



Silver Lakes Homeowners Association NPC
Reg No 1992/004661/08 VAT No. 4690139011

P O Box 11106, Silver Lakes, 0054
www.silverlakes.co.za

HEAD OFFICE

Tel +27 12 809 0142
Fax +27 12 809 1119

27 Muirfield Boulevard
Silver Lakes 0081

CLUBHOUSE

Tel +27 12 809 0281
Fax +27 12 809 0429

La Quinta Street
Silver Lakes 0081

GOLF CLUB

Tel +27 12 809 2110
Fax +27 12 809 2070

La Quinta Street
Silver Lakes 0081

SOCIAL, ETHICS & GOVERNANCE COMMITTEE (SEGC) TERMS OF REFERENCE

A) Purpose

The Social, Ethics and Governance Committee (SEGC) of the Board of Directors (the Board) will assist the board to monitor the company's compliance with all relevant legislation, legal requirements and prevailing codes of best practice in regard to social and economic development, good corporate citizenship, environment and public safety, consumer relations, labour and employment and corporate governance.

B) Scope, Responsibilities, Agenda and Meeting times.

1. Taking the size and type of the company into consideration the Committee will to the extent necessary monitor, review and /or make recommendations for amendments and report to the Board of Directors regarding the company's level of compliance with the elements as detailed in Annexure 1 and as listed below:
 - a. Provisions of the Memorandum of Incorporation.
 - b. Rules governing the Estate
 - c. Annual Financial Statements completion and comprehensiveness.
 - d. Audit Committee minutes
 - e. Terms of Reference of other Board and Management Committees.
 - f. Social Fund
 - g. Charitable donations.
 - h. Service Provider Tenders and Appointments.
 - i. Interest held in for profit companies.
 - j. Governance in relation to the selected principles of the King IV report on corporate governance.
2. The chairperson of the committee will deliver and present an annual report to the AGM,
3. Executive management members of the SEGC will prepare a written report for SEGC Chairperson's approval and publication in the member's pack of AGM documentation.

4. The recording of the minutes of the SEGC meetings will be facilitated by management and they should produce a draft minutes document for members to review within 7 working days after the committee has met.
5. Subsequent to the review and feedback received the document will be finalised by management for inclusion in the board packs for the immediate next board meeting.
6. Management in consultation with the members of the committee must prepared an agenda at least 14 days in advance of the meeting.
7. Information and records related to the agenda items and additional information requested by committee members is prepared by management and is delivered, in the manner and form as preferred by the individual member, to the committee members at least 7 days in advance of the meeting.
8. Members may retain any documents during the period of their tenure but must return all documents once their tenure ends irrespective of the manner thereof.
9. The SEGC may meet as often as matters dictate but should meet no less than once in the financial year after the audit committee's last meeting for the year and prior the publication of the AGM packs.
10. The committee may graft an alterable schedule of meeting dates and times to suit all the members.

C) Membership Composition.

1. As deemed by the Act not less than 4 directors or prescribed officers of the company, at least two of whom must be independent directors and 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.
2. It is at the discretion of the permanent members of the committee to approach and elect to the committee a maximum of 4 volunteer members of the Silver Lakes Home Owners Association (SLHOA) and who are knowledgeable in matters concerning the scope of work of the SEGC.
3. A volunteer member's membership of the committee may be terminated by resignation at any time by giving notice of one week or by written motivation from the majority of the rest of the members. The majority required in this instance is the remainder of the members.
4. Recruit professionals and other experts for a specified term to assist the Committee with its work without limitation as to the number of persons that are recruited.
5. It may be necessary that professionals and experts receive remuneration for their work and management should create a budget for these instances.

D) Access to Information-

The social and ethics committee members of the company is entitled to: –

1. confidential access based on a personal non-disclosure and confidentiality agreement to information and records of the company and explanations about any matter falling within the scope of the purpose of the committee from company staff necessary for the performance of the committee's functions;
2. request from any employee of the company any information or explanation necessary for the performance of the committee's functions;
3. attend any general members meeting;
4. receive all notices of and other communications relating to any general members meeting; and
5. be heard at any general members meeting contemplated in this paragraph on any part of the business of the meeting that concerns the committee's functions.

