

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

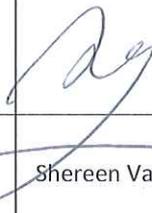
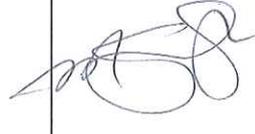
# **BOARD OF DIRECTORS CHARTER**



# Board of Directors Charter

Doc No.	CHR 004
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## REVISION & REVIEW TABLE

Rev Code	Issue Date	Description of Revisions Made	Signatures		
			Responsible	Reviewed	Approved
00	02/09/2011	Document Started	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
01	31/08/2012	Historical Changes	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
02	2013	Historical Changes	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
03	2014	Historical Changes	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
04	2015	Historical Changes	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
05	2017	Historical Changes	Pieter Vorster	Shereen Vally-Kara	M.S. Wylie
06	24/05/2019	Document updated to standard company format. Content changes include bullets for Heading 3.1 and sub-headings, Heading 4.1.1 & Heading 4.1.3, as well as Heading 6 Evaluation frequency.			
			Pieter Vorster	Shereen Vally-Kara	M.S. Wylie Chairman – Main Board
Next Review Required:			August 2020		

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

## TABLE OF CONTENTS

<b>1.</b>	<b>INTRODUCTION .....</b>	<b>4</b>
<b>2.</b>	<b>ROLE AND PURPOSE OF THIS CHARTER .....</b>	<b>4</b>
<b>3.</b>	<b>COMPOSITION .....</b>	<b>4</b>
3.1	Specific Roles.....	5
3.1.1	<i>Role of the Chairperson.....</i>	<i>5</i>
3.1.2	<i>Role of the CEO.....</i>	<i>6</i>
3.1.3	<i>Role of the Lead Independent Director (“LID”).....</i>	<i>6</i>
3.1.4	<i>Role of the Company Secretary .....</i>	<i>7</i>
<b>4.</b>	<b>RESPONSIBILITIES .....</b>	<b>7</b>
4.1	Delegation .....	8
4.1.1	<i>Committees .....</i>	<i>8</i>
4.1.2	<i>As a rule, the Board will not Delegate the Following Responsibilities: .....</i>	<i>8</i>
4.1.3	<i>King IV Encourages a Holistic and Integrated Approach when the Board is Establishing Committees. In Delegating to the Committees, the Board Should set out to achieve the Following.....</i>	<i>10</i>
<b>5.</b>	<b>MEETING PROCEDURES.....</b>	<b>10</b>
5.1	Frequency.....	10
5.2	Attendance.....	10
5.3	Agenda and Minutes .....	10
5.4	Quorum .....	10
<b>6.</b>	<b>EVALUATION .....</b>	<b>11</b>
<b>ANNEXURE 1 -</b>	<b>JSE LISTINGS REQUIREMENTS CATEGORIZATION OF DIRECTORS.....</b>	<b>12</b>

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

## 1. INTRODUCTION

Ovcon Limited (hereafter referred to as “the Company”) has applied the following Board charter, as recommended in the Report on Corporate Governance for South Africa 2016 (“King IV”), and is subject to the provisions of the Companies Act No. 71 of 2008, the Memorandum of Incorporation (MOI) of the company, and any other applicable law or regulatory provision.

## 2. ROLE AND PURPOSE OF THIS CHARTER

The purpose of this charter is to set out the role and responsibilities of the board, together with the requirements for its composition and meeting procedures.

## 3. COMPOSITION

- The board of directors is to comprise of at least four (4) directors in terms of the
- Memorandum of Incorporation (the Companies Act requires a minimum of three (3) directors);
- A majority of the directors shall be independent (as assessed by the board);
- The board will include a Chairperson and a Chief Executive Officer (CEO), and these roles will be separate;
- Where the Chairperson is an executive director, the board will appoint a Lead independent non-executive director to facilitate the resolution of difficulties or conflicts between executive and non-executive directors, and to assist the Chairperson in fulfilling their designated tasks, as required
- The board will include an appropriate balance of skills. Where directors require training, the company at the cost of the company but subject to board approval will provide this. No single director will be allowed to dominate the board and the majority of directors will be independent and non-executive;
- The Chairperson of the Audit committee, also serving as a non-executive director on the board, must remain truly independent and should not own shares of the company;
- There must be a sufficient number of directors, with the appropriate skills, to ensure that the board is able to carry out its duties;
- Board members will be formally appointed for a period of three (3) years and a third of the board will be available for re-election on a rotational basis at the AGM of the company, in terms of the Memorandum of Incorporation of the company;
- All new board members will undergo a formal induction program;
- A minimum of two (2) executive directors should form part of the board, namely, the CEO and the Chief Financial Officer (CFO)
- The board must holistically review the independence of an independent non-executive director who serves more than nine (9) years on a substance over form basis in line with the recommendations of King IV;
- The standards for determining the independence of a director will include the stipulations of the JSE Listing Requirements and are set out in Attachment “A”; and

	<h1>Board of Directors Charter</h1>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

- Directors are required to disclose to the board all relevant information that may affect their independence.
- Real or perceived conflicts of interest will be disclosed by the directors to the board and dealt with accordingly.

