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**CLOVER INDUSTRIES LIMITED**

**BOARD CHARTER**

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## 1. INTRODUCTION

The Board of Directors ("**Board**") of Clover Industries Limited ("**the Company**") acknowledges the need for a board charter ("**Charter**") which documents its role, responsibilities, membership requirements and procedural conduct as recommended in the King IV Report on Corporate Governance for South Africa, 2016 ("**King IV**").

This Charter is subject to the provisions of the Companies Act no 71 of 2008 ("**Companies Act**"), the Memorandum of Incorporation of the Company ("**MOI**"), the JSE Listing Requirements and any other applicable law or regulatory provision. Where these terms of reference transgress legislation and/or rules of the Companies Act, that legislation and/or regulation takes precedence over the Charter.

## 2. PURPOSE OF THE BOARD CHARTER

The purpose of this Charter is to set out the: -

- 2.1 Board's role and responsibilities.
- 2.2 Board's powers and duties.
- 2.3 Requirements for its composition and meeting procedures.
- 2.4 Powers delegated to various board committees of the Company from time to time.
- 2.5 Policies and practices of the Board in respect of matters such as corporate governance, declarations of conflicts of interest, board evaluations etc.

## 3. THE BOARD OF DIRECTORS

### 3.1 General powers of the Board

The role, function and powers of the Board, its members and committees and its relationship vis-à-vis other organs of the Company and its direct and indirect subsidiaries and joint ventures are subject to the provisions of the Companies Act, the JSE Listing Requirements or the MOI.

The Board is responsible for steering the Company and setting its strategic direction. In managing or directing the affairs of the Company the Board has authority to exercise all of the powers and perform any of the functions of the Company except to the extent that the Companies Act or MOI provide otherwise.

Subject to any limitation imposed by the Companies Act, the JSE Listing Requirements or the MOI, the business and affairs of the Company shall be managed by or under the direction of the Directors. In addition to and without limitation of the powers expressly conferred upon the Directors by the Companies Act or the MOI, they may: -

- i. exercise or delegate to any one or more persons all or any such powers; and
- ii. do or delegate to any one or more persons the doing of all or any such acts (including the right to sub-delegate),

as may be exercised or done by the Company and are not in terms of the Companies Act, the JSE Listing Requirements or the MOI expressly directed or required to be exercised or done by a general meeting, subject, nevertheless, to that Management not being inconsistent with any resolution passed by a general meeting. No such resolution passed by a general meeting shall invalidate any prior act of the Directors or any delegate. Notwithstanding any delegation, the Directors may not abdicate any of the duties or responsibilities they owe to the Company.

### **3.2 The role, function and responsibilities of the Board**

Within the powers conferred upon the Board by the MOI and the Companies Act the Board's role, functions and responsibilities are to: -

- 3.2.1 serve as the focal point and custodian of corporate governance in the Company by managing its relationship with management, its shareholders and other stakeholders of the Company along sound corporate governance principles.
- 3.2.2 appreciate that the Company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process, and to give effect to this it must: -
  - 3.2.2.1 steer and set the direction, purpose and strategy of the organisation;
  - 3.2.2.2 delegate to management the formulation and thereafter approval of strategy with due reference to timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals and the inter-connectedness and interdependencies of all these factors;
  - 3.2.2.3 oversee implementation of the strategy and plans by management against the agreed performance measures and targets;
  - 3.2.2.4 oversee that there is ongoing assessment and response to any negative consequences for the economy, society and environment by the Company using its 6 capitals; and
  - 3.2.2.5 be alert to the organisation's general viability, reliance and effect on its capitals, solvency and liquidity and its going concern status.
- 3.2.3 ensure that the Company is and is seen to be a responsible corporate citizen by setting the direction for good corporate citizenship, including compliance with the Constitution, laws, standards and own policies and procedures, as well as congruence with the organisation's purpose, strategy and conduct.
- 3.2.4 oversee and monitor (using agreed performance indicators and targets) the Company's status as a good corporate citizen in such areas as the workplace, economic behaviours and results, societal and environmental impacts.

