



**ESOR LIMITED**  
**(Registration number 1994/000732/06)**  
**("the company")**

**BOARD CHARTER**

**1. INTRODUCTION**

- 1.1 Recommendations for and principles of good corporate governance are set out in the King Report on Governance for South Africa, 2009 ("King III"), read together with the King Code of Governance for South Africa, 2009 ("the Code").
- 1.2 The board of directors of Esor Limited ("the board") fully subscribes to the principles of good corporate governance and regards these as fundamentally important to the business success and sustainability of the company.
- 1.3 The board therefore approved this board charter ("the charter"), the provisions of which will at all times be subject to all statutory and regulatory requirements, including the company's memorandum and articles of association.
- 1.4 The purpose of the charter is to regulate the parameters within which the board will operate and to ensure the application of the principles of good corporate governance in all dealings by, in respect and on behalf of, the company and furthermore to set out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board.
- 1.5 Unless inconsistent with the content, an expression which denotes any one gender includes the other genders.

**2. COMPOSITION OF THE BOARD**

- 2.1 The board subscribes to a unitary board structure with a balance of executive and non-executive directors. Notwithstanding the aforementioned, there will at all times be a majority of non-executive directors, the majority of whom must be independent as defined in King III.
  - 2.2 The chairman of the board will be an independent non-executive director. The board will consider the recommendations from the Human Resources & Nominations Committee
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on the appointment of a lead independent director in the event of the chairman of the board not being an independent non-executive director.

- 2.3 The chairman will be appointed on an annual basis and will be responsible for the effective leadership of the board as contemplated in King III. The chairman, together with the board, will consider the number of outside chairmanships held and the board will ensure a proper succession plan for the position of chairman.
- 2.4 The chief executive officer and chief financial officer are *ex officio* members of the board.
- 2.5 There should be a clear division of responsibilities between the executive responsibility for the running of the company's business and the leadership of the board, such that no one individual has unfettered powers of decision-making.
- 2.6 The Human Resources & Nominations Committee of the board will assist with the identification of suitable candidates for appointment to the board. Directors appointed by the board based on the recommendation of the Human Resources & Nominations Committee will stand down at the first annual general meeting of shareholders following such appointment and may offer themselves for re-election.
- 2.7 The board will on an annual basis consider its size, diversity, demographics and skills requirements as part of the assessment of the board and directors' performance.
- 2.8 At least one third of the non-executive directors will retire by rotation on an annual basis.
- 2.9 The independence of all independent non-executive directors will be assessed on an annual basis with a specific focus on the independence of independent non-executive directors who have served for more than 9 years and the outcome of such assessments will be reported on in the integrated report.

### **3. ROLE AND RESPONSIBILITIES OF THE BOARD**

- 3.1 As its primary function, the board is responsible to determine the company's strategic direction and to exercise prudent control over the company and its affairs.
- 3.2 The board and the individual directors will at all times act in the best interest of the company and adhere to all relevant legal standards of conduct.
- 3.3 In fulfilling its function, the board will at all times:
  - 3.3.1 provide effective leadership based on an ethical foundation;

- 3.3.2 act as ultimate custodian of the company's system of corporate governance by managing its relationship with management, shareholders and other stakeholders based on sound corporate governance principles;
- 3.3.3 appreciate that strategy, risk, performance and sustainability are inseparable and give effect to this by:
- contributing to and approving the strategy of the company as presented by management;
  - satisfying itself that all material risks in the strategy and business plans have been duly considered and addressed by management;
  - being satisfied that the strategy will result in sustainable outcomes for the company, taking account of the concept of "people, planet and profit";
  - identifying the key performance and risk areas in the business; and
  - considering sustainability as a business opportunity that guides the formulation of strategy;
- 3.3.4 ensure that the company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the company but also the impact that business operations may have on the environment and societies within which it operates;
- 3.3.5 ensure that the company has a code of ethics and related ethics policies, based on its values as approved by the board, and that the ethical performance of the company and its representatives is pro-actively and effectively managed and reported on;
- 3.3.6 ensure that the company has an independent and effective audit committee;
- 3.3.7 be responsible for the pro-active and effective management of risk in the company;
- 3.3.8 be responsible for the pro-active and effective governance of information technology;
- 3.3.9 ensure that the company complies with all applicable laws and considers adherence to non-binding rules and standards;
- 3.3.10 ensure that there is an effective risk-based internal audit function in the company;
- 3.3.11 ensure proper management of the relationship between the company and all its stakeholders so as to protect and, where possible, enhance the reputation of the company;
- 3.3.12 ensure the integrity of the company's integrated report ;