### 3.1 Specific Roles

#### 3.1.1 *Role of the Chairperson*

- Set the ethical tone for the board and the company.
- Provide overall leadership to the board without limiting the principle of collective responsibility for board decisions.
- Foster a constructive governance culture and apply appropriate governance principles among directors and senior management.
- Ensure, in conjunction with the chief executive officer, the company secretary, that an annual work plan for the Board is developed, and playing an active part in setting the agenda for board meetings.
- With the assistance of the Remuneration and Nomination Committee:
  - identifying and participating in the nomination of individuals for appointment as directors;
  - overseeing a formal succession plan for directors and senior management of the company;
  - ensuring that a formal programme of induction and continuing professional education for directors is adopted and, in general,
  - enhancing the confidence of new directors and encouraging them to speak and make a meaningful contribution at board meetings; and
  - ensuring that the on-going effectiveness and development of the Board, board committees and individual directors are reviewed annually.
- Presiding over board meetings and ensuring that time in meetings is used productively.
- Dealing with conflicts of interest, which may arise, ensuring compliance with all internal and external legal requirements. In this regard, the chairperson must ask the relevant director to recuse themselves from participating in discussions and taking decisions in respect of matters in which they have a conflict of interest.
- Acting as a link between the board and management and in particular between the board and the chief executive officer.
- Ensuring that complete, timely, relevant, accurate, honest and accessible information is placed before the board to enable directors to reach an informed decision.
- Ensuring that all directors play a full and constructive role in the affairs of the company and taking a lead role in the process of removing non-performing or unsuitable directors from the board.

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

- Monitoring how the board works together and how individual directors perform and interact at meetings. Ensuring that all directors are appropriately made aware of their responsibilities and ensuring that a formal program of continuing professional development is adopted at board level.
- Ensuring that good relations are maintained with the company’s major shareholders and its strategic stakeholders, building, and maintaining stakeholder trust and confidence in the company.
- Ensuring that board decisions are executed.
- Ensure there are processes and procedures in place to evaluate the performance of the board. The Chairperson should meet with individual directors once a year to discuss their performance.
- Act as a mentor or counsel to the CEO and other directors to enhance their confidence.

### **3.1.2 Role of the CEO**

- Recommending or appointing the executive team, ensuring proper succession planning, and performance appraisals.
- Developing the company’s strategy for consideration and approval by the board.
- Developing and recommending to the board annual business plans and budgets that support the company’s long-term strategy.
- Monitoring and reporting to the board the performance of the company and its conformance with compliance imperatives.
- Establishing an organizational structure for the company, which is necessary to enable execution of its strategic planning.
- Setting the tone in providing ethical leadership and creating an ethical environment.
- Ensuring that the company complies with all relevant laws and corporate governance principles.
- Ensuring that the company applies all recommended best practice and, if not, that the failure to do so is justifiably explained.

### **3.1.3 Role of the Lead Independent Director (“LID”)**

Where the LID is expected to actively serve in the circumstances as referred to above, he/she will be responsible for:

- Presiding at all meetings of the board at which the chairperson is not present or where the chairperson has mixed feelings, including any session of the independent directors.
- Develop the agenda for and preside at meetings of the Board’s independent directors.
- Calling meetings of the independent directors where necessary.
- Serving as principal liaison between the independent directors and the chairperson.
- Performing all such functions that cannot be performed by the chairperson due to his/her absence or the existence of a conflict of interest.
- Liaising with major shareholders if requested by the board in circumstances or transactions in which the chairperson has mixed feelings.

	<h2>Board of Directors Charter</h2>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

- Prepare a Lead Independent Director report, which will be included in the governance review of the annual integrated report.
- Conduct an annual performance evaluation of the Chairman of the Board.
- Performing other duties that the board of directors may from time to time delegate.

