



Efora Energy Limited

SOCIAL, ETHICS AND REMUNERATION COMMITTEE

TERMS OF REFERENCE

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1. Introduction

- 1.1 The Board of Directors (hereinafter referred to as the “Board”) of Efora Energy Limited (hereinafter referred to as “Efora” or as “the Company”) has resolved to establish a Committee of the Board to be known as the “Social, Ethics and Remuneration Committee” (hereinafter referred to as “the Committee”), to act in the capacity of a Social, Ethics and Remuneration Committee for Efora and all of its subsidiaries.
- 1.2 The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.
- 1.3 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 statutory obligations.
- 1.4 These Terms of Reference are subject to the provisions of:
 - 1.4.1 The Companies Act and Regulations, 71 of 2008 (“the Companies Act”);
 - 1.4.2 Any requirements of any other regulatory/supervisory authority (i.e. the JSE Listing Requirements);
 - 1.4.3 King Code of Governance for South Africa, as amended; and
 - 1.4.4 Any other applicable legislation.

2. Purpose of the Terms of Reference

- 2.1 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. Constitution and Tenure of Committee

- 3.1 The Committee and Chairman are nominated and appointed by the Board of the Company. The Board will determine the size and:
 - 3.1.1 The Committee shall comprise of at least 3 (three) independent non-executive directors of the Company;
 - 3.1.2 The Committee should be chaired by an independent non-executive member, who is not the chair of the Board;
 - 3.1.3 The chair of the Board may be a member of the Committee, and

- 3.1.4 The members of the Committee as a whole, must have sufficient qualifications and experience to fulfil their duties.
- 3.2 The Board shall determine the period for which the Chairman and Committee members shall hold office;
- 3.3 A Committee member, who holds office as a director of the Board, will automatically cease to be a member of the Committee upon resignation from the Board;
- 3.4 A member may resign at any time by giving due notice to the Company Secretary and the Chairman of the Board.

4. Authority

- 4.1 The Committee has authority to make decisions in so far as it is empowered to do so by the Board and as recorded in these Terms of Reference. On matters beyond its authority, the Committee makes recommendations to the Board for its approval.
- 4.2 As per section 72 of the Companies Act, the Committee, in carrying out its duties, has powers to consider and make decisions on:
 - 4.2.1 The need to investigate any activity within its scope of responsibilities;
 - 4.2.2 Consulting with or seeking any information it requires from any employee who shall be obliged to co-operate with the Committee;
 - 4.2.3 Access internal or external resources to properly carry out its duties;
 - 4.2.4 Obtain independent professional advice at the Company's expense if it believes this is necessary to fulfil its duties. Such advisors may attend meetings at the invitation of the Chairman of the Committee and/or Board;
 - 4.2.5 Access relevant Company records, facilities and any other resources necessary to discharge its duties and responsibilities;
 - 4.2.6 Delegate its authority and duties, in so far as it is not precluded from doing so by these Terms of Reference or legal or regulatory requirements, to other Board Committees, working groups or other persons including employees or individual members of the Committee;
 - 4.2.7 Make recommendations to the Board for approval by the Board;
 - 4.2.8 The Committee, in the fulfilment of its duties, may call upon the Chairmen of the other Board Committees, any of the executive directors, officers or Company Secretary to provide it with information, subject to following a Board approved process;
 - 4.2.9 The Committee may not perform any management functions or assume any management responsibilities and shall have no executive powers regarding its findings and recommendations.

5. Meeting Procedures

5.1 Frequency

The Committee must hold sufficient 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 be held at the request of the CEO or other members of Senior Management or at the instance of the Board or a member of the Committee.

The Chairman of the Committee will also usually meet separately with the CEO or the Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

5.2 Attendance

5.2.1 Other members of Senior Management as may be required, assurance providers, professional advisors and Board members, may be in attendance at Committee meetings, but by invitation only and they may not vote. Executives are required to leave the meeting when their remuneration is discussed.

5.2.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or the Company Secretary.

5.2.3 The Company Secretary is the secretary of this Committee.

5.2.4 If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman.

5.2.5 Meetings may be held in person, by telephone, videoconference or other form of electronic means that would prove efficient, provided that the required quorum is met. All persons shall be deemed to be present at the meeting.

5.3 Agenda and Minutes

5.3.1 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these Terms of Reference. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual work plan.

- 5.3.2 A detailed agenda together with supporting documentation, must be circulated at least 7 (seven) days prior to each meeting to the members of the Committee and other invitees.
- 5.3.3 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 5.3.4 The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

6. Quorum

- 6.1.1 A quorum for meetings is a majority of members of the Committee present in person or *via* telecom facilities.
- 6.1.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 6.1.3 A decision shall be considered passed if the majority of Committee members present (in person or by proxy) vote in favour of a resolution.
- 6.1.4 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

7. Evaluation

The Board must perform an evaluation of the effectiveness of the Committee every year.