- 3.2.5 should govern risk in a way that supports the Company in setting and achieving strategic objectives.
- 3.2.6 should govern technology and information in a way that supports the Company in setting and achieving its strategic objectives.
- 3.2.7 should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the Company being ethical and a good corporate citizen.
- 3.2.8 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 Company's external reports.
- 3.2.9 in the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the Company over time.
- 3.2.10 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.
- 3.2.11 should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.
- 3.2.12 should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.
- 3.2.13 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.
- 3.2.14 Ensure disclosures relating to management of corporate citizenship and related issues;
- 3.2.15 Manage potential conflicts of interest of Board members, management, the shareholders and wider stakeholders;
- 3.2.16 Be responsible for ensuring that an adequate and effective process for corporate governance is established;
- 3.2.17 Delegate certain functions to well-structured committees without abdicating its duties;
- 3.2.18 Ensure that the office of the Company Secretary is empowered and that the position carries the necessary authority; and
- 3.2.19 Ensure that consistently updated versions of important company information is made available to the public, including disclosures in terms of King IV, governance and management structures, the Integrated Annual Report and financial statements, the JSE and other public announcements and notices of shareholder meetings.

### **3.3 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 which matters are reserved for final approval by the Board.

Matters that have specifically been reserved for final approval by the Board are set out below.

With effect from 1 January 2018, the following powers are reserved for determination by the Board: -

#### **3.3.1 Strategy and Policy matters**

Confirmation of the Company's vision and strategy, including the approval of any changes thereto.

#### **3.3.2 Material business decisions of the Company**

3.3.2.1 Approval of capital expenditure which has not been budgeted for:

3.3.2.1.1 between R 35 million – R300 million the approval of the Investment Committee is required (based on each individual project);

3.3.2.1.2 in excess of R300 million the approval of the Board is required (based on each individual project); and

3.3.2.1.3 Management should report to the Board on a quarterly basis with regard to any mergers and acquisitions approved by Management within the Chief Executive's mandate (therefore between R 1 and R35 million).

3.3.2.2 Approval of mergers, acquisitions, joint ventures, facility closures and other disposals:

3.3.2.2.1 between R 35 million – R300 million the approval of the Investment Committee is required (based on each individual project); and

3.3.2.2.2 in excess of R300 million the approval of the Board is required (based on each individual project); and

3.3.2.2.3 Management should report to the Board on a quarterly basis with regard to any individual project expenditure approved by Management within the Chief Executive's mandate (therefore between R 1 and R35 million).

- 3.3.2.3 Initiating or defending litigation (or other legal proceedings): in excess of R35 million.
- 3.3.2.4 Approval of circulars to shareholders, including notices of shareholders meetings.
- 3.3.2.5 Approval of Company dividend policy and form and content of dividend declarations.
- 3.3.2.6 Issuing of ordinary shares and/or preferences shares.
- 3.3.2.7 Issuing of debentures, commercial paper, bonds or derivative instruments other than in the ordinary course of business.
- 3.3.2.8 Other transactions as set out in the Chief Executive Mandate approved by the Board from time to time.

### **3.3.3 Financial**

- 3.3.3.1 Approval of the Integrated Annual Report.
- 3.3.3.2 Approval of significant changes in accounting policy.
- 3.3.3.3 Approval of the Company's degree of risk aversion and/or risk appetite with respect to financial, business and sovereign risks.
- 3.3.3.4 Approval of annual budget and/or material deviations from budget.
- 3.3.3.5 Approval of trading statements or other material disclosures in respect of the financial results of the Company (delegated to the Audit and Risk Committee).
- 3.3.3.6 Approval of loans (making or taking up of loans): only if the total interest-bearing debt of the Company exceeds R 600 million.

### **3.3.4 Human Resources**

- 3.3.4.1 Appointment and removal of the Chief Executive and the Company Secretary.
- 3.3.4.2 Approval of remuneration of Executive Directors.
- 3.3.4.3 Approval of allocation of share appreciation rights.

