



AECI

Board Charter

Approved and adopted by the Board on 28 July 2014

Revision finalised and approved by the Board in November 2019

1 INTRODUCTION

- 1.1 The board of directors of AECI (the Company) acknowledges the need for a charter as recommended in the Code of Governance Principles for South Africa - 2009 ("King 4").
- 1.2 This board charter is subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

2 PURPOSE OF THE BOARD CHARTER

The purpose of this charter is to set out the mission, role, duties and responsibilities of the Board of directors as well as the requirements for its composition and meeting procedures and other policy related matters.

3 THE BOARD, OTHER ORGANS OF THE COMPANY AND THE COMPANY OFFICIALS

3.1 The shareholders

Matters reserved for decision-making by the shareholders of the Company are set out in the MOI and the Companies Act.

A matter reserved for decision-making by the shareholders is considered by the Board before it is recommended to the shareholders for decision-making. The Board will, where appropriate, provide the shareholders with its recommendation and the relevant material information in respect of resolutions proposed for shareholder approval.

It is the policy of the Company to accurately disclose company information to shareholders and potential investors in such a way that the shareholders are apprised of all material aspects of the business of the Company and its direct and indirect subsidiaries (*Group businesses*).

Directors and executive management are expected to attend shareholders' meetings. The Chairmen of all Board committees are expected to be available at the Company's Annual General Meeting to respond to relevant questions/queries.

Proceedings at meetings of shareholders are governed by the provisions of the Companies Act and the MOI.

3.2 The Board

- 3.2.1 Within the powers conferred upon the Board by the MOI and the Companies Act, the Board has determined its main function and responsibility as being to add significant value to the Company by:
 - 3.2.1.1 retaining full and effective control over the Company and providing effective and ethical leadership in the best interests of the Company;
 - 3.2.1.2 informing and setting the strategic direction of the Company and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
 - 3.2.1.3 determining and setting the tone of the Company values including principles of ethical business practice, human rights considerations and the requirements of being a responsible corporate citizen, which includes assessing and responsibly responding to the

negative consequences of the Company's activities;

- 3.2.1.4 bringing independent, informed and effective judgment to bear on material decisions of the Company and Group businesses including material Company and Group policies, the Group's Framework on the Delegation of Authority, the appointment and removal of the Chief Executive, the Chief Financial Officer and the Group Company Secretary, the ratification of the appointments of Group Executive Committee members, approval of significant capital expenditures, material transactions etc;
- 3.2.1.5 satisfying itself that the Company and its businesses are governed effectively and in adherence to the Group's Governance Framework of "Freedom within a Framework" to:
 - 3.2.1.5.1 maximize returns
 - 3.2.1.5.2 minimize risk
 - 3.2.1.5.3 safeguard people, assets and the reputation of the Group
 - 3.2.1.5.4 ensure an effective control environment and compliance with applicable laws and regulations
- 3.2.1.6 monitoring and implementation by Group, Board and Executive Committees of the strategies, decisions, values and policies with a structured approach to governance, integrated reporting, risk management and combined assurance;
- 3.2.1.7 ensuring that the Company has appropriately constituted and effective Board committees as required by the law and best practices;
- 3.2.1.8 ensuring that there is an effective risk and compliance management program as well as a risk based internal audit program;
- 3.2.1.9 governing the disclosure control processes of the Company including, ensuring the integrity of the Company's integrated report and reporting on the effectiveness of the Company's system on internal controls;
- 3.2.1.10 ensuring that the major disputes are resolved as effectively, efficiently and expeditiously as possible; and
- 3.2.1.11 monitoring of the relationship between the Company and its stakeholders.

3.2.2 Matters reserved for decision-making by the Board

Without detracting in any way from the general powers of the Board, the Board from time to time determines in terms of the Group's Framework on the Delegation of Authority, which matters are:

- 3.2.2.1 reserved for final decision-making by the Board or any of its Committees
- 3.2.2.2 require the Board or any of its Committee's recommendation or consent before a final decision is made.

3.2.3 **Composition, selection, rotation and retirement of directors**

- 3.2.3.1 The Board comprises of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors should always be independent.
- 3.2.3.2 Directors should be appointed through a formal process and the core function of the

Nominations Committee should be to assist with the process of identifying suitable candidates to be proposed to the shareholders.

3.2.3.3 The Company's Chief Executive as well as the Group Chief Financial Officer are *ex officio* members of the Board.

3.2.3.4 Directors are selected and appointed and/or removed by the Board with the ratification by the company's shareholders in the Annual General meeting as set out in the company's Memorandum of Incorporation.