E) Chairperson, Quorum and Voting

- 1) The Committee shall elect a chairperson from amongst its volunteer members.
- 2) A quorum for a meeting shall consist of no less than 2 directors or prescribed officers of the company, 1 independent director and 1 volunteer member.
- 3) Decisions for recommendations and about corrective action made to the Board of Directors will be by a simple majority vote, being 50% plus 1 member. It is conditional that the simple majority is affected in that the company officers may not hold a majority on any matter to be decided that relates to a complaint about the conduct of a director or senior manager of the Association. When this occur, the matter is to be postponed to a later date.
- 4) In the absence of the elected Chairperson and if a quorum is present a substitute chairperson must be selected from the members present.
- 5) When a quorum is not present, the members present must decide on a future date to reconvene and subsequently postpone the meeting.
- 6) A meeting may be postponed for a maximum of 30 business days but must reconvene before publication of a member's AGM pack and in other instances requiring a decision.

F) Continuous eligibility of volunteer members.

A volunteer member shall be temporarily disqualified to serve on the Committee where that member is in any dispute process with the company, or where litigation with the HOA is underway, which instances may be deemed to be a conflict of interest. Past disputes or past litigation will not automatically disqualify any member from serving on the Committee.

G) Review of the Terms of Reference

The Committee will at least annually review its terms of reference to ensure that it remains relevant with the Committee's authority, objectives and responsibilities. It is possible for the committee to decide to review its terms of reference at any time should the majority of members believe it is in the interest of the organization to do so.

Acknowledgement of the Terms of Reference

The SOCIAL, ETHICS & GOVERNANCE COMMITTEE'S Terms of Reference were acknowledged and endorsed by the SLHOA Board of Directors-29/01/2019

Name: _____

Name: _____

Signature: _____

Signature: _____

Chairperson of the Board of Directors

Chairperson of the SEGC

Date: _____

Date: _____

SEGC-TOR- ANNEXURE 1

- 1) Social and Economic development including the company's standing in terms of the goals and purpose of-
 - a) the ten principles set out in the United Nations Global Compact Principles;
 - b) the OECD (Organisation for Economic Cooperation and Development) recommendations regarding corruption;
 - c) the Employment Equity Act;
 - d) the Broad Based Black Economic Empowerment Act.

- 2) The Principles set out in the King IV Code of Corporate Governance as referenced for SLHOA NPC for South Africa by-
 - a) evaluating the decisions and actions of the Board of Directors and Management in fulfilling their fiduciary duty to act in good faith, for a proper purpose and in the interest of the Members and employees of the Silver Lakes Homeowners Association;
 - b) monitoring adherence by the Board and Management to the King Commission's Principles of Responsibility, Accountability, Fairness, Transparency and Sustainability;
 - c) dealing with complaints regarding any Director's non-compliance with corporate governance principles.

- 3) Good Corporate Citizenship, including the company's -
 - a) promotion of equality, prevention of unfair discrimination and reduction of corruption;
 - b) contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
 - c) record of sponsorship donations and charitable giving.

- 4) The environment, health and public safety, including the impact of the company's activities and of its products or services.

- 5) Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.

- 6) Labour and employment including,
 - a) the company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions;

- b) The company's employment relationships and its contribution toward the educational development of its employees.

Annexure – King IV Governance Principles -

In terms of the aspect of governance and the rule of "apply and explain", the principles of King IV was reviewed by the committee to establish which of the principles can be practically applied by the company. Albeit that the principles promotes good governance the size and objectives of the Association does not support a universal implementation and continuous application.

The Principles. (Greyed out principles are considered not to be applicable to the organisation)

1. The governing body should lead ethically and effectively.
 - 1.1. Disclose arrangements as to how governing body is held accountable for ethical and effective leadership. (SEGC & Audit Committee)
 - 1.1.1. Organisational Ethics – ethical values applied to decision making, conduct and the relationship between the organisation, its stakeholders and the broader society.
 - 1.2. The arrangements include but are not limited to codes of conduct and performance evaluation of the governing body and its members.
2. The governing body should govern the ethics of the organization in a way that supports the establishment of an **ethical culture**.

(**Organisational culture** is the accumulated shared learning of that group as it solves its problems of external adaptation and internal integration which has worked well enough to be considered valid and therefore to be taught to new members as the correct way to perceive that and feel and behave in relation to those problems (Edgar Schein -1985). –

Ethics is the standard of conduct that guide decisions and actions based on duties derived from core values, fundamental beliefs or principles defining what we think is right, good, fair and just and demonstrating behaviours that tell people how to act in ways that meet the standard our values set for us. (Ethics Resource Center- 2005, citation by Thoms 2008)

- 2.1. Disclose in relation to organizational ethics
 - 2.1.1. Overview of the arrangements for governing and managing ethics.
 - 2.1.2. Key Areas of focus during the reporting period.
 - 2.1.3. Measures taken to monitor organizational ethics and how the outcomes were addressed.
 - 2.1.4. Planned areas of future focus.