### **3.3.5 Governance**

- 3.3.5.1 Approval of Board charter and terms of reference of board committees.
- 3.3.5.2 Appointment, nomination or dismissal of directors (as the case may be), provided that the Board will only be able to appoint a director to fill a vacancy on the Board, subject to such director's appointment being confirmed at the next annual general meeting as required in terms of section 68 of the Companies Act.
- 3.3.5.3 Approval of remuneration policy.
- 3.3.5.4 Approval of ethics policy.
- 3.3.5.5 Determination of the composition of the Board committees.
- 3.3.5.6 Recommendation to shareholders on: -
  - 3.3.5.6.1 any changes to the MOI of the Company;
  - 3.3.5.6.2 the remuneration of non-executive Directors; and
  - 3.3.5.6.3 appointment of directors.
- 3.3.5.7 appointment of auditors (statutory function of Audit and Risk Committee).

### **3.4 Composition of the Board**

The MOI provides that, unless otherwise determined by a general meeting, the number of Directors shall be not less than four or more than twenty.

The Board comprises a balance of executive and non-executive directors, with a majority of independent non-executive directors. The Board shall comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The Board shall promote diversity in its membership (age, culture, race, gender and fields of expertise) and set targets for race and gender representation in its composition, taking into consideration optimal mix of knowledge, skills, experience, diversity and independence.

Directors are appointed or re-appointed through a formal process and the Nomination Committee assists with the process of identifying suitable candidates to be proposed to the shareholders and/or the Board, taking into consideration the past performance of a member prior to nomination for re-election, and for potential non-

executive directors' request information of other commitments and whether he/she has sufficient time to fulfil its duties. Nominations are approved as a whole to ensure that the process for nomination, election and appointment is formal and transparent

The Directors may appoint from time to time one or more of the Directors as executive directors or as managing directors of the Company. Unless otherwise agreed to by the Board, termination of employment with the Company results in the automatic termination of an executive director's tenure.

A formal induction programme is established for new directors as well as a succession plan for its membership.

Continuing professional development programmes are implemented which ensure that Directors receive regular briefings on changes in risks, laws and the environment.

### **3.5 Delegation**

The Board ensures that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities.

Delegation is formal and involves the following: -

- i. Formal terms of reference are established and approved for each committee of the Board.
- ii. The committees' terms of reference are reviewed annually.
- iii. The committees are appropriately constituted with due regard to the skills required by each committee and that its composition, roles and responsibilities are complimentary, not fragmented or duplicated and that there is no undue reliance or dominance by any individual member.
- iv. Each committee has a minimum of three members and sufficient capability and capacity to function effectively.
- v. The Board established a framework for the delegation of authority to Management.

### **3.6 Board Committees**

The Board is authorised to form well-structured committees.

Each such committee shall be established with approved formal terms of references which shall be reviewed at least once a year to ensure compliance with the latest corporate governance best practice and approved by the Board.

In terms of Section 94 of the Companies Act, the Board has established a Group Audit and Risk Committee to perform the statutory functions provided for in Section 94 (7) of the Companies Act in respect of the Group Companies.

In terms of Section 72 of the Companies Act, the Board has established a Social and Ethics Committee to perform the statutory functions provided for in regulation 43 (5) to the Companies Act.

In terms of the MOI, the Board has the power to appoint other Board committees, and to delegate powers to such Board committees. The Board recognises and accepts the legal principle that whilst certain powers are capable of delegation to individuals and/or committees, the ultimate accountability for the matters delegated remains with the Board, save for those statutory functions which apply exclusively to the Audit and Risk Committee and the Social and Ethics Committee.

Authorities delegated by the Board accordingly entail a simultaneous requirement of reporting to the Board and an obligation on the Board to monitor and evaluate the activities of committees and individuals with delegated authority.