8. Role

- 8.1 The Committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of the Senior Management.
- 8.2 The role of the Committee is to assist the Board to ensure that the Company has implemented an effective policy and plan for reputational risk management that will enhance the Company's ability to achieve its strategic objectives in line with set criteria for the optimum social and ethical environment.
- 8.3 The responsibilities of the Committee are more fully set out in Annexure A to this document.

Annexure A

1. The role and responsibilities of the Committee in relation to Social and Ethics:

The Committee must perform all the functions as is necessary to fulfil its role as stated afore, including the following:

- 1.1 To monitor and report on the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, regarding matters relating to:
 - 1.1.1 social and economic development, including the Company's standing in terms of the goals and purposes of:
 - i. the ten principles set out in the United Nations Global Compact Principles;
 - ii. the OECD recommendations regarding corruption;
 - iii. the Employment Equity Act; and
 - iv. the Broad Based Black Economic Empowerment Act;
 - 1.1.2 good and responsible corporate citizenship, including the Company's:
 - i. promotion of equity, prevention of unfair discrimination, and reduction of corruption;
 - ii. contribution to development of the communities in which its activities are predominately conducted or within which its products or services are predominantly marketed; and
 - iii. record of sponsorship, donations and charitable giving.
- 1.2 the environment, health and public safety, including the impact of the Company's activities and of its products or services;
- 1.3 consumer relationships, including the Company's advertising public relations and compliance with consumer protection laws; and
- 1.4 labour and employment, including:
 - i. the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
 - ii. the Company's employment relationships, and its contribution toward the educational development of its employees;
- 1.5 Liaise closely with the Audit, Risk and Investment Committee to exchange information relevant to issues pertaining to social, ethical and reputational risk;
- 1.6 Sustainable development;

- 1.7 Organisational ethics;
- 1.8 Stakeholder relationships;
- 1.9 The Committee is responsible for the design and implementation of the Company's Code of Ethics and any other policies necessary to ensure the Company's image and reputation is protected through the proper conduct of all persons involved in or associated with the Company. The Committee will recommend all such Codes and policies to the Board for its approval.
- 1.10 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;
- 1.11 The Committee shall make whatever recommendations to the Board it deem appropriate, on any area within its ambit, where action or improvement is needed;
- 1.12 In performing their duties and functions, each Committee member must act in the best interest of the Company in terms of their fiduciary duties and also in accordance with their duties under the Company's Code of Ethics. Committee members should maintain appropriate relationships with relevant executives of the Company.

2 The role of the Committee in relation to Remuneration is to assist the Board to ensure that:

- 2.1 the Company remunerates directors and executives fairly and responsibly;
- 2.2 the disclosure of the directors' fees and remuneration are accurate, complete and transparent; and
- 2.3 an effective remuneration policy is in place, aligned with the Company's strategy, King requirements and that it is applied consistently throughout the organisation at all employee levels;
- 2.4 Oversee the setting of remuneration *quanta* and terms and conditions for fixed and variable pay at all levels in the Company, but especially at senior executive, prescribed officer and Board level;
- 2.5 Oversee the establishment of a remuneration framework and policy that will promote the achievement of strategic objectives and encourage individual performance in line with Board objectives;
- 2.6 Ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year;
- 2.7 Formulate and recommend to the Board the remuneration of non-executive directors, for final approval by shareholders;
- 2.8 Manage stakeholder relations with investors and other stakeholders deemed appropriate on remuneration matters before and at the annual general meeting and throughout the year;
- 2.9 Ensure that the Chairman of the Committee, or in his/her absence a nominated representative, attends the annual general meeting or similar forums to answer questions about remuneration;

- 2.10 Review the outcomes of the implementation of the remuneration policy as to whether the Board's set objectives are being achieved;
- 2.11 Ensure that the structure and mix of fixed and variable pay, in cash, shares and other elements meets the Company's needs and the Board's strategic objectives;
- 2.12 Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- 2.13 Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- 2.14 Consider the results of the evaluation of the performance of the CEO and other executive directors, both as directors and as executives, in determining remuneration;
- 2.15 Select an appropriate comparator group when comparing remuneration levels and ensure that fixed and variable pay are compared favorably against relevant market comparators on a regular basis to establish compliance with the remuneration policy and strategy;
- 2.16 Regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules;
- 2.17 Consider the appropriateness of early vesting of share-based schemes at the end of employment;
- 2.18 Liaise with other relevant committees in the broader context of risk, disclosure and social responsibility matters;
- 2.19 Liaise with the Nominations Committee and the Board on succession plans for Senior Management;
- 2.20 Ensure that the Chairman of the Committee reports to the Board after each meeting of the Committee on its compliance with the Terms of Reference.
- 2.21 Oversee the preparation and recommending to the Board the remuneration report, to be included in the integrated report, for whether it:
 - 2.21.1 is accurate, complete and transparent;
 - 2.21.2 provides clear explanation of how the remuneration policy has been implemented; and
 - 2.21.3 provides sufficient forward-looking information for the shareholder to pass a special resolution in terms of Section 66 (9) of the Companies Act.