#### **3.1.4 Role of the Company Secretary**

- Be secretary to the board.
- Ensure that the directors are aware of the requirements of a listed entity and update the directors on any changes in statutory matters.
- Minute all meetings held by the board and its sub-committees.
- Co-ordinate all necessary training for members of the board.
- Maintain a register of interests of the board of directors.
- Certify the Annual Financial Statements.
- Assist the Chairman with the annual evaluation process.

### **4. RESPONSIBILITIES**

The board is responsible for the following:

- Being the focal point and custodian of corporate governance;
- Approving the strategic direction of the company and the budgets necessary for the implementation thereof;
- Considering sustainability as a business opportunity that guides strategy formulation;
- Being the guardian of the values and ethics of the company;
- Appointing and removing the CEO (in accordance with the terms of the MOI of the company);
- Electing the Chairperson and confirming the appointment on an annual basis;
- Retaining full and effective control of the company;
- Monitoring the implementation of the “corporate vision” and ensuring that there is compliance with both “the letter” and “the spirit” of the law at all times;
- Communicating with stakeholders openly and timeously throughout the year;

	<h1>Board of Directors Charter</h1>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

## 4.1 Delegation

The board may delegate certain functions to management by way of a framework and to well-structured committees, without abdicating its own responsibilities. Delegation is formal and involves:

### 4.1.1 Committees

- Five standing committees are the Audit committee, Risk committee, Nominations committee, Social & Ethics committee and the Remuneration committee;
- From time to time, the board may also establish *ad hoc* or special purpose committees to examine, or have the delegated authority to deal with, specific issues on behalf of the board;
- The Nomination committee will give consideration to board diversity, the composition of the board, retirements, nominations and appointments of additional and replacement directors, and make appropriate recommendations to the board;
- Formal terms of reference are established for each board committee and reviewed annually.

#### 4.1.1.1 Delegation of a Special Role or Responsibility to a Standing or Ad Hoc Committee

**King IV specifically provides that the board should determine if and when it delegates a particular role or responsibility to a standing or ad hoc committees (the board must exercise its judgement) this approach endorses the King IV rationale of delegation to committees, which is to:**

- **Promote Independent Judgment**

The board to apply its mind and discretion on the needs of the organization and which committees are beneficial to the effectiveness and efficiency of the organization and the board fulfilling its role and responsibilities.

- **Achieve Balance of Power**

The board to allocate to the different committees specific roles and responsibilities as well as consideration for composition and in doing so there is a balance of power among all committees.

### 4.1.2 As a rule, the Board will not Delegate the Following Responsibilities:

#### 4.1.2.1 Financial

- Adoption of any significant change or departure in the accounting policies and practices of the company;
- Approval of the strategy, business plans and annual budgets of the company (and of any subsequent material changes in strategic direction or material deviations in business plans);
- Approval of annual financial statements, interim reports, the valuation, the declaration of dividends and the forfeiture of unclaimed dividends; and
- Recommendation to shareholders of any increase, reduction or alteration to the share capital of the company and the allotment, issue or other disposal of shares of the company (except for shares allotted under any share incentive scheme).

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

#### 4.1.2.2 *Statutory and administrative*

- Recommending amendments to the MOI of the company;
- Appointment, removal or replacement of the external auditor of the company;
- Frequency of meetings of the board;
- Convening of general meetings of shareholders of the company;
- Prosecution, defense or settlement of legal or arbitration proceedings where material and except in the ordinary course of business;
- Approval of the rules and amendments to pension and provident funds having a material effect on the actuarial liabilities of those funds;
- Appointment and removal of the Company Secretary;
- Variation of the rights attaching to shares where such powers are vested in the directors; and
- Formulation and amendment of the code of conduct of the company.

#### 4.1.2.3 *Regulatory*

- Approval of the terms and conditions of the rights issues of the company, public offers, capital issues or issues of convertible securities, including shares or convertible securities issued for acquisitions;
- Approval of, and authority to issue, prospectuses, listing particulars, rights offers or takeover or merger documents;
- Recommending to shareholders that they approve any ordinary or special resolutions in respect of the company;
- Recommending that the shareholders take a particular course of action proposed by the company; and
- Any decision to list the shares of the company on any stock exchange, or the termination of any such listing.

#### 4.1.2.4 *Human Resources*

- Appointments to, and removals from, the board, including the appointment of the Chairperson, any deputy Chairperson, the CEO, executive directors and non-executive directors, and the approval of nomination of the alternate directors (if any) as recommended by the Nomination committee;
- Appointment of, terms of reference, and changes in the composition of the Executive, Audit, Risk, Social and Ethics, Remuneration, Nomination committees and such other committees as the board may appoint from time to time;
- Any increase of directors' fees, as recommended by the Remuneration committee; and
- Approval of any share or other incentive scheme, the rules applicable to any such scheme, and any amendment to such rules, as recommended by the Remuneration committee, for submission to shareholders, if applicable.