The Board has established the following committees: -

- i. Group Audit and Risk Committee.
- ii. Group Remuneration Committee.
- iii. Nomination Committee.
- iv. Social and Ethics Committee.
- v. Investment Committee

See annexures A1 to A5 for the terms of reference of these committees.

The Board has the power to appoint other standing or ad-hoc committees i.e. the Competition Commission Committee.

The Board will ensure that the committees are appropriately constituted with due regard to the skills required by each committee.

Minutes of the committees' meetings shall be circulated to the Board.

The Chairperson of each committee shall report back to the Board at each Board meeting on a general principle of transparency and full disclosure.

Board committees and members are authorised to obtain independent professional advice at the Company's expense, as and when considered necessary and after following a Board approved process as set out in annexure B.

### **3.7 Meeting procedures**

#### **3.7.1 Frequency**

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 (quarterly).

Meetings in addition to those scheduled may be held at the instance of at least two board members, subject to the further provisions of the MOI.

The Chairman of the Board may meet with the Chief Executive and the Chief Finance Officer and/or the Company Secretary prior to a board meeting to discuss important issues and agree on the agenda.

### **3.7.2 Attendance**

Members of Executive Management, assurance providers and professional advisors may be in attendance at meetings, but by invitation only and they may not vote.

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.

Directors of the Company may participate in and act at the board meeting through the use of a conference telephone or other electronic communication equipment or facility by means of which all persons participating in the meeting can hear each other at approximately the same time without the need for an intermediary and can participate effectively in the meeting. Such participation by Director/s shall constitute attendance and presence in person at the meeting.

The Company Secretary is the secretary to the Board.

Directors and Executive Management members are expected to further attend shareholders' meetings. The chairpersons of the Board committees are expected to be available at all shareholders' meetings of the Company to answer questions.

### **3.7.3 Agenda and minutes**

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.

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

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.

### **3.7.4 Quorum**

A representative quorum for meetings is as provided for in the MOI (being at least a majority of the Directors for the time being in office).

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

### **3.7.5 Resolutions**

Subject to the provisions of the Companies Act and the JSE Listing Requirements, a resolution signed by a majority of the Directors (or their

alternates, if applicable) for the time being in office, whose number is not less than that of a quorum for a meeting of directors, and inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of directors, provided that each director (and his alternate, if applicable) has received notice in terms of the Companies Act of the matter to be decided. Any such resolution may consist of several documents, each of which may be signed by one or more Directors (or their alternates, if applicable) and shall be deemed to have been passed on the date on which it was signed by the last Director who signed it (unless a statement to the contrary is made in that resolution). Unless it is not permitted by the Companies Act, an electronic mail and/or facsimile transmission of a signed resolution shall be acceptable evidence that such resolution has been signed by the Director or his alternate whose signature appears on the electronic mail or facsimile transmission.

### **3.7.6 Confidentiality**

All Board discussions and their records, proceedings and papers are strictly confidential, until the Board decides to make any specific decisions or matters public.

Directors should avoid sectoral interests, and recognise the risks of conflicts of interest. They should always act in the best interests of the Company, and must at all times protect and respect the reputation of the Company and its brands.

The flow and exchange of information requires careful consideration, to ensure the proper recognition of Director accountability, and the appropriate participation of all stakeholders. This transparency should protect shareholder rights and advance shareholder activism, without in any way harming the legitimate interests of the Company.

Any disputes or grievances within the Board must be resolved by the Board internally.

Disputes with Executive Management are Board matters, not individual matters. As the Board acts collectively, no single Director may address Executive Management in their capacity as Director, unless specifically so mandated and authorised by a Board resolution, or if this would be in the normal course of business activities.

## **3.8 Ancillary Matters**

### **3.8.1 Chairman**

The Directors may elect a Chairman and a Deputy Chairman or Deputy Chairmen of the Directors and determine the period for which each is to hold office.

The Chairman is the link between the various Directors amongst themselves, and between the Board and Executive Management, and must have a thorough understanding of his role on the board, as explained in King IV.