3.2.3.5 The matter of rotation of the directors will be dealt with in line with the provisions of the company's Memorandum of Incorporation.

3.2.3.6 The Company will retire its directors on the basis of the following:

3.2.3.6.1 Having served on the Board of the company for four consecutive terms of three years each;

3.2.3.6.2 If they are older than 70 years of age.

3.2.4 **Board leadership and fiduciary responsibility**

3.2.4.1 The Chairman of the Board may not be the Chief Executive or hold any executive position in the Group. The roles and persons of the Chief Executive and Chairman must accordingly always be separate.

3.2.4.2 The individual directors, both executive and non-executive, carry full fiduciary and other responsibilities as laid down in common laws, statutory laws as well as the South African jurisprudence.

3.2.4.3 The individual directors must act in the best interests of the Company by ensuring that they:

3.2.4.3.1 adhere to legal standards of conduct;

3.2.4.3.2 are permitted to take independent advice in connection with their duties following an agreed procedure;

3.2.4.3.3 disclose real or perceived conflicts to the board and deal with them accordingly;

3.2.4.3.4 deal in securities only in accordance with the policy adopted by the board.

3.2.5 **Induction of directors**

The Board, through its Chairman and assisted by the Group Company Secretary, should ensure the following:

- that a formal induction programme is established for new directors;
- that inexperienced directors are developed through a mentorship programmes;
- that continuing communications are implemented which ensure that directors receive regular briefings on changes in risks, laws and the environment.

3.2.7 **Delegation of Authority and Board Committees**

3.2.7.1 The Board should delegate certain functions to well-structured committees but without

abdicated its own responsibilities. This delegation of authority is formal and involves the following:

- 3.2.7.1.1 the establishment and approval of formal terms of reference for each committee of the board;
- 3.2.7.1.2 the review of the committees' terms of reference at least once every three years.
- 3.2.7.2 The Board should establish a framework for the delegation of authority to management, and this should be reviewed at least once every three years.

3.2.8 Board meeting procedures

3.2.8.1 Frequency

- 3.2.8.1.1 The board must hold sufficient scheduled meetings to discharge all its duties as set out in this charter but subject to a minimum of four meetings per year.
- 3.2.8.1.2 Meetings in addition to those scheduled may be held at the instance of any board member. The Chairman of the board may meet with the Chief Executive and the Finance Director and the Company Secretary prior to a board meeting to discuss important issues and approve the Board's agenda.

3.2.8.2 Attendance

- 3.2.8.2.1 The Board may from time to time, as deemed fit, invite to its proceedings members of senior management, assurance providers and professional advisors, but these may attend by invitation only and may not vote. Generally, the rest of the executive management team will be invited to the board meeting that reviews and considers the strategy and budget of the company annually.
- 3.2.8.2.2 Board members must attend all scheduled meetings of the Board, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairman or Group Company Secretary.
- 3.2.8.2.3 The Group Company Secretary is the secretary to the Board.
- 3.2.8.2.4 If the nominated Chairman of the Board is absent from a meeting, the members present must elect one of the members present to act as chairman.

3.2.8.3 Quorum

- 3.2.8.3.1 A representative quorum for meetings is as provided for in the Company's Memorandum of Incorporation.
- 3.2.8.3.2 Individuals in attendance at board meetings by invitation may participate in discussions but do not form part of the quorum for board meetings.

3.2.8.4 Written Resolutions

It is the policy of the Board to limit the use of written resolutions to instances where the resolution is a mere formality or where the matter requiring decision by written resolution is of such an urgent nature that it cannot be deferred until the next Board meeting. The Chairman, with the assistance of the Chief Executive and the Group Company Secretary, should consider in respect of each written resolution whether an urgent extra-ordinary

Board meeting would be a more appropriate decision-making procedure than a written resolution. Each member of the Board must receive notice of the matter to be decided by written resolution.

Decisions taken by written resolution are valid decisions of the Board if signed by a majority of the directors.

3.2.8.5 **Agenda and Minutes of the Board meeting**

The Board, through the Chairman and with the support of the Group Company Secretary, must ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The number, timing and length of meeting, and the agendas are to be determined in accordance with the Group's annual calendar.

The Chairman will approve the agenda for the Board meeting before it is circulated to the rest of the board members. A detailed agenda, together with supporting documents, must be circulated at least one week prior to each meeting to the members of the Board and other invitees.

The Board members must be fully prepared for board meetings to be able to provide appropriate and constructive input on matters for discussion.

