

## **REUNERT LIMITED BOARD CHARTER**

### **1 PURPOSE**

The Reunert Limited (the company) board charter provides a concise overview of the:

- scope and boundary of the roles, functions, responsibilities and powers of the company's board of directors (the board), shareholders and individual directors, as well as its officers and executives;
- board committees and the powers delegated to each;
- matters on which the board is responsible for final decision-making or pre-approval; and
- policies and practices of the board relating to matters such as corporate governance, directors' dealing in shares of the company, declarations and conflicts of interest, board meeting documentation and procedures, and the nomination, appointment, induction, training and evaluation of directors and members of board committees.

### **2 THE BOARD, OTHER ORGANS OF THE COMPANY AND COMPANY OFFICERS**

#### **2.1 Shareholders**

Under the company's Memorandum of Incorporation (MOI)<sup>1</sup> and the South African Companies Act (71 of 2008), (the Act), shareholders are responsible for making decisions on the matters set out in Attachment 1.

The board deliberates all matters reserved for shareholders before it refers these matters to shareholders for decision-making. Where appropriate, the board will provide shareholders with its recommendation on these matters, as well as any material information related to the resolutions proposed to shareholders, for approval by the required majority, proportion or percentage of shareholders.

The company's policy calls for information to be accurately disclosed to shareholders, other stakeholders and potential investors, to enable them to understand all material aspects of the business and its direct and indirect subsidiaries and associates (group companies).

Directors and senior management are expected to attend shareholders' meetings and to be available at the annual general meeting to answer questions posed by shareholders.

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

#### **2.2 The board**

##### **2.2.1 General powers**

Various elements play a part in determining the role, function and power of the board (including its members and committees) as well as its relationship with other organs of the

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<sup>1</sup> The MOI of the company is currently being reviewed and will be submitted in February 2012

company and its direct and indirect subsidiaries and associates. These elements include legislation, the MOI of the company, JSE listings requirements, King III report, delegation of authority and policies of the board.

The powers the MOI confers on the board include:

- the responsibility to manage the company's business, who in addition to the power and authorities expressly conferred on them by the MOI, may exercise all such powers and do all such acts and things as may be done by the company, or those things that may not specifically be required to be exercised or done in the general meeting. However, these remain subject to the provisions of the act and the MOI, provided that no resolution passed by the company invalidates any prior act by the directors which would have been valid had such resolution not been passed; and
- the might and ability to delegate any of their powers and discretion, as well as delegate the power to sub-delegate, to any person or persons.

The board accordingly has the power to make any decision in respect of the company that has not been specifically reserved for shareholders.<sup>2</sup> This power includes the ability to exercise the rights as direct or indirect shareholders in group companies and associates.

The board strives to always exercise its power responsibly, in both:

- the interest of the company, with due regard to the interest of its stakeholders; and
- compliance with the requirements of the law, the listings requirements of the JSE Limited, the principles of sound corporate governance and the company's board policies and procedures.

### **2.2.2 Role, functions and responsibilities**

Within the powers conferred on the board by the MOI it has determined its main function and responsibility as adding value to the company by:

- retaining full and effective control over the company;
- approving the strategies and strategic objectives of the company and group companies;
- approving and setting company values including principles of ethical business practice;
- giving independent, informed and effective judgment on material decisions of the company and group companies including policies, the appointment or removal of the chief executive and members of group management and the approval of capital expenditure, transactions and consolidated group budgets.
- satisfying itself that the company and group companies are governed effectively in accordance with corporate governance best practices, including risk management, internal control and information technology systems.
- monitoring the implementation by group companies, board committees and executive management of the board's strategies, decisions, values and policies through a structured approach to integrated reporting, risk management and the internal controls;

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<sup>2</sup> See Attachment 1 for the matters that have been reserved for decision-making by shareholders