If the Chairman is a non-executive director (who is not independent), the Board must appoint a Lead Independent Director, who can take over if the

Chairman/Deputy Chairman becomes conflicted, or where a dispute arises in terms of King iv.

The Chairman provides overall 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.

To this end the Chairman is required to: -

- 3.8.1.1 Take a leading role in considering and approving the Company's visions, goals, strategic direction and planning process.
- 3.8.1.2 Maintain a 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.
- 3.8.1.3 Ensure that all material matters, information and facts in respect of the business or governance of the Company or the Group that he is aware of, are tabled at board meetings.
- 3.8.1.4 Ensure that all Directors play a full and constructive role in the affairs of the Company.
- 3.8.1.5 Guide discussions and act as facilitator at meetings of the Board to ensure that material issues for consideration are tabled and ventilated openly, frankly and effectively, to ensure optimal Board decision-making and governance.
- 3.8.1.6 Be available for the Chief Executive between board meetings to provide counsel and advice.
- 3.8.1.7 Assist the Remuneration Committee and the Board in determining the performance objectives of the Chief Executive and assessing his performance against those objectives.
- 3.8.1.8 Take a leading role in removing non-performing or unsuitable directors from the Board.

In terms of the MOI the Chairman of the Board is also the chairman of meetings of shareholders.

The Chairman does not have any executive or management responsibilities.

### **3.8.2 Deputy Chairman/Lead Independent Director**

The Board elects and appoints a Deputy Chairman and/or a Lead Independent Director to assist the Chairman in the execution of his duties, and to perform any such other functions as the Board may wish to delegate to the Deputy Chairman and/or Lead Independent Director.

In the absence of the Chairman, or where the Chairman is conflicted, the Deputy Chairman and/or Lead Independent Director shall act as Chairman at meetings of the Board.

The Lead Independent Director is appointed to:

- 3.8.2.1 Assist the Board to deal with management of any actual or perceived conflicts of interest that arise on the part of the Chairman;
- 3.8.2.2 Preside at all meetings of the Board at which the Chairman is not present or where the Chairman is conflicted, including any sessions of the independent directors;
- 3.8.2.3 Call meetings of the independent directors where necessary;
- 3.8.2.4 Serve as principal liaison between the independent directors and the Chairman;
- 3.8.2.5 Perform all such functions that cannot be performed by the Chairman due to his absence or the existence of a conflict of interest;
- 3.8.2.6 Liaise with major shareholders if requested by the Board in circumstances or transactions in which the Chairman is conflicted; and
- 3.8.2.7 Perform other duties that the Board may from time to time delegate

### **3.8.3 Chief Executive**

The Chief Executive provides executive leadership and is accountable to the Board for the implementation of the strategies, objectives and decisions of the Board within the framework of the delegated authorities, values and policies of the Company.

To this end the Chief Executive is accountable to the Board to amongst other things: -

- 3.8.3.1 Develop and recommend to the Board the long-term strategy and vision of the Company and its quantified expression by way of critical performance targets.
- 3.8.3.2 Develop and recommend to the Board the annual business plans and budgets that support the Company's long-term strategy to generate satisfactory levels of shareholder value.
- 3.8.3.3 Ensure that the Company has an effective Executive Management team and management structures and strive to achieve the Company's financial and operational targets.
- 3.8.3.4 Ensure that appropriate Company and Group policies are formulated and implemented.
- 3.8.3.5 Ensure continuous improvement in business processes and product offerings to ensure that the Company retains its competitiveness in the market.

- 3.8.3.6 Ensure that effective internal Company and Group controls and governance measures are deployed.
- 3.8.3.7 Maintain a positive and ethical work climate that is conducive to attract, retain and motivate a diverse group of top quality employees at all levels in the Company.
- 3.8.3.8 Act as the leading interface between the Board and Executive Management and representing the public face of the Company in dealing with its major stakeholders.

Subject to the MOI, 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 on recommendation of the Remuneration Committee.