The proceedings of the board meeting **may** be recorded to enable the drafting of accurate minutes, but the related recording should be kept for not more than 12 months from date of meeting and then destroyed.

The minutes must be completed as soon as possible after the meeting and circulated internally for review, and then to the non-executive directors and then finalised with the Chairman. Thereafter the finalised draft minutes should be presented to the next meeting of the Board for adoption.

3.2.8.6 **Board remuneration**

3.2.8.6.1 The Board, pursuant to the recommendations by the executive management committee, may recommend to shareholders the level of remuneration for non-executive directors.

3.2.8.6.2 Executive directors are paid as employees of the company in accordance with their employment contracts with the company and their level of remuneration is accordingly determined by the Board's Remunerations Committee.

3.2.8.7 **Other Board appointments**

3.2.8.7.1 While non-executive directors are at liberty to accept other board appointments, this is so in the instance that this is not likely to result in creating (directly/indirectly) a conflict of interests to the director and will not be detrimental to the director's performance. In the instance of doubt, the affected director should submit this to the Nominations Committee of the Board for a final ruling on the matter.

3.2.8.7.2 In line with the company's Code of Ethics and Business Conduct, executive directors are required to obtain the consent of the Chairman of the Board before accepting any outside boards' appointment.

3.2.8.8 **Director and Officer Liability**

The company will ensure that an appropriate insurance policy is in place to indemnify the directors and officers of the company against any loss arising out of a claim for a wrongful act and for which the company is permitted to grant indemnification to the directors and officers.

3.2.8.9 **Conflict of interests**

3.2.8.9.1 A director is not disqualified by virtue of his office from contracting with the company. While this is not advised, where appropriate, full disclosure of the nature of a director's interest on any matter before the Board is required.

3.2.8.9.2 A director must not participate in any discussion upon nor vote on any matter in which he/she has an interest.

3.2.8.9.3 A register of declarations of interests must be kept and any related party transactions should be so recorded in this register.

3.2.8.10 **Dealing in securities**

Directors may not deal in the securities of the company during closed periods which are from the end of the financial year to the publication of its financial results and from the end of the half-year to the publication of the half year results and whenever the company is subject to a cautionary announcement. The directors must be specifically advised of any other period considered sensitive.

3.2.8.11 **Board/Director Evaluation**

The Board should ensure, through its Nominations Committee, that there is an annual review on the effectiveness of itself, its committees and ensure that each committee is appropriately constituted with due regard to the skills required by each committee. At every third year, such evaluation will be conducted by an external service provider.

3.2.8.11.1 **All Directors:** directors must be assessed both individually and collectively as a Board. The collective assessment of the Board must evaluate the Board's contribution as a whole and must specifically review areas in which the functions of the Board could be improved.

3.2.8.11.2 **Chief Executive Officer:** the Remunerations Committee, in consultation with the Chairman of the Board, must formally evaluate the Chief Executive Officer annually. The evaluation must be based on objective criteria including business performance, achievement of long-term strategic objectives, development of management etc.

The Remunerations Committee must provide an evaluation report for deliberation by the full Board.

3.2.8.11.3 **Chairman:** the Board must also appraise the performance of its Chairman at every second year.

3.2.8.11.4 **Board evaluation:** the Board must evaluate the performance and effectiveness of all its committees on an annual basis, to determine areas in which the functioning of the committees might require improvement. These evaluations will be undertaken externally once every third year.

3.2.8.12 **Board access to information, management and external advisors**

- 3.2.8.12.1 The Board must have unrestricted access to the company's records, information, property to the extent to which they may require such access to make competent decisions. In addition, Board members must have an unrestricted right to consult senior management on any aspect of the company's operations. Such contact must be sensitively undertaken without distracting business operations of the company, and where warranted, the Chief Executive and the Chairman of the Board should be made aware of these engagements.
- 3.2.8.12.2 The Board may collectively and individually at the expense of the company consult external advisors on any matter of concern to the company after having advised the Chairman of the Board and the Chief Executive.

3.2.8.13 **Succession and emergency planning**

- 3.2.8.13.1 The Nominations Committee in consultation with the Board must determine a succession plan for the Chief Executive of the company. Furthermore, the Nominations Committee, in consultation with the Chief Executive, must determine a succession plan for senior management (*specifically the executive management*).
- 3.2.8.13.2 Acting arrangements in the instance of the absence of the Chief Executive must be formalized in the Executive Management Committee.

3.2.8.14 **Public communication**

Public communication on the affairs of the company (*not subsidiaries of the company*) may only be dealt with by either the Chairman of the Board or the Chief Executive or any other nominated official of the company accordingly authorized to do so in line with the Company's Communications Policy.