- 3.3.13 monitor the performance of the company against agreed objectives and review the performance of executive management against defined objectives and other applicable performance standards;
- 3.3.14 continuously monitor the solvency and liquidity of the company;
- 3.3.15 commence business rescue proceedings as soon as the Company is financially distressed.
- 3.4 The board will responsible to appoint the chief executive officer and chief financial officer and ensure a proper process of performance management and succession planning in respect of these positions.
- 3.5 The board, via the Human Resources and Nominations Committee, will provide input regarding senior management appointments, remuneration and succession plans.
- 3.6 The board will implement a formal delegation of authority framework which will be reviewed on an annual basis.
- 3.7 The board will implement a formal governance framework in respect of subsidiary companies and other related entities in the group.
- 3.8 The board will, with the support of the Human Resources & Nominations Committee, adopt remuneration policies that are fair, responsible and aligned with the strategy of the company while linked to individual performance. A remuneration report will be included in the integrated report and the remuneration philosophy will be submitted to shareholders annually for a non-binding, advisory vote.

#### **4. RESPONSIBILITIES OF INDIVIDUAL DIRECTORS**

- 4.1 In fulfilling his responsibility to the company, a director will at all times:
  - 4.1.1 act in the best interest of the company, in good faith and with integrity and adhere to all relevant legal standards of conduct;
  - 4.1.2 conduct himself in a professional manner;
  - 4.1.3 avoid any conflict of interest between his personal affairs and that of the company or, where unavoidable, disclose any such conflict or potential conflict;
  - 4.1.4 disclose any information that he may be aware of that is material to the company and which the board is not aware of, unless such director is bound by ethical or contractual obligations of non-disclosure;

- 4.1.5 only use his powers for the purposes for which they were conferred upon him and not to gain an advantage for himself or a third party or to harm the company in any way;
- 4.1.6 only act within his powers as formally delegated by the board;
- 4.1.7 keep all information learned in his capacity as a director strictly confidential;
- 4.1.8 use their best endeavours to attend board and relevant board committee meetings where at all possible and devote appropriate preparation time ahead of each meeting to ensure that he is in a position to contribute to board and committee discussions and to make informed decisions on matters placed before the board or board committee;
- 4.1.9 exhibit the degree of skill and care as may be reasonably expected from a person of his skill and experience, but also exercise both the care and skill any reasonable person would be expected to show in looking after their own affairs; and
- 4.1.10 actively participate in and contribute to board deliberations in a constructive and frank manner under the leadership and guidance of the chairman.
  
- 4.2 Individual directors will be expected to participate in the company's induction programme on appointment and attend such professional development programmes as deemed necessary by the chairman based on the outcome of the annual assessment of the director's performance.
  
- 4.3 Directors who are not able to attend any meetings of the board will submit a formal apology, with reasons, to the chairman or company secretary.
  
- 4.4 The directors are entitled to have access, at reasonable times, to all relevant company information and to management. Such access shall be arranged through the chairman of the board or the chief executive officer.

## **5. DEVELOPMENT OF DIRECTORS**

- 5.1 A formal induction programme will be in place for new directors who will also be provided with a letter of appointment.
  
- 5.2 Inexperienced directors will be assisted, with the guidance of the chairman, to participate in mentoring programmes where available.
  
- 5.3 The need for continuing professional development programmes will be identified as part of the annual assessment of the performance of the directors.

5.4 Directors will be provided with regular briefings on changes in risks, laws and the environment but will also be expected to keep abreast of developments in the business environment and markets that may have a material impact on the business.

## 6. **BOARD COMMITTEES**

6.1 The board will delegate certain of its functions to well-structured committees but without abdicating its own responsibilities.

6.2 Each board committee as established by the board will have formal terms of reference to be approved by the board and annually reviewed.

6.3 The committees will be appropriately constituted with due regard to the skills required by each committee.

6.4 The committees will be chaired by an independent non-executive director and the majority of committee members will be independent non-executive directors unless otherwise regulated in the terms of reference of the committee.

6.5 As a minimum, the board will establish an Audit & Risk Committee and a Human Resources & Nominations Committee.

## 7. **COMPANY SECRETARY**

7.1 The board will appoint and remove the company secretary and empower the company secretary to enable him to properly fulfill his/her duties.

7.2 The board will ensure that the company secretary has the requisite knowledge, skills and experience to fulfill the function of company secretary.

