

MASSMART HOLDINGS LIMITED

BOARD CHARTER

1. Definitions

In this Charter, the following words and phrases shall, unless otherwise stated or inconsistent with the context in which they appear, bear the following meanings and cognate expressions shall bear corresponding meanings:

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| 1.1 | "Annual Report" | the annual report of the Company; |
| 1.2 | "Board" | the Board of Directors of the Company as constituted from time to time in accordance with the MOI; |
| 1.3 | "Board Committees" | the various committees of the Board as constituted in terms of the MOI read with this Charter, and "Committee" shall be construed accordingly; |
| 1.4 | "Business Rescue" | shall have the meaning ascribed thereto in section 128(1)(b) of the Companies Act; |
| 1.5 | "CEO" | the chief executive officer of the Company from time to time; |
| 1.6 | "CFO" | the chief financial officer of the Company from time to time; |
| 1.7 | "Chairman" | the chairman of the Company from time to time; |
| 1.8 | "Charter" | this Board charter as amended or replaced by the Board from time to time; |
| 1.9 | "Companies Act" | the Companies Act, 71 of 2008 and any regulations published thereunder from time to time, all as amended or replaced from time to time; |

1.10	"Company"	Massmart Holdings Limited, registration number 1940/014066/06, a public company incorporated and registered in accordance with the laws of South Africa;
1.11	"Company Secretary"	the company secretary of the Company from time to time;
1.12	"Directors"	the directors of the Company from time to time;
1.13	"Financially Distressed"	shall have the meaning ascribed thereto in section 128(1)(f) of the Companies Act;
1.14	"Group"	the Company and its subsidiaries from time to time;
1.15	"Governance Authorities"	the Company's delegation of authority document as reviewed, approved, amended or replaced by the Board from time to time;
1.16	"IFRS"	the International Financial Reporting Standards;
1.17	"King Report"	the King Report on Corporate Governance for South Africa, as amended or updated from time to time;
1.18	"Listings Requirements"	the listings requirements of the JSE Limited, as amended or replaced from time to time;
1.19	"MOI"	the memorandum of incorporation of the Company adopted in compliance with the Companies Act, as amended or replaced from time to time; and
1.20	"Stakeholders"	any group affected by, and affecting, the Company's operations.

2. Introduction

- 2.1 The Board of the Company is responsible for directing the Group towards achieving high standards of corporate governance based on local and international corporate practice and is ultimately accountable for the Group's strategy, operating performance and financial results, practised within the Group's corporate governance framework. The Board is also responsible for ensuring complete, timely and relevant disclosure of the above to all Stakeholders.
- 2.2 The purpose of this Charter is to:
- 2.2.1 set out the role, responsibilities, functions and composition of the Board and the Board Committees constituted thereby;
 - 2.2.2 regulate how the Board must conduct itself in the interests of all Stakeholders in accordance with the principles of good corporate governance; and
 - 2.2.3 regulate the maintenance of good corporate governance throughout the Group in line with the requirements of the King Report.
- 2.3 The formal lines of authority and approvals are documented in the Governance Authorities. These will be reviewed annually by the Board.
- 2.4 All Board members are expected to be aware of their duties and responsibilities, the legislation and regulations affecting their conduct and the principles of good corporate governance required by the Company and the investment community.
- 2.5 This Charter will be deemed to be accepted by, and be binding upon, all existing and future members of the Board and/or Board Committee members from their acceptance of appointment as Directors and/or Board Committee members, as the case may be, without any further action required.
- 2.6 This Charter replaces any previous Board charter of the Company, which shall cease to be of any further force and effect from the date this Charter is approved by the Board.