3.3 **The Chairman**

- 3.3.1 The Chairman is elected by members of the Board and is a non-executive director of the Board with no executive or management responsibilities. The Chairman provides leadership at Board level, represents the Board to the shareholders and is responsible for ensuring the integrity and effectiveness of the Board and its committees. The Chairman is also the Chairman of the meetings of shareholders.

To this end the Chairman is required to:

- 3.3.1.1 Set the ethical tone for the Board and the Company;
- 3.3.1.2 Provide overall leadership to the Board without limiting the principle of collective responsibility for Board decisions, while at the same time being aware of the individual duties of Board members;
- 3.3.1.3 Oversee the formal succession plan for the Board, the Chief Executive and certain executive management appointments, such as the Chief Financial Officer;
- 3.3.1.4 Maintain regular dialogue with the Chief Executive in respect of all material matters affecting the Company and the group and to consult with the other Board members promptly when considered appropriate;

- 3.3.1.5 Preside over Board meetings and ensure that material issues for consideration are tabled and interrogated effectively to ensure optimal Board decision-making and governance, manage conflicts of interest and act as a link between the Board and management, particularly the Board and the Chief Executive;
- 3.3.1.6 Ensure that directors play a full and constructive role in the affairs of the Company and take a leading role in the process for removing non-performing or unsuitable directors from the Board;
- 3.3.1.7 Monitor how the Board works together and how individual directors perform and interact at meetings - ensure that a formal performance evaluation of the Board, Board Committees and individual directors is conducted at least every two years and that every alternate year, opportunity is provided for reflection and discussion by the Board of its performance and that of its committees, its chair and its members as a whole;
- 3.3.1.8 Be accessible to the Chief Executive between Board meetings to provide counsel and advice;
- 3.3.1.9 In consultation with the Remuneration Committee and the Board determine the performance objectives of the Chief Executive and his performance against the objectives; and

3.3.1 **The Chairman:**

- 3.3.1.1 may not be a member of the Audit Committee;
- 3.3.1.2 may be a member but not chair the Remuneration Committee;
- 3.3.1.3 must be a member and chair the Nomination and Governance Committee; and
- 3.3.1.4 may be a member but not chair of the Risk Committee.

The Chairman's ability to add value to the Company, and the Chairman's actual performance against criteria developed from his/her formalised role and functions should form part of an evaluation by the Board at least every three years. The evaluation should take into account other external chairmanships to determine whether the Chairman has the capacity to discharge his duties to the Company

3.4 **The Chief Executive**

The Board appoints the Chief Executive, who is the highest executive decision-making authority of the Company and the Group, and is jointly and severally delegated with authority from the Board and is accountable to the Board for the development and successful implementation of the group strategy and the overall management and performance of the Group within the framework of its policies, reserved powers and routine reporting requirements, consistent with the primary aim of enhancing long-term shareholder value.

The Chief Executive is supported by the Executive Committee (EC) which is accountable to him. The Group's limits and delegation of authority framework authorize any member of the EC to sign and execute any documents required to implement a decision taken by the Chief Executive, the EC or the Board, unless specifically indicated otherwise by the Chief Executive, the EC or the Board respectively.

3.4.1 **The Chief Executive:**

The Chief Executive is appointed by the Board on recommendation of the Nomination Committee. The duration of his appointment, terms of appointment and compensation are determined by the Board upon recommendation of the Remuneration Committee. The Board

is accountable for ensuring, with the assistance of the Nomination, that a succession plan is in place for the Chief Executive and other members of the EC.

The Chief Executive may not be members of the Remuneration, Audit, or Nomination Committees but may attend on invitation and recuse himself when conflicts arise, particularly when his performance and remuneration are discussed.