- acting as the focal point for, and custodian of, corporate governance by managing its relationship with management, shareholders and other stakeholders along sound corporate governance principles;
- appreciating that strategy, risk, performance and sustainability are inseparable and effecting this understanding by:
  - contributing to and approving strategy;
  - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - identifying key performance and risk areas;
  - ensuring that the strategy will result in sustainable outcomes;
  - considering sustainability as a business opportunity that guides strategy formulation; and
  - ensuring the integrity of the company's integrated report.
- ensuring that the company conducts its business and has a strong reputation as a responsible corporate citizen by having regard for not only the financial aspects of the company but also the impact that business operations have on the environment and the communities it operates in.

### **2.2.3 Responsibilities of executive management to the board**

Executive management are responsible for ensuring that regular detailed reports are submitted to the board on each of the businesses in which the company is invested in, to enable the directors to fulfil their fiduciary duties and to;

- maximise sustainable returns;
- safeguard the people, assets and reputation of the group; and
- ensure compliance with applicable laws and regulations.

### **2.2.4 Matters reserved for decision-making by the board**

Without detracting in any way from its general power, the board from time to time determines which matters are:

- reserved for final decision-making by the board; or
- require the board's consent before a final decision is made.

These matters, as well as the approval authority of board committees in respect of company and group company matters, are summarised in Attachment 2.

### **2.2.5 Board composition and appointment of directors**

In terms of the MOI, the board may consist of a maximum of 20 directors and a minimum of four directors. The MOI provides for the board to appoint a chairman, no more than two deputy chairmen and one or more managing directors (chief executives) from among the directors. The board also has the power to fill vacant positions on the board, with the nomination committee mandated to consider and recommend candidates to fill vacancies on the board.

It is the board's policy to give due regard to diversity and the appropriate balance of executive, non-executive and independent directors when making or recommending appointments, to ensure that board composition reflects:

- a majority of independent non-executive directors;
- racial and gender diversity; and
- diversity in respect of relevant business, geographic and academic backgrounds.

Only individuals with sound business and professional acumen and of high ethical standing will be considered for appointment to the board. Individuals with material enduring conflicts that cannot be responsibly managed by the normal methods of declaration of interests and temporary recusal from meetings, will not be considered for appointment.

This board charter is considered to be integral to the conditions of appointment of all directors, and will be referenced in and attached to all future letters of appointment.

Directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting at least once every three years. The curriculum vitae of the directors concerned are set out in the company's annual report and on the website.

Non-executive directors retire after reaching the age of 70 at the following annual general meeting. Executive directors retire from the board at age 63.

The independence of directors must be evaluated annually while considering the following guidelines:

- whether the director has been employed in an executive capacity in the group in the last three years;
- whether the director has served on the board for longer than nine years;
- whether the director is a representative of a major shareholder; and
- whether the proportion of that director's shareholding in the company (if any), or director's fees, represent a material part of their wealth or income.

### **2.2.6 Committees**

In terms of the MOI, the board has the power to appoint and delegate powers to board committees. The board recognises and accepts the legal principle that, while certain powers can be delegated to individuals and/or committees, ultimate accountability for the matters delegated remains with the board. For this reason authorities delegated by the board always include a requirement for 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 created the following committees:

- Audit committee
- Remuneration committee
- Nomination committee
- Risk committee
- Investment committee
- Group executive committee
- Social, ethics and transformation committee

Formal charters are established and approved for each committee and these terms of reference are reviewed annually.

## **2.2.7 Board meetings and board documentation**

### ***Frequency and annual board work plan***

The board meets on a quarterly and ad hoc basis as required. The annual work plan of the board and schedule of board meetings are considered annually by the group executive committee for recommendation to the board.

The annual work plan must ensure that the matters set out in this charter are properly covered. More critical matters need to be attended to each year, while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings and the agendas are to be determined in accordance with the annual work plan.