3. The Board

3.1 Composition

- 3.1.1 The Board is responsible for its own composition, the appointment of the Chairman, the CEO and the CFO (on recommendation by the Audit and Risk Committee), and the constitution and composition of its Board committees.
- 3.1.2 The Company shall have a unitary Board.
- 3.1.3 The Board shall comprise no fewer than 8 and no more than 13 Directors, with a majority of non-executive Directors. The majority of the non-executive Directors shall be independent non-executive Directors.
- 3.1.4 The Board shall strive to ensure that its effectiveness is enhanced by racial and gender diversity and should set targets for race and gender representation in its membership.
- 3.1.5 In accordance with the King Report and the Listings Requirements, the Board's policy is that the roles of Chairman and CEO shall be separated. The Chairman shall, where possible, be an independent non-executive Director. If the Chairman is not independent, either (i) the Board shall appoint a lead independent non-executive Director, as envisaged in the King Report, subject to the nominations for appointment made by the Nomination and Remuneration Committee and/or (ii) the deputy chairman of the Board shall be an independent non-executive Director and this/these appointment(s) will be disclosed with reasons and justifications.
- 3.1.6 The leadership of the Board is the responsibility of the Chairman.
- 3.1.7 Directors will be appointed through a formal process and the Nomination and Remuneration Committee will assist with the process of identifying suitable candidates to be proposed to the Board and shareholders.
- 3.1.8 The Board will ensure that a comprehensive induction programme is available for all new Directors and this will be implemented under the responsibility of the Company Secretary.

- 3.1.9 Non-executive Directors must advise the Chairman of other planned board appointments. Executive Directors will require the approval of the Nomination and Remuneration Committees to accept outside directorships.
- 3.1.10 The leadership of the Company is the responsibility of the CEO. The Board shall appoint the CEO and set the terms of his/her employment contract. The task of the CEO is to lead the Company and to implement the policies and strategies adopted by the Board. All Board authority conferred on management is delegated through the CEO.
- 3.1.11 Executive Directors' contracts may be determined by the Nomination and Remuneration Committees and will not exceed three years without the approval of the shareholders. Any contract with the CEO must be recommended by the Nomination and Remuneration Committees for approval by the Board.
- 3.1.12 The Board, assisted by the Nomination and Remuneration Committees, will ensure that adequate succession planning is in place for the Chairman, CEO, CFO, executive Directors and directors of major subsidiaries. In this regard the Nomination and Remuneration Committees will regularly report to the Board.
- 3.1.13 The Board will undertake an annual self-assessment procedure to review its mix of skills, performance during the year, the contribution of individual Directors and the effectiveness of its committees.
- 3.1.14 In terms of the MOI, at the annual general meeting held in each year, $\frac{1}{3}$ of the Directors, or if their number is not a multiple of 3, then the number nearest to, but not less than $\frac{1}{3}$ shall retire from office; provided that in determining the number of Directors to retire, no account shall be taken of any Director who is not subject to retirement due to appointment by contract for a set period of time. Retiring Directors shall be eligible for re-election at the request of the Board and the approval of shareholders. There is no retirement age for Directors.

3.2 **Delegation**

3.2.1 The Board shall establish and annually review the composition and chairmanship of the following Board committees:

3.2.1.1 Audit Committee;

3.2.1.2 Risk Committee;

3.2.1.3 Nomination Committee;

3.2.1.4 Remuneration Committee; and

3.2.1.5 Social and Ethics Committee.

3.2.2 The Board will be assisted by a competent, suitably qualified and experienced Company Secretary, appointed by the Board, who is empowered to properly fulfil his/her duties as, *inter alia*, set out in section 88 of the Companies Act. The Company Secretary shall be a permanent resident of the Republic of South Africa and remain so while serving in that capacity. The Company Secretary shall be allowed to delegate his/her duties, but any such delegation shall not divest the Company Secretary of responsibility for the exercise or any power or performance of any duty.

4. **Role and responsibilities of the Board**

4.1 Board members shall not deal in the Company's shares during the last hour of trading of the JSE Limited; during the closed periods from one month before the end of each reporting period until the publication of half-year and full-year results or during any period when they are in possession of sensitive Company information which is not in the public domain.

4.2 The Board shall ensure:

4.2.1 that codes of conduct and ethics policies that articulate and give effect to the Board's direction on organisational ethics are approved;

4.2.2 that the codes of conduct and ethics policies encompass the Group's interaction with both internal and external Stakeholders and the broader society and address the key ethical risks of the Group;