- 3.4.1.1 provides executive leadership;
- 3.4.1.2 must inform the Board of any material matters which may have a significant impact on the financial results or substantially impact the reputation of the group;
- 3.4.1.3 may sub-delegate any of the powers delegated to him/her to the EC, the Finance Director and any Executive member or other committee, forum or individual within the group; and
- 3.4.1.4 may exercise power and authority on, or sub-delegate, any matter necessary for the effective management and performance of the group which is not specifically reserved for the Board or the Company's shareholders.
- 3.4.1.5 His role is formalized and his performance is evaluated against criteria developed for his role.
- 3.4.1.6 The Chief Executive is accountable to the Board to, amongst other things:
 - 3.4.1.6.1 Agree and recommend for approval to the Board matters specified in the group limits and delegation of authority framework which amongst others relate to:
 - 3.4.1.6.1.1 The vision, mission, values, strategy, long term plans and policy of the Company;
 - 3.4.1.6.1.2 Annual budgets, group funding and financial management;
 - 3.4.1.6.1.3 Significant mergers, acquisitions, divestitures, plant closures and asset disposal as well as material capital expenditure/projects;
 - 3.4.1.6.1.4 Risk policy and profile; and
 - 3.4.1.6.1.5 Statutory and JSE required reports;
 - 3.4.1.6.2 Recommend the appointment of members of the executive team (members of the EC) and ensure proper succession planning and performance appraisals of members of the executive team;
 - 3.4.1.6.3 Develop and recommend to the Board the long-term strategy and vision of the Company and its quantified expression by way of critical short-term and long-term performance and sustainability targets;
 - 3.4.1.6.4 Develop and recommend to the Board the capital expenditure programme of the Company;
 - 3.4.1.6.5 Develop and recommend to the Board the annual business plans and budgets that support the Company's long term strategy and approach to sustainability;
 - 3.4.1.6.6 Ensure that the Company and Group businesses have effective management teams and management structures;
 - 3.4.1.6.7 Ensure that appropriate Company and group policies are formulated and implemented;

- 3.4.1.6.8 Monitor and report to the Risk Committee and the Board on the effectiveness of legal compliance controls, processes, systems and resource capacity;
- 3.4.1.6.9 Monitor the performance of the Company and the Group businesses against agreed performance and sustainability targets and report appropriately to the Board about such performance;
- 3.4.1.6.10 Establish an organisational structure and operating model for the Company and the group to ensure effective execution of the strategy, sustainability, governance and control imperatives;
- 3.4.1.6.11 Set the tone in providing ethical leadership and creating an ethical environment;
- 3.4.1.6.12 Ensure that effective internal Company and group controls, legal compliance and governance measures are deployed;
- 3.4.1.6.13 Ensure adherence to the relevant industry best practices standards unless there are cogent reasons for not implementing such standards and best practices; and
- 3.4.1.6.14 Serve as chief spokesperson of the Company.

3.5 **The Group Company Secretary**

The decision to appoint or remove the Group Company Secretary is a Board decision. The Board should be assisted by a competent, suitably qualified and experienced Group Company Secretary.

The Group Company Secretary provides a central source of guidance and support to the Board and within the Company on matters of good governance and changes in legislation. The Board is aware of the duties of the Group Company Secretary and empowers him/her to fulfill those duties. As gatekeeper of good governance, the Group Company Secretary maintains an arm's length relationship with the Board and its directors as far as is reasonably possible.

The Group Company Secretary is not a director of the Company and has a direct channel of communication to the Chairman.

The Group Company Secretary is accountable to the Board to:

- 3.5.1 Ensure that Board procedures are followed and reviewed regularly;
- 3.5.2 Ensure that the applicable rules and regulations for the conduct of the affairs of the Board are complied with;
- 3.5.3 Maintain statutory records in accordance with legal requirements;
- 3.5.4 Provide the Board as a whole and individual Board members with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Company and on good governance;
- 3.5.5 Keep abreast of, and inform the Board of current corporate governance thinking and practice;
- 3.5.6 Assist the Nomination Committee with the appointment of directors;
- 3.5.7 Advise the Nomination Committee on all legal and regulatory matters, including legal

frameworks and processes;

- 3.5.8 Advise the Nomination Committee with respect to all regulatory filing and public disclosure relating to the Company's governance processes;
- 3.5.9 Assist with director induction and training programmes;
- 3.5.10 Ensure that the Board Charter and the terms of reference of Board committees are kept up to date;
- 3.5.11 Prepare and circulate Board and Board committee papers;
- 3.5.12 Assist in drafting annual work plans;
- 3.5.13 Ensure preparation and circulation of minutes of Board and committee meetings; and
- 3.5.14 Assist with the evaluation of the Board, committees and individual directors.

3.6 **CODE OF ETHICS AND BUSINESS CONDUCT**

The Board must ensure that a Code of Ethics and Business Conduct (*Code*) is in place and that this is communicated to the whole Group of Companies and affected stakeholders. This Code shall be reviewed once in a three year cycle.

3.7 **APPROVAL OF THIS CHARTER**

This charter was approved by the chairman of the board on 27 November 2018.

Prepared by:

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Ms EN Rapoo
Group Company Secretary, AECI Ltd

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Date

Approved and Accepted:

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Dr K Mokhele
Chairman, AECI Ltd

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Date

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Mr MA Dytor
Chief Executive, AECI Ltd

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Date