



# Board Charter

## 1 INTRODUCTION

- 1.1 The board of directors of AECI (the Company) acknowledges the need for a board charter as recommended in the Code of Governance Principles for South Africa - 2009 ("King 3").
- 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 MISSION OF THE BOARD

- 3.1 The mission of the Board is to represent the interests of the shareholders of the Company in enabling a successful business that ensures the achievement of the vision and values of the Company and thereby creating long-term value for shareholders.
- 3.2 The Board is ultimately accountable and responsible to shareholders for the performance and affairs of the Company. The Board must therefore retain full and effective control over the Company and must give strategic direction to its management.

## 4 COMPOSITION, SELECTION, ROTATION AND RETIREMENT OF DIRECTORS

- 4.1 The Board should comprise of a balance of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors should always be independent.
- 4.2 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.
- 4.3 The Company's Chief Executive as well as the Chief Financial Officer are *ex officio* members of the Board.
- 4.4 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.
- 4.5 The matter of rotation of the directors will be dealt with in line with the provisions of the company's Memorandum of Incorporation.
- 4.6 **The Company will retire its directors on the basis of the following:**
  - 4.6.1 **Having served on the Board of the company for four consecutive terms of three years each;**
  - 4.6.2 **If they are older than 70 years of age.**

## 5 **BOARD LEADERSHIP AND FIDUCIARY RESPONSIBILITY**

- 5.1 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.
- 5.2 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.

## 6 **ROLE AND RESPONSIBILITIES**

The role and responsibilities of the board are to: -

- 6.1 act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound principles.
- 6.2 ensure the development and growth of the business of the Company and the achievement of continuous and sustainable prosperity.
- 6.3 ensure that procedures are in place for monitoring and evaluating the implementation of its strategies, policies and business plans, as a measure of operational performance and management.
- 6.4 commence business rescue proceedings as soon as the Company is financially distressed.
- 6.5 elect a chairman of the board that is an independent non-executive director.
- 6.6 appoint and evaluate the performance of the chief executive officer.
- 6.7 appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - 6.7.1 considering, contributing to and approving the strategy;
  - 6.7.2 satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - 6.7.3 identifying key performance and risk areas;
  - 6.7.4 ensuring that the strategy will result in sustainable outcomes;
  - 6.7.5 considering sustainability as a business opportunity that guides strategy formulation;
  - 6.7.6 provide effective leadership on an ethical foundation;
  - 6.7.7 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 have on the

environment and the society within which it operates;

- 6.7.8 ensure that the Company's ethics are managed effectively;
- 6.7.9 ensure that the Company has an effective and independent audit committee;
- 6.7.10 be responsible for the governance of risk;
- 6.7.11 be responsible for information technology (IT) governance;
- 6.7.12 ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards e.g. King 3;
- 6.7.13 ensure that there is an effective risk-based internal audit;
- 6.7.14 appreciate that stakeholder's perceptions affect the Company's reputation;
- 6.7.15 ensure the integrity of the Company's integrated report;
- 6.7.16 act in the best interests of the Company by ensuring that individual directors:
  - 6.7.16.1 adhere to legal standards of conduct;
  - 6.7.16.2 are permitted to take independent advice in connection with their duties following an agreed procedure;
  - 6.7.16.3 disclose real or perceived conflicts to the board and deal with them accordingly;
  - 6.7.16.4 deal in securities only in accordance with the policy adopted by the board.

6.8 The board should do everything necessary to fulfil its role set out above.

## 7 **INDUCTION OF DIRECTORS**

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

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

## 8 **DELEGATION OF AUTHORITY AND BOARD COMMITTEES**

8.1 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. This delegation of authority is formal and involves the following:

- 8.1.1 the establishment and approval of formal terms of reference for each committee

of the board;

8.1.2 the review of the committees' terms of reference at least once every three years.

8.2 The Board should establish a framework for the delegation of authority to management, and this should be reviewed at least once every three years.