- 4.2.3 ethical behaviour and compliance with laws and regulations by the Group and the Group's own governing documents, codes of conduct, legal and ethics policies;
- 4.2.4 that the codes of conduct and ethics policies provide for arrangements that familiarise employees and other Stakeholders with the Company's ethical standards, including:
 - 4.2.4.1 publishing the Company's codes of conduct and policies on the Company's website or other platforms or through other media as appropriate;
 - 4.2.4.2 the incorporation by reference, or otherwise, of the relevant codes of conduct and policies in supplier and employee contracts; and
 - 4.2.4.3 the incorporation of the codes of conduct and ethics policies in employee induction and training programmes;
- 4.2.5 **that it exercises ongoing oversight over the management of ethics and in particular..;**
- 4.2.6 the Group's commitment to the principles of good corporate governance and ensuring that compliance is reviewed regularly;
- 4.2.7 comprehensive reporting to shareholders.
- 4.3 The Board and the Board Committees specifically assume responsibility for:
 - 4.3.1 scanning the environment to understand and anticipate economic, industry and competitive threats likely to affect the Group;
 - 4.3.2 reviewing and evaluating the present and future strengths and weaknesses of the Group;
 - 4.3.3 annually approving and reviewing the Group's competitive strategy and sustainability and adopting business plans and budgets for the achievement thereof;
 - 4.3.4 retaining full and effective control of the Group, monitoring and directing management's implementation of Board approved strategies, plans and budgets;

- 4.3.5 establishing and monitoring a relevant set of financial and non-financial measures or indicators to predict, measure and control the performance of the Group, its business risk and the ability of the Company to implement its strategy and achieve its objectives;
- 4.3.6 ensuring that appropriate framework and systems are in place to identify, monitor and manage risk and to ensure regulatory and legal compliance;
- 4.3.7 ensuring that a relevant system of policies and procedures is operative to ensure control and the devolution of authority and responsibility;
- 4.3.8 ensuring that the governance of information technology ("IT") is addressed, including having an IT governance charter, with policies, processes and mechanisms to ensure that IT delivers the Group's strategic objectives;
- 4.3.9 approving the annual budget;
- 4.3.10 approving specific financial and non-financial objectives;
- 4.3.11 reviewing investment capital and funding proposals;
- 4.3.12 defining levels of materiality and authority for commitments made on behalf of the Group;
- 4.3.13 considering the adoption of any significant changes in: accounting policies and practices; the extent of debt committed to by the Group; changes to the MOI; and compliance with the Listings Requirements, legislation and other relevant regulations;
- 4.3.14 reviewing the Group's audit requirements and ensuring that the Company has an effective risk-based internal audit;
- 4.3.15 acting in the interests of the Group's Stakeholders;
- 4.3.16 approving the preliminary financial statements, Annual Report and other reports and announcements to shareholders;
- 4.3.17 considering the declaration of dividends;
- 4.3.18 commencing Business Rescue proceedings as soon as the Company is Financially Distressed;

- 4.3.19 reviewing the Board's composition, structure and succession;
- 4.3.20 reviewing succession planning and endorsing senior executive appointments and high-level remuneration issues;
- 4.3.21 reviewing the CEO's performance through the Nomination and Remuneration Committee; and
- 4.3.22 reviewing non-executive Directors' remuneration.

5. Meeting Procedures

5.1 Frequency

- 5.1.1 The meetings and proceedings of the Board shall be governed by the provisions of the MOI regulating the meetings and proceedings of the Directors, and such provisions are not superseded by any of the conditions laid down herein.
- 5.1.2 At least four Board meetings will be held annually.

5.2 Agenda and minutes

- 5.2.1 The Company Secretary will be responsible for circulating the agenda and other meeting papers in good time and for ensuring that proper minutes of the proceedings are maintained.
- 5.2.2 Directors must disclose in writing any conflicts of interest and shareholdings in the Company or in other relevant Stakeholders, including any through any Director's related parties.
- 5.2.3 Minutes of all Board Committee meetings shall also be included in the next Board meeting's agenda.

6. Remuneration

- 6.1 Non-executive Directors will (unless specifically waived by a Director in writing) receive annual fees as Directors, chairpersons of Board Committees and as members of Board Committees. Fees may also be paid for authorised time spent on other Group activities outside of Board or Committee forums.

- 6.2 Directors' remuneration will be advised to shareholders in the Annual Report and the basis of non-executive Directors' remuneration for the forthcoming year or periods will be put to shareholders for approval.

7. Evaluation

- 7.1 Annually all Board Committees shall perform a self-assessment. These findings, together with the Committee chairmen's formal responses, shall be tabled to the Board.
- 7.2 The Board will determine its own role, functions, duties and performance criteria, as well as that of the Board Committees, to serve as a benchmark for the performance appraisal.