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

**4.1.3 King IV Encourages a Holistic and Integrated Approach when the Board is Establishing Committees. In Delegating to the Committees, the Board Should set out to achieve the Following**

- Effective collaboration through cross-membership between committee and their members;
- Ensuring complementary work is produced in instances of overlapping of jurisdiction between committees so as to avoid competing approaches; and
- A balanced distribution of power of membership within the committee's, to avoid dominating members and undue reliance on specific member's

**5. MEETING PROCEDURES**

Board meetings may also be conducted by electronic communication, provided all persons participating in the meeting are able to communicate concurrently with each other and to participate effectively in the meeting

**5.1 Frequency**

The board will meet at least four (4) times per year. Additional meetings will be held as and when necessary.

**5.2 Attendance**

Board members must attend all scheduled meetings, including meetings called on an *ad hoc* basis for special matters.

Senior management, assurance providers and professional advisors may attend at meetings, by invitation only, and they may not vote.

**5.3 Agenda and Minutes**

- The board should 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.
- A detailed agenda, together with supporting documentation, will, where appropriate, be circulated at least one week prior to the meeting to the members of the board.
- The Company Secretary, in conjunction with the CEO and Chairperson, will establish the agenda for each board meeting. Standing items will include financial reports, disclosure compliance, and notification of directors' relevant interests. Each director is free to raise subjects that are not on the agenda for that meeting.
- Comprehensive minutes of the meetings will be kept.
- The Company Secretary will assist the directors in ensuring that they comply with the law and good corporate governance at all times.

**5.4 Quorum**

A representative quorum for meetings is a majority of directors present.

Individuals in attendance by invitation may participate in discussions, but do not form part of the board.

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

**6. EVALUATION**

Evaluation of the board, its committees and individual directors, including the Chairperson, must be performed every year with an external evaluation being performed every alternate year.

Directors standing for re-election on a three (3) year cycle will have their performance evaluated by their fellow directors and senior management in a process co-ordinated by the Chairperson.

Individual feedback will be given to each director as his or her evaluation is completed.

**See Annexure on Next Page...**

	<b>Board of Directors Charter</b>	Doc No.	CHR 004
		Rev. No.	06
		Rev. Date	24/05/2019

## Annexure 1 - JSE Listings Requirements Categorization of Directors

**3.84 (e)** the capacity of each director must be categorised as executive, nonexecutive or independent, using the following as guidelines to determine which category is most applicable to each director:

(i) Executive Directors:

Are directors that are involved in the management of the company and/or in full-time salaried employment of the company and/or any of its subsidiaries;

(ii) Non-executive directors are directors that are not:

(1) Involved in the day to day management of the business, or

(2) Full-time salaried employees of the company and/or any of its subsidiaries;

(iii) Independent directors should be determined holistically, and on a substance over form basis in accordance with the indicators provided in Section 94(4)(a) and (b) of the Companies Act and the King Code. In addition, it must be noted that any director that participates in a share incentive/option scheme, will not be regarded as independent;

### **EXTRACT OF THE POLICY ON THE INDEPENDENCE OF NON-EXECUTIVE DIRECTORS**

#### **Confirming Independence of Director**

When considering the independence of a director the board will take cognizance of the following, which is an extract of the King IV Report, the independent non-executive director:

- Is not a representative of a shareholder who has to control or significantly influence management or the board;
- Is not a significant provider of capital, or ongoing funding to the Company; or an officer, employee or representative of such a provider;
- Is not a participant of a share based incentive scheme of the Company;
- Is not a holder of shares in the Company of which the value is material to their personal wealth;
- Is not an employee of the Company within the preceding three financial years or is a related party to such an executive manager;
- Is not an external auditor responsible to the statutory audit or a key member of the external audit firm in the preceding three financial years;
- Is not a significant or ongoing professional advisor to the Company;
- Is not a member of the Board or executive management of a significant customer of or supplier to the Company;
- Is not a member of the Board or executive management of another company, which is a related party to the Company;
- Is not entitled to remuneration contingent on the performance of the Company; or
- Is free from any business or other relationship (contractual or statutory) which could be seen by an objective outsider to interfere materially with the individual's capacity to act in an independent manner, such as being a director of a material customer of or supplier to the company.