#### **3.8.4 Other Executive Directors**

Other executive directors have specific roles and functions in their areas of expertise which they must fulfill in addition to having collective accountability and responsibility for the performance and affairs of the Company.

#### **3.8.5 Non-executive Directors**

Whilst all Directors, both executive and non-executive, are bound by fiduciary duties and duties of care and skill, non-executive directors play a particularly important role in providing independent judgment on issues of strategy, performance, resources, standard of conduct and evaluation of the Board, based on reasonable assumptions and factual information.

Some of the key roles for non-executive Directors (which also apply to other directors) are: -

- 3.8.5.1 Understanding the regulatory, legal, fiduciary and ethical requirements affecting Directors.
- 3.8.5.2 Exercising the utmost good faith, honesty and integrity in all their dealings with or on behalf of the Company and acting independently of any outside fetter or instruction.
- 3.8.5.3 Exercising both the care and skill any reasonable person would be expected to show in looking after their own affairs as well as having regard to their actual knowledge and experience.
- 3.8.5.4 Understanding the Company's business, its position in its market in relation to its competitors, the nature and impact of its shareowners and other stakeholders, its strategic advantages in its industries and other factors that may influence opportunities and threats so as to discharge their duties properly, including, where necessary, relying on expert advice.
- 3.8.5.5 Acting in the best interests of the Company and avoiding conflicts of duties and interests. If these arise, they must disclose potential conflicts of interest at the earliest possible opportunity, as provided for in paragraph 5.

- 3.8.5.6 Distinguishing between issues and actions of governance as distinct from Management and not be directly involved in Management matters.
- 3.8.5.7 Ensuring that they are provided with adequate information to be able to make informed judgments, decisions and assessments.
- 3.8.5.8 Treating any confidential matters relating to the Company, learned in their capacity as a Director, as strictly confidential, and not divulge them to anyone without the authority of the Company.
- 3.8.5.9 Having the ability to ensure that strategies, budgets and business plans are compatible with the Company's vision and mission and, in monitoring performance, to identify and focus on those issues that are of significance to the Company.
- 3.8.5.10 Ensuring that procedures and systems are in place to act as checks and balances on the information being received by the Board and ensure that the Company prepared annual budgets and regularly updated forecasts against which the Company's performance can be monitored.
- 3.8.5.11 Being diligent in discharging their duties to the Company, regularly attending all meetings and making a meaningful contribution to the Company's direction. They must have the strength of character and boldness to pursue their own convictions, even where these differ from the Chairperson or Chief Executive Officer, and to probe issues to achieve full understanding. They also need to have the ability to work harmoniously, to recognise the value of the contributions of other Board members and to support and accept majority Board decisions.
- 3.8.5.12 Striving to increase shareholder value, while having regard for the interests of all the Company's relevant stakeholders.

### **3.8.6 The rights and duties of individual Directors**

The Board exercises its functions jointly. No Director has any authority to severally perform any act on behalf of the Company or the Board, unless specifically authorised or requested by the Board or an authorised nominee of the Board.

Directors are jointly accountable for the decisions of the Board.

Directors have a legal obligation to act in the best interests of the Company, to act with due care in discharging their duties as Directors, to declare and avoid conflicts of interest with the Company and the Group, and to account to the Company for any advantages gained in discharging their duties on behalf of the Company.

Directors may at any time request a meeting with the Chairman and will in any event annually be invited by the Chairman for an individual meeting with the Chairman to discuss Board and Company matters. The Chairman will

invite non-executive directors from time to time to indicate whether they have a need to meet as a group without him and/or the Executive Management.

The interests of the Company are better served if the Board functions as a team rather than a fractious, uneasy coalition of executive, non-executive and independent factions.

Directors have access to Executive Management and the Company Secretary for advice about the governance of the Company and the Group and Board procedures. They may, after consultation with the Chairman and/or the Company Secretary, obtain such external advice as they may consider necessary to properly discharge their duties to the Company following the process set out in Annexure B.

The Nomination Committee is required to annually consider and approve the induction and training programme of directors, with specific reference to new directors.