### ***Participation, quorum, written resolutions***

Board members are expected to attend and be adequately prepared for all board meetings. Board members are expected to participate fully, frankly and constructively in board discussions and to bring the benefit of their particular knowledge, experience, skills and abilities to bear in discharging their duties as directors.

Board members who are unable to attend board meetings must advise the chairman or company secretary at an early date. If the chairman is unable to attend a meeting, the members present must elect an attending member to act as chairman. The chairman may at his or her discretion authorise the use of audio or video conferencing facilities should physical attendance not be possible.

Members of senior management, assurance providers and professional advisors may be invited to attend board meetings to facilitate communication between executive management and non-executive board members. However, they cannot vote on any resolution.

Irrespective of any prior general declarations of interest filed with the company, a director who has a real or prospective specific interest in any of the business of the company or group that may be dealt with at a board meeting should inform the chairman or the board of such an interest as soon as the director becomes aware of it. The chairman may, at his or her sole discretion, require that such a director recuses him or herself from discussions at board or board committee meetings where such business will be discussed.

Subject to the provisions of the Act on special resolutions, the minimum requirement for a quorum at a general meeting is three or more members being personally present and entitled to vote.

The quorum necessary for the transaction of the business of the directors may be fixed by the directors, and unless otherwise fixed, will be two non-executive directors. In terms of the MOI, a resolution in writing by all the directors who are at the time present in the town where the office of the company is situated, being not less than are sufficient to form a quorum, will be as valid and effectual as if it had been passed at a duly called and constituted meeting of the directors. All written resolutions must be ratified at the next meeting of directors.

It is the policy of the board that matters to be decided on are presented at board meetings for comment and debate before approval or rejection. In instances where routine resolutions require board authority, these written resolutions are circulated to all directors and noted at the next board meeting.

### ***Agenda, meeting papers and minutes***

The chairman, with the assistance of the chief executive officer and the company secretary, must ensure that an agenda which raises all relevant issues that require attention is prepared prior to the meeting and that it is set out in such a way and sequence as to facilitate effective proceedings.

The company secretary must ensure that the agenda and meeting papers are circulated to board members at least five working days before the date set for the meeting.

The group executive committee must annually consider whether the format and content of standard board reports and submissions are appropriate and make recommendations to the board on any changes to board reports or submissions that would improve the board's efficiency.

It is preferable that all meeting papers and submissions made at a board meeting are not removed from the boardroom on conclusion of the meeting. Certain directors may need to retain their board papers for subsequent review. These directors are required to ensure that all papers and submissions remain confidential. A record of board submissions will be maintained and held by the company secretary. Directors may arrange with the company secretary to access records of board documentation and minutes if required in discharging their duties as directors of the company.

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

### **2.3 Chairman**

The chairman of the board is elected annually by the board members. The chairman shall be an independent non-executive director.

The chairman provides leadership at board level, represents the board to shareholders and is responsible for ensuring the integrity and effectiveness of the board and its committees. To this end the chairman is required to:

- maintain regular dialogue with the chief executive on all material matters affecting the company and the group, and to consult with other board members promptly when considered appropriate;
- ensure that all matters that are, to the best of his or her knowledge, material to the business or governance of the company or group are tabled at board meetings;
- act as facilitator at board meetings to ensure that material issues for consideration are tabled and adequately discussed to ensure optimal board decision-making and governance;
- be available to the chief executive between board meetings to provide counsel and advice;
- assist the remuneration committee and the board in determining the performance objectives of the chief executive and his or her performance against the company's objectives, and
- induction of directors.

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.

## **2.4 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 for:

- developing and recommending to the board the long-term strategy and vision of the company and its quantified expression through critical performance targets;
- developing and recommending to the board the annual business plans and budgets that support the company's long-term strategy;
- stakeholder management and engagements;
- ensuring that the company has an effective management team and management structures;
- ensuring that appropriate company and group policies are formulated and implemented;
- ensuring that effective internal company and group controls and governance measures are deployed as well as risk management processes;
- serving as the chief spokesperson of the company; and
- addressing any other material issues facing the company.