7.3 The company secretary will not be a director of the company.

7.4 The company secretary will, in addition to his/her statutory duties, fulfill the duties of a company secretary as contemplated in King III.

7.5 The board will implement such procedures as are required to ensure the independence of the company secretary.

7.6 Annual review of Company Secretary's competence, qualifications and experience of the company secretary.

## 8. **MEETING PROCEDURE**

- 8.1 The board will hold sufficient scheduled meetings to discharge all its duties but subject to a minimum of four meetings per year.
- 8.2 Any board member may, in consultation with the chairman, request additional board meetings to be held as and when deemed appropriate.
- 8.3 The company secretary will be required to facilitate the process of setting the agenda for each meeting as agreed with the chairman and chief executive officer. Every director will be entitled, in consultation with the chairman, to add any item to the agenda for a particular board meeting.
- 8.4 Reasonable notice in writing shall be given to all directors in respect of all board meetings and processes.
- 8.5 The detailed agenda together with supporting documentation will be circulated prior to the meeting within a reasonable time so as to enable the directors to be properly prepared for the meeting.
- 8.6 The quorum necessary for the transaction of business shall be a majority of directors unless otherwise provided for in the company's Memorandum of Incorporation.
- 8.7 From time to time, the non-executive directors of the board shall meet without any members of the executive management team being present, for the purposes of evaluating the information received from executive management about the company and to determine whether it is reliable and of the appropriate standard.
- 8.8 Members of senior management and service providers may be invited by the chairman to attend meetings of the board but will not be entitled to vote or be counted for quorum purposes.
- 8.9 In the absence of the chairman at a meeting, the board will elect one of the directors present to act as chairman for purposes of the meeting.
- 8.10 The board's discussions shall at all times be open and constructive. The chairman shall seek a consensus in the board but may, where considered necessary, call for a vote in whatever manner the chairman, in his sole discretion, deems appropriate.
- 8.11 The minutes of a meeting must be completed as soon as reasonably possible after the meeting and circulated to the chairman and directors for review. The minutes will be formally approved by the board at its next scheduled meeting.
- 8.12 The board will establish an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

- 8.13 Board meetings may be conducted via telephone or video conference facilities provided that all concerned can actively participate in the meeting. Directors participating via these facilities will be counted for quorum purposes.

## 9. **BOARD PROCEDURES AND POLICIES**

The board will be entitled to adopt and approve such procedures and policies as it may deem necessary to ensure proper governance in the management of its affairs. As a minimum, the board will adopt policies and procedures in respect of the following:

### 9.1 **Independent professional advice**

The board shall approve a procedure in terms of which any director may take independent professional advice, at the expense of the company, where there is doubt as to whether a proposed course of action is consistent with his/her statutory and/or fiduciary duties and responsibilities.

### 9.2 **Conflicts of interest**

The board shall adopt a formal Code of Conduct and Conflicts of Interest Policy in terms of which conflicts are defined and appropriate procedures for dealing with conflicts are prescribed.

### 9.3 **Trading in company equities**

The board shall adopt and approve a formal procedure to regulate the trading by directors and senior management in the company's equities.

### 9.4 **Dissemination of company information**

The board shall approve a policy in respect of the dissemination of company information in order to regulate the circulation of price sensitive information and to ensure equal treatment of all shareholders.

## 10. **BOARD AND DIRECTOR EVALUATION**

- 10.1 An annual assessment of the performance of the board, chairman, CEO, individual directors and board committees will be done.

- 10.2 An overview of the evaluation process, results and action plans will be disclosed in the integrated report.

10.3 The nomination for the re-appointment of a director will only occur after the evaluation of the performance and attendance of the director.

**11. DIRECTORS' FEES**

11.1 Directors' fees will be approved by shareholders on an annual basis on recommendation by the board with the input and assistance of the Human Resources & Nominations Committee.

11.2 Directors' fees will comprise a base fee as well as an attendance fee per meeting.

11.3 Full disclosure of all fees paid to directors for their services as directors will be made in the integrated report.

11.4 Non-executive directors should, as a general rule, not provide any professional or business services of an ongoing nature to the company. The company may, for the purpose of a special assignment, engage the services of a non-executive director (specific field of expertise) but the terms of the engagement must be competitive, clearly recorded and all legal requirements with regards to disclosure must be complied with.

**12. REVIEW OF CHARTER**

The charter will be reviewed on an annual basis by the board.

**APPROVED BY THE BOARD ON \_\_\_\_\_ 2013**

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**CHAIRMAN OF THE BOARD**