3. The governing body should ensure that the organization is and is seen to be a responsible corporate citizen. (*Corporate citizenship is contribution made on the whole to the local community or society- not only core business activities but investment in the local community*)
 - 3.1. Disclose in relation to corporate citizenship:
 - 3.1.1. Overview of the arrangements for governing and monitoring responsible corporate citizenship.
 - 3.1.2. Key Areas of focus during the reporting period.
 - 3.1.3. Measures taken to monitor corporate citizenship and how outcomes were addressed.
 - 3.1.4. Planned areas of future focus.

4. The governing body should appreciate the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
 - 4.1. Governing body should oversee that the following information is published on the organisations website in terms of strategy and performance.
 - 4.1.1. Corporate governance disclosures required in terms of the Code.
 - 4.1.2. Annual Financial Statements(AFS-no other integrated reports)

5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.
 - 5.1. Governing body should oversee that the following information is published on the organisations website.
 - 5.1.1. Integrated report.
 - 5.1.2. Annual financial statements and other external reports.

6. The governing body should serve as the focal point and custodian of corporate governance in the organization.
 - 6.1. Disclose the following in relation to the primary role and responsibilities of the governing body:
 - 6.1.1. Number of meetings held during reporting period and attendance at those meetings.
 - 6.1.2. Whether the governing body is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. (Include SEGC in achieving this)
 - 7.1. Disclose the following with regard to the composition of the governing body.
 - 7.1.1. Whether the governing body is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence,
 - 7.1.2. The targets set for gender and race representation in the membership of the governing body and progress made against these targets.

- 7.1.3. The categorisation of each member as executive or non-executive.
 - 7.1.4. Categorisation of each non-executive member as independent or not and, when a non-executive member of the governing body has been serving for longer than nine years a summary of the views of the governing body on the independence of the member.
 - 7.1.5. The qualifications and experience of members
 - 7.1.6. Each members period of service on the governing body.
 - 7.1.7. The age of the member.
 - 7.1.8. Other governing body and professional positions held by each member.
 - 7.1.9. The reasons why any members of the governing body have been removed, resigned or retired.
 - 7.2. Disclosure in relation to the chair:
 - 7.2.1. Whether the chair is considered to be independent
 - 7.2.2. Whether or not an independent non-executive member of the governing body has been appointed as the lead independent and the role and responsibilities assigned to the position.
8. The governing body should ensure that its arrangement for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.
- 8.1. Disclosure in relation to each committee of the governing body.
 - 8.1.1. Its overall role and associated responsibilities and functions.
 - 8.1.2. Its composition and member qualifications and experience.
 - 8.1.3. Any external advisers or invitees who regularly attend committee meetings.
 - 8.1.4. Key areas of focus during the reporting period.
 - 8.1.5. Number of meetings held in the reporting period and attendance at those meetings.
 - 8.1.6. Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.
 - 8.2. The following should also be disclosed in relation to the audit committee.
 - 8.2.1. Statement as to whether the audit committee is satisfied that the external auditor is independent of the organisation. The statement should specifically address:
 - 8.2.1.1. The policy and controls that address the provision of non-audit services by the external auditor and the nature and extent of such services rendered during the financial year.
 - 8.2.1.2. The tenure of the external audit firm and in the event of the firm having been involved in a merger or acquisition including the tenure of the predecessor firm.
 - 8.2.1.3. The rotation of the designated audit partner
 - 8.2.1.4. Significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.
 - 8.2.2. Significant matters that the audit committee has considered in relation to the annual financial statements and how these were addressed by the committee.
 - 8.2.3. The audit committee's views on the quality of the external audit, with reference to the audit quality indicators such as those that may be included in inspection reports issued by external audit regulators.