## 9 **RESERVATION OF POWERS**

Save for the powers reserved for shareholders in terms of the Companies Act 71 of 2008, the JSE Listing Requirements and the company's Memorandum of Incorporation, the Board has unfettered powers to manage the affairs of the Company. The Board must adopt a strategic plan for the business which must be reviewed annually. In addition, all matters reserved or decision by the Board, as specified in the AECI's Delegation of Authority, may not be delegated to management.

## 10 **BOARD MEETING PROCEDURES**

### 10.1 **Frequency**

10.1.1 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.

10.1.2 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 Chief Finance Officers and the Company Secretary prior to a board meeting to discuss important issues and approve the Board's agenda.

### 10.2 **Attendance**

10.2.1 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.

10.2.2 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 company secretary.

10.2.3 The Group Company Secretary is the secretary to the Board.

10.2.4 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.

### 10.3 **Agenda and minutes**

10.3.1 The Board 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 number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.

10.3.2 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Board and other invitees where applicable.

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

10.3.4 The minutes must be completed as soon as possible after the meeting and circulated to the chairman and members of the board for review thereof. The minutes must be formally approved by the board at its next scheduled meeting.

#### 10.4 **Quorum**

10.4.1 A representative quorum for meetings is as provided for in the Company's Memorandum of Incorporation.

10.4.2 Individuals in attendance at board meetings by invitation may participate in discussions but do not form part of the quorum for board meetings.

### 11 **BOARD REMUNERATION**

11.1 The Board, pursuant to the recommendations by the executive management committee, may recommend to shareholders the level of remuneration for non-executive directors. **An absent non-executive director will only qualify for a fee to a meeting at which he/she was not present if he/she has considered the documentation provided prior to the meeting and forwarded any issues, views, consideration to the chairman of the Board/committee before the meeting and for the meeting's consideration.**

11.2 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.

### 12 **OTHER BOARD APPOINTMENTS**

12.1 **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.**

12.2 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.

### 13 **DIRECTOR AND OFFICER'S 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.

## 14 CONFLICT OF INTERESTS

- 14.1 A director is not disqualified by virtue of his office from contracting with the company. However, full disclosure of the nature of a director's interest on any matter before the Board is required.
- 14.2 A director must not participate in any discussion upon nor vote on any matter in which he/she has an interest.
- 14.3 A register of declarations of interests must be kept and any related party transactions should be so recorded in this register.

## 15 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.

## 16 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.

- 16.1 **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.
- 16.2 **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.

- 16.3 **Chairman:** the Board must also appraise the performance of its Chairman on an annual basis.
- 16.4 **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 evaluation will be undertaken externally once every third year.

## 17 BOARD ACCESS TO INFORMATION, MANAGEMENT AND EXTERNAL ADVISORS

- 17.1 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.

- 17.2 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.

## 18 **SUCCESSION AND EMERGENCY PLANNING**

- 18.1 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*).
- 18.2 Acting arrangements in the instance of the absence of the Chief Executive must be formalized in the Executive Management Charter.

## 19 **COMPANY SECRETARIAL ROLE**

- 19.1 The Board is responsible for the selection and appointment of the Group Company Secretary who must be a suitably qualified person as contemplated in the Companies Act 71 of 2008.
- 19.2 All members of the Board must have access to the services and advice of the Group Company Secretary.
- 19.3 The Group Company Secretary must provide the Board as a whole, and individual directors with detailed guidance regarding their duties and responsibilities.
- 19.4 The Group Company Secretary or his/her nominee must attend all Board meetings.

## 20 **PUBLIC COMMUNICATION**

Public communication on the affairs of the company (*not subsidiaries of the company*) may only be dealt with by the Chairman of the Board, an executive director or a nominated official of the company accordingly authorized to do so in line with the Company's Communications Policy.

## 21 **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.

## 22 **APPROVAL OF THIS CHARTER**

This charter was approved by the chairman of the board on 28 July 2014.

**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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**Mr S Engelbrecht**  
**Chairman, AECI Ltd**

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**Date**

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**Mr MA Dytor**  
**Chief Executive, AECI Ltd**

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**Date**