The board appoints the chief executive on recommendation by the nomination committee and authorises the duration and terms of appointment, as well as compensation, on recommendation by the remuneration committee.

## **2.5 The rights and duties of individual directors**

The board exercises its functions jointly and no director is authorised to perform any act on behalf of the company or the board outside the board structure, unless specifically authorised or requested by the board or its authorised delegates. 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.

Directors may at any time request a meeting with the chairman. The board is of the view that the interests of the company are better served if it functions as a team.

Directors have access to top management and the group company secretary for advice on the governance of the company and group as well as board procedures. Directors may also, after consultation with the chairman, obtain external advice they consider necessary to properly discharge their duties.

The board is required to annually consider and approve the induction and training programme for new directors. Continuing professional development programmes are implemented which

ensure that directors receive regular briefings on changes in risks, laws and the operating environment of the company.

## **2.6 Group company secretary**

The group company secretary is accountable to the board for:

- ensuring that board procedures are followed and reviewed regularly;
- ensuring that the applicable rules and regulations for the conduct of the affairs of the board are complied with;
- maintaining statutory records in accordance with legal requirements;
- providing 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
- keeping abreast of and informing the board of current corporate governance thinking and practice.

## **3 GROUP COMPANIES AND DIVISIONS**

Many of the group companies and associates conduct business through one or more divisions or as an agent.

The businesses of the various group subsidiaries and divisions are conducted on a decentralised basis, with each business unit having its own board or divisional board and management.

The board of directors considers this decentralised management approach to be in the best interest of the company, and exercises its rights as shareholder in the various group operations to ensure that the company approves those operations' material decisions

## **4 CORPORATE GOVERNANCE POLICY**

It is the policy of the company to comply with King III to the extent specifically agreed by the board, which is disclosed in the integrated report. In addition, the company's corporate governance practices should be reviewed frequently in view of changes in the company, as well as national and international developments relating to corporate governance, to proactively adapt its corporate governance practices should it be in the best interests of the company to do so.

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

In terms of the Act and MOI, directors are obliged to promptly disclose their direct or indirect interests in:

- any other company, partnership, trust or legal entity that is material to the company's business; and
- any contract or proposed contract which is material to the company's business.

Full disclosures of the above should be made in writing and submitted to the group company secretary, who will 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 and will subsequently need to be disclosed again in the following year.

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 from the board if and when they develop an actual or prospective enduring material conflict of interest with the company or a group company.

Failure to make disclosures of interest constitutes a criminal offence in terms of the Act.

## **6 DEALING IN THE SECURITIES OF THE COMPANY**

In terms of JSE requirements, the company is required to promptly notify the JSE when directors deal in its securities. Senior executives must obtain permission from the chief executive before company shares are dealt in. All directors must obtain permission from the chairman in writing before dealing in the company's securities and the company secretary must be notified on conclusion of these transactions. The chairman must obtain approval from the CEO, in consultation with the chairman of the remuneration committee before dealing in the company's shares.

Directors and officers of the company are also required to adhere to the company's policy on insider trading.

## **7 BOARD EFFECTIVENESS**

The evaluation of the board, its committees and individual directors, including the chairman, must be performed annually.

## **8 MEMORANDUM OF INCORPORATION**

This board charter is not intended to replace or amend the MOI in any way. In the event of a conflict between the MOI and the charter, the provisions of the MOI take preference. The board charter is also not intended to provide a comprehensive summary of the applicable legal principles. Board members requiring advice on any matter referred to in this charter are welcome to contact the group company secretary.

## **9 APPROVAL OF THE BOARD CHARTER**

This charter was approved by the board and signed by the chairman for and on behalf of the board on 30 August 2011 and will be reviewed annually.

**T S Munday**

*Chairman*