safety Act No. 85 of 1993
- Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PRECCA)
- Protected Disclosures Act 26 of 2000
- Skills Development Levies Act No. 9 of 1999
- Unemployment Insurance Act No. 63 of 2001 and the Contributions Act No. 4 of 2002.

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<sup>2</sup> Given the quantum of laws and regulations in South Africa (over 1500) and the requirement to adhere to them, the role and effectiveness of the Compliance function cannot be understated. King IV, Principle 13 states that: "The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen". Recommended practice is that "The compliance function, its role and its position in terms of reporting should be a reflection of the company's decision on how compliance is to be integrated with its ethics and risk management".

### 8.3 Relationship with the Human Resource Committee

The following are some of the reports that serve before the Human Resource Committees regarding the implementation of human capital management strategies and policies that will also serve before the Social and Ethics Committee:

- Employment Practises
- Recruitment and Selection
- Remuneration, Reward and Recognition
- Internships and Learnerships
- Employee Development
- Gender Balance
- Gender Relations
- Protected Disclosures
- Employee Assistance and Wellness
- Work Environment

## 9 REPORTING

- 9.1 The Committee shall at such intervals as it may prescribe or on request, receive reports from Management and monitor timely resolution of issues or concerns raised in line with the allocated responsibility as reflected in the DOP;
- 9.2 The Chairperson shall formally report to the Board at the Board meeting following each Committee meeting, on a quarterly basis, on all matters that should be brought to the attention of the Board and any recommendations requiring Board approval and/or action;
- 9.3 The Committee shall report to the shareholder at all annual general meetings on the matters within its mandate
- 9.4 The Committee shall guide on the preferred structure for developing reports, ensuring that the necessary focus, depth, emphasis, detail of the reports are sufficient to enable the Committee to apply itself in decision making processes.

## 10 MEETINGS

### 10.1 Work Plan

The Chairperson of the Committee in consultation with the Company secretary and with inputs from divisional executives shall formulate an annual Workplan for the Committee against the agreed objectives and goals.

### 10.2 Convening of Committee Meetings

Meetings of the Committee shall be convened by the Chairperson of the Committee through the office of the Company Secretary.

### 10.3 **Frequency of Meetings**

The Committee will meet a minimum of four times in a financial year. The Committee may hold additional meetings as the Chairperson of the Committee may deem necessary for the Committee to fulfil its duties, taking into account requests from any Board or Committee member, the Chief Executive Officer, Business or the Company Secretary.

### 10.4 **Agenda**

- a. Each Committee meeting will have an agenda based on the Committee Workplan in the case of a scheduled meeting, and in the case of special or ad hoc committee meetings on the specific matter the special or ad hoc meeting was requested.
- b. Additional items may be included in the agenda for a scheduled meeting by notice to the Company Secretary and with the consent of the Chairperson of the Committee.
- c. The Chairperson will review the agenda for each meeting prior to its issue.
- d. The agenda together with the meeting documents will be issued to the Committee members at least seven (7) calendar days prior each Committee meeting.

### 10.5 **Attendance**

One or more members of the Committee may participate in a meeting by electronic communication, so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary and to participate effectively in the meeting.

### 10.6 **Quorum**

- a. A majority of members present (in person or via electronic communication) shall constitute a quorum for a meeting of the Committee, and no business shall be transacted at a meeting of the Committee unless the requisite quorum is present.
- b. 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;
- c. No decisions shall be taken at a committee meeting without the presence of a quorum.
- d. Invitees do not form part of the quorum of a Committee meeting and are not entitled to vote at Committee meetings.

### 10.7 **Presiding at meetings**

The Chairperson of the Committee shall preside at Committee meetings. If the appointed Chairperson of the Committee is absent from a meeting, the members in attendance must elect one of the members present to preside as a Chairperson;

### 10.8 **Secretary**

The Company Secretary or his or her delegate will act as Secretary of the Committee.

#### 10.9 **Minutes**

- a. Within ten (10) days of a Committee meeting, the Company Secretary shall prepare draft minutes, with resolutions and matters arising, of each Committee meeting and submit them for review to the Chairperson of the Committee.
- b. The Chairperson of the Committee shall within 2 days of receipt of the draft minutes review same and approve them for circulation to all members of the Committee.
- c. Members of the Committee have 2 days to review the draft minutes as reviewed by the Chairperson of the Committee. Committee members will thereafter advise the Chairperson of the Committee through the offices of the Company Secretary of their position with regard to the adoption of the minutes.
- d. The Chairperson of the Committee or the Chairperson of a meeting shall sign the minutes once adopted by Committee members and once agreed amendments and/or corrections, if any, have been effected to the minutes by the Company Secretary.

#### **10. CONFIDENTIALITY AND CONFLICT OF INTEREST**

The Committee and its invitees are bound by Land Bank Policy on Confidentiality and Conflict of Interest.

#### **11. SELF-ASSESSMENT AND EVALUATION OF THE COMMITTEE**

The Committee shall evaluate its performance annually.

#### **12. REVIEW OF COMMITTEE CHARTER**

The Committee Charter shall be reviewed at least once every year.

#### **13. ATTESTATION**

The Committee shall report on annual basis on how it has discharged its responsibilities in terms of this Charter.

#### **14. APPROVAL OF CHARTER**

Approved by the Boards of directors of Land Bank Insurance on 24 April 2023 and of the Land Bank on 26 April 2023