### **3.8.7 The Company Secretary**

The Company Secretary as an appointee of the Board should possess the requisite attributes and qualifications to properly discharge his duties. The Company Secretary has responsibility to the Board, the Company and all the stakeholders.

#### **3.8.7.1 Responsibilities to the Board**

- the Company Secretary must guide the Board collectively and each Director individually as to their duties and responsibilities and make them aware of all legislation and regulations relevant to the Company;
- ensure that the procedure for appointment of Directors is properly carried out and also to co-ordinate the induction of new Directors and attending to specific training needs of Directors and Executive Management in regard to their fiduciary duties and other responsibilities;
- ensure unhindered access to all Company information by all Board and Committee members;
- ensure that a procedure exists to facilitate the obtaining of independent professional advice by any Director;
- ensure the compilation of Board papers and filtering them to ensure compliance with required standards of good governance;
- raise any other matters that may warrant the attention of the Board; and
- assist the Chairman or any responsible Director in monitoring the dealing in securities of the Company by Directors.

### **3.8.7.2 Responsibilities to the Company**

- ensure compliance with all relevant statutory and regulatory requirements, having due regard to the specific business needs of the Company;
- assist in carrying out corporate strategies by ensuring that Board decisions and instructions are clearly communicated to the relevant persons;
- be available as a central source of guidance and advice within the Company on matter of ethics and good governance; and
- ensure that the levels of delegation set out in the Chief Executive Mandate document are adhered to at all times.

### **3.8.7.3 Responsibilities to Stakeholders**

- communicate with the shareholders as appropriate, and ensure that due regard is paid to their interests; and
- act as a primary point of contact for institutional investors, other shareholders and all stakeholders, especially with regard to issues of corporate governance.

The Company Secretary is subjected to a fit and proper test and his performance is evaluated annually.

## **4. POLICY IN RESPECT OF CORPORATE GOVERNANCE**

It is the policy of the Company to comply with the provisions of the King IV, except to the extent specifically agreed to by the Board and disclosed in the Integrated Annual Report. In addition, the Company's corporate governance practices are reviewed frequently in view of changes within the Company, and national and international developments in respect of corporate governance, in order to pro-actively adapt the corporate governance practices of the Company, should it be in the best interests of the Company and its stakeholders to do so.

## **5. DISCLOSURE AND CONFLICT OF INTERESTS**

In terms of Section 75 of the Companies Act, Directors are obliged to promptly disclose any personal financial interest in a matter to be considered at a meeting of the Board in advance.

Personal financial interest when used with respect to any person: -

- i. means a direct material interest of that person, of a financial, monetary or economic nature, or to which a monetary value may be attributed; but
- ii. does not include any interest held by a person in a unit trust or collective investment scheme in terms of the Collective Investment Schemes Act, 2002,

unless that person has direct control over the investment decision of that fund or investment.

Full disclosures of the above should be made in writing and be submitted to the Company Secretary, who must submit it to the Board at the first subsequent Board meeting. General disclosures of this nature are only effective until the end of the financial year in which the disclosures had been made.

Section 75 of the Companies Act provides that if a director has a personal financial interest in respect of a matter to be considered at a meeting of the Board, or knows that a related person has a personal financial interest in the matter, the director: -

- i. must disclose the interest and its general nature before the matter is considered at the meeting;
- ii. must disclose to the meeting any material information relating to the matter, and known to the director;
- iii. may disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors;
- iv. if present at the meeting, must leave the meeting immediately after making any disclosure contemplated in paragraph b or c;
- v. must not take part in the consideration of the matter, except to the extent contemplated in paragraphs b and c;
- vi. while absent from the meeting in terms of this sub section: -
  - iii. is to be regarded as being present at the meeting for the purpose of determining whether sufficient directors are present to constitute the meeting; and
  - iv. is not to be regarded as being present at the meeting for the purpose of determining whether a resolution has sufficient support to be adopted; and
- vii. must not execute any document on behalf of the Company in relation to the matter unless specifically requested or directed to do so by the Board.