- 8.2.4. The audit committee's views on the effectiveness of the design and implementation of internal financial controls and on the nature and extent of any significant weaknesses in the design implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.
 - 8.2.5. The audit committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.
 - 8.2.6. The audit committee's views on the effectiveness of the Financial Manager and the finance function.
 - 8.2.7. The arrangements in place for combined assurance and the committee's views on its effectiveness.
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.
- 9.1. Disclosure in relation to the evaluation of the effectiveness of the performance of the governing body.
 - 9.1.1. A description of the performance evaluations undertaken during the reporting period including their scope, whether they were externally facilitated or not.
 - 9.1.2. An overview of the evaluation results and remedial actions taken.
 - 9.1.3. Whether the governing body is satisfied that the evaluation process is improving its performance and effectiveness.
10. The governing body should ensure that the appointment of and delegation to management contribute to role clarity and effective exercise of authority and responsibilities.
- 10.1. The following should be disclosed in relation to the CEO:
 - 10.1.1. The notice period stipulated in the CEO's employment contract and the contractual conditions related to termination.
 - 10.1.2. Other professional commitments of the CEO, including membership of governing bodies outside the organisation.
 - 10.1.3. Whether succession planning is in place for the CEO position.
 - 10.2. A statement by the governing body on whether it is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities should be disclosed.
 - 10.3. The arrangements in place for accessing professional corporate governance services and a statement on whether the governing body believes those arrangements are effective should be disclosed.
11. The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives.
- 11.1. The nature and extent of the risk and opportunities the organisation is willing to take should be disclosed without compromising sensitive information.

- 11.2. In addition the following should be disclosed in relation to risk:
 - 11.2.1. An overview of the arrangements for governing and managing risk.
 - 11.2.2. Key areas of focus during the reporting period, including objectives, the key risks that the organisation faces, as well as undue, unexpected or unusual risks and risks taken outside of risk tolerance levels.
 - 11.2.3. Actions taken to monitor the effectiveness of risk management and how the outcomes were addressed.
 - 11.2.4. Planned areas of future focus.

12. The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives.

- 12.1. Disclose the following in relation to technology and information.
 - 12.1.1. An overview of the arrangements for governing and managing technology and information.
 - 12.1.2. Key areas of focus during the reporting period, including objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents.
 - 12.1.3. Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed.
 - 12.1.4. Planned areas of future focus.

13. The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen.

- 13.1. Disclose the following in relation to compliance.
 - 13.1.1. An overview of the arrangements for governing and managing compliance.
 - 13.1.2. Key areas of focus during the reporting period.
 - 13.1.3. Actions taken to monitor the effectiveness of compliance management and how the outcomes were addressed.
 - 13.1.4. Planned areas for future focus.
- 13.2. Material or repeated regulatory penalties, sanctions or fines for contraventions of , or non-compliance with statutory obligations, whether imposed on the organisation or on members of the governing body or officers should be disclosed.
- 13.3. Details of monitoring and compliance inspections by environmental regulators, findings of non-compliance with environmental laws, or criminal sanctions and prosecutions for such non-compliance should be disclosed.

14. The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

- 14.1. All elements of remuneration that are offered in the organisation and the mix of these should be

set out in the remuneration policy, including:

- 14.1.1. Base salary, including financial and non-financial benefits.
 - 14.1.2. Variable remuneration, including short and long-term incentives and deferrals.
 - 14.1.3. Payments on termination of employment or office
 - 14.1.4. Sign-on retention and restraint payments.
 - 14.1.5. The provisions if any for pre-vesting forfeiture (malus) and post-vesting forfeiture (clawback) of remuneration.
 - 14.1.6. Any commissions and allowances.
 - 14.1.7. The fees of non-executive members of the governing body.
 - 14.1.8. An account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including the targets set for the performance measures and the corresponding value of the award opportunity and for each performance measure how the organisation and the executive managers, individually performed against set targets.
 - 14.1.9. Separate disclosure of and reasons for, any payments made on termination of employment of office.
 - 14.1.10. A statement regarding compliance with, and any deviations from, the remuneration policy.
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organizations external reports.
- 15.1. **Assurance of external reports.**
- 15.1.1. External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions in terms of legal requirements. This information should include:
 - 15.1.1.1. A brief description of the nature, scope and extent of the assurance functions, services and processes.
 - 15.1.1.2. Underlying the preparation and presentation of the report
 - 15.1.1.3. A statement by the governing body on the integrity of the report and the basis for this statement with reference to the assurance applied.
 - 15.1.1.4. Audit committee recommended disclosures by the audit committee concerning the organisation's application of combined assurance.
 - 15.1.1.5. Audit committee recommended disclosures by the audit committee concerning internal audit arrangements and the internal audit control environment.
16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organization over time.
- 16.1. **Disclose the following in relation to stakeholder relationships:**
- 16.1.1. An overview of the arrangements for governing and managing stakeholder relationships.

- 16.1.2. Key areas of focus during the reporting period
- 16.1.3. Actions taken to monitor the effectiveness of stakeholder management and how the outcomes were addressed.
- 16.1.4. Future areas of focus.

oooOOOooo