It being noted that related and inter-related persons are defined in Section 2 of the Companies Act.

Enduring material conflicts of interest are regarded by the Board as incompatible with the fiduciary duties of Directors. Directors are appointed on the express understanding and agreement that they may be removed by the Board if and when they develop an actual or prospective enduring material, conflict of interest with the Company or a Group company.

## **6. CODE OF ETHICS**

The Board will approve the Group's Code of Ethics from time to time.

## **7. DEALING IN THE SECURITIES OF THE COMPANY**

Directors and employees are required to adhere to the Company's Price Sensitive Information Policy and Insider Trading Policy. Copies of same will be made available on request by the Company Secretary.

## **8. BOARD EVALUATION**

The Board shall assume responsibility for the evaluation of its own performance and that of its, committees and individual directors by determining how it should be approached and conducted.

The Board should appoint an independent non-executive member to lead the evaluation of the Chairperson's performance if a lead independent is not in place.

A formal evaluation process shall include the evaluation of ethical culture and ethical and effective leadership in terms of King IV recommended practices. The results of the self-evaluation may explain why a re-appointment may or may not be appropriate (under the auspices of the Chairperson, assisted by the Company Secretary).

The Board, the Chairperson, the individual members and its committees shall be formally evaluated at least every 2 (two) years.

Consideration, reflection and discussion of the Board's performance and that of its committee's and the Chairperson must be scheduled in the work plan every alternate year.

The Board should disclose (in the Integrated Annual Report) the description of the performance evaluations, an overview of the results and remedial actions and whether the Board is satisfied that the evaluation process is improving its performance and effectiveness.

## **9. MEMORANDUM OF INCORPORATION**

This Board Charter is not intended to replace or amend the MOI of the Company. In the event of a conflict between the MOI and the Charter, the provisions of the MOI shall have preference, as the case may be.

The Board Charter is also not intended to contain a comprehensive summary of all the applicable principles. Board members requiring advice in respect of any matter referred to in this Charter are welcome to contact the Company Secretary.

## **10. APPROVAL OF THIS CHARTER**

This Charter was approved by the Chairman of the Board on 28 November 2017 and will be due for review on 26 November 2018.

## Annexure A1

## Annexure A2

## Annexure A3

## Annexure A4

## Annexure A5

## **PROCESS FOR OBTAINING PROFESSIONAL ADVICE**

Directors' responsibilities, rights, obligations and duties are set out in the Memorandum of Incorporation ("**MOI**"), the Companies Act no 71 of 2008 ("**Act**"), as amended, the JSE Listings Requirements, and the King IV Code of Corporate Governance for South Africa ("**King IV**").

In terms of:-

1. King IV the board of directors of Clover Industries Limited ("**Company**") and each of its directors should be permitted to take independent advice in connection with their duties following an agreed procedure; and
2. Section 76 (5) of the Act the board of directors of Company ("**Board**") and each of its directors shall be entitled to rely on legal counsel, accountants or other professional persons retained by the Company which the Board or a committee believe are matters: -
  - a. within the particular person's professional or expert competence; or
  - b. as to which the particular person merits confidence,in the exercise of its powers and the performance of its functions of director.

## **PROCESS**

Prior to obtaining independent professional advice, the director must seek approval from the Chairman of the Board and/or the Company Secretary which approval shall not be unreasonably withheld, provided that should the Chairman of the Board and the Company Secretary be the subject of the opinion the director may seek approval from any non-conflicted director.

## **CRITERIA FOR SELECTION OF EXTERNAL EXPERTS**

The expert must be professional in his field with appropriate qualifications and expertise and be chosen after consultation with the Chairman or the Company Secretary.

The expert must be given detailed instructions with such instructions to be distributed to the Chairman and Company Secretary prior to the engagement with the expert.

A copy of the formal opinion together with the letter of instruction and all material which accompanied the letter of instruction must be provided to the Chairman and Company Secretary for potential onward distribution to the Board.